NewcastleGateshead

Office Needs Assessment

FINAL REPORT

Storeys Edward Symmons

In association with

Nathaniel Lichfield & Partners

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Storeys Edward Symmons
Higham House
New Bridge Street West
Newcastle upon Tyne
NE1 8AU
T 0191 232 6291
F 0191 232 4610
www.storeys-es.com

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1 INTRODUCTION

1.0.1 In 2009 Newcastle City Council and Gateshead Borough Council jointly commissioned **storeys:ssp** and Nathaniel Lichfield and Partners (NLP) to prepare an Office Needs Assessment This was intended to:

- complement the Gateshead Office Capacity Study,
- inform and complement the Gateshead Employment Land Review,
- inform and complement Newcastle City Council's Employment Land Review,
- assist Development Management in their determination of planning applications.

1.0.2 In 2011, as a consequence of i) the coalition government's revocation of Regional Strategies, ii) the continuing economic downturn and iii) the impact of public spending cuts, the Councils considered that the economic growth projections used to inform the Office Needs Assessment were unrealistic. St Chad's College, Durham was appointed to prepare new economic projections. NLP and Storeys Edward Symmons (SES) are appointed to revise and update the Gateshead Employment Land Review and the NewcastleGateshead Office Needs Assessment, having regard to St Chad's projections

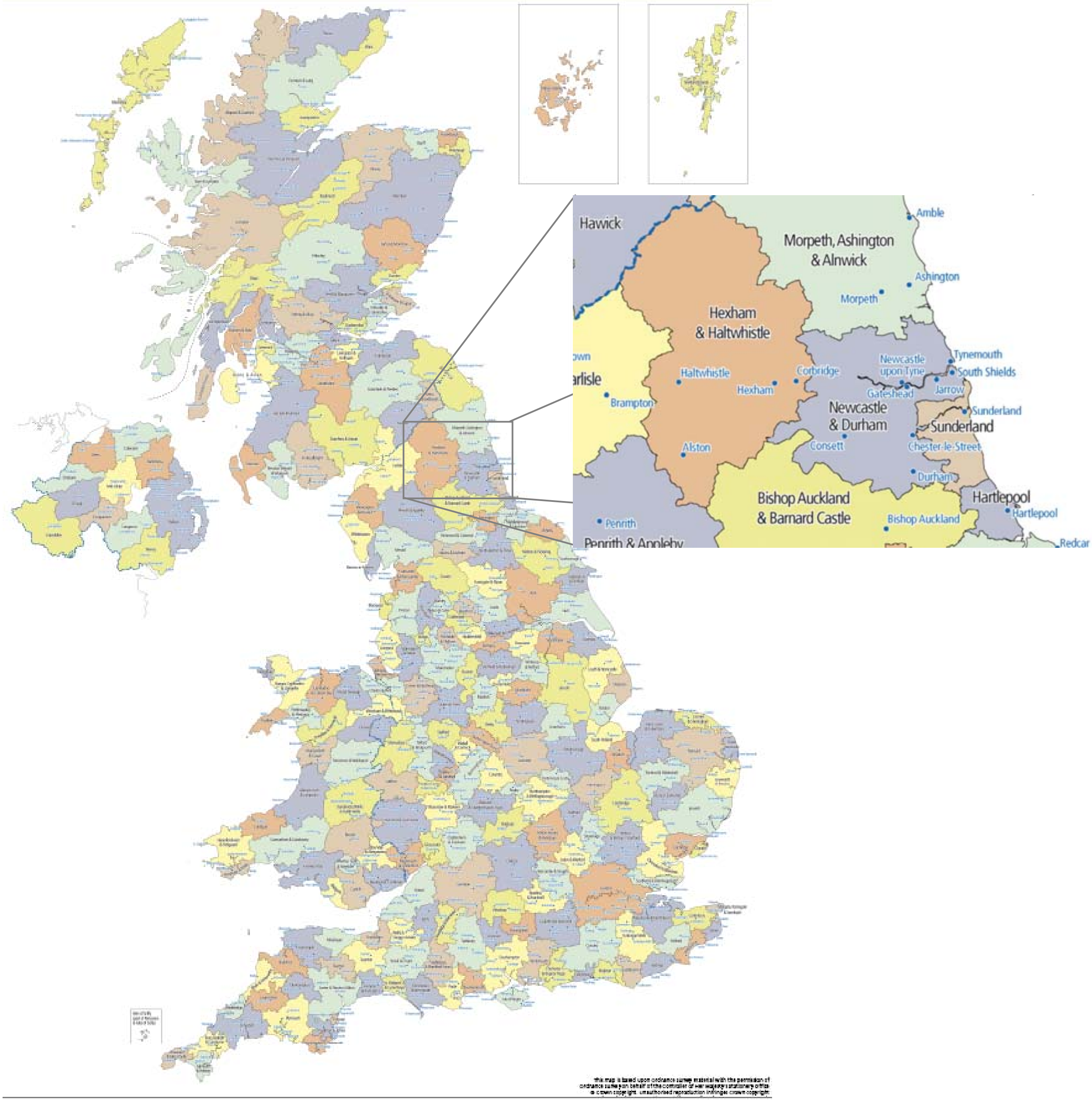
1.0.3 The principal purpose of this study is to identify the quantity and location of sites to be allocated for office development in each of the local authority areas. Economic forecasting is combined with analysis of past trends to ensure our recommendations are rooted in market realism and a robust evidence base. Our findings and recommendations are based upon research and analysis undertaken in Spring 2010, which has been comprehensively reviewed and updated in Spring 2012.

1.0.4 The office markets in Newcastle and Gateshead are distinct. Newcastle as the regional capital has high levels of letting and investment activity and there is good coverage of transactions and availability in the property press and commercial property databases. As an important regional office centre it is also the subject of regular research reports. In contrast the Gateshead office market is smaller, secondary and more local. There are fewer transactions and less coverage, so analysis is dependent on primary research. The Gateshead Office Capacity Study provides an in depth analysis of supply, a comparable analysis is not available for Newcastle. In consequence this Office Needs Assessment is informed by very different data sources for the two districts. We have aimed for consistency in our approach, but this has not always been possible. Where there is data for one authority area but not the other we have chosen to include it, rather than exclude data merely to ensure a consistent approach.

1.1 The Study Area

1.1.1 The study area is NewcastleGateshead which encompasses the full extent of the two Council's administrative areas. We have limited our direct analysis to this area. However, we have also considered office parks in the wider sub-region (defined as the TTWA[1] identified in Figure 1.1, comprising Tyne and Wear, the former Durham Districts of Derwentside, Chester-le-Street and Durham City; and parts of the former Northumberland Districts of Blyth Valley, Castle Morpeth and Tynedale) which are in close proximity to the study area and compete, to greater or lesser degrees. The principal competitors are Cobalt Business Park and Quorum Business Park, both of which are in North Tyneside.

Figure 1.1: Travel to Work Areas 2007



Source: ONS 'Travel to Work Areas: the 2007 Review'

[1] Defining labour market areas requires the analysis of commuting patterns. The ONS's fundamental criterion is that, of the resident economically active population, at least 75% can actually work in the area and also that of everyone working in the area, at least 75% actually live there as well. The resulting pattern is that although the definitive minimum working population in a TTWA is 3,500, many are much larger – 243 were defined in 2007 by the ONS using 2001 Census information on home and work addresses.

1.1.2 The maps at Appendix 1 identify the principal office locations to which this study refers.

1.2 Established and Emerging Office Locations

1.2.1 Within Newcastle the established prime office core was traditionally centred on Grey Street. As occupier requirements have changed, demand for modern open plan floorplates caused a move away from Grainger Town locations. The central business district has become more dispersed and extends to locations such as East Quayside, St James Boulevard/Gallowgate, and Manors. To the west of the city centre there are established business parks at Newcastle Business Park and Newburn Riverside. To the north of the city centre Newcastle Great Park is dominated by the Sage headquarters but more recently two smaller buildings have also been developed. To the east of the city centre major office parks have been established within North Tyneside as a result of Enterprise Zone designation.

1.2.2 In Gateshead Town Centre there has historically been a limited supply of quality office accommodation within the town centre. The Tyneside Enterprise Zone encouraged out-of-town business parks at Team Valley and Metro Riverside, which have both provided modern office accommodation. The situation is now changing with the development of Baltic Quays. This development provides new Grade A office accommodation within an area of high environmental quality on the edge of Gateshead Town Centre.

1.2.3 This allows the functional and economic linkages between the cores of Newcastle and Gateshead to be strengthened, enabling NewcastleGateshead to play an increasingly important role in the wider city region.

2 POLICY REVIEW

2.0.1 National and regional planning guidance places a particular emphasis on sustainable development through a process of:

- proactively supporting sustainable economic development to deliver the homes, business and industrial units, infrastructure and thriving local places that the country needs;
- reviewing employment land housing land allocations to ensure supply meets identified needs;
- encouraging the effective use of land by reusing land that has been previously developed (brownfield land), with a view to promoting regeneration.

2.0.2 This section of the report provides a summary of the relevant policy and regeneration documents relating to employment land, and more specifically, office space, within Gateshead and Newcastle. The section concludes with a brief overview of relevant regeneration programmes likely to influence the demand for office space in the conurbation.

2.0.3 It is important to recognise that the office needs study does not provide a policy assessment of individual sites or proposals.

2.0.4 The coalition Government's policy approach to planning has been focused on applying principles of 'localism' to give local planning authorities (LPAs) greater autonomy in planning for housing, and in particular setting local housing requirements in their development plans. The Localism Act (2011) will enable the Regional Strategy [RS] to be rescinded and it will no longer form part of the statutory development plan.

2.0.5 The responsibility will therefore fall to LPAs to set employment land requirement figures for their Local Plan. Local land targets will therefore be tested through the Local Plan process and local authorities will need to collect and use reliable information to justify employment land supply policies.

2.1 National Planning Policy Context

Localism Act (2011)

2.1.1 Section 110 of the Localism Act sets out a 'duty to cooperate' for all local planning authorities and county councils in England. The new duty relates specifically to matters of sustainable development or strategic issues which will have a significant impact on more than one local planning area. The Act places a duty on local planning authorities to set out specific policies to address these strategic issues and requires them to consider joint approaches to policy and plan making.

2.1.2 The National Planning Policy Framework (2012) sets out where co-operation might be appropriate and what form it might assume. It concludes that "*cooperation should be a continuous process of engagement from initial thinking through to implementation*". [2]

National Planning Policy Framework (March 2012)

2.1.3 The National Planning Policy Framework (NPPF) sets out the Government's economic, environmental and social planning policies for England, replacing the suite of national Planning Policy Statements, Planning Policy Guidance notes and some Circulars with a single document.

2.1.4 The NPPF states that the purpose of the planning system is to contribute to the achievement of sustainable development, which should be seen as a 'golden thread' running though both plan-making and decision taking. The document states that there are three dimensions to sustainable development: economic, social and environmental. The economic role that the planning system must perform involves contributing to building a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation; and by identifying and co-ordinating development requirements, including the provision of infrastructure.[3]

2.1.5 Within the overarching 'presumption in favour' of sustainable development, the NPPF identifies 12 core land use planning principles that should underpin both plan-making and decision taking. These principles are that planning should (inter alia):

- be genuinely plan-led, based on joint working and co-operation to address larger than local issues;
- proactively drive and support sustainable economic development; identify and then meet the housing, business and other development needs of an area, and respond positively to wider opportunities for growth;
- promote the vitality of our main urban areas, protecting the Green Belts around them, recognising the intrinsic character and beauty of the countryside and supporting thriving rural communities within it;
- encourage the reuse of existing resources, including conversion of existing buildings;
- prefer development land of lesser environmental value;
- encourage the effective use of land by reusing previously developed land;
- promote mixed use developments; and
- actively manage patterns of growth to make the fullest possible use of public transport, walking and cycling, and focus significant development in locations which are or can be made sustainable.[4]

[2] Section 181, National Planning Policy Framework, Department for Communities and Local Government, March 2012.
[3] Paragraph 7, National Planning Policy Framework, CLG, March 2012
[4] Paragraph 17, ibid

2.1.6 The NPPF states that 'significant weight' should be placed on the need to support economic growth through the planning system. To help achieve economic growth, Local Plans should:

- set out a clear economic vision and strategy for their area which positively and proactively encourages sustainable economic growth;
- set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period;
- support existing business sectors, taking account of whether they are expanding or contracting and, where possible, identify and plan for new or emerging sectors likely to locate in their area. Policies should be flexible enough to accommodate needs not anticipated in the plan and to allow a rapid response to changes in economic circumstances;
- plan positively for the location, promotion and expansion of clusters or networks of knowledge driven, creative or high technology industries;
- identify priority areas for economic regeneration, infrastructure provision and environmental enhancement; and
- facilitate flexible working practices such as the integration of residential and commercial uses within the same unit.[5]

2.1.7 The NPPF also highlights that allocated employment sites for which there is no reasonable prospect of development should not be protected in the long term. Proposals for alternative uses on such sites should be treated on their merits having regard to market signals and the relative need for different land uses to support sustainable local communities.[6]

2.1.8 The NPPF confirms that offices are a 'main town centre use', and as such, LPAs must allocate a range of office sites that meet identified needs in full, including setting policies for consideration of proposals for main town centre uses which cannot be accommodated in or adjacent to town centre uses.. LPAs should apply a sequential test to planning applications for main town centre uses that are not in an existing centre and are not in accordance with an up-to-date Local Plan:

'They should require applications for main town centre uses to be located in town centres, then in edge of centre locations and only if suitable sites are not available should out of centre sites be considered. When considering edge of centre and out of centre proposals, preference should be given to accessible sites that are well connected to the town centre. Applicants and local planning authorities should demonstrate flexibility on issues such as format and scale'. [7]

2.1.9 In situations where office development is proposed outside an existing centre or not in accordance with an up-to-date Local Plan, local planning

[5] Paragraph 21, ibid
[6] Paragraph 22, ibid
[7] Paragraph 24, ibid

authorities should require an impact assessment, to include its impact on investment in centres and impact on vitality and viability.

2.1.10 This sequential approach should not be applied to applications for small scale rural offices or other small scale rural development. Furthermore, LPAs should normally approve planning applications for change to residential use and any associated development from commercial buildings (currently in the B use classes) where there is an identified need for additional housing in that area, provided that there are not strong economic reasons why such development would be inappropriate.[8]

The Plan for Growth (HM Treasury, March 2011)

2.1.11 Against a backdrop of faltering economic growth, the Chancellor's 2011 Budget focussed on the long-term rebuilding of Britain's economy. The Government introduced *'The Plan for Growth'*, a strategy document outlining their ambitions to put the UK on a path to sustainable, long-term economic growth. The document affirmed the Budget's objectives of creating a stronger and more sustainable economy, with growth more evenly shared across the country and between different sectors.

Ministerial Statement on Planning for Growth (March 2011)

2.1.12 In this context, Greg Clark, the Minister of State for Decentralisation, set out the steps the Government expects LPAs to take to help secure a swift return to economic growth:

'The Government's top priority in reforming the planning system is to promote sustainable economic growth and jobs…the answer to development and growth should wherever possible be yes, except where this would compromise the key sustainable development principles set out in national planning policy'.

2.2 Regional Planning Policy Context

2.2.1 Regional Strategies (RS) were effectively reinstated following a High Court decision on 10 November 2010, after they were revoked earlier in the year. However, the Government has advised that it remains their intention to abolish RS, providing a clear signal of the importance attached to the development and application of local spatial plans, in the form of LDF Core Strategies and DPDs. According to CLG, local plans drawn up with the help of the community will become the basis for local planning decisions.

2.2.2 Hence although the Localism Act 2011 makes provision for the abolition of Regional Strategies, the policies contained within them still remain a material consideration in considering planning applications, and the document remains, for the moment, part of Newcastle and Gateshead's Development Plans.

2.2.3 The North East Regional Spatial Strategy (RSS) provides a framework for quantifying the 'appropriate provision' of employment land. Policy 12 emphasises that major economic development/investment should be concentrated in Tyne and Wear and Teesside (particularly the city centres

[8] Paragraph 51, ibid

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of Newcastle and Sunderland), in brownfield mixed use locations (including the Tyne River Corridor, defined as East of Newburn but excluding Metro Centre) and Key Employment Locations (specifically the Baltic Business Quarter; Newburn Riverside and Newcastle Great Park), particularly for employment uses of regional/sub-regional significance.

2.2.4 Policy 18 requires Local Plans to make 'appropriate provision' of general employment land and Key Employment Locations in each local authority area. Table 2.1 sets out the maximum amount of land that should be allocated as employment land in Tyne and Wear. This Policy seeks to ensure that oversupply of employment land is not exacerbated prior to local authorities carrying out ELRs for their areas.

Table 2.1: RSS Policy 18 Maximum Employment Land Allocations for Tyne & Wear

Local Authority	General Employment Land Allocations (ha)	Key Employment Locations (ha)	Total (ha)
Gateshead	110	20	130
Newcastle	30	170	200
Sunderland	225	0	225
North Tyneside	230	0	230
South Tyneside	70	0	70
Tyne & Wear	**665**	**190**	**855**

Source: GONE (2008), The North East of England Plan Regional Spatial Strategy to 2021

2.2.5 To help develop economic policy within the RS, use was made of CEBR's economic growth scenarios for the Region, specifically the Bronze/ Silver2 Scenario, providing economic growth of 2.8% per annum. This GVA growth target underpins the RS's economic vision and aspirations for the North East to 2021. In addition, the Policy states that the amount of employment land to be allocated for each district should take into account sub-regional and local employment land assessments based on a 25-year level of supply and take-up. It should also take into account:

- the need to protect employment land and premises from redevelopment to alternative uses, where they are an essential part of the long-term employment portfolio;
- the potential of surplus existing employment allocations for de-allocation or re-allocation to alternative uses;
- a presumption in favour of regenerating and upgrading existing employment land and premises, in advance of allocating new sites on greenfield land;
- the need to ensure that employment land provision is of an appropriate scale and nature, particularly at sites outside the conurbations; and

- the need for Tyne and Wear authorities to maximise opportunities to meet any shortfall of supply through the intensification of sites around transport hubs and on previously developed land.

2.2.6 There has been some confusion over whether the 25 year level of supply was intended to be a target or a cap. The interpretation of Policy 18 has now been tested at various planning inquiries where it has been established that the policy is a mechanism to deal with over supply, not to encourage it and that therefore the 25 year level of supply represents a maximum. The NPPF now proposes that Local Plans have a 15 year time horizon, but that they also take account of longer term requirements.[9]

2.3 Regional Economic Policy and Regeneration Context

2.3.1 The **North East's Regional Economic Strategy** (RES) 2006-16[10], sets out the main activities by regional partners that will accelerate economic development and regeneration across the North East. NewcastleGateshead is identified as a key location for the region's economic development. Priorities include Science City, Central Gateshead, the Discovery Quarter in Newcastle, the Design Centre for the North in Gateshead and the major housing renewal schemes of Bridging Newcastle Gateshead. The transport nodes of Newcastle International Airport, Central Station and the River Tyne provide significant economic opportunities. The relevant key business development priorities for the Tyne and Wear City Regional Development Programme are summarised as follows:

- **Science City**: Building on the strength of the science base.
- **Design Corridor and the Design Centre for the North**: A pan regional programme linked to the Northern Way knowledge base and clusters workstreams.
- **Local enterprise**: Developing a more targeted approach to enterprise support which fosters economic inclusion.
- **Baltic Business Quarter**: Anticipated to provide around 7,000 highly skilled jobs.

2.4 Local Planning Policy Context

Newcastle City Unitary Development Plan (1998)

2.4.1 The adopted Newcastle UDP (1998) seeks to shape public and private sector efforts to regenerate the City, and provide a regulatory framework to safeguard and improve the environment. The UDP's strategy comprises the eight aims which together give a concise statement of what the Plan is seeking to achieve.

2.4.2 Aim 1 relates to the Economy and Urban Regeneration. This seeks to achieve economic growth which: retains existing economic activity and jobs; provides jobs for the unemployed; enhances the economic potential of the Region; supports the further development of the City's role as Regional Capital; and assists urban regeneration.

[9] Paragraph 157, ibid.
[10] One NorthEast (July 2006): Leading the Way – Regional Economic Strategy 2006-16

2.4.3 Relevant strategic policies include the following:

- ***'ED1*** *sufficient land will be provided to allow a range and choice of sites and opportunities by size, location and quality which can secure economic and employment growth for the benefit of the city and the region'; The UDP intends* that land allocated for economic development will provide a range of opportunities relevant to the needs of local, regional, national and international businesses. A total of 382.7ha of employment land was allocated for economic development uses in the UDP.
- ***'ED2*** *the City Centre's role as the region's commercial and administrative capital will be safeguarded and strengthened'* – land in the City Centre is allocated for mixed use development, with a number of sites having the potential for office development, which would make an important contribution to the continued growth of Newcastle City Centre as the regional office centre.
- ***'ED3*** *land and premises allocated for industrial and business use will be safeguarded for primarily classes B1 (light industry, offices and research and development), B2 (general industry) and B8 (storage and distribution)…development for other uses will not be allowed.'*
- Policy ED3.1 identifies 41 areas to be allocated for industrial and business use. In these areas, development will be restricted to classes B1, B2 and B8 of the Use Classes Order 1987.
- Policy ED3.2 identifies 11 employment areas where development will be restricted to B1 (light industry, office and research and development) only.

2.4.4 The UDP recognises that more high quality office floorspace is required in Newcastle to cater for the continued growth of financial, professional and administrative services in the City Centre. Improving the quality of the City Centre as a location for business would encourage such investment.

Gateshead Unitary Development Plan (2007)

2.4.5 The adopted Gateshead UDP (2007) places the RSS into a local context. The UDP identifies ten Primary Employment Areas (PEAs) in Policy JE1, which are to be protected for employment use, with development opportunities maximised within. Policy JE2 makes provision for 69.78ha of land for employment development within these designated PEAs, in order to meet local employment needs and to attract major inward investment. In addition, a further seven Secondary Employment Areas (SEAs) are protected for employment use. Whilst the supporting text notes that the key focus for economic investment in the Borough as a whole is in PEAs, it is recognised that the smaller industrial estates provide important facilities for small-scale local needs for sites and premises and help to provide a range of local jobs.

2.4.6 Policy JE4 'Economic development' specifies that proposals should support sustainable development principles through:

a) the prioritisation of the renewal and reuse of previously developed land and buildings;

- within established industrial and commercial estates, including extension and intensification within the curtilage of a site, and
- within town centres for office development;

b) the application of a sequential approach to office development (B1a) with consideration given to locations firstly within town centres, secondly to edge of centre locations well connected to a centre, thirdly to edge of centre locations, and fourthly out of centre locations;

c) the inclusion of high quality, sustainable and inclusive design;

d) accessibility through a choice of means of transport;

e) the incorporation of ICT infrastructure; and

f) the provision of local employment opportunities.

2.4.7 The Gateshead UDP also specifies that Gateshead's Prestige Employment site is the Baltic Business Quarter. It states that this will attract regionally significant investment and make a significant contribution towards the delivery of the RES.

NewcastleGateshead One Core Strategy: Draft Plan (September 2011)

2.4.8 Once adopted, the Core Strategy will constitute the strategic Development Plan for Newcastle and Gateshead up to 2030. The document seeks to increase competitiveness levels by improving and expanding the role of the Urban Core as the regional destination for business.

2.4.9 **Policy CS1** seeks to concentrate major employment related development in the Strategic Growth Area of the Urban Core, as it is the most sustainable location in NewcastleGateshead. It will be the priority location for major development, including office, retail, higher and further education, commercial leisure, culture and tourism, supported by the development of new urban living.

2.4.10 **Policy CS6** states that employment and economic growth will be concentrated within the Urban Core and four Key Employment Areas as follows:

- For office, retail, research and further/higher education: the **Urban Core**;
- For manufacturing and engineering, including renewables and environmental industries: **Team Valley, Walker Riverside**;
- For distribution and logistics: **Follingsby**;
- For uses that would benefit from clustering around the airport: **Newcastle International Airport**.

2.4.11 Priorities for ensuring diversification and sustainable economic growth include:

- Supporting our knowledge-based economy;
- Improving digital infrastructure delivery to businesses and residents;
- Supporting improvements to the quality, accessibility and attractiveness of our employment areas;
- Ensuring a range of premises for small, medium and large business. In particular the overall level of start-up and grow-on space should be maintained and where possible increased;
- Supporting diversification of the wider rural economy

2.4.12 Policy CS6 also seeks to improve skills and access for local people to job opportunities, through targeted recruitment and training contributions by developers.

2.4.13 **Policy CS7** addresses NewcastleGateshead's employment land portfolio. It seeks to improve the diversity of employment opportunities, whilst allocated employment sites for small, medium and large businesses will be protected. It confirms that economic regeneration will be focused within allocated employment areas and the Urban Core.

2.4.14 The Policy states that the allocated employment areas will be the focus for employment uses and a rolling 5 year land supply with a minimum reservoir of 12.4ha per annum will be maintained, mainly for warehousing and manufacturing. For office use, the Councils will ensure a range of sites, able to accommodate up to 442,000sq m of new office space, primarily in the Urban Core. To improve the diversity of employment opportunities, allocated employment sites for small, medium and large businesses will be protected.

NewcastleGateshead Urban Core Area Action Plan: Draft Plan (September 2011)

2.4.15 The Urban Core AAP sets out the specific planning policies for the economic centre of NewcastleGateshead. The Core Objectives of the AAP with regard to the economy are: to promote economic performance by attracting new businesses and accommodating the expansion of existing employers; increase the Urban Core's leisure, retail and business visitor capacity; improve the Urban Core's retail offer; and contribute to a reduction in carbon dioxide emissions.

2.4.16 The AAP prioritises five large development opportunity sites as the main focus for office and business development but does not exclude other Urban Core locations for these uses.

2.4.17 **Policy 1** defines the five Priority Sites for office and business development, where new large-scale B1 development will be promoted and concentrated as part of large mixed use schemes (development mix and office development quantum in brackets):

- **Science Central / Gallowgate** (Science and Research / premier office: 77,380 sq m / 10,000 sq m);
- **Stephenson Quarter** (premier office: 40,000 sq m);
- **East Pilgrim Street** (retail-led mixed use with B1 office element: 75,000 sq m);
- **Gateshead Quays** (premier office: 24,451 sq m);
- **Baltic Business Quarter** (premier office: 98,250 sq m).

2.4.18 Other significant office locations include Forth Yards (44,000 sq m); Gateshead Centre (2,344 sq m) and Ouseburn (18,841 sq m). The AAP also supports the development of clusters of Small and Medium Enterprises (SMEs) as part of mixed use schemes.

2.5 Local Economic Policy Context

Local Economic Assessment (January 2011 update)

2.5.1 Gateshead's Local Economic Assessment was updated in 2012. It aims to encourage economic development in the Borough and contribute towards improving the economic performance of the North Eastern Local Enterprise Partnership area (NELEP). The aim of the Council and its partners is to '*create a sustainable, well-paid economy producing good quality jobs for skilled people*.'

2.5.2 It identifies the following key economic considerations:

- The successful regeneration of both Gateshead Town Centre and Gateshead Quays is fundamental.
- Manufacturing diversification and the growth of new manufacturing sectors is essential to the Borough's economic success.
- Increasing business specialisation is vital to improving economic performance as is working with universities to promote innovation and help businesses bring new products to market.
- Creative industries, business services and distributive trades are the sectors seen as having the greatest growth potential. Over the next 20 years, the Council should continue to invest in Baltic Business Quarter and Gateshead Quays to enhance the office, commercial, tourism and leisure potential of the area.
- There is a need to develop a robust approach to business winning to ensure that high growth businesses, within key sectors such as business and professional services, creative and cultural businesses and high quality retail locate in Gateshead.
- Whilst skills diversity is improving, there is a need to maintain this progress and ensure that the local skills base meets the needs of new and existing businesses

- Continued diversification of the skills base is essential to meet the needs not only of Gateshead businesses, but also businesses across the NELEP area where residents work accessing knowledge based jobs.
- Proposals to develop 36,000 new homes will help to deliver the long-term aspiration of a combined Gateshead and Newcastle population of at least 500,000.
- By promoting financial inclusion, we will help residents become economically sustainable and improve life chances.
- The development of the low carbon economy offers significant growth potential for manufacturing and construction.
- Next Generation (broadband) Access (NGA), with superfast speeds is essential if local businesses are to compete globally over the longer term.
- The reduction in public funding for infrastructure projects requires us to work in different ways to promote physical regeneration. There is a need to develop new financial instruments, such as Accelerated Development Zones, Community Infrastructure Levy and Tax Incremental Finance Initiatives (TIF's), whilst working with developers to access NELEP loan funding to overcome "blocked" developments
- Improving the accessibility of NewcastleGateshead's urban core and improving the capacity of the A1 at key pressure points will be important to tackle congestion on key corridors and improve regional, national and international links, which support regeneration.

2.5.3 The Business Winning NewcastleGateshead 2010 Report, compiled for 1NG by OCO Global, details the high, medium and low sectors for potential inward investment in the coming years.

Table 2.2: High, Medium and Low Potential Sectors for Inward Investment

Supply / Demand	High	Medium	Low
High	-Business and professional services -Stem cells and regenerative medicines	-Electronics & telecommunications -Retail	
Medium	-Advanced manufacturing (low carbon and environmental)	-Financial services -Ageing and health -Tourism	-Molecular engineering
Low		-Creative & cultural industries (mainly digital media offer) -Sports & recreation	

Source: Business Winning NewcastleGateshead 2010

Plan1ng NewcastleGateshead: 1Plan (June 2010)

2.5.4 In late 2011 1NG, the city development company for NewcastleGateshead closed. The functions of 1NG are to be carried out internally by Newcastle and Gateshead councils. The 1Plan, produced by 1NG in 2010 remains the Economic Masterplan for NewcastleGateshead. Given the ongoing lack of confidence in the economic climate, there is some uncertainty regarding the timescales and scale of development involved in the schemes identified in the 1Plan. However, the principles and objectives which underpin the strategy remain valid.

2.5.5 The 1Plan sets out the economic and spatial strategy for NewcastleGateshead for the next 20 years. The report highlights the possible benefits of a ‘twin city’, between Newcastle and Gateshead setting a standard for innovative and interesting new developments (specifically the Sage and the Baltic). The 1Plan’s vision is to create a city of science, technology and innovation, developing and commercialising a new generation of products and services which will address the global challenges of economic, demographic and environmental change. Science, creativity, skills and enterprise will drive economic growth in NewcastleGateshead and the wider region, energising the business base, driving new firm formation, attracting inward investment and providing high levels of employment. The Plan maps out a strategy based on 3 key elements:

- **4 Big Moves** which establish the key themes of 1NG’s approach – economy, people, place and sustainability;
- **10 Key Steps** which describe the practical actions to be taken over the next 3-5 years, and the priorities for action, and
- **A placemaking strategy** which shows how 1NG will shape the city to promote sustainable urbanism and transform the urban core.

2.5.6 The Plan identifies four key sectors which will drive NewcastleGateshead’s future prosperity, specifically low-carbon; science technology; culture and creativity; tourism; and business services. As regards the latter sector, the plan seeks to ensure that NewcastleGateshead can reclaim its role as the natural centre for business and professional services in the north east.

2.5.7 *‘A great regional capital needs a choice of top quality office space in a dynamic central business district. The recent trend for office employment to drift out to suburban locations is unsustainable, and by weakening the urban core it damages the whole region. We will re-establish NewcastleGateshead as the location of choice for high quality service sector jobs.’*

2.5.8 In this regard, the plan seeks to pioneer new forms of sustainable urbanism to encourage more people to live and work in the urban core and to reduce car dependency. Development should cluster around transport hubs, and extensions to the urban core should factor in improvements to public transport infrastructure. This will encourage public transport usage and stimulate investment in some underperforming parts of the urban core, for example Gateshead Centre. 1PLAN focuses on the key objectives of delivering ICEC, creating mixed use quarter on Gateshead Quays, facilitating development of Hawks Rd and BBQ, and reconnecting the waterfront to regenerated town centre by simplifying the road infrastructure and creating sites for development. As noted earlier, in the current economic climate, the scale and timescales for delivery are now uncertain, but the aspirations set out in the 1Plan remain.

2.5.9 Of particular relevance to this Office Needs Assessment are the following points:

- **Knowledge hubs**: The 1Plan will create a network of knowledge hubs in the heart of the city – places where the key industries of the future will co-locate and grow, and where teaching, research, specialist services and businesses of all sizes will come together. We will market the knowledge hubs to attract investment and new businesses. Key sites include: Science Central (low-carbon and sustainable industries); Northern Design Centre (digital media); the Campus for Ageing & Vitality (ageing and health); International Centre for Life (stem cells and regenerative medicine).

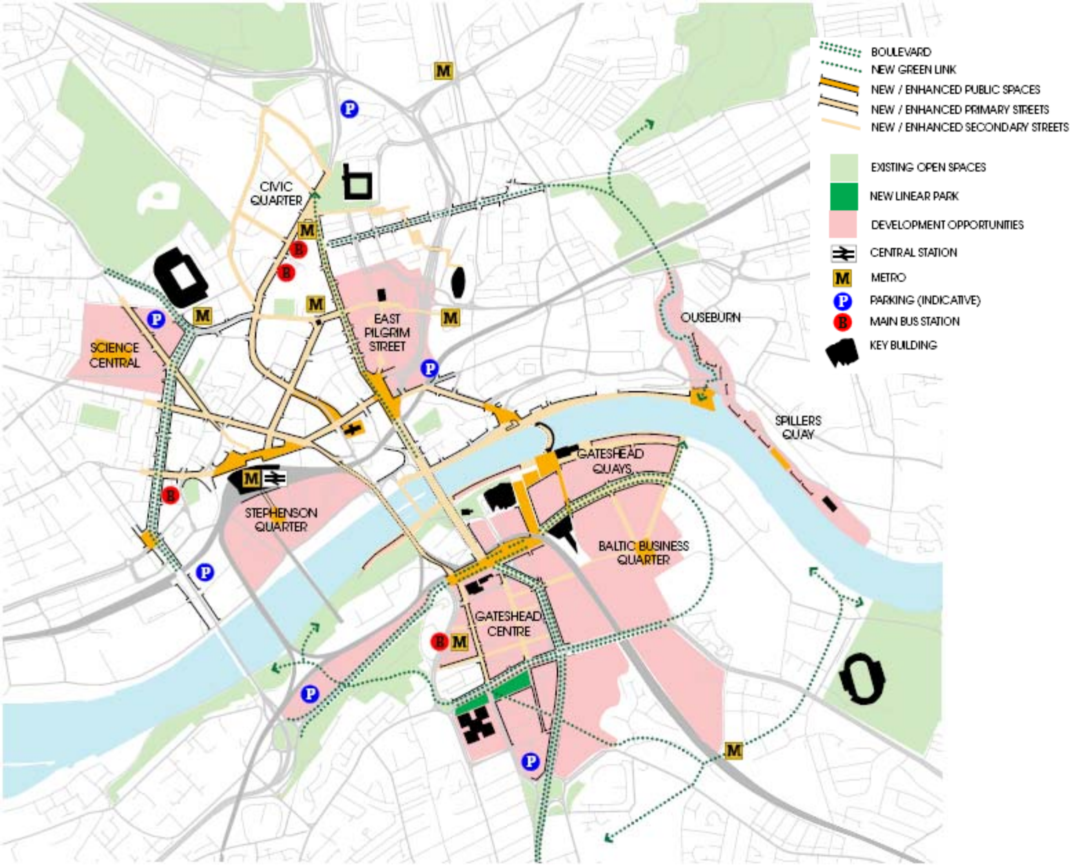
- **Central Business District**: a key part of the return to the city will be a revival in the fortunes of NewcastleGateshead's under-performing central business district. The regeneration of Gateshead Quays and East Pilgrim Street will create attractive new mixed use quarters with modern office space for professional, business and financial services.

2.5.10 In terms of a place-making strategy for the urban core, the 1Plan states that:

'The present scattered pattern of development will coalesce into arcs of knowledge and creativity, encircling the heart of the city. We will give a new lease of life to the CBD, creating high quality mixed use developments at Gateshead Quays, Baltic Business Quarter and East Pilgrim Street.'

2.5.11 Figure 2.1 presents the 1Plan Strategic Framework. From the perspective of the ONA, key locations include Gateshead town and Quays, which seeks to reinvent the town centre, create a mixed use urban quarter at Gateshead Quays and facilitate the development of Hawks Road and the BBQ; Science Central; the Civic Quarter; East Pilgrim Street; Ouesburn; and the Stephenson Quarter.

Figure 2.1: 1Plan Strategic Framework



Source: 1NG: 1Plan 2009

2.5.12 The Report concludes that 1NG will seek to embed the concept of sustainable urbanism by coordinating planning policy and transport planning, actively promoting the urban core as the place to be for knowledge businesses and knowledge workers, and stemming the tide of suburbanisation.

2.5.13 The Council continues to implement the 1Plan ambitions. The Northern Design Centre opened in February 2012 within the Baltic Business Quarter. It provides prestigious SME accommodation for creative businesses including incubation space, studios and bespoke conference and research facilities. It will provide the focal point for design industry supported by a dedicated business collaboration network.

2.5.14 The Council seeks to pursue the conference, exhibition and events centre on the land currently used for car parking to the south of The Sage Gateshead. This will meet a long-held desire to increase the region's business tourism economy. Work is currently underway on detailed feasibility study in conjunction with Arts Council.

Newcastle in 2021 – A Regeneration Strategy for Newcastle (February 2007)

2.5.15 The strategy describes Newcastle City Council's role in regeneration. It outlines NCC's approach and forecast outcomes for stopping decline, enhancing existing communities and improving the lives of all Newcastle's people, setting out an ambitious 15-year vision for the future of the City. The core economic principle underpinning the strategy is to achieve a step change in the local economy, focusing on economic growth to drive the regeneration of the city, pursuing truly sustainable development and minimising the use of non-renewable resources.

2.5.16 The strategy sets out to highlight, in the context of the need for economic and population dynamism, the council's six priority areas for action - education, the economy, housing, health, transport, and social cohesion - and the implications for culture, creativity and environmental sustainability.

2.5.17 The Strategy's economic aspirations for Newcastle by 2021 are for the City to become an established international City of Science, Culture and Design. The strategy seeks to ensure that the former Scottish and Newcastle Brewery site will be transformed into a vibrant mix of Newcastle University teaching and research, global technology companies, and business start ups. The Strategy aims for the **Discovery Quarter** to expand the CBD westwards, with a diverse range of businesses, cultural facilities, and urban homes for rent and for sale, close to the city centre, and supporting the revitalised West End.

2.5.18 The Strategy seeks to ensure that Newburn Riverside becomes a popular waterfront business location providing thousands of jobs, with Newcastle Great Park becoming one of Britain's sustainable new communities with global companies locating close to the Airport. By 2021, the Strategy seeks to ensure that the City Centre becomes an attractive location for business, accommodating blue-chip companies in high quality offices and a wide range of start-up and growing businesses in appropriate offices and workspace.

2.5.19 The Regeneration Strategy's Economic and Spatial Vision is reproduced in Figure 2.2. It includes:

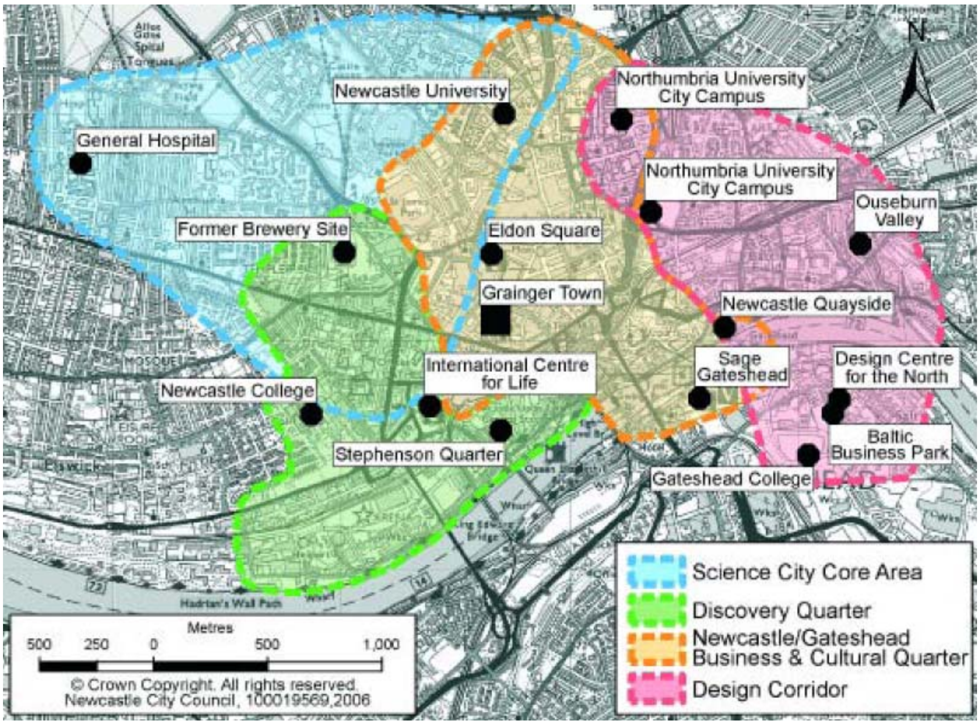
- Realising the economic potential in higher education (1): **Newcastle Science City** - a major new development on the former Scottish and Newcastle brewery site in the Discovery Quarter in the heart of Newcastle. Work will start on the site during 2007 and, by 2012; the completed development aims to provide a million square feet of new buildings for research, teaching and business, including a wide range of incubator units for small businesses, as well as new housing.

- Realising the economic potential in higher education (2): **Design@Northumbria**. The council will support the development of design-oriented industry by working with Northumbria University, Newcastle College School of Art and Design, Gateshead Council and other partners to develop a design corridor in eastern central NewcastleGateshead, focused between the University's campus and the Design Centre for the North, providing a spatial focus for the development of design-oriented business clusters in the urban core.

- **The Stephenson Quarter:** A heritage led regeneration and redevelopment scheme that will bring back into use many of the historical workshops as part of a development plan to provide residential, hotel, offices and small business accommodation.

- **Attracting investment in knowledge-intensive business services**. The management of development in the Discovery Quarter will be a vital determinant of Newcastle's future economic trajectory. Figure 2.2 shows how the economic strategy is focused spatially in different zones of the city centre and inner area, to be accompanied by developments at locations such as Newburn Riverside, Newcastle Great Park, Regent Centre and Walker Technology Park. Crucial to the long-term effectiveness of the strategy is effective co-ordination with Gateshead, whose central area shares an "urban core" function with that of Newcastle.

Figure 2.2 Newcastle City Regeneration Strategy Economic and Spatial Vision



Source: Newcastle City Council (2009): Newcastle in 2021 – A Regeneration Strategy

Fit for a City: Gateshead Centre Regeneration Delivery Strategy (December 2008)

2.5.20 Forming part of Vision 2030, Gateshead's Regeneration Delivery Strategy (RDS) is a long term, aspirational, vision to guide the regeneration of Gateshead Town Centre over the next 15 to 20 years. It provides a spatial plan and delivery framework, identifying development, public realm and transport projects, which can be delivered both in the short-term and over the lifetime of the plan. The purpose is to develop a successful, attractive and sustainable mixed-use centre that makes Gateshead an integral part of the NewcastleGateshead urban core.

2.5.21 The strategies set out in Gateshead's RDS have informed the 1Plan – the NewcastleGateshead economic masterplan. Fit for a City will also inform Gateshead's emerging Local Plan in order to further develop the spatial strategy for the Centre and prioritise the need to release and unlock sites for specific uses.

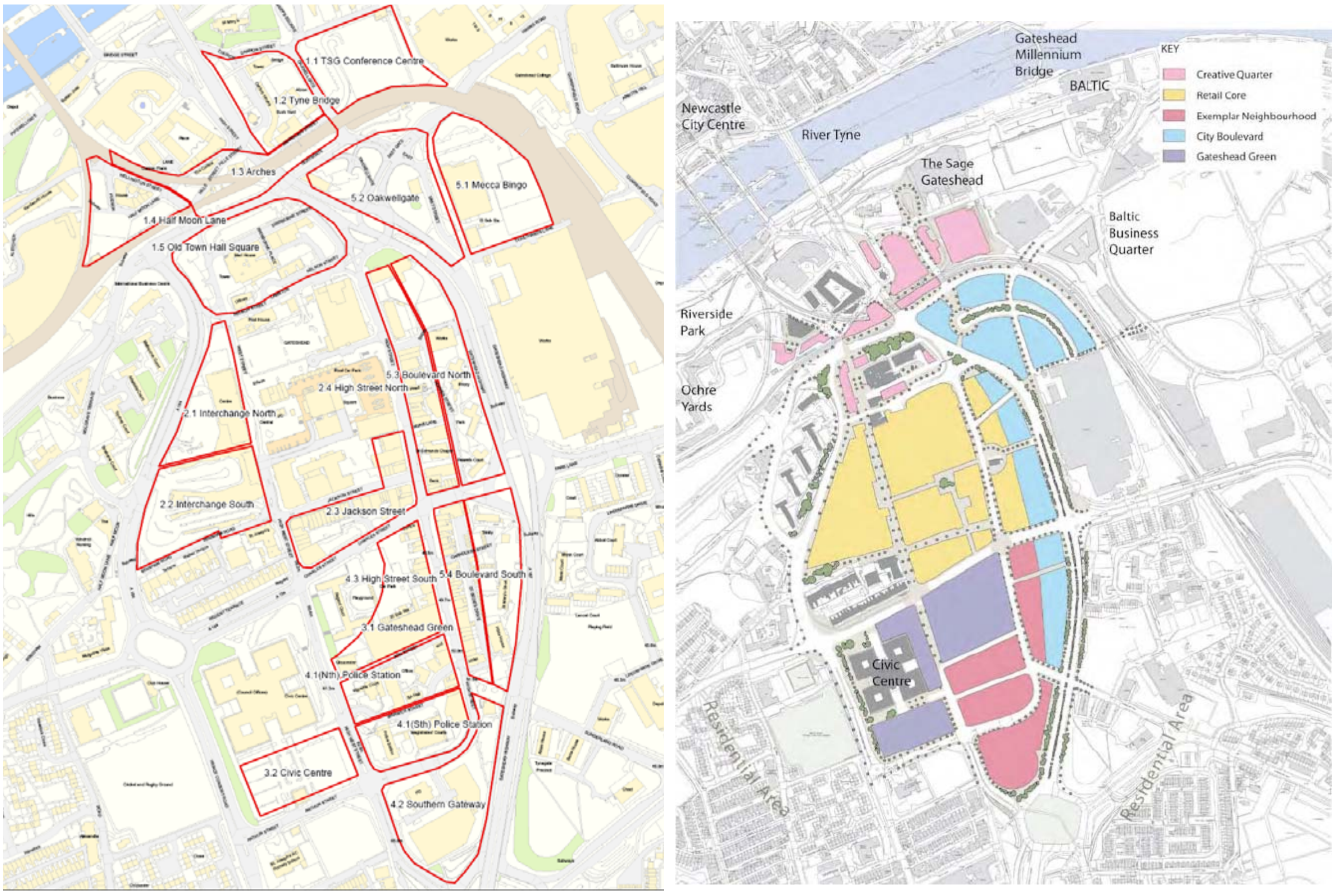
2.5.22 The phasing plan set out in Fit for a City is based on market conditions before the full impact of the 2008/09 recession were felt. Consequently, although the strategic priorities of the RDS remain valid in the current economic climate, there is some uncertainty regarding the phasing timescales, and scale of development identified in the strategy.

2.5.23 An urban capacity study was undertaken for the RDS, which identifies approximately 20ha development land (i.e. 50% of the RDS area) that could be subject to redevelopment over the next 10-15 years. It also sets out that this could be doubled if the area comprising Gateshead Quays, Baltic Business Quarter and Chandless are included.

2.5.24 The RDS identifies potential for new modern office spaces and the provision of more visually appealing, independent spaces that will encourage culture, creativity and enterprise. The aim of creating a complementary business and commercial realm to plug gaps in the provision of accommodation in Newcastle and Gateshead and complement the types of new business accommodation proposed at the Baltic Business Quarter. The RDS also emphasises the need to capitalise on existing assets and planning investment, including at Team Valley, Gateshead International Business Centre (which has been successful in attracting creative industries), Gateshead College, the Open University and the development of the Baltic Business Quarter.

2.5.25 The RDS indicates that new space may attract innovative small companies, design/ICT or 'green economy' sectors. It will be necessary to identify opportunities for the reuse of existing buildings to create affordable space for start up business (estimated to be around 100,000 sq ft (9,290 sq m) in the Centre and surrounding secondary locations). The RDS also estimates that the provision of flexible floor plates (750-2,500 sq ft / 70-232 sq m) will complement larger units on offer at the Baltic Business Quarter, which is expected to deliver larger floor plates in excess of 5,000 sq ft (465 sq m).

Figure 2.3 Fit for a City Development Sites / City Sectors



Source: Gateshead Borough Council (2009): Fit for a City: Gateshead Centre Regeneration Delivery Strategy

Team Valley Trading Estate – Business Neighbourhood Frontrunner

2.5.26 Team Valley is one of only eight locations nationally chosen as pilot areas to develop business led neighbourhood plans. UK Land Estates is working with the Council to investigate the opportunity to develop a business neighbourhood plan or alternative policy options for Team Valley Trading Estate to facilitate faster delivery of a range of office, industrial and mixed developments to meet the business needs of the area.

2.6 Regeneration Programmes

The NewcastleGateshead Accelerated Development Zone

2.6.1 On 5th July 2012 Government agreed City Deals within eight core cities including Newcastle and Gateshead. The deal includes:

- Potential to create a NewcastleGateshead Accelerated Development Zone, unlocking city central growth in Science Central; Central Station and Stephenson Quarter; East Pilgrim Street; Gateshead Quays and Baltic Business Quarter.

- Tax Increment Financing powers, allowing all growth in business rate income generated within the four key development sites retained by Newcastle and Gateshead Councils for 25 years. This could enable a £92m investment programme with potential to create 600 constructions jobs, leading to an estimated 1,500 permanent jobs within five years, and 13,000 over the next 25 years.

- Delivering a locally devolved NEET Youth Contract Pathfinder across Newcastle and Gateshead.

- Development of an investment programme to reduce congestion on the A1 Western Bypass, working with the Department for Transport, Highways Agency, Gateshead Council and local partners to reduce journey times on one of the most congested links in the national network.

- Finalising an updated business case for the Lobley Hill scheme ahead of the next spending review period, enabling it to be considered for early delivery.

Community Infrastructure Levy

2.6.2 The Community Infrastructure Levy (CIL) allows local authorities to raise funds from developers to pay for the infrastructure that is needed as a result of development. CIL takes the form of a charge per sq m of additional developed floorspace. The level of tariff is set by the local authority based on the needs identified through infrastructure planning, but also tested to ensure that it will not affect the viability of development.

2.6.3 To achieve population and economic growth Newcastle and Gateshead Councils have decided to introduce the levy and are consulting on the draft Charging Schedule, CIL Background Paper, Viability Assessment and associated document between June and September 2012. The Viability Report identifies that land and development values differ significantly cross the two local authority areas with many categories of development unable to sustain any CIL or Section 106 payment without rendering schemes economically unviable.

2.6.4 The Preliminary Charging Schedule proposes a CIL of £64 / sq m for office development in Commercial Zone 1. Zone 1 covers the Newcastle City Centre, Ouseburn & Spital Tongues. Elsewhere no levy would be applied.

MetroGreen Concept Framework Plan

2.6.5 The MetroGreen Concept Framework Plan is currently being prepared for the area around the MetroCentre. This area is currently predominantly designated in the UDP as employment land within the Dunston Primary Employment Area and mixed use allocations. The concept framework will provide strategic, high level planning, design & infrastructure guidance for developers to facilitate the delivery of MetroGreen beyond the next 20 years.

2.6.6 The vision for MetroGreen is to create *'a new sustainable urban community based around a network of high quality green and blue spaces & routes integrating the site internally with the surrounding area. It will be a place where people want to live and work, where they will enjoy great access to the River Tyne, the surrounding countryside, public transport and nearby facilities and services. MetroGreen will be a walk able and green place combining contemporary new buildings with a high quality spaces and routes to create a distinctive character.'*

Local Enterprise Partnership

2.6.7 The North East Local Enterprise Partnership (NELEP) covers the local authority areas of County Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland. It aims to:

- Ensure that the North East maximises its contribution to national economic growth and rebalancing the national economy;
- Ensure delivery of functions where they can be most effective;
- Recognise the distinctive economic circumstances and potential of the area;
- Build on and sustain the strong leadership and partnership working between the business and the public sector, underpinned by strong governance and democratic accountability to Local Authority Leaders and Elected Mayors working together.

2.6.8 Further, the NELEP aims to be instrumental in:

- Promoting productivity, enterprise and business growth through developing innovation and exploiting research and development capabilities;
- Developing the sectors that are strategic to the UK and are clustered in the North East such as low-carbon vehicles, offshore wind, chemicals and process industries and a range of other new industries;
- Supporting enquiries for new investment from both existing businesses and inward investors;
- Bidding for and programme managing the European Regional Development (and successor) funds, and RDPE;
- Developing and delivering a new approach to financing and supporting business growth; and
- Providing strategic input into other key areas linked to economic growth such as integrated transport and energy investment.

NELEP Low Carbon Enterprise Zone

2.6.9 The intention of the LEP is to capture the benefits of the low carbon economy. The Northern Eastern LEP area's Low Carbon Enterprise Zone includes:

- 42ha Ultra Low Carbon Vehicle sites adjacent to the A19 in Sunderland (Nissan Site – existing allocation);
- Four of the five sites are located within the Nissan compound. This physical proximity means it is likely that these sites will be developed for uses, which specifically relate to the automotive/electric vehicles or battery technologies.
- Turbine Business Park to the south of Nissan is owned by Barmston Developments. Planning permissions exists for a mixed use development with potential to accommodate low carbon and advanced manufacturing industries;
- Offshore Wind and Renewables (River Tyne North Bank), including Swan Hunter in North Tyneside, Neptune Yard in Newcastle and the Port of Tyne North Estate;
- The Port of Tyne site provides port facilities with potential to accommodate marine engineering (including offshore wind) or maritime-related uses;
- The Neptune Site and Swan Hunter site provide quayside sites with heavy cranage and potential to attract large occupiers with potential to accommodate sub-sea and offshore wind sectors.

2.6.10 The NELEP EZ sites are seeking to take full advantage of the following Government incentives:

- business rate discount;
- business rates retained by local area to ensure reinvested locally;
- Local Development Orders;
- Superfast broadband;
- Capital allowances for plant and machinery;
- UKTI support for inward investment or trade opportunities.

2.7 Summary

2.7.1 The key messages from this section can be summarised as follows:

- The NPPF requires planning to do everything it can to support sustainable economic growth, and that it should positively seek opportunities and make every effort to meet the objectively identified needs of business. Local plans should be addressing barriers to investment, setting out clear economic strategies and planning positively and flexibly for sectoral growth, particularly for knowledge-driven, creative and high technology industries.

- The NPPF identifies offices as a main town centre use, which should be subject to the sequential and impact tests according to circumstances. It also states that employment sites for which there is no reasonable prospect of economic development should not be protected and development proposals for alternative uses should be treated on their merits.

- The RSS emphasises that major economic development/investment should be concentrated in Tyne and Wear and Teesside, in brownfield mixed use locations (including the Tyne River Corridor, defined as East of Newburn but excluding Metro Centre) and Key Employment Locations (specifically the Baltic Business Quarter; Newburn Riverside and Newcastle Great Park), particularly for employment uses of regional/sub-regional significance. The RSS also states that city and town centres will be the preferred locations for major office development which is not ancillary to other uses;

- The quantitative employment land figures set out in Policy 18 of RSS are maximum allocations that are not based on an assessment of need. Planning authorities are to undertake local employment land assessments to determine their land portfolios.

- Local Plans should preferably have a 15 year time horizon, take account of longer term requirements and be kept up to date.

- Newcastle's UDP makes provision for 383ha of employment land as part of a broader plan for economic growth which seeks to retain existing economic activity and jobs; provide jobs for the unemployed; enhance the economic potential of the Region; supports the further development of the City's role as Regional Capital; and assists urban regeneration. The UDP recognises that more high quality office floorspace is required to cater for the continued growth of financial, professional and administrative services in Newcastle City Centre.

- Gateshead's UDP makes provision for 70ha of employment land across ten PEAs, where economic investment will be focussed. A further seven SEAs are identified which are also protected for employment use. The UDP specifies that Gateshead's Prestige Employment Site is the Baltic Business Quarter, which will attract regionally significant investment to the Borough.

- NewcastleGateshead's One Core Strategy seeks to ensure that businesses have access to an appropriate range, mix and quality of employment sites. The draft Core Strategy and the Urban Core AAP focus employment uses to the following areas; Team Valley; Follingsby; Baltic Business Quarter; Gateshead Quays; and Trinity Square / Gateshead Town Centre;

- The 1NG Plan seeks to create a city of science, technology and innovation, developing and commercialising a new generation of products and services. The 1Plan seeks to create a network of Knowledge Hubs which will include Science Central and the International Centre for Life, whilst the regeneration of the city's CBD will create attractive new mixed use quarters with modern office space for professional, business and financial services;

- The Newcastle Regeneration Strategy's economic vision is focused spatially in different zones of the city centre and inner area, specifically Science City, the Discovery Quarter, NewcastleGateshead Business and Cultural Quarter and the Design Corridor; to be accompanied by developments at locations such as Newburn Riverside, Newcastle Great Park, Regent Centre and Walker Technology Park;

- The Gateshead RDS states that a market exists for new modern office spaces and the provision of more nice, independent spaces that will encourage culture, creativity and enterprise. To deliver the vision for the City, the RDS proposes five new 'City Sectors', which will each deliver a range of projects and proposals. In total, locations for just under 67,000 sq m of office space are identified in the Gateshead RDS across 31 sites in these City Sectors.

3 LITERATURE REVIEW

3.0.1 In this section we review recent studies on the Newcastle and Gateshead office markets. Reports are regularly produced on the market in Newcastle City Centre, typically these are brief updates prepared by surveying firms for PR purposes using headline data. The reports reviewed here are more detailed studies commissioned by Newcastle City Council.

3.0.2 In contrast, there is scant regard paid to the market in Gateshead, and with the exception of the Office Capacity Study which has been commissioned by Gateshead Council as part of the Employment Land Review, we are not aware of any other report on the office market in Gateshead that has been published in the last five years.

3.0.3 Relevant planning, economic and regeneration strategies are considered in the Section 2.

3.1 GVA Grimley - Newcastle Office Market Study (December 2006)

3.1.1 This Study dates from when both the economy and the property market were on an upward curve. The tone of the report reflects these circumstances. The report's executive summary concludes with a call to the Council to be more proactive in bringing forward development.

"Newcastle's office market is important not only to the City but leads the way for the City region and the wider North East Region.

"Further growth in office based employment will be essential to the City's economy over the next 20 years.

"Demand from occupiers is strong and supply is currently struggling to keep pace. This reflects a shortage of development sites and a slow supply line.

"There is a danger that the market will fail to match supply and demand if left to its own devices. The Council must take a more proactive role in the office market in order to balance supply and demand in the office sector.

"Only by providing high quality office accommodation will the City continue to be competitive in the face of increasing competition from other cities."

3.1.2 The report noted that due to the high number of listed buildings and strong demand there was a shortage of Grade A office space. The area west of the City offered the best prospects for growth in the office sector. In particular St James Boulevard and the Discovery Quarter area were identified by Newcastle City Council. Pre-letting of all or part of office schemes had become the norm and there was a perceived shortage of speculative office schemes. Headline rents had reached £20psf with prime yields under 6%. Average office rents had grown 3.9% per annum over the last 25 years. The report forecast rental growth of 3-4% over the next 10-15 years.

3.1.3 Ironically, supply and demand are again out of balance, but now over-supply prevails, speculative offices struggle to find occupiers and rents are falling.

3.1.4 The Study considers policy and market conditions in comparator cities, and identifies four over-arching principles common to the development of a successful office quarter.

- Commercial Realism – An appreciation of the operational, business service and labour force requirements of target growth sectors; and an approach that aims to reconcile new supply with the occupational requirements of such sectors.
- Policy Framework – A coherent policy to ensure out-of-town development does not undermine the city centre or dilute clustering; defined roles and functions of distinct quarters; flexibility to enable the private sector to create successful and appealing business environments.
- Partnership – Involve stakeholders such as businesses, the tertiary education sector and the public sector in development.
- Qualitative Considerations – Increase emphasis on delivery of Grade A floorspace, with ancillary staff & business support facilities and high quality public realm.

3.2 DTZ - Newcastle Property Market Overview and Demand Assessment (September 2009)

3.2.1 DTZ was commissioned by the Council to provide research to support the Employment Land Review. This more recent report is set against the backdrop of the recession and credit crunch. The report considers both the office and industrial sectors. Only the section on the office sector is relevant for this study.

3.2.2 The report comments that the current economic uncertainty makes forecasting very difficult. Therefore any forecast should be treated with caution.

3.2.3 The report highlighted the deteriorating economic circumstances, especially in the wider national office market. As a result landlords are taking an increasingly pragmatic approach in order to mitigate the cost of holding vacant space, particularly having regard to empty rates and service charge liability. The pressure to keep buildings occupied has led to the widespread use of inducements. In this tenants' market landlords are increasingly offering lease flexibility.

3.2.4 The conclusion to the office section of the report reads as follows:

"Newcastle has both a strong City Centre and out of town markets. Rents have remained relatively robust despite the economic climate and good quality stock, such as Wellbar Central, has been occupied quickly. Rents are expected to stay around the £21.00-£22.00 per sq ft mark as, despite a high quantity of stock being introduced to the market in 2008 and 2009, the small number of completed schemes expected in 2010 and 2011 see demand catching up with supply before additional stock can be delivered.

"Going forward there is a variety of projects in the pipeline with a clear identity. The Quayside seeks to establish itself as the key business district within the city centre with Plot 12 offering a unique opportunity to deliver substantial stock in an existing office location. Ouseburn, while proposing a substantial quantity of office space in a close proximity to the Quayside developments, has its own identity separated from the other City Centre stock by the river. Newcastle Great Park and Cobalt Park offer the greatest opportunity to deliver quantum of space and jobs to the region. The parks have bucked the trend of declining popularity for out of town offices and continue to expand and attract new tenants."

3.2.5 After this report was produced, the office market stagnated and there was a contraction of demand for city centre offices. The original lettings at Wellbar Central did not complete and it was not until Summer 2011 that BSkyB signed up to take 3,370 sq m (36,300 sq ft of the 120,000 sq ft in the building) at a rent of £19.50 per sq ft.

3.3 DTZ - Newcastle Property Market Overview and Demand Assessment (February 2010)

3.3.1 DTZ updated and slightly expanded their September 2009 report. Following discussions with ourselves, minor amendments were made in April 2010 to clarify their approach to calculating the capacity in the development pipeline, and to ensure consistency with this Office Needs Assessment.

3.3.2 Relevant to this study is the report's overview of the Newcastle office market. It identifies:

- a drop in prime headline rents from £22 to £20 per sq ft,
- prime rents to stay around £19 -20 psf until 2012,
- a widening gap between prime and secondary rents,
- prime city centre yields tightening to 6.75%,
- availability of Grade A offices in the City Centre is 502,300 sq ft (units under 5,000 sq ft are excluded),
- 281,500 sq ft of speculative Grade A floorspace under construction,
- 5.3 years supply of Grade A space currently available or being speculatively built. [N.B. This aggregate figure assumes that no take-up occurs prior to completion of the new space. This is unlikely to be the case. DTZ estimate that at the end of 2011 availability of Grade A space could reduce to 3.3 years supply.]

DTZ's calculation of the implied supply of Grade A space in unit sizes of over 5,000 sq ft should be distinguished from our calculation of overall implied supply in Table 6.6.

3.4 Gateshead Office Capacity Study

3.4.1 This study was commissioned by Gateshead Council in 2009 to inform the Employment Land Review. It is a supply-side analysis that complements the demand-side analysis of this Office Needs Assessment. Storeys Edward Symmons carried out an external inspection of the office stock across the Borough in mid-2009 and has categorised it according to age, condition, size and location. The study identifies vacant units and establishes vacancy rates for different locations. Vacant offices are similarly categorised to understand the market for each category. Relevant findings are incorporated in sections 6 & 7.

3.4.2 The Office Capacity Study uses Valuation Office Agency rental tones to compare rental levels in different locations within the Borough. These are compared with actual rents and rental growth to identify those locations in which office development would be viable in more normal market conditions.

4 ECONOMIC CONTEXT AND PROPERTY MARKET INDICATORS

4.0.1 Future office development activity will be underpinned by economic recovery. This section considers the economic context of the study area, by reviewing recent economic conditions and trends within NewcastleGateshead. This will identify those economic strengths and weaknesses that could influence the future demand for office premises in the area.

4.0.2 Key economic and property market indicators are used to understand the current state of the economy, sentiment surveys to gauge the short term outlook, and research into property market cycles to inform the long term outlook for the office development market.

4.1 Economic Context of the Study Area

4.1.1 The study area for this ONA is ostensibly the Local Authority areas of both Newcastle City and Gateshead Borough; however, as noted in the introduction, the Travel to Work Area for NewcastleGateshead includes the remaining Tyne and Wear Boroughs of Sunderland, North Tyneside and South Tyneside; the former Durham Districts of Derwentside, Chester-le-Street and Durham City; and small areas of the former Northumberland Districts of Blyth Valley, Castle Morpeth and Tynedale. Consequently, although the bulk of the economic analysis is focused upon NewcastleGateshead, these adjoining Districts also form part of the wider sub-regional context and hence nearby developments competing for the same office market (notably Cobalt and Quorum Business Parks in North Tyneside) have also been included in the commercial market analysis.

4.1.2 It should be stressed, however, that NewcastleGateshead remains the economic heart of the wider Newcastle City Region. The OECD Territorial Review of Newcastle in the North East (2006) concluded that the urban core of the City Region had performed reasonably well compared with other post-industrial city regions, although it remains behind similar European cities on measures of wealth creation and innovation. The OECD's key conclusion was that the Newcastle City Region needs to reinvent economic specialisation and competitive advantage by building on the region's research base, focusing business support on high productivity sectors and investing in a skilled and adaptable workforce. This future economic role of the City Region and specifically Newcastle and Gateshead within it, has guided subsequent regeneration strategies in the study area and provides the immediate context to the economic analysis below.

Population and Employment

4.1.3 The resident population of NewcastleGateshead declined over the period 1998 to 2008, falling from 468,800 to 464,200. This represents a change of -1.0% over the period, compared to national growth of 4.9%. However, since this time, the conurbation has actually seen an increase in population, which has now risen to 483,900 residents (2010).

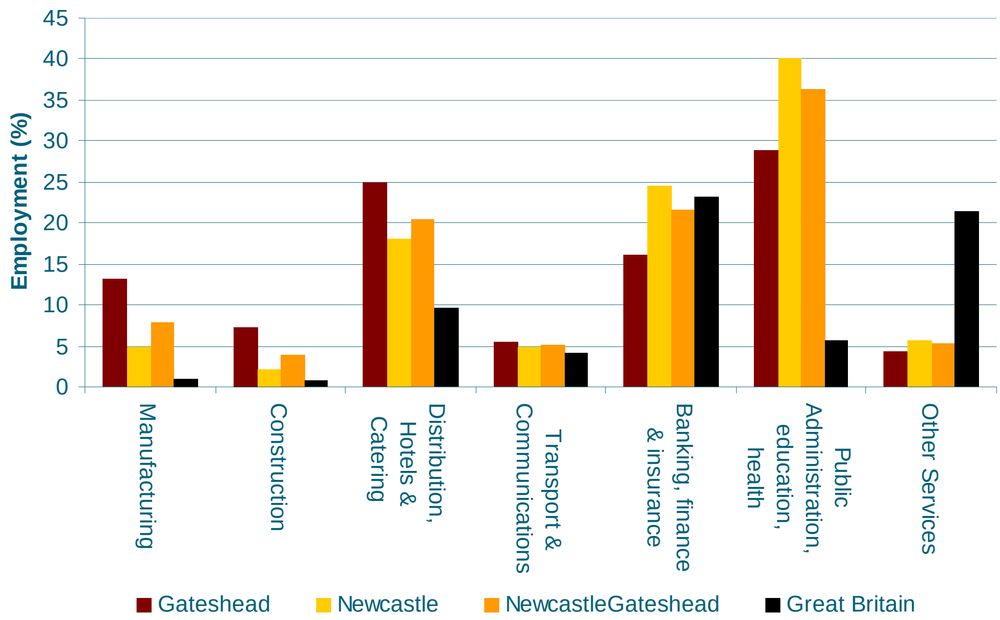
4.1.4 Despite fluctuating population growth over time, NewcastleGateshead recorded steady employment growth over the same period. The total number of employee jobs in the study area increased by 10% from

234,800 in 1998 to 257,600 in 2010[11]. The rate of growth recorded by Newcastle, at 17.9%, was stronger than that observed in Gateshead (7%). When combined, the authorities outstripped the national average of 9%, highlighting the relatively strong economic performance of the area.

Employment Structure

4.1.5 It can be seen from Figure 4.1 below that two of the key industrial sectors in NewcastleGateshead, in terms of employment supported, are public administration, education & health and banking, finance & insurance. Both of these sectors are likely to create demand for B1 office premises in the study area.

Figure 4.1 Employment Share by Sector



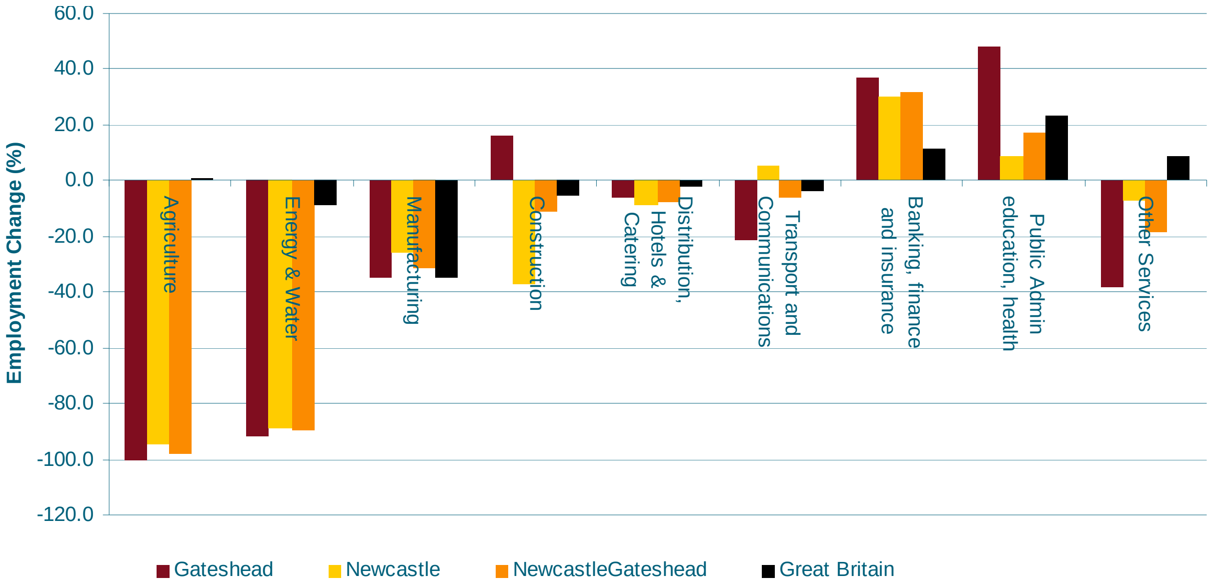
Source: Business Register and Employment Survey, 2010

4.1.6 The public administration, education & health sectors account for just over one in three (36.1%) jobs within the study area, significantly higher than the national average. The sector is particularly well represented within Newcastle (40.1%) as a result of the city's role as a key regional administrative centre, and the location of two universities and numerous hospitals. It should be noted, however, that a significant proportion of activity within the sector does not require B1 office accommodation. Banking, finance & insurance accounts for 22% of all jobs in NewcastleGateshead, which is broadly in line with the national average (23%). Much of the activity is currently focussed in Newcastle, rather than Gateshead.

[11] Source: Business Register and Employer Survey 2010 / Annual Business Inquiry 1998-2008 (scaled)

4.1.7 Whilst Newcastle's employment structure is currently characterised by a higher proportion of jobs in those sectors likely to generate demand for B1 office accommodation, Gateshead is closing the gap as demonstrated in Figure 4.2.

Figure 4.2 Employment Change by Sector, 2000-2010



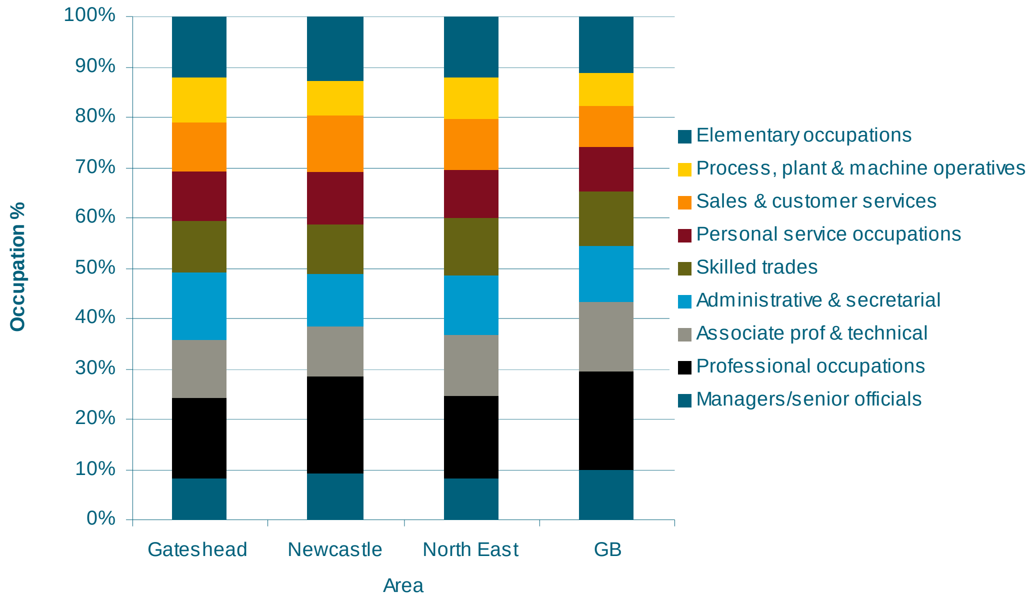
Source: Annual Business Inquiry / BRES

4.1.8 The graph also illustrates that NewcastleGateshead shifted towards a more service-oriented economy over the period, with the strongest growth rates observed in the banking, finance & insurance and public administration, education and health sectors. In both instances, the growth experienced by the study area, notably in Gateshead, exceeded the national average.

Occupational Structure

4.1.9 An assessment of the study area's labour profile (Figure 4.3) highlights that it contains a lower proportion of highly skilled occupations relative to the national average. Managerial, professional and associate professional occupations account for 35.4% of Gateshead's labour force and 38.2% in Newcastle. Both figures are considerably lower than the 43.0% observed across Great Britain. It is these types of highly skilled occupations that drive demand for B1 office premises and NewcastleGateshead's current under-representation could act as a constraint to future development.

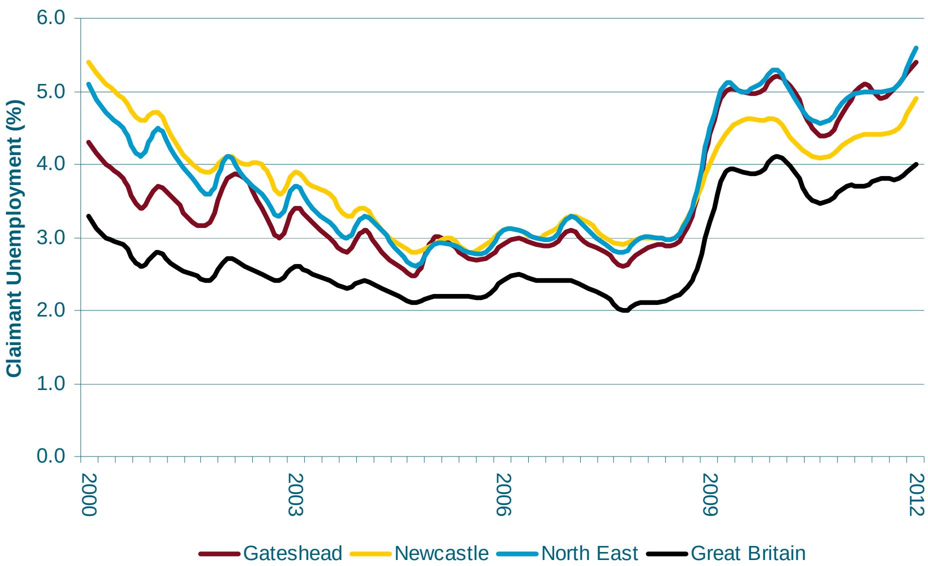
Figure 4.3 Occupational Profile of the Labour Force



Source: Annual Population Survey, 2010-11

Unemployment

Figure 4.4 Claimant Unemployment 2000-2012



Source: ONS Claimant Count, February 2012

4.1.10 Levels of claimant unemployment in NewcastleGateshead have increased markedly during the past 3 years due to the recent recession, and this is a trend observed across all spatial levels. Data for Q1 2012 shows that 5.4% of Gateshead's working age population were claiming Job Seekers' Allowance (JSA). Since 2009, unemployment in Gateshead has remained approximately 0.5% higher than the corresponding figure in Newcastle and closely matches the North East average, with both local authorities experiencing significantly higher unemployment than the national average of 4.0%. Rising unemployment typically equates to lower demand for employment floorspace.

4.1.11 An analysis of February 2012 data shows that there were 6 claimant unemployed workers for every notified job centre vacancy across NewcastleGateshead. This is significantly higher than the national average (4.6) but below that for the region (7.3). This indicates that unemployed residents in NewcastleGateshead have comparatively better prospects of obtaining work locally relative to the North East average.

4.1.12 The provision of new office-based jobs clearly has a role to play in helping to improve the employment prospects of those currently out of work in the area. An analysis of the types of jobs sought by those claiming JSA (January 2012) shows that 9.0% of those in Gateshead and 8.5% in Newcastle are seeking employment in managerial, professional or associate professional occupations.

Future Potential

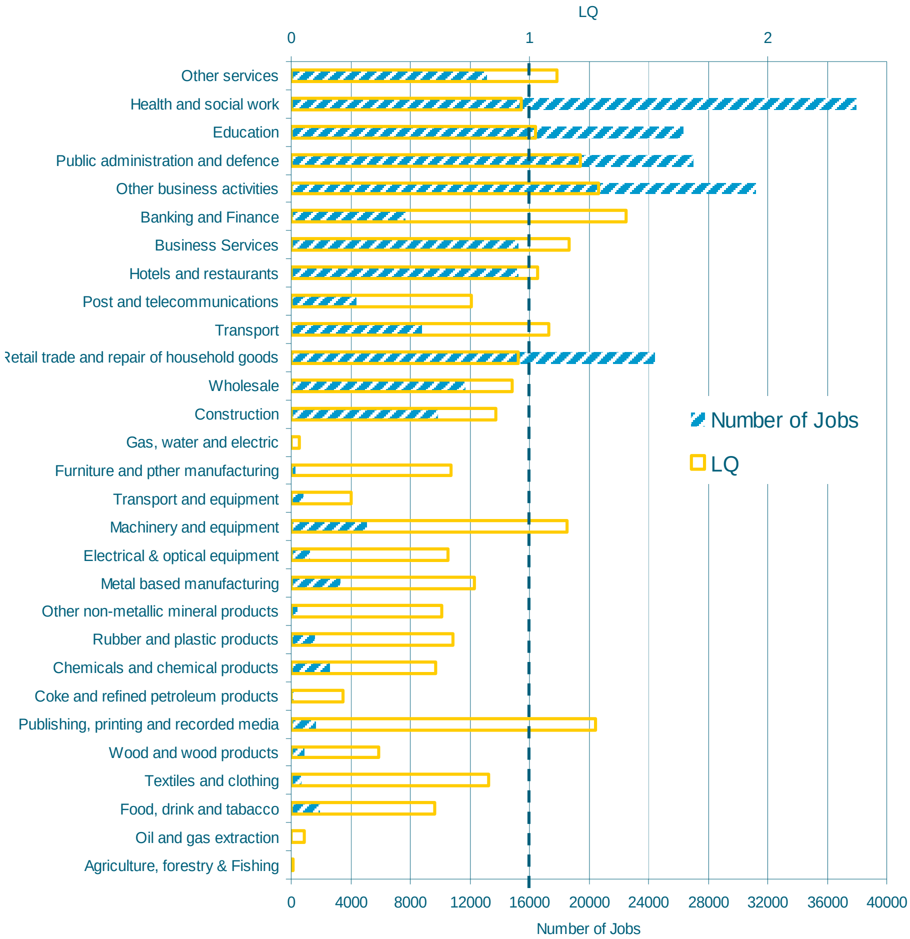
4.1.13 In order to understand the future growth potential of NewcastleGateshead, it is important to consider which industrial sectors are best placed to drive future growth. This is informed by an understanding of which sectors are under or over-represented in terms of local employment and their recent growth performance.

4.1.14 Figure 4.5 assesses the study area's current sectoral strengths through the use of location quotients, which measure the concentration of employment in an industry at the local level relative to the regional average. The location quotients are shown using orange bars, with anything above 1.0 denoting a higher local representation of a sector relative to the North East average and anything below 1.0 signifying an under-representation. The further the orange bar is from 1.0, the greater the extent of any over or under-representation.

4.1.15 The graph shows that NewcastleGateshead has a higher representation than the regional average in a number of sectors that could be expected to create demand for B1 office floorspace, including: banking & finance, business services, and other business activities, as well as public administration and defence. However, none of these sectors have a location quotient above 1.4 for NewcastleGateshead, indicating that the area does not have an overwhelming over-representation in any of the sectors.

4.1.16 Whilst Newcastle has a significant high-representation of office-related sectors, the same cannot be said for Gateshead which is slightly under-represented in terms of banking and finance (0.97), business activities (0.95) and public administration (0.87). The stark differences indicate that Newcastle is clearly the focus for the service and administrative industries, both locally and regionally.

Figure 4.5 NewcastleGateshead Location Quotients



Source: NLP analysis. Based upon ABI / BRES data (2008/10)

4.1.17 Figure 4.6 illustrates the relative representation of sectors in Gateshead as well as levels of employment change over the period 2000 to 2010. Additionally, the relative size of the 'bubble' for each sector represents the level of absolute employment within NewcastleGateshead. It should be noted that this analysis has only been applied to the study area's 12 largest sectors (in absolute employment terms).

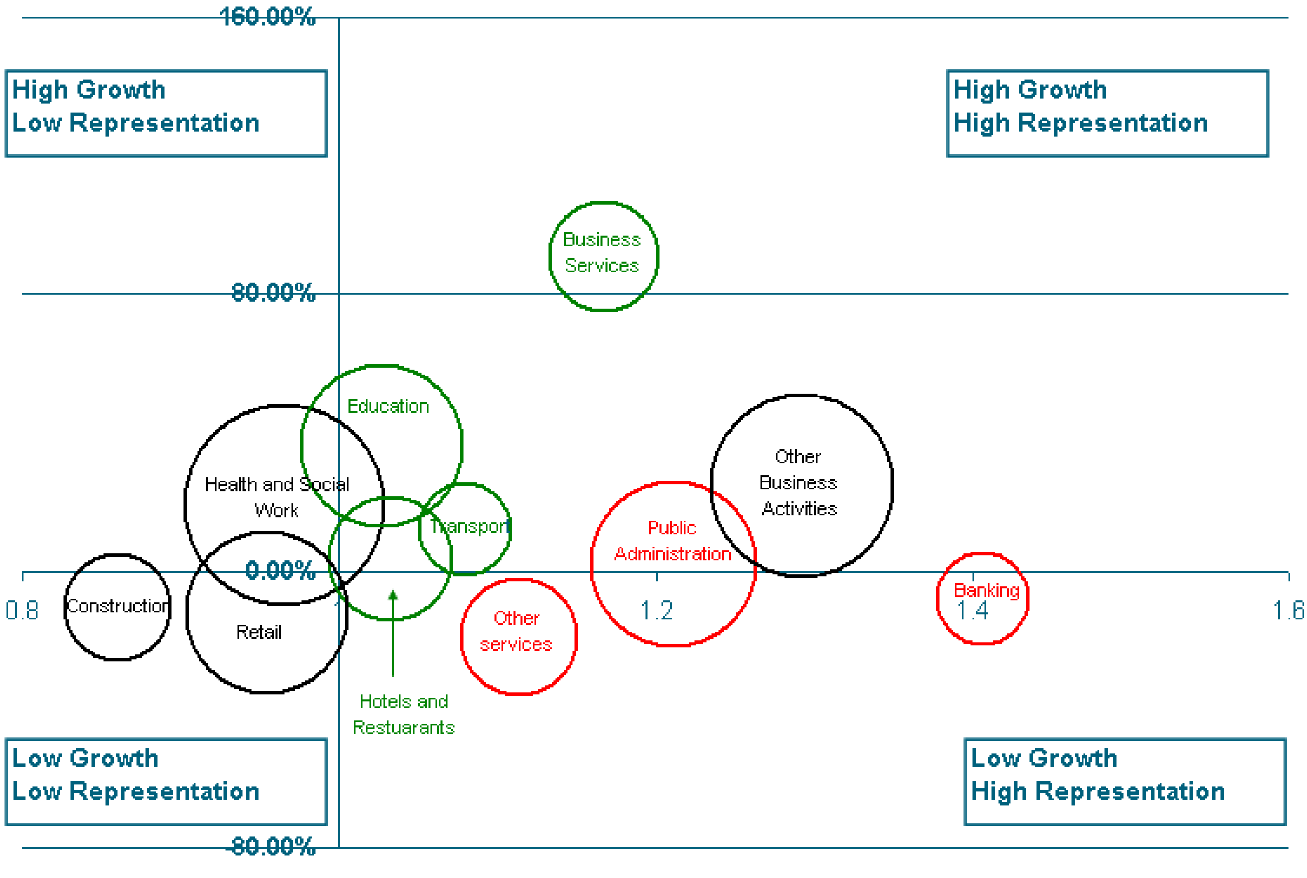
4.1.18 It is also important to understand the direction of employment change. Within the chart, those sectors where employment growth in NewcastleGateshead has out-performed the North East average are highlighted in green, whilst those shown in red have under-performed relative to regional growth. Those sectors shown in black have experienced levels of growth in alignment with the regional average.

4.1.19 The top right quadrant of the graph is of most importance in identifying those sectors likely to drive future economic growth. This is because it contains those sectors which have a high representation and have experienced positive employment growth. It is interesting to note that for NewcastleGateshead, the four main sectors identified as having the potential to drive demand for B1 office space (banking & insurance, business services, other business activities and public administration &

defence) all show relatively stable or good levels of growth and are highly represented relative to the regional economy. The study area appears to have a particular strength in business services, which has recorded high growth in recent years.

4.1.20 In general terms, the above analysis would indicate that the potential for future growth in office based-sectors appears relatively good; all of the major sectors are over-represented in employment terms (indicating the existence of some competitive advantage within the study area) and, apart from banking and finance which retracted by 8%, these sectors recorded positive growth over the period 2000-2010. This takes account of the recent recession and its impact upon financial and business services; however, with further reductions in public sector spending taking place since 2010, it is likely that a further reduction in demand will take place in the short term. In the medium-term, however, the fundamentals of NewcastleGateshead's economy appear to support future growth.

Figure 4.6 NewcastleGateshead Key Sector Growth prospects



Source: NLP analysis. Based upon ABI (2000) and BRES data (2010)

Sectors with Growth Potential

4.1.21 Building upon this initial analysis to take account of the locational requirements of office-based sectors, it is possible to form a view as to how likely NewcastleGateshead is to develop or attract growth in these sectors over the study period. This analysis, set out below, draws upon the findings of research undertaken by SEEDA[12] which examined the key driver of business location by sector. Although it is acknowledged that the work was not undertaken to reflect the North East commercial property market, it is considered that many of the key findings hold true for study area.

Financial / Business Services

4.1.22 A broad sector which includes a range of specialist financial, insurance and general business activities. Business location decisions in this sector reflect factors such as access to markets/suppliers. Access to a skilled and diverse workforce and high quality transport and telecommunications infrastructure. Quality of life factors, including good housing and cultural facilities are also important. As a consequence, many such businesses seek city centre premises. However, a number are attracted to more peripheral business park locations that provide lower rates and ample car parking.

4.1.23 The banking and insurance sub-sector recorded growth of 14.3% across NewcastleGateshead over the period 1998-2008. Although this is below the North East average of 25.8%, the study area remains a key location within the region, with an over-representation of banking and insurance jobs. However, it should be noted that the number of people working in these sectors has declined in Newcastle City in particular since the onset of the 2007 recession, with the number of employees in the Financial and Insurance sector falling by 23.3% (BRES data) in the City between 2008 and 2010 (although Gateshead Borough experienced a modest increase in the number of employees in the this sector). Whilst nationally the trend for growth in this sector has also been downwards, the decline has not been quite as steep, with a fall of 8.8% in terms of employees in this sector over the same time period.

4.1.24 In general terms however, the sector remains a relative strength of the area is underpinned by the level of activity within Newcastle, where despite recent job losses there remains a strong over-representation in employment terms and growth over the long term has been broadly in line with the regional average. In contrast, Gateshead experienced a contraction of employment over the ten year period, compounding an under-representation of banking and finance jobs in the Borough.

4.1.25 NewcastleGateshead has also performed well with respect to business services. The sector is over-represented in employment terms and grew at a rate (85.6%) above the regional average (68.5%) between 1998 and 2008. Whilst growth in these sectors has slowed due to the onset of the recession and subsequent economic downturn, as with banking and insurance, the strength of activity in Newcastle has been critical to this. Gateshead has a moderate representation of business services jobs and

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12 *Spatial Requirements of Key Sectors in the South East,* SEEDA (2004)

whilst the Borough recorded an increase in employment, this was at a level below the North East average.

4.1.26 Notwithstanding the impact of the recession upon the short term growth of financial and business services, the study area would appear well placed to capitalise upon future growth opportunities, particularly within Newcastle given the strength of existing activity in the city and the strong recent growth rates observed. NewcastleGateshead benefits from a range of factors that will help to attract further growth in financial and business services to the area:

- Regionally significant clusters of financial and business services activity including Grey Street and Newcastle Quayside
- Good transport accessibility as a result of the A1 and A167 strategic road network in addition to the Metro light rail system, East Coast Mainline and Newcastle International Airport;
- Excellent retail and cultural offer, with facilities such as the recently extended Eldon Square and MetroCentre, as well as major cultural assets such as the Baltic, Sage, Theatre Royal and Northern Stage;
- Housing offer to attract and retain skilled workers, with sought after residential areas such as Jesmond, Gosforth, Whickham and Axwell Park;
- Skilled population with a greater proportion of degree educated residents relative to the regional average, as well as the potential to draw upon graduates from the universities of Newcastle and Northumbria and possibly Durham.

4.1.27 Overall, the sector is considered to offer strong future growth potential over the medium to long term.

Information Communications Technology

4.1.28 NewcastleGateshead currently has an over-representation of employment in computer-related activities and has experienced strong growth in recent years (doubling in size between 2000 and 2008[13]). This is significantly higher than the rate of change observed across the North East (51% over the same peiod[13]). Whilst the rate of growth was slightly stronger in Gateshead, it is starting from a much lower base, as the number of people employed in this sector is much higher in Newcastle. However, since 2008, employee job growth in this sector has declined by 19%, which although steep, is lower than the regional rate of 25%[14]. At the local authority level, both Newcastle and Gateshead are characterised by an overrepresentation of activity and high recent growth with respect to computer-related activities.

4.1.29 Important locational factors for the ICT sector can include high quality ICT and infrastructure and the availability of a skilled workforce, as well as proximity to major metropolitan areas and the market opportunities

[13] Based on the 'Computer and related activities' SIC category in the 2008 ABI
[14] Based on the 'Computer programming, consultancy and related activities' SIC category in the 2008/10 BRES

that they provide. Areas of high environmental quality can also be successful in attracting ICT businesses. Taking account of these locational requirements, NewcastleGateshead would appear to have some advantages:

- A skilled workforce, with a high proportion of degree educated workforce, as well as opportunities to recruit from local universities;

- A high quality ICT infrastructure and market opportunities as a consequence of the area's status as regional capital; and

- Potential spin-off benefits and market opportunities arising from existing high profile businesses such Sage Accounting and BT Syntegra.

4.1.30 Notwithstanding the above, it should also be noted that there are significant clusters of activity emerging in competing locations within the North East, including Software City in Sunderland and Digital City in Middlesbrough.

4.1.31 Overall, it is considered that the ICT sector offers moderate growth potential within NewcastleGateshead.

4.2 Gross Domestic Product

4.2.1 Data from the Office of National Statistics identified a 0.2% decrease in Gross Domestic Product (GDP) in the fourth quarter of 2011. Early data for the first quarter of 2012 shows a further contraction of 0.2%. Two consecutive quarters of negative growth are classed as a recession. There is general consensus that significant economic growth is unlikely in the foreseeable future.

4.2.2 Over the course of 2011 GDP grew by 0.8%, compared with 2.1% in 2010. Before the onset of the double-dip recession, the economy had recovered just under half the output lost during the 2008-09 recession – growth of 3.4% since the end of the contraction during which GDP declined by more than 7%.

4.2.3 Demand for property is a derived demand. At a macro economic level, GDP is regarded by economists and property market researchers as a proxy for office demand. A return to growth will be an important first step in the recovery of demand for offices.

4.3 Construction Activity

4.3.1 In the construction sector there is contradictory evidence of activity levels. The most recent CIPS surveys have identified low levels of growth; whereas data from ONS shows that during the fourth quarter of 2011 the construction industry contracted by 0.5%.

4.3.2 The latest RICS Construction Market Survey for Q4 2011 identifies that across the north of England workloads have been falling without respite since 2007. On balance, surveyors working in this sector expected further falls in workloads, employment and profits over the next twelve months.

4.4 Business Demographics

4.4.1 ONS data measures business demography from 2004 to 2010. In Gateshead the number of enterprises increased from 4,645 in 2004 to 5,180 in 2008 before falling to 5,065 in 2010. In Newcastle the peak was reached in 2009.

Table 4.1:Count of Active Enterprises 2004-2010

	2004	2005	2006	2007	2008	2009	2010
Gateshead	4,645	4,775	4,845	5,170	5,180	5,175	5,065
Newcastle	6,745	6,840	7,035	7,205	7,415	7,545	7,365
Total	11,390	11,615	11,880	12,375	12,595	12,720	12,430

Source: Business Demography - 2010, Office of National Statistics

4.5 Commercial Property Markets

4.5.1 The RICS Commercial Market Survey is a sentiment survey that assesses the outlook for the commercial property market. Contributors are asked to compare conditions in the previous quarter with conditions in the current quarter. Its Q4 2011 survey identifies:

- Weaker demand and rising availability have led to increasingly negative rental expectations.
- Development starts fell further across all sectors of the market.
- Capital values are expected to fall further and investment transactions are expected to slow significantly.
- Office investment enquiries fell for the first time in a year.
- London and the South no longer seem immune to the negativity felt elsewhere in the UK. The Central London office market saw available space increase and occupier demand fall for the first time in 18 months.

4.5.2 The Investor Property Databank (IPD) monitors the performance of UK commercial property investments. IPD data for December 2011 recorded the first quarterly fall in capital values after nine consecutive quarters of growth. This was largely due to the weakness in the retail sector, which wiped out a modest increase in the capital growth of office investments.

4.5.3 Outside London and the South East the outlook for the office investment market is not encouraging. Over sixteen quarters (Q1 2008 to Q4 2011) yields have had a negative impact on capital values in all but four quarters and rents have had a negative impact for the last fourteen quarters. The poor investment return will impact directly on the availability of funding for office development.

4.5.4 In summary, the outlook for both the occupational and investment markets in the North East are negative. The fundamentals for viable office development in the North East remain very weak.

4.6 Office Development Cycles

4.6.1 Crucial to the forecasting of the amount of land needed for offices over the Local Plan period is an understanding of the interaction between economic cycles and office development cycles. Property markets are subject to three cyclical influences:

- The classic economic (or "business") cycle of 4 – 5 years duration. This acts on all aspects of economic activity and affects property markets through economic demand.
- Long cycles of 9 – 10 years duration. These are generated by the long production lags involved in property development, which create a tendency for supply to outstrip demand in every other business cycle.
- Long swings with a period of up to 20 years associated with major building booms. These tend to occur in every other long cycle of development and are typically speculative in nature.

4.6.2 In the period following a major downturn in the economy the following conditions prevail.

> *"Typically the effects of a slump last through the next Business Cycle, with little need for more new development because of the overhang of vacant space from the previous boom. Furthermore, when the next long cycle of development picks up, having missed a Business Cycle, it may primarily be funded by owner occupiers and institutional investors, rather than the banks, which will still be grappling with the debt problems left over from the last boom. The subsequent long cycle tends to be more demand driven, with a smaller speculative component restricting the extent of the over supply; it is therefore not accompanied by the violent surge and collapse in values which characterised the previous cycle. A repeat of that must wait one more long cycle upturn, by which time all the necessary conditions could be in place for the onset of another speculative boom."*[15]

4.6.3 This pattern of long periods of cautious development activity interspersed with office building booms matches activity in Newcastle's office market over the last few decades. The crash of 2008 came 17 years after the 1991 recession which itself came 17 to 18 years after the property crash of the mid-1970s. It is a salutary reminder that the levels of activity experienced during the middle years of this decade were abnormal, and that office development activity cannot be expected to return to these levels imminently.

4.6.4 When assessing the amount of land to be allocated for office development in NewcastleGateshead a key question is: Have the Enterprise Zones created so much oversupply that the office development cycle misses the first long cycle upturn and has to wait another business cycle?

4.6.5 The development of office premises in Enterprise Zones has been driven by fiscal and financial incentives rather than market demand. "Golden

[15] Property and the economic cycle: building cycles revisited, R. Barras, Journal of Property Research, 1994

Contracts" have extended capital allowance benefits for five years beyond the expiry of the Zones. This has caused a speculative building boom that culminated in 2011. In March 2012, 48,000 sq m of new office floorspace was available at Quorum and a further 39,000 sq m at Cobalt. In addition there is a further 69,000 sq m of vacant Grade A floorspace in NewcastleGateshead. By effectively extending speculative office development for a further business cycle the Enterprise Zones have exacerbated oversupply and delayed a recovery in office development activity.

4.6.6 There are three important points to take from this.

- Take-up of land for office development between 2000 and 2008 is unrepresentative of longer term trends. Over the plan period average take-up will be much lower.

- Current levels of vacant Grade A floorspace will severely restrict the scale of office development over the next five or six years. Low levels of development activity can be expected on office parks, but the city centre market will also be affected.

- A major speculative office boom may not recur until the very end of the plan period.

4.6.7 We are now in a period where there is an overhang of vacant space, viability has been undermined by falling rents, development finance has dried up and investor and developer confidence has been severely damaged. We are moving into a period when development will be led by owner occupiers and institutional investors, and where securing a pre-let is an essential condition of development. The introduction of the Community Infrastructure Levy creates further uncertainty. Its impact on office development in the urban core will depend upon the details of the scheme, such as the extent to which it replaces s.106 payments, the timing of payments and the viability of individual development projects.

4.6.8 Over the next few years we can also expect to see more refurbishment activity as landlords upgrade vacant space to try and attract occupiers and secure higher rents. Lower costs of refurbishment and conversion make this a more viable route to provide Grade A accommodation than new development.

4.6.9 In the medium term vacant floorspace in the former Enterprise Zones will be absorbed and office development sites on Tyneside will be able to compete on their merits. The comprehensive package of fiscal and financial incentives that were available in previous Enterprise Zones, will not be available to the newly designated zones, so the market distortion is not expected to be nearly as great. The viability of office development will be strongest in those locations where rental values are relatively high and / or where construction costs, particularly abnormal development costs, are relatively low. This will favour locations in the Central Business District and serviced, remediated or greenfield sites elsewhere.

5.0 CONSULTATION REVIEW

5.0.1 Stakeholder consultation has formed an essential part of the Office Needs Assessment process, in order to gain a detailed understanding of the commercial requirements for office space in NewcastleGateshead; the current strength of the market; the relative performance of various office locations of the two areas; and future office requirements. The stakeholder engagement and consultation was undertaken in conjunction with the work for the respective ELRs for the two areas and comprises:

- Face-to-face meetings and telephone discussions with key stakeholders and developers; and
- Stakeholder workshops, attended by a variety of stakeholders including public sector bodies, potential investors and businesses.

5.0.2 A summary of this consultation process is presented below.

5.1 Stakeholder Consultation

Face-to-Face Meetings and Telephone Discussions

5.1.1 Consultations were held with a range of key stakeholders to help inform the development of the two ELRs. NLP undertook face to face meetings on behalf of Gateshead Council and undertook telephone discussions with, the following organisations:

a) Tyne and Wear Research and Information

b) North East Chamber of Commerce

c) Tyne and Wear Development Company

d) North East Regional Information Partnership

e) Gateshead College

f) Gateshead Council Officers– Economic Development Department

g) Newcastle Council Officers

h) 1NG

i) One NorthEast

j) Bridging NewcastleGateshead

k) The Highways Agency

These consultations were used to discuss the current and future role of NewcastleGateshead within the regional and sub-regional economy and the existing opportunities and constraints of the two local authority areas as business locations.

Summary Findings

5.1.2 The key findings and main issues raised included the following:

- Whilst historically in decline, traditional manufacturing industries are likely to continue to play a key role, particularly in Gateshead's economic future, although there is a need to provide more good quality premises that have excellent transport links to ensure they prosper.

- Coming out of the economic recession, it is likely that businesses providing commodities / services are likely to see some growth which needs to be accommodated.

- Gateshead provides a more affordable location for businesses than Newcastle upon Tyne.

- Demand for premises with larger floor plates is relatively low. Instead, the demand would appear to be for smaller, higher quality premises.

- A key issue for NewcastleGateshead is infrastructure and transport constraints (particularly in terms of road links and the congestion on the A1 Western bypass), as well as Gateshead's image.

- In terms of spatial priorities, the key areas for future development within Gateshead remain those sites that are accessible to the A1, recognising the access constraints, whilst for Newcastle, alongside the obvious attractions of sites in close proximity to the trunk road network and the established merits of the City Centre, Jesmond, the Quayside and Gosforth, the potential of Great Park was stressed.

- Key employment locations within Gateshead Borough include Team Valley (which has a range of premises for industrial uses and recent Grade A office development), Follingsby (given the choice of premises there) and Baltic Business Quarter. Within Newcastle City, key office locations include the City Centre; Ouseburn; Gosforth; the Quayside; the Airport, Wideopen and Great Park area; Jesmond; and Regent Centre, although it is recognised that the City Core in particular is geographically constrained and restricted in terms of future supply.

- The Quayside should also be a focus for economic growth, including development of creative industries, and particularly media given the organic success of the Ouseburn development area. It is also considered that there is a strong demand for office space in the Quayside area on both sides of the river;

- Notwithstanding this, there needs to remain a focus upon meeting the needs of the rural areas and not just the urban core (particularly in the remoter areas of Gateshead Borough), including by embracing opportunities to encourage and support local businesses.

Stakeholder Workshops

5.1.3 Two visioning workshops were undertaken to inform the respective ELRs of Newcastle and Gateshead. The workshops discussed the economic future of the two areas and sought to agree how best to plan for employment land to meet these aspirations. Office needs and land requirements were a specific focus for discussion at both events.

Newcastle Workshop

5.1.4 The Newcastle workshop took place on 11 December 2009 and was facilitated by Newcastle City Council Officers. The workshop discussed three key issues concerning employment land in the City – growth aspirations; challenges and risks to Newcastle's economy; and sites and premises. The key messages relating to B1a office space emerging from the sessions are summarised below:

NEWCASTLE EMPLOYMENT LAND WORKSHOP

- There has been a reduction in enquiries for smaller units under 3,000 sq ft. There is a need to separate Grade A office space from older stock, as the office market is considerably more sophisticated than it was 10 years ago.

- Benfield Business Park contains a number of businesses past their sell by date. SMEs have increasingly been squeezed out of the Urban Core (Royal Mail, Central Station). Regents Centre is, however, performing well, due to public transport links allowing high density office development.

- There is a clear ambition to halt out of town office development, although this is not a level playing field. There is likely to be less speculative development in Newcastle City Centre than out of town, although this is likely to turn around over time.

- Newcastle's growth aspirations should comply with the RSS unless evidence points elsewhere. Projections should take account of market peaks and troughs.

- There was a view that Newcastle has missed the property cycle. The key challenge is building the right product – flexible grade A floor space. There is currently a migration from office space on Grey Street, due to the area's grade 1 listings and restrictions on use. There is a need to quantify what is currently available in Grey Street.

- Science City represents an opportunistic B1 site that prejudices more commercial uses. This should be reassessed to ensure flexibility, making better use of linkages to the universities.

- There is a need for NCC to work positively with developers to reach growth goals.

- Great Park is unlikely to materialise as a commercial destination until Enterprise Zone incentives finish at Cobalt and Quorum.

- Graduate retention is a strength, but perhaps not at the levels that we would like. Generally, the area has a low skills equilibrium, with graduates in call centres rather than GVA jobs.

- Business accommodation stock needs to capitalise on strengths we have, with more Business incubators.

Gateshead Workshop

5.1.5 The Gateshead workshop was facilitated by NLP and storeys:ssp and attended by Council officers from Gateshead Council, with 26 stakeholders from a range of organisations that included Council Officers, local developers, local commercial agents and other stakeholders. The workshop discussed three key issues concerning employment land in the Borough – growth aspirations; challenges and risks to Gateshead's economy; and sites and premises. The key messages relating to B1a office space emerging from the sessions are summarised below.

GATESHEAD EMPLOYMENT LAND WORKSHOP

- The impact of the recession on future growth in Gateshead was considered the key challenge in terms of office development. It was agreed that Gateshead is well placed to recover from the recession and may provide an opportunity for the Borough to reposition itself economically.
- Whilst a net loss of employment land was not considered to be politically acceptable, concerns were voiced that allocating a large amount of employment space is not justifiable. Concerns were voiced concerning uncertainty about the deliverability and achievability of sites, as well as reductions in public funding availability.
- It was considered that policy control should be strengthened in relation to Gateshead's PEAs. Within the SEAs and weaker employment areas, there may be potential to introduce a wider mix of uses. There may also be scope to create a 'niche employment market' in Gateshead, providing business space for firms to support the College, Open University and Newcastle's universities.
- Whilst concerns were raised that the region's office market is becoming saturated, it was considered that there are accessible sites within, and on the edge of, Gateshead Town Centre, suitable for office and mixed-use development. This is seen to be a medium term vision as a result of the need to create a higher skilled workforce available in the area, of which there is currently a shortage. It was generally agreed that Baltic Business Quarter (BBQ) could potentially support the drive for digital connectivity and a diverse local economy, focussing on a higher-skilled workforce.
- New office development / expansion within the Team Valley is considered to be less achievable due to public transport and Trunk Road capacity constraints. Good road access, parking and good public transport are considered essential to encourage a more diverse local economy. BBQ, for example, is often perceived to be an out of town Business Park, rather than a central, accessible location.
- Concerns were voiced about the development of clusters of specific sectors (e.g. creation of a 'creative quarter'). A mix of sectors was recognised as having important advantages in creating a sustainable economy; the location of employment space should be market driven and not dictated.
- Stakeholders suggested that the Quayside and Central Gateshead areas should focus upon office development as part of wider regeneration/infrastructure improvements. This area may be more appealing to developers in the future as transport choices and spatial preferences change.
- Office Clusters were considered to be more desirable within the central Gateshead locations and there is potential to look locally within existing centres (e.g. Blaydon Town Centre) in order to attract new investment as part of mixed-use developments/growth.
- One of the biggest challenges will involve regenerating and changing the landscape of Gateshead's Quayside. The Felling bypass represents a psychological barrier and it is essential that it is better connected to the central area. Gateshead Town Centre is considered to provide significant potential for creative industries.

NewcastleGateshead Office Needs Assessment

5.1.6 A presentation and workshop was facilitated by NLP and Storeys Edward Symmons was held in April 2012 and attended by Council officers from Newcastle and Gateshead Councils. The emerging findings of the Office Needs Assessment were discussed.

OFFICE NEEDS ASSESSMENT WORKSHOP

- Office development not viable in current economic climate. Values and levels of abnormal costs vary from location to location and thus when the development market returns the need and scale of public sector intervention will also vary. In theory office development could occur on any of the sites considered by the ONA if sufficient public sector gap funding was available.

- Occupier interest is recovering. In 2011 only small office requirements. Larger office requirements now starting to return. Interest in and lettings of small suites at Northern Design Centre and Baltimore House encouraging. In Newcastle the letting to BSkyB of part of Wellbar Central also indicates an improvement in the market. It has been only large scale letting to occur for several years.

- It is reasonable to aim for a 20:80 split of new office floorspace between Gateshead and Newcastle. Gateshead's past share had been 13%. Increasing its future share beyond 20% would require replacement of Newcastle's existing office stock within Gateshead and enforced relocations.

- Although NPPF states that long term protection of employment sites is to be avoided Local Plans can include criteria to assess sites rather than designate sites and evidence of future demand can be used to justify levels of allocation.

- There should be a choice and variety of sites. To only provide city centre office sites risks losing requirements to other districts or restricting business expansion. A solus site for an HQ office function should aim to be around 10 hectares. To ensure sufficient critical mass an office park should aim to be of a similar size.

5.2 Agent Consultation

5.2.1 In 2010 agents active in the NewcastleGateshead office market were interviewed to gauge their sentiments on the outlook for the market and the location of future office development. Further consultation was carried out in June 2012. Their views are summarised in the box below.

AGENT CONSULTATION

- The role for Cobalt and Quorum is to accommodate footloose investors with large requirements, now these former EZs are offering smaller unit sizes at low rents and with generous incentives, they are competing directly with Grade A space in the City Centre. This undermining of the City Centre office market threatens to kill-off new development.

- Falling rents are reducing the profitability of office development and the shrinking of the cost-value gap could take the market back to reliance on gap funding.

- Past expansion of the CBD was driven by the need for larger floorplates that could not be accommodated in Grainger Town. This will drive future expansion too. Within Newcastle City Centre future office development will be focussed on northern end of St James Boulevard, Stephenson Quarter and Forth Banks. Area to west of Redheugh Bridge not seen as an office location.

- Regeneration of Ouseburn and completion of Quayside will consolidate eastern part of City Centre, but Shieldfield is weak office location and student accommodation will be principal form of development.

- Low rents at Gateshead Quays confirm fears that this is regarded as peripheral to CBD. Expansion of CBD further into Gateshead unlikely. River Tyne is a barrier due to traffic congestion.

- Once Cobalt & Quorum are largely occupied Baltic Business Quarter will be seen by the market as a major office park within the urban area. It will still have to compete with greenfield out-of-town sites. A high environmental quality will help it to do this.

- Gateshead Town Centre is a transport hub with secondary & tertiary retail which is of limited interest to private sector office developers. Its role as an administrative centre for the Borough with a modest professional services base will continue.

- Central government financial support for the Accelerated Development Zone will assist the regeneration of key sites in the urban core by preparing sites for redevelopment and enabling office and other commercial development in partnership with the private sector. Whilst welcome it will not be sufficient to kick start speculative office development

- The Community Infrastructure Levy is to be welcomed to the extent that it provides transparency and removes uncertainty. The danger is that it will add to the costs of development at a time when viability is very weak, which would further frustrate the delivery of new offices.

- There are early signs that business confidence is improving and that larger office requirements are slowly returning to the market. The full impact of public sector cutbacks has yet to be felt but there is some uncertainty as to the extent that this might translate into weakened demand for office floorspace. Some of these larger requirements may be attracted to the former EZs.

- Developers are finding it very difficult to access development finance. Terms and costs of financing new development effectively prevent speculative schemes. There has been some refurbishment activity by landlords but the weak lettings market means that even this brings little financial return.

- Ultimately the market will determine the extent to which Gateshead's can be regarded as an office location and the share of new office floorspace that it can capture.

6.0 QUANTITATIVE ASSESSMENT OF PREMISES

6.0.1 An important driver of the demand for new office stock is the capacity within the existing stock to accommodate demand. This is of particular relevance in periods of recession when the cost of office space becomes of greater importance relative to the specification and quality of accommodation. In general, not only will a recession reduce the size of requirements, as the number of employees falls, but it will also impact on the quality of the space required as companies trim costs. Both factors reduce demand for new office stock.

6.0.2 This capacity can be measured in terms of either vacant or available units. In practice these two terms tend to be used interchangeably, as the majority of vacant units are available and vice-versa. However some units that are available to the market may not have been vacated, and other vacant units may not be on the market and thus not identified as available. In calculating the overall vacancy rate / level of availability these factors tend to cancel out.

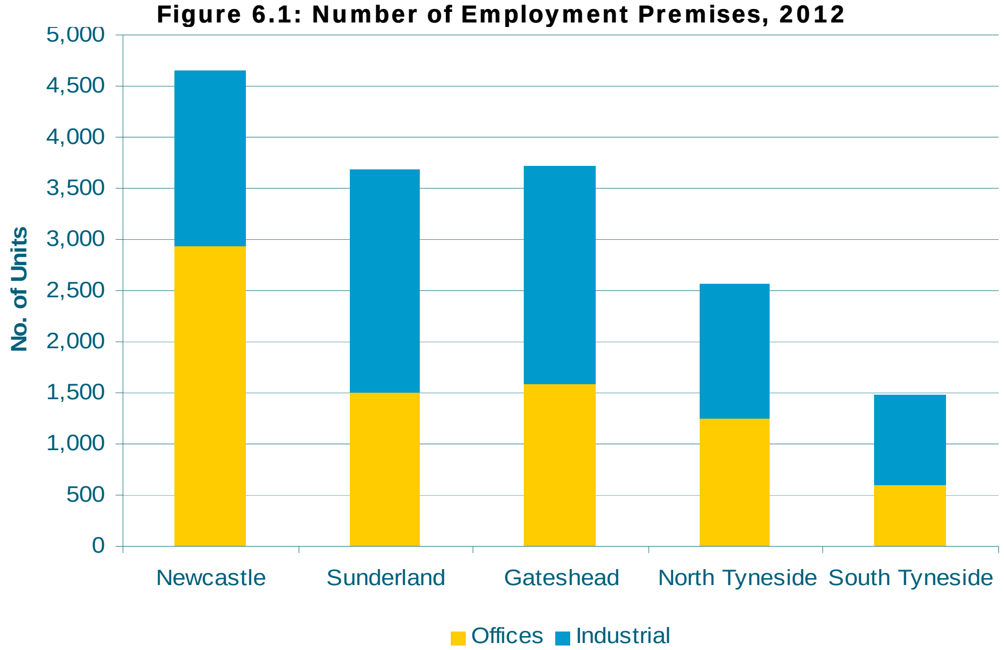
6.0.3 A low level of vacancies within the existing stock suggests a tight supply which will work through into stronger demand for new premises. A high vacancy rate provides occupiers with a greater level of choice and will dampen demand for new accommodation. This broad brush analysis can be complemented by a more detailed analysis of vacancy rates using factors such as location, size and quality to identify those sectors of the office market that are underperforming and those potential gaps in the market which new development could address.

6.0.4 This section considers the vacancy rates across different locations within Newcastle and Gateshead. It reiterates the findings of the Gateshead Office Capacity Study where appropriate. Section 7 provides the more detailed qualitative assessment of the stock of available premises.

6.1 Stock

6.1.1 The number of industrial and offices premises in the five Tyne & Wear authorities are compared in Figure 6.1. Newcastle dominates the office market in Tyne and Wear. Gateshead however has the second highest number of office units in Tyne and Wear (although it is only fourth in terms of office floor space).

Figure 6.1: Number of Employment Premises, 2012



Source: VOA

6.1.2 The Valuation Office Agency collates data on commercial property for business rates purposes. The current Rating List thus provides a comprehensive and up-to-date list of office premises within each local authority area.

6.1.3 Table 6.1 uses data from the Valuation Office Agency to compare the total office stocks of Newcastle and Gateshead. This data is used for the assessment and collection of business rates and is continuously updated. The data was collated in February 2012. We used Analyse software to disaggregate the VOA data and to facilitate analysis.

Table 6.1 Office Stocks in Newcastle & Gateshead

Local Authority	Office Units	Floorspace (sq m)	Floorspace (sq ft)
Newcastle	2,929	1,070,857	11,527,000
Gateshead	1,579	271,600	2,923,600
Total	**4,508**	**1,342,457**	**14,450,600**

Source: Valuation Office Agency (2012)

6.1.4 Newcastle has twice as many office units as Gateshead and nearly four times as much office floorspace. The average size of offices in Newcastle is 366 sq m (4,000 sq ft) compared to 172 sq m (1,850 sq ft) in Gateshead. Newcastle's office floorspace figures are somewhat distorted by the DSS complex at Longbenton which at 94,000 sq m (1 million sq ft) comprises 10% of the district's floorspace. If this is excluded then the average unit size falls to 334 sq m (3,590 sq ft).

6.1.5 The distribution of this office stock is set out in Table 6.2 below. Newcastle City Centre is by far the largest office location comprising 36% of all units. It has more than three times as many units as the next largest office location. When measured by number of units East Gateshead, Gateshead Town Centre, Jesmond and Team Valley are the next most important locations.

Table 6.2: Distribution of Offices across NewcastleGateshead

Location	Floorspace (sq m)	Office Units	Proportion of all Units
Newcastle City Centre (NE1)	503,002	1,544	36%
Jesmond (NE2)	99,221	356	8%
Gosforth (NE3)	118,913	191	4%
Fenham & Elswick (NE4)	94,218	205	5%
Denton & Westerhope (NE5)	23,876	122	3%
Walker & Heaton (NE6)	39,395	135	3%
Benton (NE7)	100,291	10	0%
Airport, Wideopen & Great Park (NE13)	32,557	82	2%
Throckley, Newburn & Benwell (NE15)	30,804	127	3%
Gateshead Town Centre (NE8 1,2 & 4)	59,340	268	6%
East Gateshead, Felling, Pelaw & Bill Quay (NE8 3 & NE10)	50,807	412	10%
Team Valley (NE11 0)	73,867	320	7%
Low Fell, Wrekenton (NE9)	6,484	58	1%
Birtley (DH2 & 3)	8,359	108	3%
Blaydon & Ryton (NE21 & 40)	13,477	96	2%
Whickham & Swalwell (NE16)	7,874	94	2%
Metro Centre & Dunston (NE 11 2 & 9)	32,773	130	3%
Gateshead Minor Settlements (NE17 & 39)	1,863	9	0%
Total	**1,297,121**	**4,267**	**100%**

Source: Valuation Office Agency (2012)

6.1.6 Both Jesmond and Gateshead Town Centre provide office accommodation on the edge of the Central Business District. Recognising that they each have long established office quarters, they tend to be regarded by the market as distinct office locations beyond the CBD rather than extensions of it. Jesmond provides freehold offices, some of which are set in their own grounds. Gateshead Town centre accommodates organisations that serve the town and wider borough.

6.1.7 Table 6.3 considers the change in office floorspace amongst the five Tyne & Wear authorities over the period 1998-2012. There have been substantial increases in each local authority area, but growth has been strongest in those authorities that had Enterprise Zone status during this period. Growth in office floorspace has been driven by transition of the economy away from industrial and towards service sectors.

Table 6.3: Change in Office Floorspace, 1998-2012

Local Authority	Additional Office Floorspace (sq m)	Change in Office Floorspace (%)
Newcastle	399,857	61
Gateshead	121,600	81
North Tyneside	351,495	329
South Tyneside	91,853	200
Sunderland	331,045	240
Tyne & Wear	**1,295,850**	

Source: Valuation Office Agency (2012)

6.2 Availability

6.2.1 The availability of office premises is increasing. Current rates of availability for Gateshead and Newcastle are derived from FOCUS. They are set out in Table 6.4 below. The FOCUS data has been adjusted to exclude developments where construction has not started.

Table 6.4: Available Office Units in NewcastleGateshead

	Units			Floorspace sq m		
District	**Total**	**Available**	**Rate**	**Total**	**Available**	**Rate**
Newcastle	2,772	636	23%	1,042,277	196,373	19%
Gateshead	1,495	219	15%	254,844	61,802	24%
Total	**4,267**	**855**	**20%**	**1,297,121**	**258,175**	**20%**

Sources: FOCUS (2012)

6.2.2 Rates of availability in both Newcastle and Gateshead are indicative of substantial oversupply. In a healthy property market a rate of 5% to 10% would be expected. Such a level allows for market churn to accommodate the changing floorspace requirements of businesses, but does not leave high volumes of floorspace on the market for prolonged periods. A feature of this recession has been for businesses to reduce the amount of space that they occupy and for surplus second-hand space to be released onto the market. The high levels of vacancies are putting pressure on rents as landlords compete for prospective occupiers. The ramifications for new development are:

- there is a high level of supply in the market, some of which is of high quality and which will compete directly with new office development,
- falling rents are weakening the viability of development.

6.2.3 Some office locations are faring better than others. Table 6.5 compares rates of availability across the more important office locations. Despite there being variations, all these locations are experiencing oversupply. The downturn has been indiscriminate in its impact. The highest levels of available premises are found in the NE3 and NE4 postcode areas.

Table 6.5: Availability by Location

Location	Total Units	Availability	
		Units	**Rate**
Newcastle City Centre	1544	373	24%
Jesmond (NE2)	356	81	23%
Gosforth (NE3)	191	60	31%
Fenham & Elswick (NE4)	205	59	29%
Gateshead Town Centre	268	70	26%
Team Valley	320	73	23%
Metro Centre & Dunston	130	30	23%

Sources: FOCUS (2012)

6.2.4 Widespread oversupply throughout NewcastleGateshead suggests that there are no particular locations where an early resumption of development activity can be expected. One possible response to these market conditions is the demolition of poorer vacant stock. The abolition of empty property rates relief will accelerate this process, just as it also acts as a brake on new development activity.

6.3 Demand

6.3.1 Whilst vacancy rates identify that supply is exceeding demand, consideration of past take-up and current requirements can inform the scale of this mismatch. Annual take-up of offices over the last seven years is recorded in Table 6.6. Across NewcastleGateshead office take-up has averaged 38,360 sq m (413,000 sq ft) per annum. In both 2010 & 2011 the amount of floorspace transacted was significantly below this average. Over this seven year period 28% of take-up occurred in Gateshead and 72% in Newcastle.

Table 6.6: Office deals in Newcastle & Gateshead 2005-11

	Newcastle		Gateshead	
	Units	Floorspace (sq m)	Units	Floorspace (sq m)
2005	44	14,276	22	13,156
2006	69	45,854	32	11,566
2007	85	26,037	32	12,323
2008	93	34,288	30	12,311
2009	59	29,717	28	14,108
2010	73	16,457	17	5,115
2011	88	24,713	32	8,596
Total	**511**	**191,342**	**193**	**77,175**
Average	**73**	**27,335**	**28**	**11,025**

Source: FOCUS (2012)

6.3.2 Table 6.7 compares current availability with past take-up. Across NewcastleGateshead there is an implied supply of around seven years[16]. DTZ has used a similar methodology to calculate the implied supply of Grade A floorspace in Newcastle (see section 3.3). Their 2010 report identified 3.4 years supply. The level of oversupply amongst Grade A stock is half that of all office stock, but with high levels of vacant Grade A accommodation at Quorum & Cobalt (which is excluded from DTZ's analysis) there remains substantial oversupply of Grade A stock within Tyneside as a whole. Having regard to office development cycles and the length of time that it will take for the market to absorb this vacant Grade A space, we would not expect a return to speculative development within five years.

Table 6.7: Implied Supply of Offices in Newcastle & Gateshead

District	Units			Floorspace (sq m)		
	Available	Annual Take-up	Implied Supply (yrs)	Available	Annual Take-up	Implied Supply (yrs)
Newcastle	636	73	8	196,373	27,335	7
Gateshead	219	28	7	61,802	11,025	5
Total	**855**	**101**	**8**	**258,175**	**38,360**	**6**

Source: FOCUS (2012)

6.3.3 With the gradual take-up of floorspace amongst those city centre offices that were under construction before the onset of the recession (e.g. Wellbar Central), some agents consider that the reducing supply of Grade A space will be a catalyst for new city centre development. In reaching this view Newcastle City Centre is considered in isolation (e.g. excluding Baltic Place) and Grade A is defined narrowly as just the most prestigious office stock. Whilst not all occupiers would trade a city centre location for an out of centre office park, this massive supply of cheap, high quality space competes effectively for many requirements. Even the more

[16] This six year supply of offices of all specifications in Newcastle contrasts with the 5.3 year supply of Grade A office space identified by DTZ, see paragraph 3.3.2.

optimistic agents acknowledge that development activity in the city centre will be limited to refurbishments and pre-lets for the time being. In our view, lack of development finance will prevent speculative new office development over the next economic cycle.

7 QUALITATIVE ASSESSMENT OF PREMISES

7.1 Size

7.1.1 Table 7.1 compares office vacancy rates for different unit sizes. The analysis reveals high vacancy rates across almost all size bands (the number of units of over 5,000 sq m is too small to support reliable analysis). In the current market there is no size band where further provision could be justified.

Table 7.1: Analysis of Office Units by Size

		Units (sq m)								
		<50	50-100	100-200	200-500	500-1000	1000-2000	2000-5000	>5000	Total Units
Newcastle	Stock	715	569	712	386	219	89	65	17	2,772
	Vacant	174	97	135	89	93	21	6	2	617
	Vacancy Rate	**24**	**17**	**19**	**23**	**42**	**24**	**11**	**12**	**22%**
Gateshead	Stock	686	271	307	143	58	19	10	1	1,495
	Vacant	48	52	53	38	24	4	4	0	223
	Vacancy Rate	**7**	**19**	**17**	**27**	**41**	**21**	**40**	**0**	**15%**

Sources: VOA (2012), FOCUS (2012)

7.1.2 Vacancy rates are highest amongst offices of 500-1,000 sq m. Amongst the vacant units in these size bands is a relatively high proportion of new stock that has never been occupied, such as suites at Wellbar Central, West One and East Quay 5. This corresponds with agents views that the weakened economy has led to a reduction in the size of requirements causing a mismatch between supply and demand. Demand has been strongest for units of less than 500 sq m but there are now few requirements for units of more than 500 sq m.

7.2 Age and Quality

7.2.1 Availability amongst good quality modern accommodation will determine market capacity for new provision. We have considered levels of availability within office accommodation that has been developed in NewcastleGateshead since 2000. Our findings are summarised below.

Table 7.2: Availability amongst Grade A offices built since 2000

District	Net Internal Area (sq m)		
	Total	Available	%
Newcastle	280,253	56,876	20
Gateshead	63,467	17,480	28
Total	**343,720**	**74,356**	**22**

Source: Storeys Edward Symmons (2012)

7.2.2 When measured by floorspace, levels of availability amongst accommodation built since 2000 are higher than the vacancy rates across the stock as a whole (see Section 6.2), and represent substantial oversupply. This oversupply is particularly acute in Gateshead. Office accommodation developed at the peak of the market which has never been occupied is a significant component of this.

7.2.3 The Gateshead Office Capacity Study identified that vacancy rates were highest (around 30%) amongst offices of good and moderate condition. In particular first generation business park accommodation at Team Valley and office blocks at the Metro Centre seemed to be struggling in the face of competition from other business parks around the region.

7.2.4 The Gateshead Office Capacity Study identified that the majority of vacant office units are more than 30 years old; 40% of units of between 30 & 50 years old are vacant. Prominent amongst these were the 1960s office towers at Tynegate Precinct and Tyne Bridge Tower (the latter has subsequently been demolished). Despite the high profile vacancies within recently completed developments such as Baltic Place and Baltimore House there is a relatively low vacancy rate amongst units of less that 10 years old. Surprisingly the oldest offices in the Borough are reasonably well occupied, which is evidence of the continuing popularity of the town centre's traditional office core around Walker and Regent Terraces.

7.2.5 The level of vacancies amongst older units is evidence that this part of the stock is becoming obsolete and justifies its demolition. The process of replacing it with new high quality stock will have to wait until the overhang of new office space has cleared.

7.2.6 A more detailed qualitative assessment of Newcastle's office stock and availability is outside the scope of this study.

7.3 Premises for Business Start-ups

7.3.1 The support of entrepreneurship and business start-ups is recognised as an important component of securing sustainable economic growth. Table 7.1 identifies 1401 office units in NewcastleGateshead that are less that 50 sq m. Of these, 222 units are available. This vacancy rate of 16% is likely to be understated; smaller units available on short term licences may not be picked up by property databases such as FOCUS and under-reporting is commonplace. This is strong evidence that there is no shortage of premises. From our market knowledge and the findings of the Gateshead Office Capacity Study it is evident that much of this stock is within serviced office centres that provide additional office services.

7.3.2 The extent of these support services varies from the provision of basic office furniture and a common telephone system, through to specialist business incubators that include IT hardware, intensive on-site business support, meeting rooms etc. Occupancy costs vary substantially according to the level of services that are provided, the specification of the accommodation and the extent to which services are charged on an all-inclusive or pay-as-you-go basis. Within NewcastleGateshead there is a broad range of serviced offices that suit varied business requirements. For different occupiers the importance of particular services will vary. The list below is indicative.

- 24 hour access.
- Security.
- Natural daylight.
- CAT 6 lighting.
- Broadband.
- Office services e.g. reception, secretarial, photocopiers & printers.

- Business support services.
- Meeting Rooms.
- Flexible floorspace.
- Flexible leases / licences.

7.3.3 Whilst specific consideration of serviced office provision is beyond the scope of the Gateshead Office Capacity Study, it was clearly apparent during the course of our survey that vacancy rates were substantial regardless of the quality of the accommodation. High vacancy rates were prevalent amongst the new high specification accommodation at Regus Maingate, refurbished suites at Tynegate Precinct and poorer specification space such as Baltic Business Centre and Birtley's Imex Centre.

7.3.4 VAT Registration data identifies the scale of small business formation and failure. In Newcastle an additional 820 businesses were registered over a ten year period and in Gateshead there were 565. Average annual business creation in NewcastleGateshead therefore equates to around 140 businesses. Not all businesses formation will convert into requirements for workspace, and conversion rates of 10% - 25% (equating to 14 to 35 units) can be anticipated. Similarly not all workspace requirements will be for offices, but as the regional office capital, Newcastle could expect to draw demand from other areas.

7.3.5 Initially growth will be absorbed by the current stock of premises. But occupancy rates within managed workspace and serviced offices should be monitored and additional provision made when required.

7.3.6 The requirements for those working in the digital media and digital technology industries differ from those that are found in standard business centres and premises. In particular, regard should be had to the higher specification requirements such as:

- increased floor loading
- higher levels of sound insulation
- greater power capacity (IT, telephones, broadband etc.)
- ability to expand to meet business growth
- company identity
- open plan layout and building flexibility
- parking for staff and visitors and good access to public transport
- support services and amenities

7.3.7 Digital media and digital technology companies are part of the broader creative industries sector which includes allied businesses such as graphic design, fine arts, new media and architecture. It is widely recognised that clustering of such businesses brings mutual benefits and knowledge transfer opportunities (e.g. California's Silicon Valley and Cambridge's Silicon Fen). The development of serviced office space to meet the sectors specific requirements and encourage the development of a cluster is an important objective of NewcastleGateshead's economic strategy. Proposals should therefore not only satisfy the technical requirements of businesses in the sector, but also facilitate informal networking. To retain such businesses there should be appropriate move-on accommodation.

7.3.8 Given the costs of constructing higher specification premises and of providing services, intensive management and business support, the delivery and management of such facilities by the private sector is not viable. The end value would be expected to fall short of the development cost and capital funding will be required. Rental income from small and start-up businesses will be insecure and void levels could be substantial, so during the early years of operation revenue subsidy will also be required. Public sector intervention through capital and revenue subsidies can be seen as an essential catalyst for the growth of digital industries, and can secure physical regeneration. But public sector subsidy will also undermine existing private sector workspace by drawing away demand, exacerbating over-supply and undermining rents.

7.3.9 Recent and proposed developments to provide new office floorspace to meet the needs of small businesses are listed below. These are largely aimed at specific sectors. If restrictions on use are rigorously applied then the extent to which they compete with other small serviced offices will be limited. There is substantial future capacity to develop additional floorspace to meet the requirements of creative industries and science related activities. The areas identified as growth points for these sectors (Science Central, Baltic Business Quarter and Ouseburn) together provide over 30 hectares of development opportunities. Sites in the northern part of Gateshead Town Centre and at Gateshead Quays are being promoted as a Creative Quarter and will contribute additional office capacity.

Table 7.3: Recent and Proposed Floorspace for Small Businesses

Name	Location	Comments
Northern Design Centre	Baltic Business Quarter	4,854 sq m of new build office space for creative industries with specialist business support.
Baltimore House	Baltic Business Quarter	Part to be converted to move-on accommodation for occupiers of International Business Centre.
Starter for Ten - Phase 3	Brighton Road, Bensham	Conversion of church to provide space for 12 creative businesses.
Starter for Ten - Phase 4	Gibside Estate, Rowlands Gill	Planning consent for provision of workspace for 10 businesses.
Media Exchange	Stepney Bank, Ouseburn	2,950 sq m of new self contained offices for creative industries.
Toffee Factory	Ouseburn	Redevelopment to provide 2,000 sq m hub for creative businesses.
Science Central	Wellington Street, Newcastle	Mixed-use development to be anchored by 3,700 sq m “Gateway” workspace for science related activities with specialist business support.

Source: Storeys Edward Symmons

Storeys Edward Symmons

8 QUANTITATIVE ASSESSMENT OF OFFICE SITES

8.1 Supply of Sites and Floorspace

8.1.1 The Table at Appendix 2 lists office development sites in NewcastleGateshead. These include:

- sites identified in the ELRs for office use,
- Sites identified in the ELRs for mixed-use with an office component,
- sites with planning consent for offices that have not featured in the ELR (e.g. because they are beneath the size threshold),
- sites where office developments are under construction.

Full lists of all employment sites are appended to the Council's Employment Land Reviews.

8.1.2 The principal focus of this study is the development of new offices. Proposals to provide office floorspace through change of use, extension or conversion (e.g. the railway arches G499) are not included within the assessment. Likewise, offices ancillary to other uses (e.g. sports grounds G73 & G311) are excluded. It should also be noted that there are other sites where aspirations for office development are emerging and further windfall office development sites will come forward in due course. These are not included but will need to be assessed by the planning authorities at the appropriate time.

8.1.3 The data has come from the ELRs for the two planning authorities and cross-checked against planning consents and pre-application enquiries relating to office development. To ensure that the table is comprehensive we have also checked that sites being marketed for office development are included; some site names have been changed to reflect the emerging scheme rather than the former use of the site.

8.1.4 For each site we have estimated the net developable site area for the office component and the office floorspace. This gross:net adjustment reflects a) the developable area of the site and b) the office component where a site is proposed for mixed-use development.[17] In areas where mixed-use is anticipated, but there is no masterplan the employment component has been estimated further to discussions with the Council. Net developable site areas are summarised below.

Table 8.1: Supply of Office Sites

	Net Developable Area of Office Component (ha)		
	With Detailed Consent	Without Detailed Consent	Total
Newcastle	2.09	73.31	75.40
Gateshead	4.90	35.28	40.18
Total	**6.99**	**108.59**	**115.58**

Source: Storeys Edward Symmons (2012)

8.1.5 Office floorspace estimates are derived from the net developable site area by applying generic site densities. Appropriate office densities vary according to location. We have analysed a cross section of recent actual office developments in Newcastle and Gateshead, categorising them as

[17] See Para 2.11, Employment Land Reviews Guidance Note, ODPM, December 2004

City Centre or Business Park. The lack of recent office development in town centres produces an insufficient sample for analysis. Office densities in the City Centre range from 126% to 500% and average 298%. On Business Parks they ranged from 21% to 50% and averaged 33%[18]. Our calculation of densities is based on net internal areas. For offices a net:gross ratio of 85% is appropriate. The office density ratios are summarised below.

Table 8.2: Analysis of Average Office Densities

Location	Office Density NIA	Office Density GIA
City Centre	300%	350%
Business Park	33%	39%

Source: Storeys Edward Symmons (2012)

8.1.6 Having regard to this analysis the following office densities are applied to the net developable site area to estimate the GIA of office floorspace.

Table 8.3: Application of Office Densities

Location	Density	Comments
Newcastle (all sites)	300%	In accordance with ELR
Gateshead Quays	300%	High density
Baltic Business Quarter	300%	High density
Central Gateshead	300%	FFAC proposes offices of 1 – 7 storeys
Team Valley / Dunston	40%	Typical business park density
Other Centres	150%	2 – 3 storeys anticipated

Source: Storeys Edward Symmons (2012)

8.1.7 Where a site has planning consent the GIA of the office floorspace has been taken from the application form. Similarly we have adopted floorspace figures where sites have undergone some element of masterplanning or other detailed design (e.g. Fit for a City identifies the office content of sites put forward as part of the Gateshead Town Centre Regeneration Delivery Strategy). For these sites, these floorspace figures appear in the "Office Floorspace (GIA)" column of the table at Appendix 2 and the figure derived from generic site densities is provided in the "Alternative Floorspace Estimate" column.

8.1.8 The table below summarises the scale of office provision according to their planning status.

Table 8.4: Office Development Pipeline in NewcastleGateshead

	Size (sq m GIA)			
	Under Construction	With Detailed Consent	Without Detailed Consent	Total
Newcastle	0	53,583	686,453	740,036
Gateshead	4,487	24,846	341,353	370,686
Total	**4,487**	**78,429**	**1,027,806**	**1,110,722**

Source: Storeys Edward Symmons (2012)

8.1.9 In both Newcastle & Gateshead the high volume of new space on the market will deter starts on site. There is a further 78,000 sq m (840,000 sq ft) of floorspace with detailed planning consent which is unlikely to be brought forward without pre-lets. Some of these consents may be allowed to lapse. Nevertheless the high level of consents will dampen developer enthusiasm for bringing forward more schemes.

[18] Table 10.1 identifies typical ranges for office densities in different locations.

8.1.10 There is further capacity for an estimated 1 million sq m (11 million sq ft) of office floorspace on land to be allocated for office development.

8.1.11 Within the urban core of NewcastleGateshead the pipeline is also substantial. Table 8.5 summarises proposals for new office development within Newcastle City Centre, Gateshead Quays, Baltic Business Quarter and Gateshead Town Centre. Refurbishments and conversions are excluded.

Table 8.5: Office Development Pipeline in Urban Core

	Size (sq m GIA)			
	Under Construction	With Detailed Consent	Without Detailed Consent	Total
Newcastle	0	49,122	335,980	385,102
Gateshead	4,487	13,486	277,671	295,644
Total	**4,487**	**62,608**	**613,651**	**680,746**

Source: Storeys Edward Symmons (2012)

8.2 Past Take-up of Sites

8.2.1 We have researched the development of new offices in Newcastle over a 23 year period 1989-2011 to provide an estimate of the average annual take-up of office sites over a period that spans office development cycles. Because of its exceptional size and unique nature, we have excluded the redevelopment of the DSS complex at Longbenton which replaced existing premises with 166,000 sq m of new office accommodation on 23.17 hectares. Across Newcastle 55.85 hectares were developed, equating to 2.43 hectares per annum.

8.2.2 In Gateshead between April 2000 and March 2012 9.64 hectares of land have been developed for offices, an average of 0.80 hectares per annum. Only 2.22 hectares of this (23%) was within the Town Centre / Gateshead Quays / Baltic Business Quarter. The remaining 77% was in out-of-centre locations.

8.2.3 Table 8.6 compares the pipeline of sites with past rates of take-up. Identified office development sites are sufficient for 35 years. This is evidence that a lesser provision would be appropriate.

Table 8.6: Supply of Office Sites

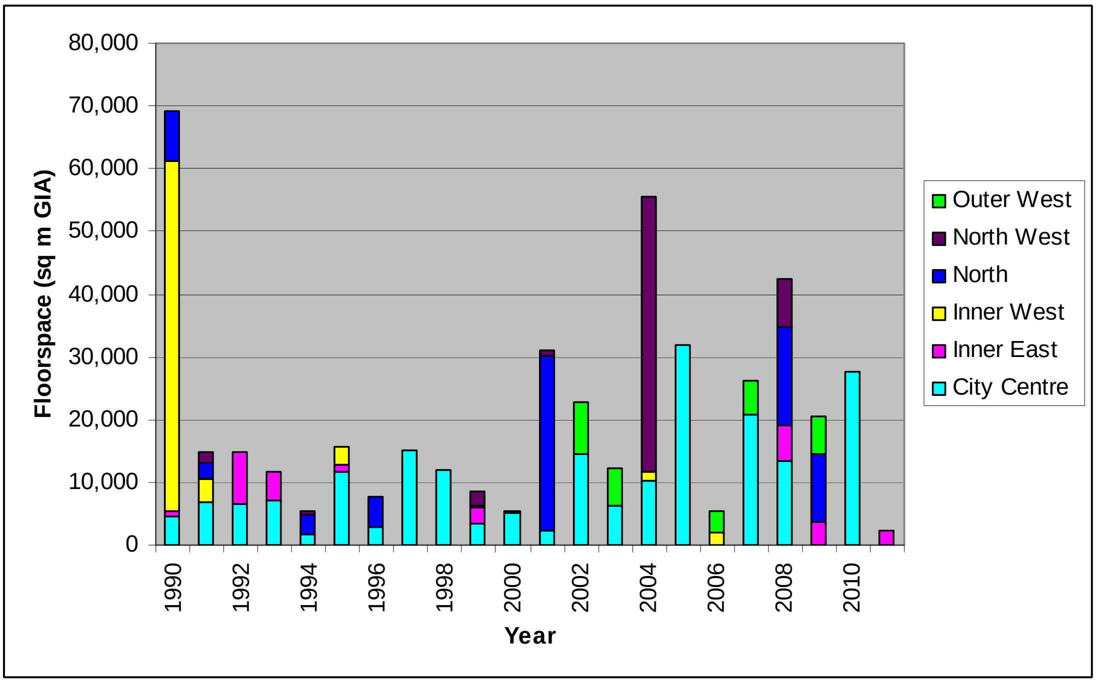
	Office Development Sites (ha)	Take-up of Office Development Sites (ha p.a.)	Implied Supply (years)
Newcastle	75.40	2.43	31
Gateshead	40.18	0.80	50
Total	**115.58**	**3.23**	**35**

Source: Storeys Edward Symmons (2012)

8.3 Past Development of Office Floorspace

8.3.1 Completions of new offices are a key indicator of the development market. From planning records we have assessed the location and scale of office development in Newcastle from 1990 to 2011 and in Gateshead from 2000 to 2011. Refurbishments & conversions are excluded, as is the redevelopment of the DSS complex at Longbenton. These are listed at Appendix 3.

Figure 8.1: Annual Completions of Offices in Newcastle 1990-2011



Source: Storeys Edward Symmons (2012)

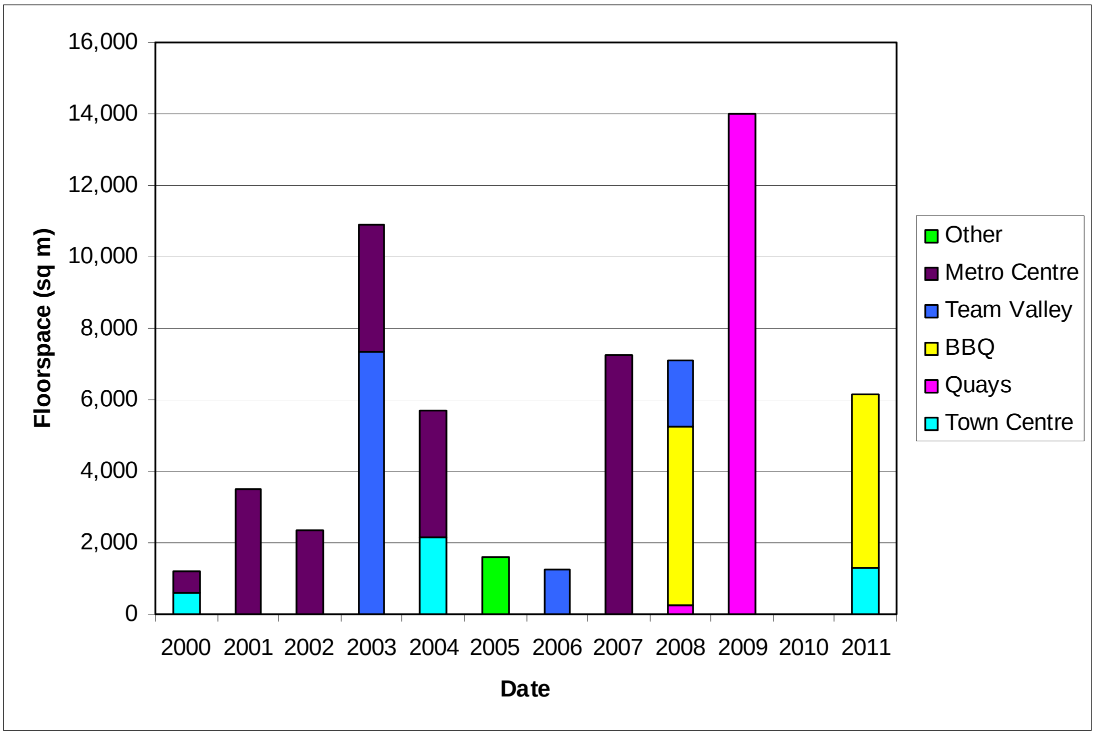
8.3.2 Over the last twenty-two years 458,035 sq m (4,930,000 sq ft) of new offices have been developed in Newcastle District[19]. Annual completions vary substantially from year to year. In 2011 they totalled just 2,367 sq m. In 1990 the total was 69,293 sq m (including 56,000 sq m at Newcastle Business Park which was an Enterprise Zone nearing expiry). Completions have averaged 20,820 sq m (224,000 sq ft) per annum.

8.3.3 In Gateshead levels of office development have been lower. 60,996 sq m (656,600 sq ft) of offices were constructed in the twelve years from 2000 to 2011, equating to 5,083 sq m (54,700 sq ft) per annum – less than a quarter of the activity in Newcastle over this period (23,354 sq m[20]). A high volume of completions between 2007 and 2009 has led to an overhang of vacant space. Baltic Place equates for 23% of the new office floorspace completed in Gateshead over this period.

[19] Gross Floorspace. We have excluded the redevelopment of the DSS complex at Longbenton which has provided 166,106 sq ft of new accommodation.

[20] Excluding the redevelopment of DSS, Longbenton.

Figure 8.2: Annual Completions of Offices in Gateshead 2000-20011



Source: Storeys Edward Symmons (2012)

8.3.4 Table 8.7 compares the pipeline of floorspace with completions between 2000 & 2011. It should be noted that completions over this period will have been higher than those achieved in the 1990s, but they do allow a like for like comparison of Newcastle and Gateshead.

Table 8.7: Supply of Office Floorspace

	Office Pipeline (sq m GIA)	Office Completions (sq m GIA p.a.)	Implied Supply (years)
Newcastle	740,036	23,602	31
Gateshead	370,686	5,083	72
Total	**1,110,722**	**28,685**	**38**

Source: Storeys Edward Symmons (2012)

8.3.5 This analysis of floorspace shows a massive disparity between past completions and future provision within Gateshead. The overprovision of sites combined with expectation of higher density office developments, results in a supply of floorspace sufficient for seven decades.

8.3.6 A more cautious estimate for Newcastle can be derived from average take-up over the last twenty-two years. This has averaged 20,800 sq m p.a. giving an implied supply of 36 years.

8.4 Impact of Enterprise Zones

8.4.1 Figure 8.1 highlights an important factor in the consideration of office demand in Newcastle Gateshead, which is the impact of Enterprise Zones. The contrast between office completions in 1990 and throughout the rest of that decade is stark, and the question arises as to the extent to which the Enterprise Zone development draws demand away from other locations. In 1990 it was the impact of the Tyneside Enterprise Zone, today it is the continuing impact of the Tyne Riverside Enterprise Zone.

8.4.2 The Tyneside Enterprise Zone was designated for 10 years from August 1981 to August 1991. It encompassed the northern bank of the Tyne to the west of Newcastle City centre, the southern bank of the Tyne around Dunston and the southern part of Team Valley. It facilitated the redevelopment of expansive areas of brownfield land for employment and retail uses through a range of fiscal and financial incentives aimed at investors, developers and occupiers. Major retail developments were the Metro Centre and Team Valley Retail World. Major office developments were Newcastle Business Park and Fifth Avenue Business Park at Team Valley.

8.4.3 Later Enterprise Zones did not allow retail development, but through "Golden Contracts" enabled some of the fiscal incentives to continue beyond the ten year life of the Zone. The result has been the emergence of very large office parks where development is being driven as much by capital allowance incentives as by occupier demand. The Tyne Riverside Enterprise Zone which largely comprised greenfield sites in North Tyneside expired in 2006, but development of the office parks at Cobalt and Quorum continued until 2011.

8.4.4 Office development at Cobalt and Quorum in the last decade has equated to 234,500 sq m (2.5 million sq ft). Of this 86,900 sq m (935,000 sq ft) is currently available. It would be wrong to conclude that in the absence of the Enterprise Zone this scale of office development would have occurred elsewhere in Tyne & Wear or the wider region. Occupiers such as Procter & Gamble and Tesco Bank had national or even international search parameters. If such companies had not been attracted to Cobalt or Quorum they would not have located elsewhere in the North East. But equally some of the floorspace has and will be taken by local companies attracted by low rents.

8.4.5 Tyne Riverside was the last of the previous rounds of Enterprise Zones. Through the development of Grade A office accommodation with large floorplates and generous car parking ratios in a high quality environment, these major office parks compete directly with the CBD for larger requirements. A new round of Enterprise Zones was announced in the March 2011 Budget, but these provide a less comprehensive package of incentives, and are unlikely to distort the market in the same way.

8.4.6 At past rates of occupation Cobalt has capacity to accommodate around 7 years worth of requirements and Quorum around 11 years. Once this floorspace has been largely absorbed by the market other office locations will be able to compete on their merits, and take-up at office parks such as the Airport and Baltic Business Quarter can be expected to increase. In the interim development in these locations is more likely to proceed where a pre-let or forward sale has been secured.

8.5 Central Business District

8.5.1 Of particular interest to this study is the capacity within the Central Business District. The market view of what constitutes the extent of the CBD is fluid, and the subject of differing views. But it will be generally acknowledged that the CBD has steadily grown and that further expansion will occur as service sector growth continues. The map at Appendix 4 compares our view of the boundaries in 1990, 2000 and 2010, by mapping office development in and around Newcastle City Centre; and it indicates future directions of expansion by identifying where new offices are proposed.

8.5.2 Prior to 1990 the CBD was largely within 500 metres and wholly within a one kilometre radius of Grey's Monument. Subsequent development has been contained largely within this radius, the exceptions being the western part of St James Gate and the eastern end of East Quayside. This might suggest that the CBD is shifting southwards, but major proposals in the pipeline including the Stephenson Quarter and Science City will provide opportunities to consolidate the CBD within this area. On the south side of the Tyne only a small section of Gateshead Quays lies within this radius. Much of Baltic Business Quarter and Gateshead Town centre are more than 1.5 km from Grey's Monument.

8.5.3 Whether the CBD currently encompasses any part of Gateshead continues to be the subject of some debate. The Sage and BALTIC have established Gateshead Quays as a cultural quarter at the core of the city region and with the completion of Baltic Place which provides offices of a City Centre scale and quality, the majority of surveyors would now recognize Gateshead Quays as part of the CBD. Further office development here would strengthen this view, but if Baltic Place were to remain the only offices on Gateshead Quays then the market may, over time, regard it as peripheral.

8.5.4 To consider the potential for further expansion of the CBD into Gateshead, our analysis below compares office development capacity within the urban cores of Newcastle & Gateshead. This encompasses Newcastle City Centre, Gateshead Town Centre, Gateshead Quays and Baltic Business Quarter.[21] The table below summarises office completions by location over the last two decades. Over the last two decades completions of offices within this area have totalled 242,914 sq m (2,615,000 sq ft). This equates to 12,146 sq m (130,740 sq ft) per annum. Whereas between 1990 and 1999 all this office development was on the north side of the Tyne, in the following decade 15% was in Gateshead.

Table 8.8: Development in Urban Core by Decade

	Completions of Office Floorspace (sq m GIA)		
	1990-99	2000-09	Total
Newcastle	94,904	125,995	220,900
Gateshead	n/k	22,014	22,014
Total	**94,904**	**148,009**	**242,914**

Source: Storeys Edward Symmons

8.5.5 Table 8.9 compares the pipeline of floorspace in the urban cores with completions over the last decade. In Gateshead office completions have been intermittent and 87% of new floorspace developed in the urban core occurred in the last two years of this ten year period. It could thus be argued that average office completions are understated; but equally it is unrealistic to expect office completion rates achieved in just the last two years to be representative of future development rates. By whatever

[21] 1PLAN uses "central business district" to describe this wider area in the context of its vision and strategy. Time will tell when and if the market will accept this ambitious definition of the CBD.

measure it is clear that there is substantial surplus provision of office development sites within the urban cores and this is particularly pronounced in Gateshead.

Table 8.9: Implied Supply in Urban Core

	Office Pipeline (sq m GIA)	Office Completions (sq m GIA p.a.)	Implied Supply (years)
Newcastle	385,102	12,600	30
Gateshead	295,644	2,201	134
Total	**680,746**	**14,801**	**46**

Source: Storeys Edward Symmons

8.5.6 The reasons are clear. Baltic Business Quarter was conceived as an urban regeneration initiative aimed at delivering a substantial quantum of new office space. After a prolonged period and substantial public sector expenditure in land assembly, site clearance and remediation, the first phase of office development has eventually been delivered but further activity has been stifled by the economic downturn. At the same time the regeneration of Gateshead Quays has stimulated private sector development proposals which include substantial office content. Now a third urban regeneration initiative envisaging large amounts of new office floorspace is being promoted in the Town Centre. Without the prospect of finding occupiers for all this proposed office space within a realistic period, consideration should be given to which of the competing regeneration initiatives is of greatest importance to ensure that office development is appropriately focussed.

8.5.7 Within the study area there are a range of examples of the successful establishment of new office locations. Public sector site assembly and infrastructure provision combined with a generous package of incentives to the market enabled the establishment of business parks within the Enterprise Zones. At Watermark the provision of new road infrastructure and remediated sites was sufficient catalyst during a period of steady economic growth after the EZ had expired. At East Quayside substantial infrastructure, site stabilisation and remediation works by Tyne & Wear Development Corporation followed the preparation of a masterplan, and a prolonged period of site assembly using compulsory purchase powers.

8.5.8 East Quayside provides an example of the speed at which an extension to Newcastle's CBD has been developed in market conditions that were similar to, but not as severe as, those that we are currently experiencing. Office development at East Quayside totalled 22,230 sq m (239,300 sq ft) over the eleven year period 1994-2004. This equates to 2,020 sq m (21,755 sq ft) per annum. The final phase of offices, Imperial Quay, has yet to be developed. It has planning consent for 8,550 sq m (92,000 sq ft) of offices, which would take the total office content of the scheme to 30,780 sq m (331,300 sq ft).

Table 8.10: Office Development at East Quayside, Newcastle

Building	Year Completed	Area (sq m)	Area (sq ft)
100 Quayside	1994	1,765	19,000
Quayside House	1995	3,940	42,400
Sandgate House	1996	2,730	29,400
St Ann's Wharf	1997	5,435	58,500
Rotterdam House	1999	3,345	36,000
Keel Row House	2000	2,320	25,000
St Ann's Quay	2004	2,695	29,000
Total		**22,230**	**239,300**

Source: Storeys Edward Symmons

8.5.9 East Quayside is widely regarded as a successful addition to the CBD, but what has been achieved has taken over a decade. In terms of size it is similar to the proposals for the Stephenson Quarter. It is far less ambitious than Science Central or Baltic Business Quarter where building out the site within a typical plan period of 15 years will be a challenging prospect. With such substantial capacity for additional office development on the north side of the river, the expansion of the CBD further into Gateshead is likely to be a slow process.

8.6 Location of Past Development

8.6.1 The location of past development in Newcastle and Gateshead provides a useful historical perspective when considering new future office needs. In this study we have considered new office development over the last 20 years. This stretches back to the end of the last property boom of 1990 followed by the recession in the early 1990s and the gradual improvement in the market through to the late 2000s. Therefore, by looking back over 20 years it is possible to consider development that has taken place over the longer development cycle.

8.6.2 For this exercise we have considered the take-up of prime Grade A office space in new developments. This provides a useful snapshot of the demand for offices between 1990 and 2011. This exercise does not include non-prime offices or take-up within existing prime office buildings.

8.6.3 A spreadsheet showing the details of this research is given in Appendix 5.

8.6.4 The take-up for the office development has been split between Newcastle City Centre, Newcastle periphery (eg Newcastle Business Park) and Gateshead. A summary of the total take-up is given below:

Table 8.11: Take-up for New Grade A Offices from 1990 to 2009

	Floorspace (sq ft)	Percentage
Newcastle City Centre	1,868,494	49%
Newcastle Periphery	1,755,536	47%
Gateshead	165,500	4%
Total	**3,789,530**	**100%**

Source: Storeys Edward Symmons

8.6.5 During this period there was also significant development in North Tyneside at Cobalt Business Park, Quorum Business Park and Balliol Business Park. All these locations are effectively within Newcastle periphery. Therefore it is instructive to include the take-up of these locations within Newcastle periphery. Once this is done, the details of the take-up are as follows:

Table 8.12: Take-up for New Grade A Offices from 1990 to 2009 Including North Tyneside

	sq ft	Percentage
Newcastle City Centre	1,868,494	35%
Newcastle Periphery Including North Tyneside	3,285,732	62%
Gateshead	165,500	3%
Total Including North Tyneside	**5,319,726**	**100%**

Source: Storeys Edward Symmons

8.6.6 This analysis shows that the vast majority of the take-up has been in Newcastle. There has been approximately an even split between Newcastle City Centre and Newcastle periphery. However when North Tyneside is included in Newcastle periphery, the majority of the take-up has been within Newcastle periphery.

8.6.7 It is instructive to consider take-up over the whole economic cycle.

8.6.8 In the early 1990s the market was depressed and development activity was limited. Relatively weak demand limited take-up of offices within Newcastle City Centre. Provision of Grade A space was more viable through conversion and refurbishment activity than new build. Examples include Kelburn House on Mosley Street. Where significant development took place, it required significant public subsidy. For instance Newcastle Business Park was developed via its Enterprise Zone status. This provided significant tax advantages to both the developers and occupiers. It was a highly successful development in the early 1990s and attracted major occupiers such as AA, British Airways and IBM.

8.6.9 Where development did take place, it was usually conditional on a pre-let/pre-sale. For instance Newcastle Building Society committed to a purchase of Portland Towers, which provided a catalyst for the development to take place. The perils of speculative development were illustrated at Central Technology Park, Manors, where the developer A F Budge went into receivership midway through construction. The Receivers built out the development, which ultimately secured lettings on completion.

8.6.10 In the mid 1990s the property market was gradually improving. Occupiers were increasingly requiring modern open plan offices which could not be provided within the confines of the Grainger Town buildings in Newcastle City Centre. This led the way for occupiers to move down to Newcastle Quayside and away from the traditional city centre.

8.6.11 The Quayside development was publicly funded by Tyne & Wear Development Corporation. They provided assistance by acquiring buildings through the use of compulsory purchase powers and then funding the infrastructure required for the new development. Occupiers such as NEPIA, Ward Hadaway and Dickinson Dees moved to the Quayside, leaving behind their dated office buildings within the traditional City Centre. Demand was still fragile with most developments being dependent upon a pre-let or presale.

8.6.12 In the late 90s/early 2000s, development also started to take place elsewhere in Newcastle City Centre. This meant some development took place in the traditional core of Grey Street, but the majority was on the edge of the city centre. One of the main drivers was the construction of St James Boulevard which considerably improved access to the western side of the city centre. This led to developments such as Nexus House and Citygate. Developers were also becoming increasingly confident in the improving market conditions. This led to speculative developments at the St Nicholas Buildings and Central Square South in Newcastle City Centre. Both these developments proceeded without pre-lettings in place.

8.6.13 During the mid to early 2000s there also started to be significant development on the periphery of Newcastle. In keeping with the development in the early 90s, development was dependent upon public funding. For instance at Newburn Riverside there was substantial infrastructure provided prior to any development taking place. Within North Tyneside the creation of Enterprise Zones led to significant development at Cobalt Business Park and Quorum/Balliol Business Parks.

8.6.14 In the mid 2000s Grade A office development also took place in Gateshead. Previously there had been a considerable supply of office buildings at Team Valley, but these were not of a comparable standard to prime offices in Newcastle City Centre. However in the improving economic circumstances development did take place at both Maingate on Team Valley and The Watermark, Metro Riverside. These developments attracted occupiers such as Regus, Tyne Tees and Mansell.

8.6.15 Demand remained strong during 2006/2008. This led to further development in Newcastle at Trinity Gardens on the Quayside and a significant pre-let to Newcastle University at Barrack Road. Construction also began at Gateshead Quays. This marked the first significant development of Grade A offices in Gateshead. Baltic Place was speculatively built but remains largely vacant; and at Baltic Business Quarter much of the completed floorspace awaits an occupier.

8.6.16 As the economy entered recession in 2008, new office development ceased. In 2009 no new starts were made and, where schemes were under construction, completions were delayed. In 2010-11 starts were made on two public sector proposals aimed at supporting economic development (Toffee Factory and Design Centre for the North) and a bespoke office was developed for the Citizens Advice Bureau.

8.7 Summary

8.7.1 Take-up of land for office development has averaged 2.43 hectares per annum in Newcastle and 0.80 hectares per annum in Gateshead. Whereas Newcastle's share of development is 75% when measured by land area, because of higher densities of development, when measured by office floorspace, Newcastle's share is 82%.

8.7.2 The amount of office floorspace that is developed varies substantially from year to year. Office development is cyclical with major speculative booms occurring every 17 to 20 years, and low levels of development activity following these periods.

8.7.3 Public sector funding for regeneration has a major influence on the location of office development activity. Site assembly, remediation and servicing reduce costs and risks and allow viable development. Designation of Enterprise Zones has identified land and provided a comprehensive package of financial and fiscal incentives.

8.7.4 Some 115.58 hectares of land has been identified by the Councils as capable of accommodating office development. This is the equivalent to a 36 year supply, and is far more than required for the Local Plan period.

8.7.5 There is substantial capacity for office development in Newcastle's Central Business District, which creates little pressure for expansion of the CBD into Gateshead. Completions of offices at BBQ in 2008 and Baltic Place in 2009 signal the potential for a southwards expansion, but both developments continue to have substantial levels of vacant accommodation.

8.7.6 Development in NewcastleGateshead more often than not requires a pre-let or forward sale to be viable. This is an essential pre-requisite when the office market is in a downswing.

8.7.7 The combined regeneration initiatives of Gateshead Quays, Baltic Business Quarter and Gateshead Town Centre propose massive amounts of office floorspace which could accommodate requirements for many decades.

9 OFFICE NEED, ECONOMIC TRENDS AND EMPLOYMENT GROWTH

9.0.1 This Section of the report assesses the projected demand, or need, for office space in Newcastle City and Gateshead Borough over the period from 2010 to 2030. An alternative timescale based on the maximum 25 year period proposed by the RSS and assuming adoption of the Joint Core Strategy in 2013, assesses demand over the period 2010 to 2038.[22]

9.0.2 To estimate the broad scale and type of office space required, a number of different indicators and factors have been considered. The principal approaches most commonly used when assessing future B1a land requirements are based on:

- forecasts of employment growth in B1a Use Class sectors;
- projecting forward past take-up trends of employment land, and specifically office space, with adjustments (if necessary) to reflect changing economic conditions and other market factors;
- considering population forecasts and future growth of local labour supply and the amount of jobs and office space that this can support.

9.0.3 All these approaches have some limitations and need to be considered together along with other indicators to give a robust view of future employment space needs. In addition, the economic growth potential and likely demand for employment space in Gateshead and Newcastle needs to be assessed under a range of different future scenarios.

9.0.4 This analysis is based upon the work undertaken by NLP to inform the Gateshead ELR (April 2012), and also that of DTZ, the consultants undertaking Newcastle City Council's Property Market Overview and Demand Assessment (February 2010).

9.1 Scenario Modelling

9.1.1 Following the publication of the original Gateshead and Newcastle ELRs / ONA in 2010, the planning teams at Gateshead Borough and Newcastle City Councils commissioned new demographic projections capable of providing a consistent and up-to-date set of projections to inform the Joint Core Strategy. It was considered that given the prolonged economic slowdown, earlier CEBR forecasts used to inform the ONA/ELRs were out-of-date. With the exception of a 'Long Term Recovery' Scenario, which factored in the economic downturn to an extent, none of these earlier scenarios were taken forward in the updated employment land modelling work.

9.1.2 Employment projections were purchased by the two authorities from Cambridge Econometrics (CE) in the summer of 2011. St Chad's College (Durham University) were subsequently appointed to analyse the CE projections alongside the latest official population projections from the ONS. Using modelling techniques, the compatibility of these two sets of projections was analysed. The methodology used and results obtained from the modelling exercises are presented in Appendix 6.

[22] Since completing the econometric analysis we are advised that the estimated date of adoption of the JCS has slipped to 2014.

9.1.3 As a consequence, the following three scenarios were used to underpin the quantitative econometric modelling in this updated ONA:

- Long Term Recovery Scenario;
- Cambridge Econometrics Baseline Scenario;
- St Chad's Scenario.

9.1.4 Before presenting the job growth outcomes from the scenarios it is worth highlighting, in broad terms, limitations in how these outcomes were generated:

1) They are predominantly trend-based estimates projecting historic growth patterns into the future;

2) They do not reflect job growth across the rest of the economy, e.g. in sectors such as retail, health and education sectors which, in many instances (particularly health) are key growth sectors for the future.

3) Such forecasts tend to be most reliable at regional and national scales than at the local economy level, but can indicate the broad scale and direction of economic growth in different sectors and provide some guidance to assess future land requirements.

4) It is important to recognise that there is not always a clear cut relationship between employment change and employment land needs. Additional employment space can be needed even if employment itself is falling, for example if a manufacturing firm requires more space to enable greater automation and achieve job reductions through productivity gains or if an office-based organisation requires a particular specification of accommodation.

5) Whilst the forecasts attempt to predict land requirements to 2030/2038, it is very difficult to provide accurate forecasts beyond a ten-year time horizon; hence projections post 2020 should be treated with a degree of caution.

6) The resultant forecasts are net, rather than gross, i.e. they represent the change in employment floorspace required over time, rather than the actual amount of new land to be developed. Unlike gross forecasts, they do not take into account the amount of office floorspace that is likely to be lost to alternative uses in the future. Although this is less significant for B1a uses than for B2 industrial or B8 warehousing and distribution, it nevertheless means that a net figure is almost always likely to be lower than a gross projection.[23]

7) The Experian/CE/St Chad's forecasts do not factor in major new office developments likely to come forward over the next few years; nor do they make allowances for the successful implementation of planning policy aspirations or regeneration

[23] Note: the Gateshead ELR was able to provide a gross projection of employment land requirements overall (i.e. B1, B2 and B8 in total) as an overall figure of employment land lost to other uses was provided. The net office floorspace requirements detailed in this ONA are, however, consistent with the net projections discussed in the ELR.

schemes. Hence although we have attempted to plan for increasing the amount of employment in office based occupations by creating the long term recovery scenario and St Chad's, Urban Core-led regeneration initiatives such as the 1Plan for NewcastleGateshead; Fit For a City in Gateshead and the Newcastle Regeneration Strategy have not influenced the CE demand forecasts.

9.1.5 Table 9.1 sets out the level of net employment change forecast over the period 2010 to 2030/38 for Newcastle City and Gateshead Borough under each of the three growth scenarios[24].

Table 9.1: Projected Total Employment Change 2010-30/38

	Scenario	2010-30		2010-38	
		Total	% Growth	Total	% Growth
Gateshead	Experian Long Term Recovery Scenario	20,270	+21.0%	29,890	+30.9%
	Cambridge Econometrics Scenario	5,600	+5.3%	12,000	+11.3%
	St Chad's Scenario	7,800	+7.3%	15,200	+14.3%
Newcastle	Experian Long Term Recovery Scenario	27,400	+15.5%	40,800*	23.0%*
	Cambridge Econometrics Scenario	16,300	+8.5%	29,900	15.5%
	St Chad's Scenario	13,900	+7.2%	26,300	13.7%

Source: Experian CE / St Chad's / NLP/DTZ analysis *note – to 2037 only

9.1.6 As might be expected, the total amount of net employment growth over the period 2010-30 for both Local Authority areas is strongest for the Long Term Recovery Scenario, with a substantial increase of almost 20,300 employees for Gateshead, and 27,400 for Newcastle.

However, whilst the econometric scenarios project reasonably strong job growth in both districts to 2030, much of it is in non-B class uses.

9.1.7 Table 9.2 separates out the likely employment growth in employment sectors associated with B1a office space. It indicates that the magnitude of office growth is higher for Newcastle City in all of the Scenarios modelled, ranging from growth of 8,625 employees in the St Chad's scenario, to 9,500 for the Long Term Recovery (to 2030). Whilst Gateshead's scenarios follow a similar pattern, the scale of office-based employment growth is substantially lower.

[24] See Appendix 6 for minor methodological differences between the two ELR approaches in translating employment forecasts to land requirements.

Table 9.2: B1a Office Employment Growth Forecasts 2010-30/38

	Newcastle B1a Office Employment Growth		Gateshead B1a Office Employment Growth	
	2010-30	2010-38	2010-30	2010-38
Long Term Recovery Scenario	9,500	14,300	3,333	4,963
CE Scenario	9,423	15,367	3,233	5,314
St Chad's Scenario	8,625	14,171	3,693	6,005

Source: Experian / CE / St Chad's / NLP/DTZ analysis

9.1.8 It is stressed that whilst econometric forecasts can provide a helpful starting point as to the likely future requirements for employment space, some degree of caution needs to be applied, due to the unpredictability of market circumstances and the considerable influence of external factors on the local economy. Clearly, the starting point for this assessment, 2010, represents a time when productivity in the economy was approaching a low point, and hence the forecasts have factored in the impact of the continued economic slowdown and recovery in the medium to long term.

9.1.9 These adjusted job growth forecasts were subsequently translated into net employment floorspace and land requirements through the application of standard employment densities and plot ratios, using the methodology set out earlier in this section. The results are presented in Table 9.3 and Figure 9.1.

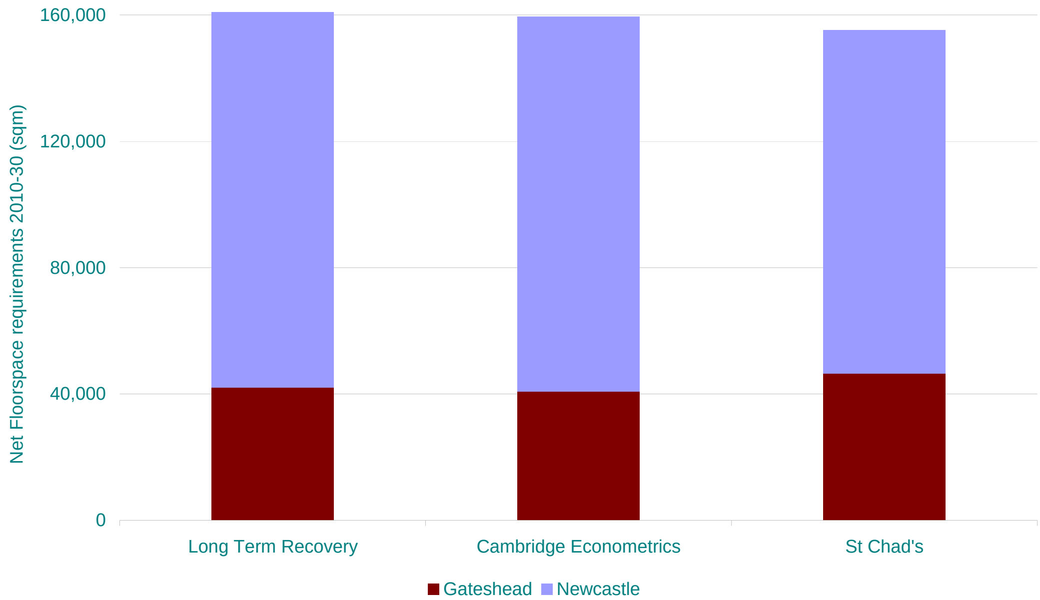
9.1.10 For Newcastle City, in line with the employment forecasts, offices are expected to see increasing requirements for floorspace and land between 2010 and 2030/38 for all three scenarios. For example, the Long Term Recovery Scenario indicates net office floorspace requirements of over 115,400 sq m to 2030, equating to 9.4ha of additional B1a employment land. Whilst Gateshead Borough is also forecast to experience growth in office land requirements over the plan period, requirements are less pronounced than for Newcastle, hence for the Long Term Recovery Scenario, an additional net floorspace requirement of just under 40,500 sq m GEA (net) is recommended, equal to 3.3 ha.

Table 9.3: B1a Office Net Employment Floorspace/Land Forecasts 2010-30/38

		Newcastle		Gateshead	
		Office Floorspace (sq m GEA)	Office land (ha)	Office Floorspace (sq m GEA)	Office land (ha)
Long Term Recovery Scenario	2010-30	119,700	10.47	41,998	3.67
	2010-38	180,180	15.77	62,530	5.47
CE Scenario	2010-30	118,730	10.39	40,735	3.56
	2010-38	193,628	16.94	66,961	5.86
St Chad's Scenario	2010-30	108,671	9.51	46,537	4.07
	2010-38	178,549	15.62	75,665	6.62

Source: Experian CE / St Chad's / NLP analysis

Figure 9.1: B1a Office Net Floorspace Forecasts 2010-30



9.1.11 In total for the Joint NewcastleGateshead area, the demand forecasting work indicates a need for between 155,200 sq m net additional floorspace for the St Chad's scenario, and almost 161,700 sq m for the Long Term Recovery Scenario to 2030. Regarding employment land, the forecasts indicate a joint net requirement for between 13.6 ha and 14.2 ha. The majority of this additional office space is driven by the strong B1a growth prospects for Newcastle City in particular.

9.2 Comparison of Forecasts with Past Rates of Take-Up

9.2.1 It is informative to compare these estimates of future office needs with actual demand as measured by past office development activity within NewcastleGateshead. The level of future demand for B-use class land projected by the econometric employment-based projections differs markedly from the figures suggested by an application of past take-up rates outlined in Section 8.0. This section separately considers site and floorspace data to estimate a) future take-up of land for office development and b) future development of office floorspace. We do not attempt to link these two analyses through application of development densities.

9.2.2 Projections based on employment densities are not directly comparable with those based on past take-up.

- The econometric forecasts use a base date of 2010, whereas the end of 2011 has been used as the base for measuring past take-up and current availability;

- The Experian projections 'net-out' office floorspace that has been demolished and sites that are no longer developed for offices. Whereas the figures derived from past take-up are gross. With various proposals to demolish 1960s and 1970s office stock in both Newcastle and Gateshead (and indeed an expectation that over time businesses will seek replacements for their existing space in new, more modern premises that meet their future requirements) it would be prudent to provide for sites on a gross basis, which will be higher than the net estimates. It also allows for a range and choice of sites to be made available and cater for larger scale ('one-off') inward investments (in line with the NPPF) that are inevitably not captured within employment forecasts.

9.2.3 Over the last twelve years (2000-2011) completions of office floorspace have averaged 28,437 sq m GIA per annum (23,354 sq m in Newcastle and 5,083 sq m in Gateshead - see section 8.3). In Newcastle this level of completions is 12% higher than the longer term average of 20,820 sq m GIA per annum (1990-2011).

9.2.4 At a basic level, applying these medium term averages to the twenty year period 2010 to 2030 indicates a gross office floorspace requirement of **568,740 sq m** (467,080 sq m in Newcastle and 101,660 sq m in Gateshead).

9.2.5 When determining their portfolios of office sites, we recommend that the Councils adjust the levels of allocation proportionately to provide a more appropriate and defensible figure. **Thus, as at the date of this study, 2012, the floorspace requirement for the period to 2030 would be 511,866 sq m** (420,372 sq m for Newcastle and 91,494 sq m for Gateshead).

9.2.6 As noted above, the Experian/CE/St Chad's forecasts do not factor in the potential impact on future demand in NewcastleGateshead of public sector delivery interventions such as the delivery of Gateshead Town Centre's regeneration strategy, the Accelerated Development Zone proposed for the Urban Core and Gateshead's bid for Regional Growth Fund support of the Quays. Specific areas where office development is to be promoted include:

- **Draft Joint Core Strategy:** focussing office development in the Urban Core, and specifically Science Central/Gallowgate; the Stephenson Quarter; East Pilgrim Street (as part of a wider mixed use development); Gateshead Quays; and the Baltic Business Quarter. Other significant office locations include Forth Yards; Gateshead Town Centre and the Ouseburn;

- **1Plan:** a revival and extension of NewcastleGateshead's CBD; Science Central; the Northern Design Centre; Gateshead Quays; Baltic Business Quarter; the Stephenson Quarter; Newcastle Civic Quarter; Gateshead Town Centre; East Pilgrim Street; Ouseburn; and the Centre for Life.

- **Newcastle's Regeneration Strategy**: Science City; The Stephenson Quarter; Design@Northumbria; the Discovery Quarter; Newburn Riverside; Newcastle Great Park; Regent Centre and Walker Technology Park.

- **Gateshead's Fit for a City:** Gateshead Town Centre; Gateshead Quays, Baltic Business Quarter; New Chandless.

9.2.7 Depending upon the success of these schemes (which is difficult to ascertain given the uncertain availability of public finance in future), it might be supposed that increased amounts of office space could come forward in the future. But it should be recognised that past rates of office development activity have been similarly supported by regeneration initiatives such as TWDC's East Quayside scheme and the EZ status of Newcastle Business Park and Quorum.

9.2.8 There are various reasons why the amount of new office floorspace may be different in future:

- theoretically, there could be increasing employment densities for B-class office space and changing work practices (i.e. landless growth);

- the severity of the recession is having a more prolonged impact than the downturn in the early '90s and it is uncertain when the economy will return to sustained growth;

- levels of competition from the former Enterprise Zones at Cobalt and Quorum remain due to the availability of substantial levels of vacant office space (particularly at Quorum); and

- the new EZ proposals in Sunderland and the North Bank of the Tyne introduce further uncertainty for office requirements in the Urban Core, although the levels of incentives are less generous than in earlier EZs.

- the introduction and rigorous local application of a sequential test may theoretically encourage more high density town and city centre development and less low density business park development, although only if town centre sites can be seen to be genuinely available and achievable and are regarded as attractive to the market. There are also different market expectations, with some occupiers seeking out of centre locations and this might result in those seeking such destinations to be displaced to other boroughs or business growth to be constrained.

9.2.9 When using past take-up to estimate future requirements, there is a case for making an addition to allow for employment land being lost to non-employment uses. Data on past levels of losses are not available to inform this study and over a plan period losses are typically offset by gains from windfall sites. No adjustment has therefore been applied.

9.2.10 An allowance may also be made to ensure a variety and choice of sites. We recommend that the Councils should aim to ensure a five-year rolling reservoir of readily available office sites rather than making additional provision at the start of the plan period. In assessing the five year supply the Councils should have regard to past take-up over both the long term (15-20 years) and shorter term trends (5 years) so that the supply of office development sites can respond to changes in market activity.

9.2.11 The key balance is to avoid adopting a situation whereby lower rates of development are assumed based on more pessimistic outlook and thereby limiting opportunities for indigenous businesses to grow in response to their own needs and growth opportunities, or to attract mobile investment.

9.3 Conclusions

9.3.1 In terms of defining a requirement for office space in Newcastle and Gateshead, the Joint Core Strategy must take account of the need to replace old, outdated floorspace with new sites capable of responding to changing requirements. As discussed above, levels of take up are more than 5-times the level of floorspace estimated by the econometric projections in Newcastle, and almost twice as high for Gateshead.

9.3.2 Whilst this may be reflective of conservative job forecasts, the key difference is the false comparison between the net job growth forecasts and the gross land take up, which render direct comparisons invalid. Due to an absence of accurate information on floorspace losses over time, it is not possible to translate the net econometric forecasts into gross estimates.

9.3.3 There is a clear need to avoid a standard ‘predict and provide’ approach, and to instead ensure that both Newcastle and Gateshead plan adequately for future growth opportunities in line with the spirit of the NPPF. In particular:

- Safeguarding the land around existing firms and users to allow a degree of flexibility as their requirements evolve in the future;
- Providing sufficiently large sites/premises, in the right locations, to attract mobile investment (both indigenous and external) in future should the right opportunity come along;
- Enabling existing but outdated employment space to be ‘lost’, or re-utilised, for alternative non-B Class uses.

9.3.4 Hence whilst the net econometric forecasts suggest limited land requirements going forward, it is clearly more important to provide flexible opportunities across a range of locations that are able to cater for, and respond to, occupier requirements, including the need for newer, high quality space that meets the aspirations and expectations of companies who are increasingly national and global in their outlook and expectations.

9.3.5 It should be noted that in using past take-up to inform the future provision of sites for office development, this Office Needs Assessment uses a different approach to that used in the Gateshead Employment Land Review. In particular no allowances have been applied for variety and choice and losses to non-employment uses.

9.3.6 The NPPF requires local authorities to respond positively and flexibly for sectoral growth, and particularly for knowledge-driven, creative and hi-tech industries. Requirements across different economic sectors are constantly changing, and given the length of the Local Plan period, it is very difficult to accurately determine the amount of land likely to be required in Newcastle Gateshead in 10, let alone 25 years time.

9.3.7 Nevertheless, firms are consolidating, changing their operational business models and are looking for opportunities that can better address their space requirements. As such, the JCS will need to position NewcastleGateshead so that it can better support its existing business base and compete effectively with competitor destinations across the United Kingdom, many of whom have in place a stock of out-of-centre high quality business park locations as well as in-centre office developments.

9.3.8 Taking all these points into account, and recognising that no allowance has been made for either the full replacement of losses or a margin of flexibility/choice (due to the substantial supply of available office premises, particularly in Gateshead), it is considered that a maximum of 570,000 sq m (GIA) would be appropriate for the period 2010 to 2030[25] (800,000 sq m to 2038). This figure is indicative and should be revisited at regular intervals over the plan period taking into account the latest data on take up and losses of office development sites. At the date of this study (2012) the appropriate level of allocations required for the period to 2030 is 512,000 sq m[26] (740,000 sq m to 2038).

9.3.9 This range equates to the past delivery rates projected forward over the plan period at the top end, and reflects views on the economic growth potential of the key office market in the North East region. It is considered that this approach would meet a realistic level of demand, whilst taking a more aspirational view of NewcastleGateshead's future that is not overly swayed by the current uncertain economic outlook (which has dampened the econometric forecasts). These forecasts therefore form a reasonable basis for examining whether NewcastleGateshead has adequate land supply to achieve its potential.

9.3.10 Both economic forecasts and past completions of office floorspace identify that Gateshead's share of office development has been around 14% of the total for NewcastleGateshead. Having regard to greater co-operation between the authorities and high profile office development opportunities

[25] (see paragraph 9.2.4)
[26] (see paragraph 9.2.5)

in the Urban Core at Gateshead Quays and Baltic Business Quarter, there is some scope for Gateshead's share to increase.

9.3.11 **Assuming that Gateshead's share increases to 20%, land allocations for office development here should be up to 102,000 sq m for the period 2012 to 2030, and Newcastle's share should be up to 410,000 sq m.**

9.3.12 Land requirements can be similarly calculated. It has been assumed that a gross area of 1ha is required to develop 4,000sq m of out-of-centre office space (equal to a plot ratio of 40%). For town centre office space, previous studies elsewhere in the country (see Arup/Donaldsons' Demand for Employment Land in Greater Manchester, 2006) use 200% as an appropriate plot ratio when calculating employment land requirements in City Centres, whilst Newcastle City Council and Storeys Edward Symmons have undertaken primary research that indicates a plot ratio of 300% would be more appropriate. This latter figure necessarily assumes an office building of six stories in height, with 50% plot coverage.

9.3.13 Given the NPPF policy on applying a sequential approach to town centre uses including offices and the policy push towards commercial development in the Urban Core, it might be considered reasonable to assume that the majority of future B1a development will be in-centre at the higher (300%) plot densities. An indicative ratio of 75:25 in centre/out of centre office floorspace has been assumed for the purposes of this calculation. However, it is important not to apply this ratio by rote in policy decisions as this needs to be squared with market realities as they relate to the effective availability and viability of sites – policy makers will need to be alive to the risk that over-zealous application of a policy ratio leads to demand being dampened or displaced outside the study area, rather than directed to its areas of focus, as intended.

9.3.14 On the basis that Gateshead's share of office development increases to 20%, provision should be made for:

- **Up to 9 ha for the period to 2030 in Gateshead (14 ha to 2038);**
- **Up to 36 ha to 2030 in Newcastle (55 ha to 2038).**

9.4 Summary of Office Need versus Supply

9.4.1 In summary, this section has identified the level of 'need' for office floorspace in NewcastleGateshead using a range of forecasting methodologies. It is important to identify an appropriate level of need that achieves a balance between market realism and economic and planning policy objectives. A range of qualitative and quantitative factors have been considered within this report that can help to inform a judgment on the appropriate level of need, with the key issues set out below:

- NewcastleGateshead has many advantages as an office, industrial and distribution location, with good strategic road accessibility (although worsening congestion), the presence of the Metro Rail network and proximity to the East Coast Mainline, competitive business costs, access to a significant labour force; emerging strengths in key growth sectors; and a central role in the City Region;

- There are well developed regeneration strategies and plans for the commercial redevelopment of considerable areas of both Newcastle and Gateshead, with a particular focus on the Urban Core;
- Future job growth projections are substantial in the medium to long term;
- Major road infrastructure investment is required to allow the expansion of new employment sites that feed into the strategic road network, particularly in Gateshead Borough;

9.4.2 Economic modelling suggests that a maximum of 520,000 sq m GIA is required in Newcastle, and around 130,000 sq m GIA in Gateshead for the period 2010 to 2030 (or 46 ha and 11 ha respectively for the two areas). This reflects NewcastleGateshead's role as a key economic driver of the Tyne and Wear City Region and the substantial housing developments proposed for the area as a whole, whilst factoring in the uncertainty of the ongoing economic slowdown.

9.4.3 In determining their portfolios of office sites we recommend that the Councils adjust levels of allocation proportionately; thus at the date of this study, 2012, the floorspace required to 2030 would be 512,000 sq m. Table 9.4 demonstrates that against this indicator, there remains a substantial over-capacity in both Newcastle and Gateshead.

Table 9.4: B1a Office Need versus Supply 2012-30

	Office Floorspace (sq m GIA)	
	Newcastle	Gateshead
Office Need (sq m)		
Past Take Up Rates	410,000	102,000
Office Supply (sq m)		
City Centre	301,599	26,451
Town / Suburban Centre	0	3,318
City Fringe	17,318	53,198
Industrial Estate / Business Park	2,072	47,665
Office Park / Solus Site	330,490	118,469
Total Office Supply	**651,479**	**249,101**

Source: Experian / NLP / Storeys Edward Symmons / DTZ analysis (2010/12)

9.4.4 Table 9.5 uses the same scenarios to compare the need and supply of sites.

Table 9.5: B1a Office Need versus Supply 2012-30

	Net Site Area (ha)	
	Newcastle	Gateshead
Need for Office Sites (ha)		
Past Take Up Rates	46	11
Supply of Office Sites (ha)		
City Centre	10.59	1.19
Town / Suburban Centre	0.00	0.12
City Fringe	1.17	4.73
Industrial Estate / Business Park	0.40	11.05
Office Park / Solus Site	59.21	11.30
Total Supply of Office Sites	**71.37**	**28.39**

Source: Experian / NLP / Storeys Edward Symmons / DTZ analysis (2010)

10 QUALITATIVE APPRAISAL OF OFFICE SITES

10.1 Methodology

10.1.1 The Table at Appendix 7 categorises 83 potential office development sites in NewcastleGateshead according to market and sustainability criteria (40 in Newcastle, 43 in Gateshead). The list of sites was agreed and refined with GMBC and NCC officers. Whilst most of the sites are vacant or underused, some occupied premises are included within the assessment. It has been outwith the scope of this study to identify the intentions of the owners. The locations of these sites and the site boundaries are illustrated in a series of plans provided at Appendix 1.

10.1.2 Sites have been included on the basis of their potential suitability for office use. We have been guided by the Employment Land Reviews for Newcastle and Gateshead, undertaken in 2010). Existing office sites and mixed-use sites where an office component is proposed are included. As are sites that are under construction or have planning consent, but do not feature in either Newcastle or Gateshead Council's Employment Land Reviews (e.g. because they are beneath the size threshold).

10.1.3 An assessment was made of each site's suitability for office use, against a range of criteria reflecting the CLG Guidance on Employment Land Reviews and NewcastleGateshead's own specific local circumstances[27]. It should be noted that most of these sites have already been reviewed in the respective ELRs; hence there was a need to ensure that the appraisal criterion specifically related to office use and did not contradict the findings of NCC/GMBC.

10.1.4 Both quantitative and qualitative assessments were undertaken of the sites. As regards the former, basic information concerning each site's planning status, proposed mix of uses, site area (including the likely proportion to be developed for office use); and net internal area was recorded.

10.1.5 For the more detailed qualitative assessment, we have assessed each site against five market indicators and four sustainability indicators, set out an overall conclusion on the site's suitability for office use and identified potential phasing.

10.1.6 The following indicators were used to assess the market attractiveness of sites:

- Physical condition;
- Infrastructure;
- Ownership /site assembly;
- Potentially constraining land uses;
- Development viability

[27] It should be emphasised that these sites have not been subject to detailed scrutiny on infrastructure, development constraints or access requirements. More detailed investigation of any potential alternative sites will be required as part of the LDF process, further to the recommendations of this study and as relevant issues and options are assessed more generally by NCC/GMBC.

10.1.7 Each site was assessed against these criteria and, for each factor, given a 'traffic light' rating between red (poor), amber (moderate) and green (good). In addition, to inform planning policy considerations, the sites were considered in terms of:

- Sequential status – in terms of in-centre, edge-of-centre, or out-of-centre (for office development the NPPF defines edge of centre locations as within 300 metres of a town centre boundary or locations outside the town centre but within 500m of a public transport interchange. In determining whether a site is edge of centre account should also be taken of local circumstances);

- Greenfield / Brownfield – the NPPF encourages the re-use of land that has been previously developed provided it is not of high environmental value

10.1.8 This information can be found in the quantitative and qualitative spreadsheets reproduced in Appendices 2 & 7.

10.1.9 It should be emphasised that these categorisations are purely indicative to provide an estimation of the overall quality of the potential supply of office sites. In addition, the types of uses for which each site was considered most suitable, and any constraints on delivering them, were noted.

10.1.10 Although these site ratings provide a good indication of site quality and suitability, other considerations will also need to be taken into account in identifying a portfolio of sites for both Newcastle and Gateshead such as their potential for a particular type of use and deliverability/timescale factors. In addition, not all commercial businesses require a site which performs well on all these criteria, for example meeting rural/local needs. The supply of sites will need to be rationalised against the need, or demand for office space in NewcastleGateshead (discussed in further detail later in this section) and also their fit with planning proposals/ aspirations.

10.2 Market Areas

10.2.1 The business needs of different types of occupiers impact on their office requirements and determine their locational preferences. The NPPF acknowledges that the identification of an appropriate range of sites should be based upon business needs.[28] The sequential approach to site selection is set in this context. Some office occupiers will require premises outside town or city centres to meet their specific operational requirements, and the NPPF indicates[29] that plans should set policies for consideration of proposals for main town centre uses which cannot be accommodated in or adjacent to town centres. In the table below we summarise the main types of office locations and operational requirements and provide examples of existing office areas that serve such requirements.

[28] Paragraph 21, National Planning Policy Framework, CLG, March 2012
[29] Paragraph 23, bullet point 8, NPPF

Storeys Edward Symmons

Table 10.1: Office Locations and Operational Requirements

Type of Location	Type of Organisation	Requirements of Organisation	Typical Size & Specification	Examples in Newcastle Gateshead
City Centre	Public sector, private sector and voluntary sector organisations with regional customer base.	Public transport accessibility for staff and customers, and proximity to other organisations with which they do business. Proximity to town centre services.	Requirements up to 50,000 sq ft. Buildings up to 100,000 sq ft. Grade A. High density 200% – 500%	Newcastle Central Business District.
Town centre	Public sector, private sector and voluntary sector organisations serving a district or more localised market.	Public transport accessibility for staff and customers, and proximity to other organisations with which they do business.	Requirements up to 15,000 sq ft. Buildings up to 50,000 sq ft. Medium specification. Medium density 100% - 200%	Gateshead, Gosforth, Whickham.
City Fringe	Smaller private sector and voluntary sector organisations.	Proximity to centre but cannot afford city centre rents. Preference for freehold premises.	Requirements and buildings to 15,000 sq ft. Medium specification. Medium density 100% - 200%	Jesmond, Ouseburn.
Business Park	Private sector businesses.	Proximity to customers in industrial sector. Good access to strategic highway network because of requirement to travel. Limited visits from public.	Requirements and buildings to 30,000 sq ft. Medium specification. Low density 25% - 60%.	Fifth Avenue B P, Newburn Riverside, Watermark.
Office Park	Larger private sector businesses.	Large scale back office / call centre functions. Preference for freehold premises.	Requirements and buildings to 120,000 sq ft. Grade A. Low density 25% - 60%.	Newcastle B P, Gosforth B P, Baltic B Q, Regent Centre, Newcastle Great Park.
Solus Sites	Large public or private sector organisations serving national / international customer base.	Requirement too large to be sited in other locations. Typically greenfield. Requirements of this size are infrequent.	Requirements and buildings in excess of 200,000 sq ft. Grade A. Low site densities 20% - 35%.	DSS Longbenton Estate, Newcastle Great Park.

Source: Storeys Edward Symmons (2012)

10.2.2 Notwithstanding the definitions of 'town centre' and 'edge of centre' in NPPF terms, the scale and quality of existing stock and new development determines the market's perception of different locations and these can change over time. So for example Gateshead Quays may be regarded as City Centre if it were to mainly comprise large floorplates of high specification, or City Fringe if smaller, lower specification premises were to predominate. Similarly Baltic Business Quarter, currently regarded as an Office Park, is of a scale that could in theory accommodate a very large requirement that would otherwise take a Solus Site, or might eventually form an office quarter within a substantially expanded Central Business District. It is difficult to be prescriptive about the future function of different locations as they will need to respond to competing office development elsewhere and to the financial viability of development.

10.2.3 High specification office accommodation is commonly referred to as Grade A. There is no accepted definition of Grade A, but it would normally describe offices that include:

- full access raised floors with integral floor outlet boxes
- suspended ceilings with recessed fluorescent lighting
- variable air volume air conditioning
- high quality finishes to common parts

Office specifications are continuously evolving; advances in IT, the increasing importance of sustainability and value are current drivers of change that will impact on our expectations of Grade A space in the future[30]. Not all occupiers will require Grade A space. In fringe locations where rents are lower viable office development requires lower levels of specification.

10.2.4 To ensure that NewcastleGateshead can accommodate the full range of organisational requirements, a portfolio of office development sites should be available. So, for instance, as well as provision in the CBD and other town centres, there is a strong case for some provision in out-of-town business parks as in most urban conurbations across the UK.

10.2.5 As market perceptions change over time and if further developments consolidate Gateshead Quays as an office location, it may increasingly be regarded as part of the CBD. This and the successful delivery of the Council's ambitious regeneration plans for Gateshead Town Centre could then prove to be a catalyst for changing market perceptions of the Town Centre as an office location. From its traditional role as an administrative and professional services centre serving the Borough, it may, over time, come to be seen as City Fringe with a role similar to that of Jesmond, Shieldfield or Ouseburn. As such it could support a business cluster that does not require a city centre location and provide opportunities for lower density development, which could include freehold offices; but the scope to emulate Jesmond's role in providing office buildings in their own grounds will be limited.

10.2.6 Baltic Business Quarter (BBQ) has the potential to become a high quality office park in an edge of centre location within the urban core. It currently lacks a critical mass of office premises and has struggled to compete with Cobalt and Quorum because it is unable to offer the same level of fiscal and financial incentives. Although one corner has new infrastructure and landscaping, the environmental quality of the eastern part is poor and does little for perceptions of the area. The Council has prepared a preferred development approach which retains land for offices on the majority of the site, provides for a district energy centre to the south of Coulthards Lane and could potentially include leisure, sport,

[30] For more detail see "The BCO Guide to Specification", British Council for Offices, 2009.

education and tourism elements within the mix of uses. In assessing the capacity of the Quarter for office development we have had regard to the capacities of individual plots as shown on the original masterplan by Red Box Design. We estimate that the Council's preferred development approach would reduce the remaining office capacity of BBQ from 118,469 sq m GIA to 81,200 sq m GIA. The Council's investment in the Northern Design Centre has helped to raise the profile of the BBQ as an office location and the speed at which the space is being occupied demonstrates strong demand for small unit sizes, similarly smaller suites on the third floor of Baltimore House have let well, but the other floors remain empty. Attracting larger requirements to BBQ and Gateshead Quays remains difficult.

10.2.7 The Dunston PEA has been regarded by the market as an out-of-centre business park, some of whose occupier's have a weak operational case for choosing this location. Parts of the PEA are Edge-of-Centre by virtue of their proximity to the bus and rail interchange on the north side of the Metrocentre, and it is in this part of the PEA, which has high quality infrastructure where office development is more likely to be viable.

10.2.8 Team Valley is an industrial estate, within which Fifth Avenue Business Park and Maingate are regarded by the market and distinguished by their existing scale of provision as office locations. The A1 which runs along the western and southern edges of the estate has capacity constraints that would need to be overcome or mitigated in the delivery of future development schemes. Fifth Avenue Business Park and the area around Maingate have existing capacity both in terms of vacant premises and development land to accommodate businesses that have operational reasons to be there. These will vary in size and thus the imposition of a size threshold is inappropriate. B1(a) office development elsewhere on Team Valley or on other industrial estates would need to comply with the policy provisions set out in the NPPF (should current PEA policy be revised in due course). With some hybrid units being designed to allow easy conversion to offices, we recommend restricting the B1(a) element to no more than 50% of the Gross Internal Area.

10.2.9 Some small scale office development within Out-of-Centre, non-designated employment areas may be justified to maintain their vitality and to support industrial/warehouse uses. These should be restricted, through limiting the number and size of allocated office sites and introducing a size threshold (e.g. units to be less than 200 sq m[31]). This will minimise the extent to which office activity is displaced from town centres. As supply is restricted, the value of out-of-centre space could be expected to increase relative to town centre offices. This would undermine the current cost advantage of out-of-centre locations with the consequence that general demand for offices in such locations will decline. Those businesses without operational reasons for locating out-

[31] In identifying size thresholds we have had regard to a) EU definitions of small & micro enterprises and b) the scale of existing office provision which indicates actual market requirements in specific locations. "Micro" enterprises employ fewer than 10 persons, "small" fewer than 50. At a density of 16 sq m per worker these equate to offices of up to 144 sq m for micro enterprises and up to 784 sq m for small enterprises. In reality small enterprises in rural locations may experience shortages of locally based and suitably skilled labour and choose to relocate to larger centres to access additional labour. We propose offices of up to 100 sq m (6 persons) and 200 sq m (12 persons) are appropriate thresholds for rural and out-of-centre locations respectively.

of-centre will be dissuaded from such locations, whilst businesses whose operations do require out-of-centre premises may pay for the privilege.

10.2.10 Newcastle Great Park is a mixed-use development, the northern part of which was originally envisaged as a premium business park, which could accommodate the larger headquarters requirements and organisations requiring an office park environment of the highest quality. The consortium that owns this land is now proposing housing development across all the remaining development land. At the western end, Cell A which lacks immediate infrastructure is assessed as Out-of-Town. Cell B was developed as headquarters for Sage. At the eastern end of the site Cell C, where office development has commenced, has roads and other infrastructure and is thus arguably within the urban area and to be categorised as Out-of-Centre. Great Park not only has the potential to be developed as an office park, but is perhaps the only location which could accommodate a major requirement for a solus site such as Sage's HQ. Such requirements are infrequent and from our analysis of recent examples in the region typically range from eight to twelve hectares in size. In line with NPPF[32] there is a strong case for reserving a site for such requirements in close proximity to the region's primary office centre.

10.2.11 To the south side of Newcastle International Airport, UK Land Estates, in partnership with the Airport, is proposing a business park alongside the existing freight village. The masterplan proposes a 5 hectare site for an office park. This greenfield, Out-of-Town site (situated 800 metres from the Metro station and terminal building) requires infrastructure provision, including the creation of a new access from the B6918 Ponteland Road. A second 22.2 hectare site is identified in the masterplan for the development of hangars, warehouses and industrial units alongside the runway and aprons. We are advised by the Airport that the mix of uses could incorporate up to 25% office development.

10.2.12 Whilst BBQ, Great Park and the Airport are all office parks capable of providing large floorplates, occupier preferences will differ and the weight given to different criteria in decision making will vary. So whilst these three locations could offer a similar product, those in the market will not necessarily regard them as interchangeable.

10.2.13 There is a substantial capacity on Tyneside's office parks. Occupiers with a requirement for office park accommodation have a choice between Cobalt, Quorum, BBQ, Great Park and the Airport. Cobalt & Quorum offer completed premises in a high quality external environment. Great Park offers serviced sites, high quality landscaping and immediate access to the A1. Newcastle International Business Park requires infrastructure provision, but will be able to offer proximity to the airport on one side whilst bounded by a belt of mature woodland to the other. However the two 5 hectare sites are divided by the freight village and may struggle to be seen in the market as a strategic office park. BBQ offers a location on the edge of the city centre and in close proximity to Gateshead Quays; but where it adjoins the East Gateshead Industrial Estate the legacy of previous uses is evident. The market perception of the site as an inner urban brownfield site persists; and access is regarded as relatively poor. Substantial investment in environmental improvements

[32] Paragraph 21, National Planning Policy Framework, CLG, March 2012

may help to overcome these perceptions, but it is difficult to envisage BBQ attracting requirements for solus sites and major requirements for high specification offices whilst alternatives are available. Once the overhang of vacant floorspace at Quorum and Cobalt has been depleted Great Park could be expected to come to the fore. There is a risk that in the absence of Great Park, major office park requirements could be lost to NewcastleGateshead.

10.2.14 In District Centres B1 office provision is modest and office requirements are typically limited to organisations providing services to the local area. With the possible exception of Council ‘one-stop shops’, these are small scale requirements. Moreover local demand will be sporadic, and the viability of new development will be marginal. Allocation of land for office development is thus inappropriate, but additional office provision through conversions, redevelopments and development of live-work units could be justified to accommodate small and micro enterprises. Consideration should be given to the introduction of a threshold size (e.g. units to be less than 200 sq m) to ensure an appropriate scale of development.

10.2.15 The Office Capacity Study identifies little or no office accommodation in settlements in the rural west of Gateshead, including Chopwell, Rowlands Gill, High Spen and Crawcrook. In these locations limited and sporadic local demand make the allocation of office development sites inappropriate. Office provision through conversions or the development of live-work units should be allowed to meet the requirements of micro enterprises. Such development should provide unit sizes of less than 100 sq m. Conversions need not be restricted to buildings within settlement boundaries.

10.2.16 Through the imposition of size thresholds and through limiting the number and scale of allocated office development sites, the amount of out-of-centre development will be reduced. Based on our analysis of past trends during a relatively buoyant market, we consider that the individual impact of small scale, out of centre offices (of up to 100 sq m and 200 sq m) on future town centre / edge of centre office development would be negligible. On the basis of these thresholds, the cumulative impact of out-of-centre development on the town centre office market will be modest. The refocusing of demand on town centre locations can be assisted by the provision of serviced development sites within high quality urban settings.

10.3 Application of Qualitative Assessment

10.3.1 This section considers the results of the qualitative analysis. The list of sites in Table 10.2 should not be construed as the potential site portfolio. It is presented on a “*without prejudice*” basis to inform the preparation of local planning policy. It does not constitute the policy of either local authority, and future office allocations will be determined in due course.

10.3.2 The qualitative appraisal of sites in Appendix 7 uses a “traffic light” ranking of key sustainability and market criteria. Typically qualitative assessments of this type reveal contradictions between market and sustainability factors. Having regard to the presumption in favour of sustainable development and the emphasis on positive planning for growth in NPPF, we recommend the provision of a portfolio of sites on which office development is viable and that meet the needs of different market segments. To this end we have selected those sites of good or moderate viability in a range of locations. Where sites are occupied and their redevelopment is uncertain, they have been excluded (e.g. G406). For convenience, the key market indicators of viability and market segment are also replicated in the last two columns of Appendix 2 which provides a full list of sites. Table 10.2 considers the capacity of potential office sites across NewcastleGateshead. A summary of the totals split according to local authority area are set out in Tables 9.4 & 9.5.

Table 10.2: Office Sites Performing Well Against Market Criteria

ELR Ref	Site Name	Net Site Area (ha)	Offices sq m GIA
	City Centre		
1076	Plot 12 East Quayside	0.29	12,000
1328	Strawberry Place	0.63	13,230
1684	Westgate House, Westgate Road	0.12	7,274
3031	Hanover Buildings, Clavering Place	0.08	2,371
None	Fusion, Clavering Place	0.20	5,176
None	55-57 Quayside	0.11	3,399
None	St James Point, St James Street	0.03	1,069
1331	St James Metro Station	0.45	13,500
1384	Safestore	0.34	10,200
1400	Stephenson Quarter	1.00	27,000
1407	Blandford Square	0.66	19,800
1412	Science Central	2.25	68,380
3068	Cement Works, Pottery Lane East	0.71	21,000
3077	Heber Street & Brewery Offices	0.39	11,700
4292	CWS Engineering Depot	0.23	6,750
1313	East Pilgrim Street	3.00	75,000
None	No.1 Quayside, Milk Market	0.10	3,750
G419a	East of Encore Hotel, Hawks Road	0.18	4,960
G420a	One Millennium Quay, South Shore Road	0.29	7,442
G361a	Hillgate Quay	0.27	4,879
G463	Mill Road	0.21	1,970
G486	Baltic Place Phase II	0.24	7,200
		11.78	**328,050**
	Town Centre / Suburban Centre		
G414	Old Town Hall Square	0.05	900
G485	Trinity Square	0.07	2,418
		0.12	**3,318**
	City Fringe		
None	Scottish Life House, Sandyford Road	0.20	4,603
4329-30	NCC Coach Park & WH Smith Depot	0.18	5,250
1035	Spillers Quay	0.54	6,505
1077	Malmo Quay	0.25	960
G411a & b	Askew Road East, Bensham	1.77	3,153
G403	Askew Road West, Bensham	2.12	31,800
G460	The Point	0.84	18,245
		5.90	**70,516**
	Industrial Estate / Business Park		
2802	Goldcrest Way, Newburn Riverside	0.28	1,700
None	Ambrose Place, Fisher Street	0.12	372
G395	Fifth Avenue Business Park	1.46	4,506
G426	Phase II, Queens Court, Earlsway	0.26	1,638
None	Adj Kingsway House, Kingsway	0.07	334
None	Unit 3, Addison Ind Est	0.12	484
G49	Former Huwoods, Kingsway North	4.38	21,663
G170b	Riverside, Dunston	3.20	12,800
G501	Maingate Phase IIA	0.50	2,000
G521	NE Wholesale Fruit & Veg Market	1.06	4,240
		11.45	**49,737**

	Office Park / Solus Site		
2644	Cell A, Newcastle Great Park	27.59	165,540
2646	Cell C, Newcastle Great Park	20.00	120,000
4211	Block D, Cell C, Newcastle Great Park	0.49	2,940
4359	South of Freight Village, Newcastle Airport	5.03	17,500
4358	Southside, Newcastle Airport	0.55	2,310
1713	Southside, Newcastle Airport	5.55	22,200
G191a	Baltic Business Quarter	11.30	118,469
		70.51	**448,959**
	Total	**99.76**	**900,580**

Source: Storeys Edward Symmons

10.3.3 This approach highlights the limited market attractiveness of office development in Gateshead Town Centre where complex land assembly, high abnormal development costs and relatively low levels of demand impact on viability. Here costs and uncertainty can be reduced by public sector support both in bringing forward development sites and subsidising construction costs. With concerted action and resources the public sector can improve the market attractiveness of office development sites.

10.3.4 Table 10.2 also highlights the substantial capacity of viable development sites on office parks, particularly in Newcastle. This equates to 70% of sites and 50% of floorspace. High levels of provision can be justified if some of it is reserved for specific sectors or requirements that would not realistically be attracted to central locations. Obvious examples include major HQ offices that require solus sites and businesses that require proximity to an Airport. Allocating all this land for general office requirements could undermine the market for offices in sequentially preferable locations and should be resisted. However, there is also a risk that an unduly restrictive approach could undermine the ability of the study area to respond to office needs for those who do not require an urban core location and simply displace demand outside Newcastle-Gateshead to other locations that benefit from good strategic access.

10.3.5 In selecting sites for allocation as office parks the Councils should aim to meet occupiers requirements by ensuring a choice of in-centre and out-of-centre locations and make provision for a solus site of eight to twelve hectares to accommodate an HQ office development. This study alone cannot inform site selection and the Councils will need to have regard to the demand for other land uses, the aspirations of land owners and other factors including the following:

- Agents cannot envisage Newcastle CBD extending to the west of the Redheugh Bridge and with sufficient capacity elsewhere in the City Centre, there is scope for removing office allocations here. Office allocations elsewhere on the periphery of the City Centre should also be carefully reviewed.

- Baltic Business Quarter (BBQ) has huge capacity, but if it is to become a high profile office park (once competition from Cobalt and Quorum has waned) it will need substantial critical mass and high quality landscaping. The timescales for developing out the BBQ are highly uncertain; setting aside extensive areas of landscaping could reduce the current levels of allocations and improve amenity but retain capacity for future expansion of BBQ beyond 2038. The alternative development scenario would reduce the quantum of offices and allow uses including education, sport & leisure.

- The Newcastle Gateshead 1Plan identifies six key locations in the urban core as priorities for investment. These are:

    - Gateshead Town & Quays
    - Science Central
    - East Pilgrim Street
    - Civic Quarter (the northern edge of Newcastle City Centre)
    - Newcastle Central Station
    - Ouseburn

- To a large extent these are replicated in the original Accelerated Development Zone proposals, which identified as key sites:

    - Gateshead Quays
    - Science Central
    - East Pilgrim Street
    - Stephenson Quarter and Central Station
    - Baltic Business Quarter

- The Gateshead Quays Masterplan promotes office provision as part of a mixed-use development. It is both a regeneration priority and a location where there will be strong market interest. Development assumptions within the Masterplan are currently being reviewed taking account of the revised approach to the development of a conference centre, which is to be reduced in scale and developed on a different site.

- Fit for a City will inform the Local Plan and the emerging NewcastleGateshead Economic Masterplan in order to further develop the spatial strategy for Gateshead Town Centre and prioritise the need to release and unlock sites for specific uses. RDS proposals for the regeneration of Gateshead Town Centre would provide 67,000 sq m of new office floorspace across 31 sites in five new City sectors (including the Creative Quarter, the Retail Core, Gateshead Green and the City Boulevard), whilst retaining Regent Terrace, Walker Terrace and the Civic Centre. The RDS seeks to create a complementary business and commercial offer to plug gaps in the provision of accommodation in Newcastle and Gateshead and complement the types of new business accommodation proposed at BBQ. The RDS also emphasises the need to capitalise on existing assets and planning investment, including at Team Valley, Gateshead International Business Centre, the new Gateshead College, Open University and the development of the Baltic Business Quarter. The phasing plan set out in Fit for a City is based on market conditions before the full impact of the 2008-09 recession were felt. Consequently, although the strategic priorities of the RDS remain valid in the current economic climate, there is some uncertainty regarding the phasing timescales and scale of development identified in the strategy.

- In out of centre locations such as Team Valley the scale of allocations can be relatively modest as windfalls are expected to maintain a forward supply of sites to meet business demand.

- There is substantial capacity at Newcastle Great Park, where the consortium that owns the site is proposing residential development across the allocated office sites. We recommend reserving a solus site that is capable of accommodating a large HQ office development as there are few, if any, other appropriate sites with such good proximity to the core of the city region. Consideration should also be given to retaining other land for office development to capitalise on the considerable investment in services and infrastructure to Cell C; and to establish a critical mass of office development to ensure this location is recognised in the market as an office park. Having regard to the scale of the current allocation, levels of projected demand and the introduction of the sequential test for offices, the retention of all of Cell A for office development within the plan period is unnecessary, although Local Planning Authorities will need to be cognisant of guidance in the NPPF on ensuring that Green Belt boundaries will endure beyond the plan period and should consider longer term needs.

- The masterplan for Newcastle International Business Park proposes a discrete area for the development of an office campus which would be screened by hedgerows from the freight village. Other land to the east of the freight village (1713) is also identified for employment uses. This fronts the runway and is better suited to hangars, warehouse and industrial uses. The Airport considers that the mix of uses here could include up to 25% office content. Office development to the east of the freight village will require careful consideration of the strategic long term needs of the Airport and airport related businesses (e.g. for hangarage, aprons, airside access etc.) and the compatibility of different uses.

11 VIABILITY AND PHASING OF DEVELOPMENT

11.1 Rents and Rental Growth

Rental Growth Since 1990

11.1.1 The previous property boom concluded in 1990 with a letting to Bank of Scotland in Grey Street at £13 psf. At the time this was a record rent for prime offices in Newcastle City Centre. In the early 1990s rental levels fell back. Lettings were concluded in the city centre at £11/£12 psf. The Central Technology Park, Manors, saw rents of £12.50 psf, whilst Newcastle Business Park was let off rents based on £9.50 psf. In the mid to late 1990s the Quayside was developed and let at rents of £13 psf, albeit with extended rent free periods. Thereafter rental levels gradually increased and by 2001/2002 were showing £17.50 psf. Rental growth continued during the 2000's and by 2006/2007 prime rents were established at £20 psf. Indeed rents of £22 psf were achieved for smaller office suites, before the market turned. Now they are now generally thought to have fallen back to below £20 psf.

11.1.2 Rents on the periphery of Newcastle have tended to lag slightly behind the City Centre. This has also been the case where development has occurred in Gateshead. For instance development at The Watermark and Maingate has shown rents in the region of £15/£17 psf. Similarly lower specification accommodation cannot command the same levels of rent as Grade A accommodation.

Current Asking Rents

11.1.3 In Newcastle City Centre asking rents for Grade A space are circa £20 psf. This is the level being sought for Haymarket Hub and East Quay 5 on City Road. At Wellbar Central the original asking rent of £24 psf was revised down to £22 psf, but the letting in 2011 of 36,300 sq ft to BSkyB was at a rent of £19.50 psf.

11.1.4 On the outskirts of Newcastle, the most recent significant letting is to Tesco Finance who is taking a 15 year lease of 100,000 sq ft at Quorum Business Park at a reported headline rent of £14.95 psf. ONE North East is providing a £2 million grant to secure the call centre and Tesco is rumoured to have secured an 8 year rent free period on the lease. Effective asking rents at Quorum (i.e. appropriately discounted to reflect the value of incentives) are estimated to be around £8.00 psf. This is a powerful incentive for occupiers to move from the City Centre.

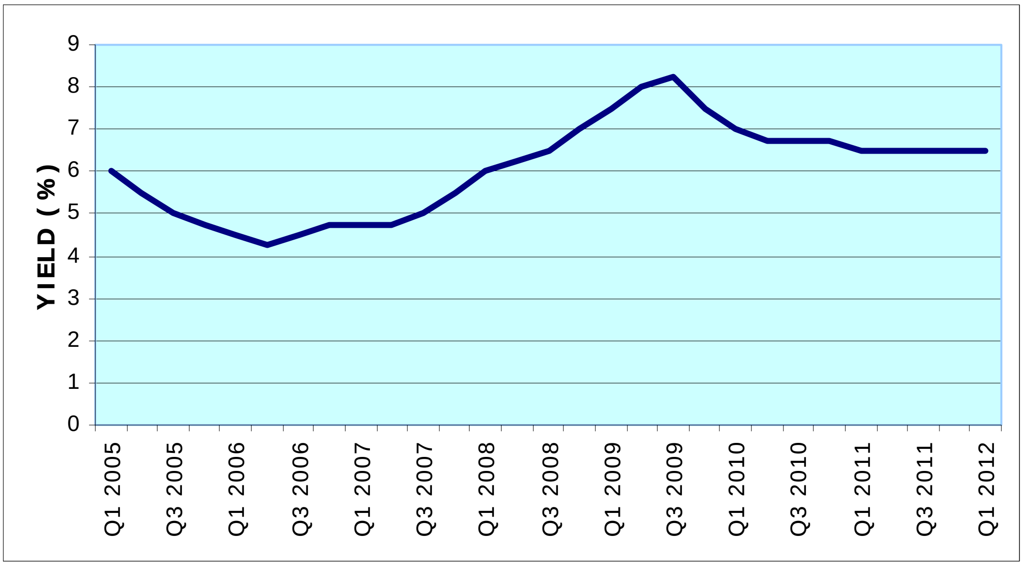
11.1.5 A similarly pragmatic approach to securing occupiers is being adopted at Baltic Place which was completed in 2009 and where two thirds of the accommodation remains vacant. Rents of £17 psf are being offered with incentives or £13 psf without. These rents are substantially below those anticipated by the developer City & Northern when it started on the project (in excess of £20 per sq ft) and the length of time taken to secure any rental income has been far longer. With the benefit of hindsight, the speculative development of Grade A space in an untested location relied upon sustained economic growth, low costs of finance and no inkling of the recession to come. Fortunately with the completion of the building, Gateshead Quays will now be recognized as an office location and though it may be a long time before speculative office development can recur, developer activity may occur on a pre-let or forward-sale basis. At BBQ headline rents of £17 per sq ft have also been achieved.

11.1.6 A limited number of transactions and the use of confidentiality agreements make it difficult to identify current rental levels and the value of incentives on new office stock, but there is continuing downward pressure on rents.

11.2 Yields

11.2.1 During the sustained economic growth of the early part of this last decade prime office yields steadily improved and reached less than 4.5% in 2006, which even at the time was considered unsustainable. They had returned to around 5% in 2007, when the investment market worsened and the number of transactions fell sharply. Through 2008 and 2009 yields continued to move out. In the third quarter of 2009 the purchases of Trinity Gardens and 1 St James Gate equated to yields of 8.4% and 8.2% respectively. Yields have subsequently tightened and for prime City Centre premises let to strong covenants it is estimated that 6.5% could be achieved.

Chart 11.1: Newcastle Office Investment Yields 2005-11



Source: Storeys Edward Symmons (2012)

11.2.2 Helped by the fall in capital values and under pressure to invest substantial sums the institutional investors have returned to the market. Smaller lot sizes, of less than £10 million are preferred. Increased investor activity is a positive sign, but continuing economic uncertainties, continuing speculation about a double-dip recession and very limited prospects of rental growth, will restrain further tightening of yields. There are concerns that recent yield movements have been driven by weight of money rather than improving investment returns.

11.2.3 In Gateshead there is relatively little office investment activity, and what is reported relates to business park space. In January 2006 the sale of offices at The Watermark achieved 6.75% and in January 2009 the sale of an office and industrial portfolio at The Watermark achieved 10.35%. Whilst yields reflect the covenant strength of specific tenants, office investments in Gateshead will generally reflect higher yields.

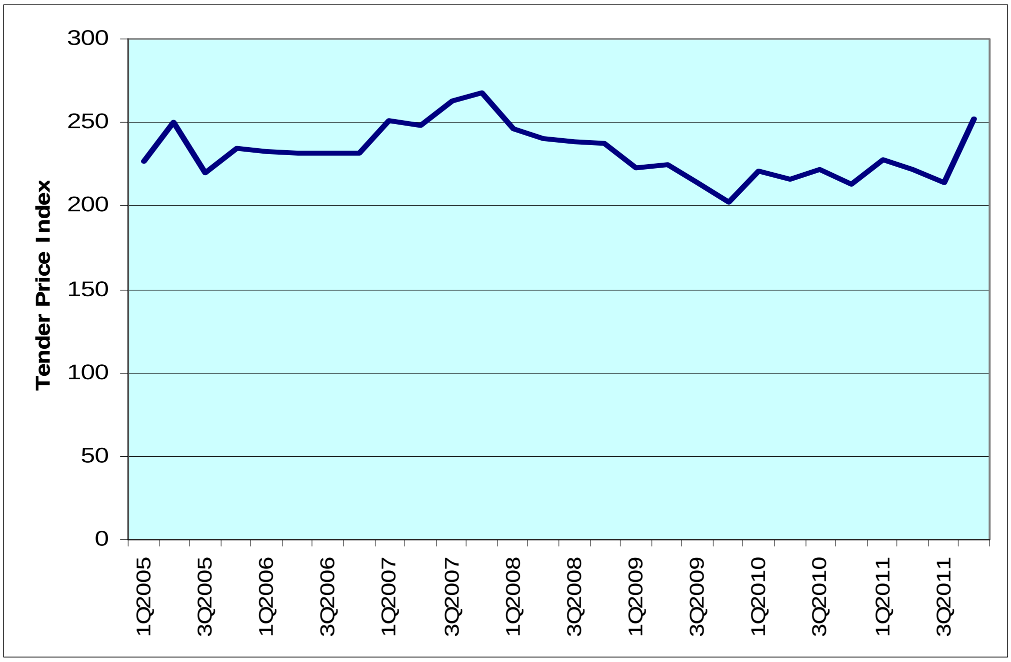
11.3 The Viability of Office Development in Newcastle

11.3.1 Since the economic downturn, the viability of office development has been undermined by a series of factors. Falling property values have reduced revenues and the margin between construction costs and capital values has narrowed. Weaker demand has led to longer marketing periods, this has increased the cost of development finance which is now required for longer. Incentives available to occupiers have had to be increased. Developers' holding costs have increased with the withdrawal of empty property business rates relief. Finance, particularly development finance, continues to be very difficult to source. There has been a fundamental shift in the balance of risk and reward and at the present time it is our experience that banks will only provide funding for development schemes that show a profit on cost of 20% or more.

11.3.2 Consequently the viability of speculative office development schemes has been fundamentally undermined. How long these conditions will persist is uncertain, but there is no expectation that the banks' current reluctance to finance property development will change soon. Moreover, the overall outlook for the region's economy remains depressed, particularly as public sector cuts take effect, and unemployment continues to rise. Any upturn in development activity will lag behind an economic recovery, so a general improvement in demand is not expected imminently.

11.3.3 The combination of falling rents and relatively high yields has had a severe impact on capital values and reduced the viability of development. But at the same time construction costs have fallen. The chart below tracks tender prices for private commercial construction. Tender prices fell steadily throughout 2008 and 2009, before stabilising in 2010 and 2011. Growth was recorded in the last quarter of 2011 but it remains to be seen whether this is a statistical blip or an early sign of rising costs, which would further inhibit viable development.

Chart 11.2: Tender Price Index



Source: BCIS Private Commercial Tender Price Index (2012)

11.3.4 To examine the viability and sensitivity of city centre office development we have appraised a notional 50,000 sq ft (NIA) City Centre scheme. This generic Grade A office scheme is based on the following principal assumptions:

- Rent: £20 per sq ft
- Yield: 6.75%
- Letting Void: 12 months
- Rent Free Period: 18 months
- Purchasers Costs: 5.75%
- Site Acquisition and Preparation: £1,500,000
- Construction Cost: £115 per sq ft
- Contingency 5%
- Professional Fees @ 12.5%
- Marketing Costs: £25,000
- Letting Agents & Legal Fees: 15%
- Sales Agents & Legal Fees: 1.5%
- Finance Rate: 7%

11.3.5 Our notional scheme produces a profit on cost of 13%. A developer would require a profit on cost of at least 15% to adequately compensate for risk. A sensitivity analysis shows that an increase in rent of £1 psf will add a further 5% onto profit, and a fall in yields of 0.5% will add a further 7%.

11.3.6 As capital values recover and costs continue to fall development viability will improve. But other barriers to the resumption of development remain.

11.3.7 Until demand recovers and developers no longer face the prospects of long letting periods attracting empty rates liabilities, low rents and tenants' incentives, development of speculative offices is unthinkable. A key sector of demand in the recent office development boom was the substantial expansion of the legal sector. This sector is now shedding jobs and disposing of surplus floorspace; it will make little contribution to demand for the foreseeable future. It is hard to identify another sector whose growth will result in large requirements that will drive future office development.

11.3.8 Easy access to development finance at historically low interest rates underpinned the development boom. Our appraisal assumes that finance would be available, but as banks struggle with bad debts, development finance has dried up. Developers will therefore need to find other sources of finance.

11.3.9 The weakened viability of development and the difficulty of securing development finance means that developers and investors will require substantial pre-lets before office development activity can recommence.

11.3.10 The public sector can contribute substantially to the viability of office development through site assembly, renewal of infrastructure and investment in public realm; as well as adopting a less ambitious approach to Section 106 contributions.

11.4 Viability of Office Development in Gateshead

11.4.1 An understanding of the viability of office development within Gateshead Town Centre's regeneration can be gained by comparing the principal factors impacting on values and costs set out in the assumptions above.

11.4.2 Lower levels of demand and its peripherality to the CBD will result in lower rents and higher yields. The capital value of the completed development will thus be substantially lower.

11.4.3 Like Newcastle, site preparation works in Gateshead Town Centre will involve site assembly, clearance and remediation. But unlike allocated office sites in Newcastle City Centre which are typically vacant or underused, Gateshead's Regeneration Delivery Strategy identifies sites which are in use and with multiple occupiers. Relocating these will increase costs and delays before a developer can start on site. The requirement for compulsory purchase powers will further add to these costs and delays. Construction costs will be similar; but whilst site acquisition costs may be lower, these will be offset by higher pre-construction costs and longer letting voids.

11.4.4 On the basis of rents of £14 per sq ft and a yield of 8% our notional office development makes no profit and produces a £5 million funding gap.

11.4.5 Overall the effect of lower values but similar costs will ensure that office development in Gateshead Town Centre will not be viable without substantial subsidy. Mixed-use schemes may allow cross subsidy, but here too lower values and thus lower levels of cross subsidy will be achievable relative to Newcastle. It is only with substantial public sector funding that office development in Gateshead is likely to come forward.

11.4.6 The very limited private sector office development activity in the Town Centre over many decades is clear evidence of the difficulty of viable development even at the top of the cycle. Since 2000 development has been limited to bespoke freehold buildings (Coburg Street and Swan Street), public sector projects (the International Business Centre) and office accommodation developed with cross subsidy from more valuable uses (Trinity Square). Market demand is too weak to support speculative office development regardless of market conditions.

11.4.7 At Baltic Business Quarter the viability of office development is stronger. Here cleared remediated sites with service infrastructure are ready for development. Site acquisition and pre-construction costs are substantially lower than in Newcastle City Centre and this will offset the lower values that can be achieved. Past development demonstrates that in good market conditions development is viable where a forward sale or pre-let has been agreed and that this can subsidise the development of speculative space. In the current market the proportion of pre-letting required by the developer will be much greater, and the opportunities for and risks against securing pre-lets will need to be actively considered by the local planning authority in terms of its expectations of this site to meet future needs over the plan period.

11.4.8 At Team Valley and amongst some of the sites at Metro Green established infrastructure, low land values and low pre-construction costs offset lower values and allow viable development in more normal market conditions. Other sites at Metro Green have contamination, flood risk and highways issues. Such high levels of abnormal costs undermine viable office development.

11.5 Summary

11.5.1 Across the region, market conditions currently only support office development that is substantially pre-let or has been pre-sold. Conditions are unlikely to improve until the overhang of vacant Grade A space has been absorbed and demand is strengthened by service sector growth.

11.5.2 The viability of office development is sensitive to a wide range of factors but the key ones are the levels of value achievable in different locations and the level of costs – particularly abnormal costs. We have assessed the relative viability of each of the proposed office development sites and categorised each as Good, Moderate or Poor (see Appendix 7). When market conditions improve, modest levels of private sector development activity would be expected to resume in those locations where viability is strongest such as Newcastle City Centre, Gateshead Quays and Newcastle Great Park. We have assessed as "moderate viability" sites at Baltic Business Quarter Team Valley, Metro Green and more problematic sites in the City Centre. The viability of office development in Gateshead Town Centre is poor; it will require substantial public sector subsidy or direct development by the public sector even when the market recovers.

11.5.3 The development of Baltic Business Quarter and the aspirations of Fit for a City for the regeneration of the Town Centre should be seen as complementary. BBQ can offer large floorplates catering for requirements that cannot easily be accommodated within the Town Centre or CBD. The Town Centre can provide smaller offices to accommodate relocating businesses and small enterprises. Thus reducing the scale of BBQ would not necessarily help the regeneration of the Town Centre. It would however limit the opportunity to establish an office park with a substantial critical mass very close to the heart of the City Region. Moreover as BBQ becomes established the viability of private sector development will improve. Whereas viable private sector development in the Town Centre within the lifetime of the plan is difficult to envisage.

12 COMPARATOR OFFICE LOCATIONS AND POTENTIAL IMPACTS OF OFFICE DEVELOPMENT

12.1 Introduction

12.1.1 The NPPF and The Practice Guidance associated with the (now replaced) PPS4 provide the context for considering how the sequential approach for main town centre uses is applied in plan making (para 23) and decision taking (para 24-27). In particular, paragraph 26 refers to assessing the impact in circumstances where planning applications are made for office development outside town centres, which are not in accordance with an up-to-date Local Plan. Clearly, a number of out-of-centre locations assessed in this document are current allocations or benefit from planning permission for those uses, so planning applications would not be subject to the provisions of paragraph 24 or 26. It is not the purpose of this document to make policy judgements on individual sites or proposals in this regard. Nevertheless, this section provides analysis to support consideration of these factors where relevant.

12.1.2 Clearly, whilst the majority of potential office sites included in this ONA do not yet comprise detailed schemes and hence the scale of any beneficial or adverse impacts is difficult to judge, this section seeks to assess the market positions and relationships between office development sites at a regional, sub-regional and local level.

12.1.3 The analysis compares NewcastleGateshead with other regional city centre office markets and considers the relationships between these property markets. It then considers the relationship between office development in NewcastleGateshead and other office centres within the Newcastle City Region, and vice versa. Finally it considers the market positioning of development at locations within the Study Area.

12.1.4 Office occupiers base their choice of location on a wide rage of factors, specific to the requirements of their business. These include access to markets & business infrastructure, the skills & costs of labour, quality of place, and the cost, availability & specification of premises. Whereas some companies are strongly rooted in a specific location others are relatively footloose.

12.1.5 Consideration of the occupiers of new office space in Newcastle's Central Business District since 1990 clearly shows that the overwhelming majority have been either local businesses or regional branches of national or international businesses. Only a small proportion of these were not previously represented in Newcastle. It is important to realise that these are not footloose requirements. For these occupiers a Newcastle office was an operational requirement and alternative locations would not have been suitable.

12.1.6 Given Newcastle's role as the regional office centre, an address within the CBD is often a given. Some requirements can be very prescriptive and we are aware of recent requirements where even Gateshead Quays was not regarded as a suitable alternative. Where businesses do not require a city centre location other locations in the wider City Region may be considered. It is very unusual for a business requiring city centre offices to specify alternative cities in different regions.

12.1.7 This contrasts with the Enterprise Zones which have attracted occupiers whose primary requirement is a low cost base. Newcastle Business Park, Quorum and Cobalt have all secured footloose occupiers particularly service centres and "back office" functions. As a region which has had a series of Enterprise Zone designations stretching over an unbroken 25 year period, the North East has attracted a substantial number of such requirements. Few, if any, would have considered new Grade A space in the CBD as a suitable alternative.

12.1.8 If cities are to maximise their potential to attract investment and secure service sector growth, it is increasingly recognised that they need to provide an appropriate quantity and quality of office accommodation within a high quality business environment. A comparison of the planning policy framework, availability of Grade A offices and development pipeline within NewcastleGateshead and other office centres can identify potential strengths and weaknesses.

12.1.9 GVA Grimley's Newcastle Office Market Study selected five comparator cities for consideration: Birmingham, Edinburgh, Leeds, Liverpool and Manchester. With the exception of Liverpool these are much larger office centres and the degree to which these larger centres would regard themselves as competing with Newcastle will be limited (though they may recognise Cobalt and Quorum as competition for larger footloose requirements). The table below uses data derived from the Rating List to allow a broad comparison of the size of these office centres. Figures for Edinburgh are not available from this dataset.

Table 12.1: Comparative Size of Office Stock

Metropolitan District	Units	Floorspace	
		sq m	sq ft
Newcastle upon Tyne	2,571	996,000	10,720,000
Birmingham	7,488	2,268,000	24,410,000
Leeds	6,011	2,017,000	21,710,000
Liverpool	3,066	1,132,000	12,190,000
Manchester	6,575	2,264,000	24,370,000

Source: Communities and Local Government (April 2008)

12.1.10 The existing office stock in Birmingham, Leeds and Manchester is well over twice that of Newcastle. Consequently the level of requirements for new office accommodation that is generated from the existing occupier base can be expected to be proportionately greater.

12.1.11 Whilst it is healthy and important that smaller centres aspire to compete with larger ones there is little insight to be gained from comparing Newcastle to much larger centres or ones that are geographically distant. We have therefore restricted our analysis of competing office locations to Leeds, Liverpool and Manchester.

12.2 Availability

12.2.1 GVA Grimley compares the availability of Grade A office space in regional city centres. Its Regional City Centre Office Markets report of Spring 2011 compares availability in December 2010 with that in 2008 & 2009. The data is set out in the table below. It should be noted that the data for Newcastle does not exactly correspond with the figures used elsewhere in this report due to differing recording criteria. To ensure like-for-like comparison we have used GVA's figures in this section.

Table 12.2: Availability of Grade A Office Floorspace

City	Dec 2008 (sq m)	Available Floorspace Dec 2009 (sq m)	Dec 2010 (sq m)
Leeds	42,700	46,500	51,100
Liverpool	40,600	35,200	37,000
Manchester	102,400	102,100	53,500
Newcastle	9,200	24,900	35,300

Source: Regional City Centre Office Markets, GVA Grimley, Spring 2011

12.2.2 The amount of available floorspace in Newcastle is lower than in the comparator cities, but the scale of increase in both years has been higher. With the delivery of new development at the bottom of the economic cycle a tight supply of Grade A space has quickly turned into a generous provision. In the other cities the timing and scale of completions has not led to such a sudden increase in 2009. In the longer term the impact of schemes in the pipeline is also of importance.

12.3 Development Pipeline

12.3.1 GVA Grimley's report also compares the amount of office floorspace under construction as at December 2010. The relevant figures are replicated in Table 12.3.

Table 12.3: Office Floorspace Under Construction

City	Speculative Floorspace (sq m)	Pre-let Floorspace (sq m)
Leeds	0	0
Liverpool	14,200	29,600
Manchester	0	30,500
Newcastle	0	9,300

Source: Regional City Centre Office Markets, GVA Grimley, Spring 2011

12.3.2 Only in Liverpool was speculative floorspace under construction. This single scheme was being developed through a public / private joint venture. Some wholly prelet schemes are under construction.

12.3.3 Available floorspace and speculative floorspace under construction are compared to the total stock of offices in Table 12.4. Despite the scale of recent developments, the amount of available and imminently available

Grade A space in Newcastle is not disproportionate to the overall stock of office floorspace.

Table 12.4: Available and Speculative Floorspace Relative to Stock

City	Total Office Stock (sq m)	Available plus Speculative Floorspace (sq m)	Proportion
Leeds	2,017,000	51,100	2.5%
Liverpool	1,132,000	51,200	4.5%
Manchester	2,264,000	53,500	2.4%
Newcastle	996,000	35,300	3.5%

Sources: Communities and Local Government (April 2008) and GVA Grimley (Spring 2011)

12.3.4 Leeds has a huge amount of floorspace with planning consent. The importance of the financial services sector to the City's office market has meant that it has been badly hit by the recession. Historically financial services have accounted for around 25% of annual take-up in the City Centre this has now dropped to less than 10%. The overall scale of take-up is down by around 25% and tenants are primarily interested in second-hand stock. With limited demand for new space developers are reluctant to bring forward large schemes. As the developer of Wellington Place succinctly puts it "sites don't cost empty rates".[33]

12.3.5 In Liverpool, the English Cities Fund, a public-private sector joint venture has speculatively built the final phase of St Paul's Square a 10,000 sq m (109,000 sq ft) scheme in the City Centre. The scheme has secured substantial gap funding but ECF considers that it is taking a calculated risk. The scheme will be completed in May 2011 by which time it is hoped that there will be little new, high specification space offering large floorplates either in Liverpool or elsewhere in the North West. A more cautious approach is being taken by developers elsewhere in the city who are putting plans on hold.

12.3.6 In Manchester city centre there is over 100,000 sq m (900,000 sq ft) of office accommodation under construction. Declining demand and rising levels of available grade A space has unnerved some developers and construction activity has been halted on a further four schemes which total 17,000 sq m (180,000 sq ft). Other schemes with planning permission have not been started. But with no speculative space due to be completed in 2010, and take-up in recent years having averaged around 80,000 sq m (850,000 sq ft) agents are hopeful that the market will stabilise.

12.3.7 DTZ in its report for Newcastle City Council[34] maps the city centre development pipeline within the regions over the period 2008 – 2013. Several features stand out. The first is the contrast between the high level of floorspace under construction and due to complete in 2009 compared to 2010 and 2011 – in 2010 it is about a third of that in 2009 and in 2011 it is about a third of that in 2010. The second is the high amount of space completed in Manchester in both 2008 and 2009 which suggests that the full impact of the imbalance in the market may yet to be felt. Thirdly is the very low level of office development that was

[33] Rick De Blaby, MEPC, Page 83, Estates Gazette, 23rd May 2009
[34] Page 7, Newcastle Property Market Overview and Demand Assessment, DTZ, September 2009

delivered in Newcastle in 2009 and the relatively modest provisions in 2008 & 2010, which will moderate the over-supply of Grade A space compared to Manchester and Leeds.

12.3.8 GVA Grimley's 2006 Newcastle Office Market Study concluded that Newcastle's office development pipeline *"represents a worryingly small proportion of that in the Comparator Cities selected".* In the event, this "limited" amount of space in the pipeline has been more than enough as the market downturn has seen requirements fall and development activity slow. The Central Business District has thus been spared a large overhang of new space. One lesson to be learned is that new provision should be appropriate to the size of the market.

12.3.9 There is an important role for Councils to play in the efficient delivery of office development which can allow developers to respond more quickly to market conditions. Through their land assembly and planning powers they can reduce risk and uncertainty, as well as simplify and speed-up the development process. They are also uniquely placed to ensure that the CBD as a whole is an attractive environment for businesses. GVA urged the Council to *"take a more pro-active role in the office market in order to balance supply and demand"* and claimed "*It is imperative that Newcastle draws through development from the pool of potential supply and schemes with planning consent."* Such actions would have exacerbated current oversupply. Our view is that market failure justifies public sector intervention in the development process, but this failure should be prolonged and marked by the inability of the private sector to deliver any new development. Where the market is merely inefficient, public sector intervention should be limited to improving its efficiency.

12.3.10 The comparison of NewcastleGateshead with other regional city centres is useful in highlighting the relative performance of the markets and the ways in which the development process can be assisted. With little direct competition between regional city centres the strength of the market in one will have a negligible impact on others. By the same token the scale of office development in NewcastleGateshead will have negligible impact on other regional office centres. The table below summarises the strengths, weaknesses, opportunities & threats when compared to other regional office centres.

Table12.5:SWOT analysis of NewcastleGateshead as an Office Centre

Strengths	Weaknesses
• Compact City Centre, • Dominant office centre in region, • Limited competition from other regional office centres, • Large number of University graduates, • Substantial pipeline capacity in both Newcastle and Gateshead.	• Small compared to other regional office centres, • High level of speculative Grade A space under construction, • Weak current market demand, • Strong competition from Cobalt & Quorum, • Falling rents.
Opportunities	**Threats**
• Major brownfield regeneration sites on edge of CBD, • Regeneration of Quaysides is changing market perceptions of extent of CBD, • Commitment to NewcastleGateshead can consolidate market perceptions.	• Rising availability of Grade A space, • Large greenfield allocations in region, • Substantial capacity for office development in Newcastle City Centre limits opportunities for Gateshead, • Market perceptions of Gateshead, • Market conditions stifle impetus of regeneration, • Congested traffic routes across River Tyne create barrier to southward expansion of CBD.

Source: Storeys Edward Symmons (2010)

12.3.11 Whilst the recession has hit all regional office markets, the nature and scale of the impact is influenced by local circumstances. In Liverpool, new development is continuing on the back of public sector investment. Joint ventures of this kind may have a role to play in future office development within NewcastleGateshead, particularly in peripheral areas of the CBD. When compared to Leeds and Manchester, development activity in Newcastle's CBD has been more modest and the smaller proportion of vacant new space might suggest that the development market could recover more quickly, but the presence of large amounts of new space on heavily discounted terms at Quorum and Cobalt will act as a restraint for several years.

12.4 Relationship with Office Centres within the City-Region

12.4.1 Two other cities within the Newcastle City-Region compete with NewcastleGateshead. These are Durham and Sunderland.

12.4.2 The City of **Durham** is the administrative centre of County Durham and accommodates almost half of the County's office floorspace. It is situated between Newcastle City-Region and Tees Valley City-Region and is easily accessible, being served by the A1(M) and East Cost Mainline Railway. It also has an exceptionally high quality historic urban environment. For these reasons demand for offices is good and the City is particularly well placed for organisations serving both City-Regions. Studies of commuting flows identify a large in-flow primarily from surrounding former coalfield areas demonstrating its sub-regional importance as an employment centre. But there is also substantial out-flow to Newcastle.

12.4.3 The traditional office quarter in the city centre comprises historic buildings, some of which have been well maintained and refurbished, but are of secondary specification. The constraints of the historic core of the City limit opportunities for new development particularly of large floorplates. But there is opportunity for additional office floorspace to be brought forward through mixed-use redevelopments (e.g. the Ice Rink site).

12.4.4 Over the last three decades new office development has been focussed on Aykley Heads, Belmont Business Park and to a lesser extent Abbey Woods. All three of these locations are on the north side of Durham. The latter two are on the periphery of the urban area within areas of mixed commercial use. Aykley Heads is closer to the centre and comprises an office park within a mature landscaped setting where there is capacity for further development.

12.4.5 To the south of the City Centre other office sites have been identified. Mount Oswald would provide detached office buildings in a mature landscaped setting, which like Aykley Heads offer a distinctive product that would not be available within NewcastleGateshead.

12.4.6 To the south of Durham City two major office developments are proposed. At Spennymoor the closure of major manufacturing businesses is driving an initiative to provide alternative employment. Durham Gate is to be a mixed-use development on a 24 hectare site where 41,000 sq m (440,000 sq ft) of offices are proposed. At Junction 61 of the A1(M), Durham Green is being promoted as a 200 hectare business park capable of accommodating 465,000 sq m (5 million sq ft) of offices, industrial & warehousing. The 28 hectare first phase has outline planning consent for 46,500 sq m (500,000 sq ft) of offices.

12.4.7 The supply of such high volumes of new office floorspace less than 5 miles to the south may draw some demand from Durham City Centre, though the exceptionally high quality of Durham's historic urban environment distinguishes it from other office locations and will ensure good levels of demand continue.

12.4.8 Overall additional office floorspace in NewcastleGateshead will be balanced by additional floorspace in Durham. The scale of commuter flows may increase but Durham is as likely to attract commuters from its hinterland as it is to lose them to the core of Newcastle City Region. Durham Green however is of such a scale that it could become an office location of regional importance which has the advantages of a greenfield location adjacent to a motorway junction. It might score poorly on some sustainability criteria, but in terms of market attractiveness it will be highly rated. It has the potential to compete, particularly for larger requirements, with other office centres in the region including the CBD and BBQ.

12.4.9 **Sunderland** has a well defined urban area with clear identity. Studies of commuting flows identify small in-flows to Sunderland particularly from South Tyneside & Easington, but large out-flows primarily to Newcastle & Gateshead.

12.4.10 Within the City Centre, Sunniside has been established as the city's office quarter since Victorian times. After the Second World War there was some small scale infill office development but the area has generally been in steady decline.

12.4.11 Historically, the demand for offices in Sunderland Borough has followed the supply. That supply has, mainly as a result of government policies moved out of the City Centre. The designation of Washington as a New Town drew demand from both Newcastle and Sunderland in the 1970s and 1980s. Then in 1990 the designation of Enterprise Zones at Hylton Riverside and Doxford focussed investor and developer activity to out-of-centre locations. The result was a substantial provision of office floorspace which met market demand and created, particularly in the case of Doxford, a highly successful business park adjacent to the A19 trunk road. There are some examples of indigenous companies, for example Arriva plc and Reg Vardy plc relocating from the City Centre to Doxford Park.

12.4.12 As a result of these historic factors, the perceived demand for offices in Sunderland City Centre is almost non existent. This is exacerbated because the supply of office space in Sunderland is of such a poor quality that any demand that does exist, has been attracted to higher specification space elsewhere.

12.4.13 Around the start of the millennium two regeneration initiatives recognised and aimed to address the weakness of the City Centre office market. The Council identified Sunniside as a priority for urban renewal and in 2007 the restoration of the old Sunniside Gardens marked the start of regeneration; the following year new bars and cafes in the area were opened, along with a new £6 million arts centre. Refurbishment of existing offices and small scale development is encouraged.

12.4.14 In 2002 the Sunderland **arc** Urban Regeneration Company was established. One of its key regeneration proposals has been the redevelopment of the Vaux Site where it proposes 46,500 sq m (500,000 sq ft) of offices within a mixed use development. For years its plans have been frustrated by Tesco, the owners of the site, which had alternative development proposals. But now Sunderland **arc** has planning consent and is appointing a development partner to bring the scheme forward. Sunderland **arc** is also proposing 6,500 sq m (70,000 sq ft) of offices within the first phase of a mixed-use development at Farringdon Row. Consent was granted in 2008 but development has been delayed due to the economic downturn.

12.4.15 These substantial volumes of office floorspace are intended to restore a city centre office market. Their impact will be most keenly felt in those areas to which Sunderland has lost occupiers in the past. In Washington the age of the stock and its poor specification has already resulted in weak demand, further decline can be expected. Similarly the Enterprise Zone stock which is now 15-20 years old will be of poorer specification than new office floorspace in the city centre and demand will decrease. The designation of a new Enterprise Zone adjacent to Nissan is not expected to have any significant impact on the office market. The latest round of Enterprise Zones do not come with the same comprehensive package of incentives as their predecessors and are far less likely to distort the market.

12.4.16 Whilst there will be some competition between schemes in Sunderland City Centre and NewcastleGateshead this will be limited. New development in each centre will tend to draw demand from separate catchments (as Travel to Work data confirms). Greater competition for

NewcastleGateshead is likely to come from Rainton Bridge South where a greenfield site adjacent to the A690 dual carriageway is being developed as an office park. BBQ has already seen Rainton Bridge attract the npower requirement that it thought it had secured; and Rainton Bridge will continue to provide serious competition.

12.5 Relationship with Smaller Centres within the City-Region

12.5.1 The office market in smaller centres within the City-Region, such as North & South Shields, Morpeth and Cramlington serve local businesses and have relatively limited catchment areas. Newcastle and Gateshead already receive substantial net inflows of commuters from adjacent areas of Tyne & Wear and the wider region, the extent to which these might increase and have a substantial impact on the performance of these centres is uncertain. There is clear evidence that the Enterprise Zones within North Tyneside are drawing office demand from the City Centre as well as North Shields Town Centre. Relative to this impact the proposals for additional office development in the Central Business District will be modest.

12.5.2 The provision of office parks on the western side of the conurbation, such as Great Park or the Airport are unlikely to compete directly with the market for towns in Northumberland such as Morpeth, Hexham and Ponteland. The office parks will typically provide larger floorplates than are either available or in demand in these smaller centres.

12.6 Relationship between Office Locations within NewcastleGateshead

12.6.1 The principal locations for office development identified by this Study are:

- Newcastle Central Business District (including Gateshead Quays)
- Gateshead Town Centre
- Baltic Business Quarter
- Ouseburn
- Newcastle Great Park
- Airport Business Park
- Team Valley
- Metro Centre

12.6.2 Newcastle CBD is regarded as a town centre location. It is now perceived as incorporating Gateshead Quays, but given the extent of provision elsewhere in Newcastle City Centre there is little impetus for a further southwards expansion. Without this southward expansion the functions of Gateshead Town Centre will remain as an administrative and service centre for the Borough and as a fringe location on the edge of the CBD.

12.6.3 We estimate that within the city centre there is capacity for 328,050 sq m GIA (301,599 sq m (in Newcastle and 26,451 sq m in Gateshead).[35] In Gateshead Town Centre there is a further 3,318 sq m.

12.6.4 The capacity of office sites of good or moderate viability in central and edge of centre locations is summarised in Table 12.6. It should be noted

[35] See Tables 9.4 and 10.2

that such categorisation is subject to the Councils' defining of the boundaries of each centre and as such is not a definitive exercise.

Table 12.6: Capacity of In-Centre and Edge-of-Centre Locations

	In-Centre (sq m GIA)	Edge-of-Centre (sq m GIA)	Total
Newcastle	312,412	6,505	318,917
Gateshead	21,563	160,873	182,436
Total	**333,975**	**167,378**	**501,353**

Source: Storeys Edward Symmons

12.6.5 As noted at paragraph 10.3.4, office parks accommodate 70% of sites and 50% of floorspace and this substantial capacity could undermine some elements of the market for offices in other locations. However in determining the scale of office park allocations care should be taken to ensure that the needs of office occupiers are not undermined by an unduly restrictive approach.

12.6.6 The masterplan for the Baltic Business Quarter envisaged 140,000 sq m (1.5 million sq ft) of offices in the urban core with buildings ranging from 1,000 to 10,000 sq m. By aiming at larger requirements, BBQ would complement smaller units in the Town Centre. During 2010 and 2011 most requirements have been for less than 500 sq m, but in time larger requirements are expected to return. So whilst current occupiers at BBQ are almost all in small office suites, over time there is a need to return to the original vision if BBQ is not to lose its distinctiveness and draw demand from Gateshead Town Centre. As excess floorspace within the former Enterprise Zones is absorbed, BBQ will provide a distinctive offer to the market and its impact on other office locations in NewcastleGateshead should be limited. Having regard to the overall capacity of office park sites, the proposals in the preferred development approach to scale back the office content strike an appropriate balance between reducing the overall scale of allocations whilst ensuring that BBQ retains the critical mass necessary to be regarded in the market as a strategic office park.

12.6.7 Ouseburn is being promoted as a creative industries quarter. It is seen as complementary to Gateshead's Creative Quarter which includes the Northern Design Centre at BBQ as well as the area between Gateshead Quays and the Town Centre. The supply of floorspace developed for creative industries will need to be coordinated to limit the extent to which schemes compete against each other for requirements. Gateshead is focusing on digital industries generally and games developers in particular.

12.6.8 Newcastle Great Park is an out-of-centre location. Its original purpose was to operate as a premium business park, competing with comparable locations elsewhere in the UK and overseas, accommodating the larger HQ office requirements and those requiring a business park environment of the highest quality. As such it was clear from its original rationale in the UDP that it did not compete with other office locations in NewcastleGateshead. Requirements of such scale are infrequent and more recently the development of smaller units was permitted; the effect has been to increase the extent to which Great Park draws demand from other more sustainable locations. Notwithstanding the overall capacity of office parks, to ensure that NewcastleGateshead can accommodate large HQ office requirements in the future, an appropriate amount of land at Great Park should be retained for office development. When making allocations we recommend that Newcastle City Council reserves an identified site for a solus requirement, and so distinguishes it from the general supply of land for office development.

12.6.9 Team Valley's role as an industrial estate was diluted through Enterprise Zone designation in the 1980s. Now with offices scattered through the estate it lacks the profile of a dedicated office park and it competes for demand with other in-centre and out-of-centre locations. There is a need for some limited office provision on the Estate to accommodate businesses that serve industrial sectors; Fifth Avenue Business Park and Maingate have become the principal foci for Team Valley's offices and provide capacity for further development. Allowing office development throughout the Estate could impact on demand in other locations and exacerbate highway capacity issues on the A1.

12.6.10 Although the market views Metro Riverside as an out-of-town office park in close proximity to the A1 Western Bypass, the offices are within 500m of a public transport interchange and qualify as an edge-of-centre site that is sequentially preferable to out-of-centre locations. Offices here compete for occupiers with out-of-town and town centre locations. Blaydon, Heworth, Shields Road and Four Lane Ends are examples of other public transport interchanges which would also qualify as edge-of-centre, though with little existing office provision and substantial capacity for office development in other locations, their prospects of private sector development are remote.

13 CONCLUSIONS

13.1 It is clear that the market for new offices is not constrained by a shortage of development opportunities. A fundamental issue in the current market is weak demand coupled with a substantial oversupply of both new and second-hand floorspace across Tyneside. This has created an understandably cautious approach to new development, which is compounded by the lack of development finance from traditional sources. Suites remain unoccupied in buildings that were under construction at the top of the market, and in the foreseeable future development activity will be limited to refurbishments and the occasional pre-let. In the longer term, a resumption of economic growth will allow equilibrium to be restored. It is this longer term outlook that is more relevant to this study.

13.2 A second fundamental consideration is the dominance of the market. Despite the belief of some that the sustained economic growth over much of the last decade represented a new economic paradigm, it is now clear that the economy and the office development market still follows its traditional boom-bust cycle. Current market over-supply will correct itself and less dramatic peaks and troughs will prevail over the next ten to fifteen years.

13.3 In 2006 GVA recommended that Newcastle Council take a more proactive role in ensuring supply. Now that there is an over-supply of offices, development proposals and land allocated for office use, this may seem misguided; but in fact there is an important role for Councils to play in ensuring an appropriate supply and to focus resources on the successful delivery of key schemes. As viable development becomes more difficult for the private sector, the role of the public sector in the delivery of office sites becomes more important.

13.4 The history of the office market in the City and wider region shows the importance of public sector investment in stimulating office development. East Quayside, St James Boulevard and the Enterprise Zones are all examples. Developers have been drawn to locations where there is established infrastructure, where there is no need for site assembly and where abnormal costs of development can be kept to a minimum. Sometimes this public sector investment has led to expansion of the Central Business District (e.g. East Quayside); at other times it has regenerated parts of an existing quarter of the city (e.g. Grainger Town). The Councils now have the opportunity to support private sector development through mechanisms such as the Accelerated Development Zone and Regional Growth Fund. The Community Infrastructure Levy could also be used to reduce the risks and uncertainties of development, but the Councils will need to be careful not to impinge on the viability of development by increasing costs.

13.5 Government spending cuts have made public sector support for property development increasingly difficult to secure. Regional planning policy recognised that *"The over-provision of employment land means that the limited resources for site assembly, clearance, decontamination and basic infrastructure provision are spread too thinly".*[36] It recommended that *"Local authorities and sub-regional partnerships should continue to work*

[36] Paragraph 4.16, Interim Regional Spatial Strategy for the North East

together to seek to reduce the provision of employment land within the region in order to focus resources … A local employment land study should be undertaken to consider the effects of over provision and the potential for the deallocation of sites that have no prospect of being developed for any employment related use…"[37]. There was concern that some Tyne & Wear authorities might have a shortfall of employment land. Our analysis of past take-up shows that, in respect of land allocated for offices within both Newcastle and Gateshead, the opposite is true and that allocations substantially exceed the 25 year cap identified by the RSS. Notwithstanding the revocation and impending abolition of the RSS, the increasing challenge to realise efficiencies requires a comprehensive review of office allocations.

13.6 Historically Councils have tended to compete with one another by providing a wide range and choice of sites in each planning authority area. The RSS and One NorthEast promoted a regional economic strategy which aimed to reduce this inefficient use of land and resources. This approach should be adopted at local authority level. The NPPF now requires Local Plans to *"be based on co-operation with neighbouring authorities".* NewcastleGateshead should clearly prioritise their own office development proposals to ensure public sector investment is focussed appropriately, de-allocate surplus employment land and work with other neighbouring authorities to ensure the efficient use of resources. By being selective in prioritising and promoting high quality office development at the core of the city region, NewcastleGateshead will compete effectively against proposals elsewhere. In identifying a portfolio of office sites it is essential that NewcastleGateshead, as the economic driver of the North East, can respond to changing economic requirements and provide choice to developers and occupiers.

13.7 Current economic conditions have created a tenants' market. Occupiers are faced with a wide choice of premises in terms of both quality and quantity, which are available on very favourable terms. The re-pricing of new offices is having a knock-on effect on poorer quality stock. The Gateshead Office Capacity Study identifies high vacancy rates amongst 1960s accommodation and first generation business park units. This can be expected to worsen. As rents for poorer quality accommodation decline, the viability of comprehensive refurbishment will deteriorate. Buildings in peripheral locations which already attract lower rents may become redundant for office use.

13.8 Our consideration of office development cycles suggests that development activity will be relatively muted over the next decade. Over the next five years office development is likely to be restricted to bespoke accommodation for specific occupiers, or offices that are wholly or substantially pre-let. The demolition of poorer quality stock will ensure a continuing supply of development sites. This has implications for the expansion of the Central Business District. Windfall sites, major regeneration schemes and increasing densities of development are allowing the city centre to accommodate office requirements. Over the plan period we would expect consolidation within the current boundaries of the CBD rather than further expansion.

[37] Paragraph 3.33, The North East of England Plan – Regional Spatial Strategy to 2021

13.9 In the medium term economic recovery will help restore some equilibrium to the market for premises as vacant stock is absorbed. At this point in the cycle, there can be a stand-off between developers seeking pre-lets and occupiers waiting for new speculative stock to be brought forward, before new development commences.

13.10 With the fall in rents, the viability of city centre office development has become more marginal, and the development market appears to be repeating the pattern of the early 1990's. We therefore anticipate completions in the Central Business District to return to around 10,000 sq m per annum. Strong competition from office parks within the former Tyne Riverside Enterprise Zone is drawing demand for Grade A offices from other locations.

13.11 The prospect of a major requirement from a regionally based business such as another Sage or Northern Rock cannot be ruled out, and provision should be made for this, in line with the NPPF. However it should be recognised that the frequency of these events is 'lumpy' and that in the medium term the substantial quantity of new floorspace immediately available at Cobalt and Quorum offers an attractive alternatives to bespoke solutions for certain segments of that market. Overall there is scope within both Newcastle and Gateshead to reduce the scale of employment land allocations for office development.

13.12 **Projecting forward past take-up of floorspace suggests a figure of 512,000 sq m GIA will be required for the period to 2030 - 410,000 sq m GIA in Newcastle and 102,000 sq m GIA in Gateshead** (see paragraph 9.3.10).

13.13 **For the period to 2030 we estimate that office development sites totalling 45 hectares are required and that 9 hectares should be allocated in Gateshead and 36 in Newcastle** (see paragraph 9.3.14).

13.14 This study also estimates requirements to 2038 (740,000 sq m of floorspace, 68 ha of land), but it should be recognised that it is very difficult to produce accurate long-term forecasts. In recognition, some planning authorities aim to maintain a five-year supply of readily available sites and a further reservoir of sites that can be brought forward to top this up as necessary. Through annual monitoring of availability and take-up, the supply of sites can be more finely managed and uncertainties such as windfall sites, losses and changes in demand can be accommodated. We recommend that serious consideration is given to adopting this approach and that the research undertaken for this study is used as the basis for ongoing monitoring. This monitoring should distinguish sites immediately available for development from those that require preparation or would involve substantial abnormal costs.

13.15 This study has assessed 81 potential office sites, capable of accommodating 1.1 million sq m GIA of office floorspace (12 million sq ft). This quantity of potential office sites, as set out in Appendix 2, represents the maximum capacity. When compared with our estimated requirements to 2030, Newcastle has capacity for nearly twice as much floorspace as it requires and Gateshead has more than three times. Against this need to reduce the level of allocations, we have assessed the quality of sites against a range of market attractiveness and sustainability criteria. Surplus sites have the potential for deallocation or reallocation to alternative uses. And through determining the portfolio of office sites to be retained the Councils will reduce level of oversupply.

13.16 It will be crucial for the portfolio of allocated sites to meet the requirements of different market segments. Current market conditions are likely to stifle office development activity for several years. Development finance will need to start flowing and the high supply of available Grade A space will need to be absorbed, before private sector confidence is restored. It remains to be seen if rents will fall further and how the viability of development in different locations might be affected. Having regard to this difficult development environment we consider that the viability of sites should be a key consideration in their selection. We recommend that sites that have been assessed as being of poor viability should be considered for alternative uses.

13.17 We have assessed 49 of the 81 sites as being of good or moderate viability (see Table 10.2). These are capable of accommodating 900,580 sq m GIA of office floorspace, which still substantially exceeds requirements. The selection of sites to be allocated for office development is a policy judgement that is the responsibility of the Councils and will need to have regard to other issues outwith the scope of this study (such as demand for alternative uses). However we recommend that in selecting sites, the Councils are consistent with NPPF, have regard to the differing needs of businesses and provide sites in a range and choice of locations.

13.18 The table below compares office floorspace requirements for the period 2012 to 2030 with those office sites that are assessed as of good or moderate viability. This potential floorspace is categorised according to market segments. In deciding the portfolio of office sites the Councils should have regard to the recommendations for the various segments. When determining the portfolio of office sites, we recommend that the Councils also have regard to the years that have passed since 2012. Levels of allocations that are proportionate to the unexpired term of the Local Plan will provide a more accurate and defensible figure. Clearly, any site-specific recommendations contained within this document cannot be viewed in isolation. Recommendations will need to be taken forward and tested through the proper preparation of policy by the Councils and subject to suitable consultation as part of their Local Plan preparation process.

Table 13.1: Spatial Options 2012-30

	Office Floorspace			
	Newcastle		Gateshead	
	Sq m GIA	Recommendations	Sq m GIA	Recommendations
Requirement 2012-30:	**410,000**		**102,000**	
City Centre	301,599	Substantial provision of sites. Council should take a more flexible approach to allocations.	26,451	Retain office sites at Quays to allow consolidation.
Town / Suburban Centre	0	Limit new development to premises meeting local demand.	3,318	Regeneration should aim to renew office floorspace rather than increase overall quantum.
City Fringe	17,318	Limit new office floorspace.	53,198	Limit new office floorspace.
Industrial Estate / Business Park	2,072	Restrict new development to established office locations.	47,665	Restrict new development to established office locations.
Office Park / Solus Site	330,490	Retain sites where viability strongest. Reserve sites to accommodate major requirements. Assess operational needs of Airport.	118,469	Improve quality of environment & infrastructure at BBQ. Adopt preferred development approach.
Total Office Supply	**651,479**		**249,101**	

Source: NLP / Storeys Edward Symmons analysis (2012)

13.19 Newcastle City Centre and Gateshead Quays ensure an appropriate provision of viable sites in the **Central Business District**. Much of this supply comprises mixed-use schemes where the proportion of office floorspace can be adjusted to meet market demand for different uses.

13.20 There are few viable sites in **Town Centre** locations and regeneration proposals for Gateshead Town Centre, which will depend on public sector gap funding, may need to be reassessed.

13.21 In **City Fringe** locations there is substantial capacity for additional office floorspace. In such locations the mix of uses tends to ebb and flow according to market demand. Having regard to the relatively low levels of office development activity expected over the plan period, there may be scope for reducing capacity.

13.22 Gateshead has a generous amount of land for office development on **Industrial Estates / Business Parks**. We recommend that new office development is restricted to specific sites in or adjoining established office locations (such as Maingate & Fifth Avenue Business Park at Team

Valley). Our assessment of office capacity in business park locations assumes lower density development. There may be scope for reducing the amount of floorspace that could be accommodated if higher densities are anticipated.

13.23 Amongst development sites of good and moderate viability, there is a substantial capacity for new floorspace on **Office Parks** in Newcastle and Gateshead (see Tables 9.4 & 9.5). We recommend that some land at Newcastle Great Park be reserved for a solus requirement, and other land should be retained to ensure that this office park establishes critical mass. We note the landowner's aspirations for housing and acknowledge that there remains scope for reducing the overall level of provision, should the Councils consider there are alternative complementary uses of sites that support their business park function. Great Park provides office floorspace in a landscaped setting on the edge of countryside that relates to the Gosforth housing market and has easy access to the A1 and executive housing areas such as the Tyne Valley, Darras Hall and Morpeth. For some businesses these factors will set apart Great Park from office parks in North Tyneside. The proposed business park at the Airport, although it currently lacks infrastructure, will also offer proximity to executive housing areas and easy access to the A1 Western Bypass via the A696 dual carriageway. We recommend that the long-term strategic needs of Newcastle International Airport are given detailed consideration before deciding how much and where land should be allocated for office development. At Baltic Business Quarter we note that the Council has already identified, through its 2012 "Preferred Development Approach", options for reducing the quantum of office space by proposing alternative uses on peripheral areas.

13.24 Our study of comparator regional office centres and competing office locations within the City Region suggests that the portfolio of sites will not have an adverse impact at a local, sub-regional or regional level. But there is a concern that increasing competition from Cobalt & Quorum for smaller requirements is having a detrimental impact on the City Centre office market and the delivery of new development. Similarly the scale of greenfield out-of-town office parks elsewhere in the City Region (such as Durham Green & Rainton Bridge) will present new market competition to which NewcastleGateshead will need to respond.

13.25 The scope to which planning policy can be used to micro-manage the supply of office development sites in the CBD is limited. The level of supply is uncertain as the city centre development market relies on the recycling of previously developed land and these windfall sites are by definition unpredictable. Similarly developers' proposals will be determined by the relative strengths of the market for different uses at a specific time, making the scale of any office component uncertain.

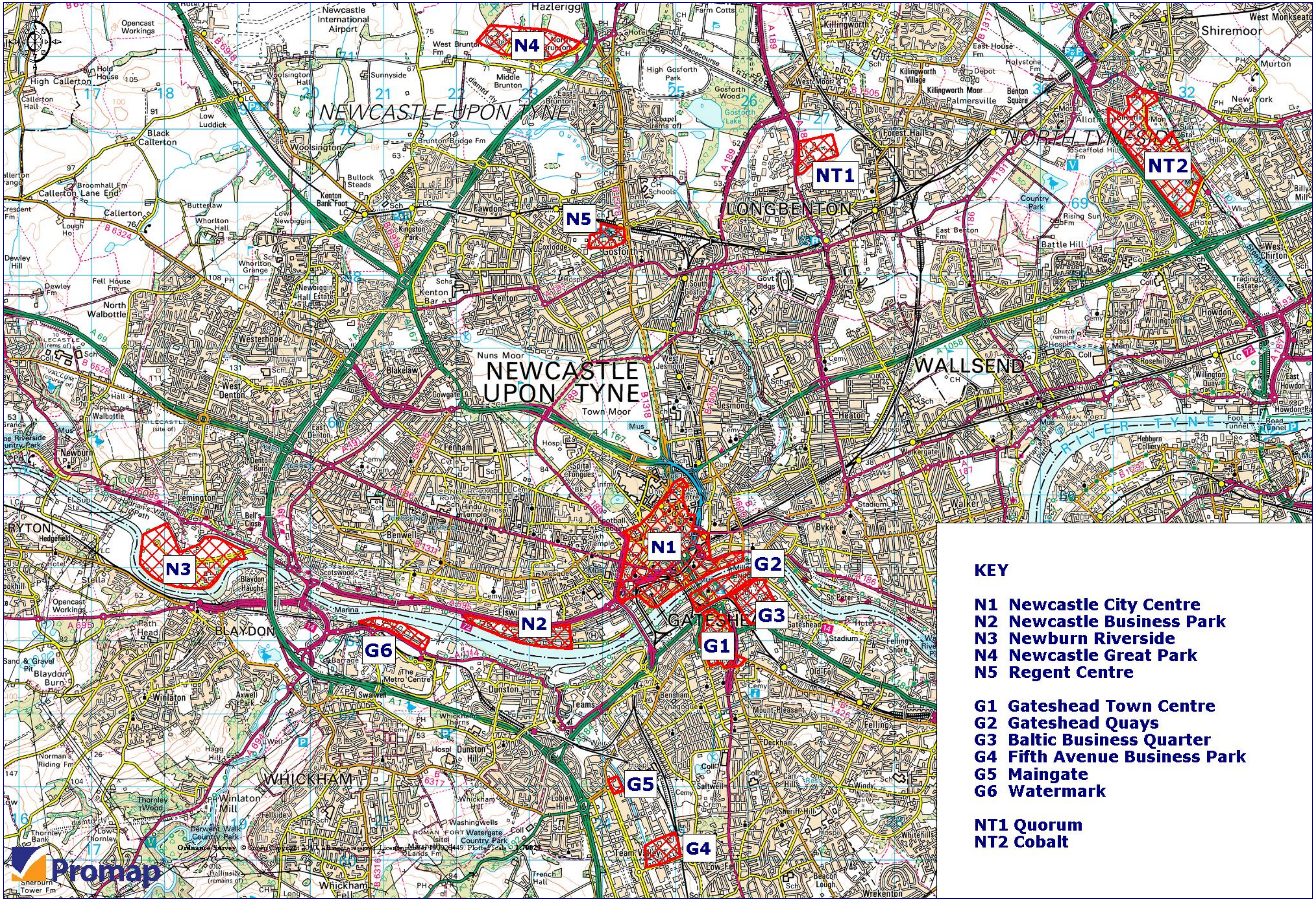
13.26 The sustained period of economic growth at the start of the millennium and the market's perception of a steadily expanding CBD have supported Newcastle and Gateshead joined up approach to economic development and has encouraged planners and market alike to assume a continuing expansion of the boundaries of the city centre. The findings of this study challenge this assumption. Careful definition of the boundaries of the City Centre together with a conscious recognition of what would then constitute edge-of-centre could be used as a tool to reduce the current oversupply of sites.

13.27 This will involve difficult choices which could test the commitment of the partners to joint working. Should the City Centre be extended to the Ouseburn? Should it extend to the south of the Tyne? Should the area around Forth Yards be ranked as sequentially preferable to Baltic Business Quarter? These questions cannot be answered by a study that only looks at the office market, as the effect on other town centre uses will also need to be considered.

13.28 Notwithstanding the large amount of potential office development sites, the market for sites should be distinguished from the market for buildings. The understandable desire for a transformation of the office stock to assist regeneration and underpin economic growth should not be at the expense of businesses for whom low occupational costs are more important than high quality accommodation. So whilst there are high vacancy rates amongst older stock, the release of poorer quality buildings for redevelopment should be thoughtfully managed. Vacant office premises should be protected against redevelopment for alternative uses unless it can be demonstrated that they are redundant and no longer needed. We recommend that the test should be that a reasonable marketing period of at least six months does not result in a realistic offer for the premises. Requiring a reasonable marketing period acknowledges that demand for offices is dependent on a range of factors, including market conditions and the size & type of accommodation. Use of such a redundancy test will enable redevelopment and support regeneration, whilst safeguarding buildings that can continue in economic use.

APPENDIX 1

Principal Office Locations in NewcastleGateshead



SITE DETAILS			PLANNING STATUS				QUANTITATIVE ASSESSMENT										
ELR Ref	Scheme	Location	Status	Planning Application Reference	Description / Mix of Uses	Developer / Applicant	Gross Site Area	Gross:Net Adjustment	Net Site Area	Plot Density	Office Floorspace (GIA)		Office Floorspace Net Internal Area		Alternative Floorspace Estimate	VIABILITY	MARKET SECTOR
							ha	%	ha	Source / %	sq m	sq ft	sq m	sq ft	sq m GIA		
NEWCASTLE																	
1076	Plot 12, East Quayside	City Centre	With Consent	2002/0921/01/DET	Erection of new building comprising multi storey car park at 5 levels, food and drink uses on 3 levels with offices and residential uses above.	One North East	0.57	50%	0.29	Consent	12,000	129,171	**10,200**	**109,795**	ELR Calculator: 8,700	Good	City Centre
1328	Strawberry Place	City Centre	With Consent	2006/2245/01/DET	Mixed use development comprising 7 storey office building with basement levels, rooftop plant, ground floor retail & restaurant 10 storey hotel. 3 storey office with g fl retail & car park	Fraise Properties United	0.63	100%	0.63	Design	13,230	142,411	**11,245**	**121,049**		Good	City Centre
1684	Westgate House, Westgate Road	City Centre	With Consent	2007/2668/01/DET	Erection of 5 storey office building, fronting onto Westgate Road, Pudding chare & St James Street and commercial unit to part ground floor.	One North East / Centreland	0.24	50%	0.12	Consent	7,274	78,300	**6,183**	**66,555**	ELR Calculator: 3,600	Good	City Centre
2802	Goldcrest Way, Newburn Riverside	Outer West	With Consent	2008/1425/01/DET	Erection of 3 storey office building with plant room to roof and associated landscaping.	UK Land Estates	0.28	100%	0.28	Consent	1,700	18,300	**1,445**	**15,555**		Good	Industrial Estate / Business Park
3031	Hanover Buildings, 6 Clavering Place	City Centre	With Consent	2005/0444/01/DET	Erection of 3, 4 and 5 storey office building with dedicated basement parking.	Hugh Mackay Retirement Benefit Scheme	0.08	100%	0.08	Consent	2,371	25,522	**2,015**	**21,694**	ELR Calculator: 2,400	Good	City Centre
4739	Former Jesmond Picture House, Lyndhurst Ave	North	With Consent	2008/0716/01/DET	Erection of 4 storey building comprising of plant room to basement, 2 units - retail/restaurant and lobby to ground and office accommodation at 1st to 3rd floors.	MK (The Jesmond) Ltd	0.06	100%	0.06	Consent	1,416	15,246	**1,204**	**12,959**	ELR Calculator: 900	Poor	Town / Suburban Centre
3302	Fusion, Clavering Place	City Centre	With Consent	2007/2281/01/DET	Erection of 3/4 storey office building with 25 car parking spaces at basement level.	Buccleuch Estates	0.20	100%	0.20	Consent	5,176	55,716	**4,400**	**47,359**		Good	City Centre
4293	55-57 Quayside	City Centre	With Consent	2006/0603/01/DET	Erection of 5 storey office block with parking and plant in basement.	UK Land Estates	0.11	100%	0.11	Consent	3,399	36,590	**2,889**	**31,102**		Good	City Centre
None	Lambton Road, Jesmond	North	With Consent	2007/1301/01/DET	Erection of 2 x two storey office blocks with cycle stands and associated car parking.	Wilkie Smith	0.03	100%	0.03	Consent	318	3,423	**270**	**2,910**		Poor	City Fringe
None	St James Point, St James Street	City Centre	With Consent	2007/0753/01/DET	Erection of 5 storey office block (B1) with intergrated sub station to part of ground floor.	Circle Red	0.03	100%	0.03	Consent	1,069	11,507	**909**	**9,781**		Good	City Centre
None	Junction of Ambrose Place/ Fisher Street	East	With Consent	2007/0610/01/DET	Erection of two storey office unit with associated access road, parking and landscaping	Priority Sites	0.12	100%	0.12	Consent	372	4,004	**316**	**3,403**		Moderate	Industrial Estate / Business Park
None	Scottish Life House, Archbold Terrace	City Centre	With Consent	2007/1490/01/DET	Erection of six storey building on existing surface car park comprising four floors of offices (B1) multi storey car park, ground floors retail/ restaurant/ professional services units.	Jomast	1.40		0.20	Consent	4,603	49,548	**3,913**	**42,116**		Moderate	City Fringe
None	Upper Maling Court, Union Street / Stoddart Street, Shieldfield	Ouseburn	With Consent	2009/0264/01/DET	Erection of 7 storey building comprising 4 office units, 17 flats and 54 studio apartments of student accommodation.	Adderstone	0.15	100%	0.15	Consent	655	7,051	**557**	**5,993**		Poor	City Fringe
							3.70		**2.09**		**53,583**	**576,789**	**45,546**	**490,271**			
2644	Newcastle Great Park (NGP) Cell A	North	Without Consent	n/a	n/a	NGP Consortium	55.18		27.59	Calculator	165,540	1,781,916	**140,709**	**1,514,629**		Moderate	Strategic Office Park
2646	Newcastle Great Park (NGP) Cell C	North	Without Consent	n/a	n/a	NGP Consortium	21.82		20.00	Calculator	120,000	1,291,712	**102,000**	**1,097,955**		Good	Strategic Office Park
4211	NGP office block D, Cell C	North	Without Consent	n/a	n/a	NGP Consortium	0.49		0.49	Design	2,940	31,647	**2,499**	**26,900**		Good	Strategic Office Park
1331	St James Metro Station	City Centre	Without Consent	n/a	n/a	n/a	0.90		0.45	Calculator	13,500	145,318	**11,475**	**123,520**		Moderate	City Centre
1374	Forth Goods Yard	City Centre	Without Consent	n/a	n/a	n/a	2.77	50%	1.38	Calculator	41,400	445,640	**35,190**	**378,794**		Poor	City Centre
1384	Safestore (former Heron's Garage)	City Centre	Without Consent	n/a	n/a	n/a	0.68	50%	0.34	Calculator	10,200	109,795	**8,670**	**93,326**		Moderate	City Centre
1398	South of Pottery Lane	City Centre	Without Consent	n/a	n/a	n/a	3.15		1.00	Design	32,250	347,147	**27,413**	**295,075**		Poor	City Centre
1400	Stephenson Quarter	City Centre	Without Consent	n/a	n/a	n/a	4.13		1.00	Design	27,000	290,635	**22,950**	**247,040**		Good	City Centre
1407	Blandford Square	City Centre	Without Consent	n/a	n/a	City Council, Hanro, Olnato,	1.32		0.66	Design	19,800	213,132	**16,830**	**181,163**		Moderate	City Centre
1412	Main former brewery site / Science Central	City Centre	Without Consent	n/a	n/a	NCC & Newcastle	7.83		2.25	Design	68,380	736,060	**58,123**	**625,651**		Good	City Centre
3068	Cement works and scrap yard, Pottery Lane East	City Centre	Without Consent	n/a	n/a	Metier	1.42		0.71	Calculator	21,000	226,050	**17,850**	**192,142**		Moderate	City Centre
3077	Heber Street and brewery offices	City Centre	Without Consent	n/a	n/a	n/a	0.78		0.39	Calculator	11,700	125,942	**9,945**	**107,051**		Moderate	City Centre
4292	CWS Engineering Depot	City Centre	Without Consent	n/a	n/a	n/a	0.45		0.23	Calculator	6,750	72,659	**5,738**	**61,760**		Moderate	City Centre
4329 & 4330	NCC Coach Park & WH Smith Depot	City Centre	Without Consent	n/a	n/a	McAleer & Rushe	0.78		0.18	Calculator	5,250	56,512	**4,463**	**48,036**		Moderate	City Fringe
1035	Spillers Quay	Ouseburn	Without Consent	n/a	n/a	n/a	1.54		0.54	Design	6,505	70,022	**5,529**	**59,518**		Moderate	City Fringe
1038	Ouseburn Central	Ouseburn	Without Consent	n/a	n/a	n/a	1.66		0.41	Design	4,000	43,057	**3,400**	**36,598**		Poor	City Fringe
1039	Lower Steenbergs Yard	Ouseburn	Without Consent	n/a	n/a	n/a	0.34		0.17	Calculator	2,040	21,959	**1,734**	**18,665**		Poor	City Fringe
1077	Malmo Quay	Ouseburn	Without Consent	n/a	n/a	n/a	0.50		0.25	Design	960	10,334	**816**	**8,784**		Moderate	City Fringe
3064	Maling Street	Ouseburn	Without Consent	n/a	n/a	n/a	0.30		0.15	Design	2,032	21,873	**1,727**	**18,592**		Poor	City Fringe
1313	East Pilgrim Street Masterplan Area	City Centre	Without Consent	n/a	n/a	n/a	17.00		3.00	Design	75,000	807,320	**63,750**	**686,222**		Moderate	City Centre
3025	General Hospital Site	Inner West	Without Consent	n/a	n/a	n/a	7.58		0.90	Design	4,446	47,858	**3,779**	**40,679**		Moderate	Town / Suburban Centre
4359	South of Freight Village, Airport	North	Without Consent	n/a	n/a	n/a	5.03		5.03	Masterplan	17,500	188,375	**16,576**	**178,424**		Moderate	Strategic Office Park

SITE DETAILS			PLANNING STATUS				QUANTITATIVE ASSESSMENT										
ELR Ref	Scheme	Location	Status	Planning Application Reference	Description / Mix of Uses	Developer / Applicant	Gross Site Area	Gross:Net Adjustment	Net Site Area	Plot Density	Office Floorspace (GIA)		Office Floorspace Net Internal Area		Alternative Floorspace Estimate	VIABILITY	MARKET SECTOR
							ha	%	ha	Source / %	sq m	sq ft	sq m	sq ft	sq m GIA		
4358	Southside, Newcastle Airport	North	Without Consent	n/a	n/a	n/a	0.55		0.55	Calculator	2,310	24,865	**1,964**	**21,136**		Good	Strategic Office Park
1713	Southside, Newcastle Airport	North	Lapsed Permission	n/a	n/a	n/a	22.20	25%	5.55	Calculator	22,200	238,967	**18,870**	**203,122**		Moderate	Strategic Office Park
None	No.1 Quayside, Milk Market	City Centre	Without Consent	n/a	n/a		0.10		0.10	Agents Details	3,750	40,366	**3,190**	**34,000**		Moderate	City Centre
							158.40		**73.31**		**686,453**	**7,389,160**	**585,189**	**6,298,781**			
TOTAL NEWCASTLE							**162.10**		**75.40**		**740,036**	**7,965,949**	**630,734**	**6,789,051**			
GATESHEAD																	
G485	Trinity Square - Gateshead Town Centre	Central Gateshead	Under Construction	DC/10/00712/FUL	Mixed use development: retail (A1), (A2), (A3), (A4), (A5), shopmobility unit, supermarket (A1), offices (B1), student accommodation (C1), car parking & access, public square, landscaping and associated works.	Spenhill	1.76	5%	0.07	Design	2,418	26,028	**2,055**	**22,124**		Good	Town / Suburban Centre
G411a	MU6 - Askew Road (East) , Bensham. Western part	Central Gateshead	With consent	DC/11/00378/OUT	Full consent for Phase 1: B1 office & B8 storage. Outline consent for Phase 2(see G411b)	Network Rail Infrastructure	1.44	80%	1.15	Design	2,069	22,271	**1,759**	**18,931**		Moderate	City Fringe
							3.20		**1.22**		**4,487**	**48,299**	**3,814**	**41,054**			
G117	MU4 - Derwentwater Road	Teams	With Consent	DC/08/00318/FUL DC/11/00857/FUL	Extension of time for implementation of DC/08/00318/FUL for erection of three-storey office block (use class B1) with associated car parking and landscaping	n/a	3.93		0.68	Design	4,398	47,341	**3,738**	**40,240**		Poor	Industrial Estate / Business Park
G395	Fifth Ave Business Park	Team Valley	With Consent	DC/05/01235/FUL	Development of 1.7ha of land for business (use class B1) industrial (B2) and storage distribution (B8) uses: Hybrid application consisting of erection of 9 units on 0.89ha (phase 1) and outline consent for 0.89ha (phase 2).	Priority Sites	2.43	60%	1.46	Consent	4,506	48,504	**3,830**	**41,228**	ELR Calculator: 5,840	Moderate	Industrial Estate / Business Park
G411b	MU6 - Askew Road (East) , Bensham. Eastern part	Central Gateshead	With consent	DC/11/00378/OUT	Full consent for Phase 1 (see G411a). Outline consent for Phase 2: C1 hotel, B1 office & A3 restaurant	Network Rail Infrastructure	0.78	80%	0.62	Design	1,084	11,668	**921**	**9,918**		Moderate	City Fringe
G419a	East of Encore Hotel, Hawks Road	Quays	With Consent	DC/08/01288/FUL	Erection of 6-7 storey high hotel (202 bedrooms) (use class C1) with ancillary use at ground floor, 4-5 storey high office building (use class B1), construction of new vehicular access to Hawks Road, construction of 67 car parking spaces and provision of 2 new public access routes through site. **Hotel completed 2012.**	Priority Sites Ltd/Starboard Hotels Three LLP/CPS Haulage	0.18	100%	0.18	Consent	4,960	53,391	**4,216**	**45,382**		Good	City Centre
G420a	One Millennium Quay , South Shore Road	Quays	With Consent	DC/08/01922/FUL	Development of a hotel (Use Class C1) and Office (Use Class B1) complex, car parking for 83 cars, and associated hard and soft landscaping (including a riverside walkway) (amended 10/03/09 and 11/03/09). **Hotel Completed 2011.**	MRP (Baltic) Ltd	0.29	100%	0.29	Consent	7,442	80,108	**6,326**	**68,091**		Good	City Centre
G426	Phase II, Queens Court, Earlsway, Team Valley	Team Valley	With Consent	DC/06/00237/FUL	Demolition of existing building and erection of 15 units (totalling 10,705m2) for B1, B2 and B8 purposes and associated car parking (revised application).	UK Land Estates	0.26	100%	0.26	Consent	1,638	17,632	**1,392**	**14,987**		Good	Industrial Estate / Business Park
None	Adj Kingsway House, Kingsway	Team Valley	With Consent	DC/07/00252/FUL	Erection of two-storey office accommodation.	Campus Property Services Ltd	0.07	100%	0.07	Consent	334	3,595	**284**	**3,056**		Good	Industrial Estate / Business Park
None	Unit 3 Addison Ind Est	Other	With Consent	DC/09/00497/FUL	Erection of two-storey office building following demolition of existing building with associated car parking (amended 08/10/09).	Hadrian Architectural	0.12	100%	0.12	Consent	484	5,210	**411**	**4,428**		Moderate	Industrial Estate / Business Park
							8.05		**3.68**		**24,846**	**267,449**	**21,119**	**227,332**			
G49	Former Huwoods, Kingsway North	Team Valley	Without Consent	n/a	n/a	UK Land Estates	4.38	100%	4.38	Masterplan	21,663	233,186	**18,414**	**198,208**	ELR Calculator: 17,520	Moderate	Industrial Estate / Business Park
G114	MU17 - South of Pelaw Metro Station	Pelaw	Without Consent	n/a	n/a	n/a	1.49	30%	0.45	40%	1,793	19,295	**1,524**	**16,401**		Poor	Industrial Estate / Business Park
G115	MU16 - South of Pelaw Way, Pelaw	Pelaw	Without Consent	n/a	n/a	n/a	0.59	48%	0.28	40%	1,122	12,074	**953**	**10,263**		Poor	Industrial Estate / Business Park
G170a	Riverside	Dunston	Without Consent	n/a	n/a	n/a	8.80		2.74	MG Concept Framework	10,960	117,976	**9,316**	**100,280**	ELR Calculator 5,281	Poor	Industrial Estate / Business Park
G170b	Riverside	Dunston	Without Consent		n/a	n/a	5.10		3.20	MG Concept Framework	12,800	137,783	**10,880**	**117,115**	ELR Calculator 15,200	Moderate	Industrial Estate / Business Park
G171a	Land east of Costco	Dunston	Consent on part	DC/11/01368/FUL	Erection of bus depot and ancillary buildings.	UK Land Estates	8.20		0.00	MG Concept Framework	0	0	**0**	**0**	ELR Calculator 6,694	Poor	Industrial Estate / Business Park
G171b	Land west of Costco	Dunston	Without Consent	n/a	n/a	n/a	6.10		2.28	MG Concept Framework	9,105	98,009	**7,739**	**83,307**	ELR Calculator 2,160	Poor	Industrial Estate / Business Park
G175	West of St Omer's Road	Dunston	Without Consent	n/a	n/a	n/a	16.64		0.00	MG Concept Framework	0	0	**0**	**0**	ELR Calculator 9,982	Poor	Industrial Estate / Business Park
G176	North of Wellington Road	Dunston	Without Consent	n/a	n/a	n/a	6.69		0.00	MG Concept Framework	0	0	**0**	**0**	ELR Calculator 6,022	Poor	Industrial Estate / Business Park
G187a	Reg Vardy Sites, Cross Lane, Dunston	Dunston	Without Consent	n/a	n/a	n/a	2.79		0.00	MG Concept Framework	0	0	**0**	**0**	ELR Calculator 2,008	Poor	Industrial Estate / Business Park
G187b	Reg Vardy Sites, Cross Lane, Dunston	Dunston	Without Consent	n/a	n/a	n/a	3.23		0.00	MG Concept Framework	0	0	**0**	**0**	ELR Calculator 6,468	Poor	Industrial Estate / Business Park
G191a	Baltic Business Quarter	Central Gateshead	Without Consent	DC/08/00715/REM	Offices for n-power no longer proceeding, and no longer distinguished from remainder of site.	Terrace Hill	16.50	67%	11.30	Masterplan	118,469	1,275,231	**97,612**	**1,050,791**	2012 PDA: 81,200	Moderate	Strategic Office Park
G191c	Baltic Business Quarter	Central Gateshead	Without Consent	n/a	Not designated for offices on either Masterplan or 2012 Preferred Development Approach	Terrace Hill	0.60	100%	0.60	Masterplan	0	0	**0**	**0**		Moderate	Strategic Office Park
G324	Resinous Chemicals, Metro Centre	Dunston	Without Consent	n/a	n/a	n/a	3.46		0.00	MG Concept Framework	0	0	**0**	**0**	ELR Calculator 2,768	Poor	Industrial Estate / Business Park

SITE DETAILS			PLANNING STATUS				QUANTITATIVE ASSESSMENT										
ELR Ref	Scheme	Location	Status	Planning Application Reference	Description / Mix of Uses	Developer / Applicant	Gross Site Area	Gross:Net Adjustment	Net Site Area	Plot Density	Office Floorspace (GIA)		Office Floorspace Net Internal Area		Alternative Floorspace Estimate	VIABILITY	MARKET SECTOR
							ha	%	ha	Source / %	sq m	sq ft	sq m	sq ft	sq m GIA		
G334	1.2 Tyne Bridge	Central Gateshead	Without Consent	n/a	n/a	n/a	1.06	17%	0.12	Quays Masterplan	4,803	51,701	**3,842**	**41,359**	ELR Calculator: 3,600	Poor	City Fringe
G335	5.1 Mecca Bingo	Central Gateshead	Without Consent	n/a	Occupied premises	n/a	1.63	39%	0.63	FFAC	12,550	135,091	**10,668**	**114,828**		Poor	City Fringe
G336	5.2 Oakwellgate	Central Gateshead	Without Consent	n/a	Vacant and obsolete premises	n/a	1.68	20%	0.34	FFAC	6,704	72,164	**5,698**	**61,339**		Poor	City Fringe
G337	2.4 High Street North	Central Gateshead	Without Consent	n/a	n/a	n/a	1.20	30%	0.36	FFAC	7,200	77,503	**6,120**	**65,877**		Poor	Town / Suburban Centre
G338	2.3 Jackson Street	Central Gateshead	Without Consent	n/a	n/a	n/a	1.11	37%	0.41	FFAC	8,200	88,267	**6,970**	**75,027**		Poor	Town / Suburban Centre
G345	5.3 Boulevard North	Central Gateshead	Without Consent	n/a	n/a	n/a	1.36	19%	0.26	FFAC	5,172	55,673	**4,396**	**47,322**		Poor	Town / Suburban Centre
G361A	MU 8 Hillgate Quay	Central Gateshead	Without Consent	n/a	n/a	n/a	0.76	35%	0.27	Quays Masterplan	4,879	52,519	**3,903**	**42,012**	ELR Calculator: 8,100	Moderate	City Centre
G362	MU 9 Hawks Rd / South Shore Rd	Central Gateshead	Without Consent	n/a	n/a	n/a	3.70	40%	1.48	Quays Masterplan	22,133	238,245	**17,706**	**190,590**	ELR Calculator: 44,400	Poor	City Centre
G363	MU 19 Pipewellgate	Central Gateshead	Without Consent	n/a	n/a	n/a	0.52	25%	0.13	300%	3,900	41,981	**3,315**	**35,684**		Poor	City Fringe
G403	MU5 - Askew Road (West) , Bensham	Central Gateshead	Without Consent	n/a	n/a	n/a	2.65	80%	2.12	150%	31,800	342,304	**27,030**	**290,958**		Moderate	City Fringe
G406	HMS Calliope, Hillgate, Gateshead Quays	Central Gateshead	Without Consent	n/a	Occupied premises	n/a	0.83	45%	0.38	ELR Calculator	11,400	122,713	**9,690**	**104,306**		Moderate	City Centre
G413	1.4 Half Moon Lane	Central Gateshead	Without Consent	n/a	n/a	n/a	0.94	25%	0.24	FFAC	3,950	42,519	**3,358**	**36,141**		Poor	Town / Suburban Centre
G414	1.5 Old Town Hall Square	Central Gateshead	Without Consent	n/a	n/a	n/a	2.03	2%	0.05	FFAC	900	9,688	**765**	**8,235**		Moderate	Town / Suburban Centre
G415	2.2 Interchange South	Central Gateshead	Without Consent	n/a	n/a	n/a	1.59	25%	0.41	FFAC	8,196	88,224	**6,967**	**74,990**		Poor	Town / Suburban Centre
G460	Point 1, 2, 3, 4 & 6, The Point	Central Gateshead	Outline Consent	n/a	Offices and hotel	n/a	1.06	80%	0.84	Design	18,245	196,394	**15,508**	**166,935**		Moderate	City Fringe
G463	Mill Road, East Gateshead PEA (also NEBS)	Central Gateshead	Without Consent	n/a	n/a	n/a	0.21	100%	0.21	Design	1,970	21,206	**1,675**	**18,025**		Moderate	City Centre
G486	Baltic Place Phase II	Quays	Without Consent	n/a	n/a	n/a	1.22	20%	0.24	300%	7,200	77,503	**6,120**	**65,877**		Moderate	City Centre
G501	Maingate Phase IIA	Team Valley	Without Consent	n/a	n/a	n/a	2.49	20%	0.50	40%	2,000	21,529	**1,700**	**18,299**		Moderate	Industrial Estate / Business Park
G521	North East Wholesale Fruit and Veg Market, Derwent Avenue,	Team Valley	Without Consent	n/a	n/a	n/a	1.06	100%	1.06	40%	4,240	45,640	**3,604**	**38,794**		Moderate	Industrial Estate / Business Park
							111.69		**35.28**		**341,353**	**3,674,415**	**285,472**	**3,072,963**			
TOTAL GATESHEAD							**122.94**		**40.18**		**370,686**	**3,990,163**	**310,405**	**3,341,349**			
TOTAL NEWCASTLEGATESHEAD							**285.03**		**115.58**		**1,110,722**	**11,956,113**	**941,139**	**10,130,400**			

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New Office Development in Newcastle 1990-2011

Year Take-up	Year Completed	Address	Location	GIA (sq m)	Area (ha)	Application Ref.
1989	1990	Dean Court, Dean Street	City Centre	840	0.03	1988/1732/01/DET
	1990	Wallington House, Starbeck Avenue, Sandyford	Inner East	1,003	0.04	1989/0782/01/DET
	1990	North Street Court, North Street	City Centre	1,355	0.08	1989/0597/01/DET
	1990	Newcastle Business Park	Inner West	55,740	12.84	
	1990	Great North House, Sandyford Road	City Centre	2,323	0.21	1988/1450/01/DET
	1990	Blands Yard, 157 Great North Road, Gosforth	North	600	0.11	1989/0783/01/DET
	1991	New Croft House, Market Street	City Centre	3,940	0.15	1989/0886/01/DET
	1991	Dispensary Lane, Blackfriars	City Centre	1,266	0.07	1988/2017/01/DET
	1992	41-51 Grey Street	City Centre	3,317	0.09	1988/1286/01/DET
					13.62	
1990	1990	Northern Rock, Regents Centre, Gosforth	North	7,432	0.89	
	1991	Newcastle Business Park	Inner West	3,716	as above	
	1991	Black Horse House, Sandyford Road	City Centre	929	0.13	
	1991	52 Leazes Park Road	City Centre	750	**0.05**	1989/1751/01/DET
	1991	Airport Industrial Estate	North West	1,542	0.06	
	1991	Sage, Back Benton Park, Longbenton	North	2,552	0.52	1990/0614/01/DET
					0.76	
1991	1992	Gainsborough House, 34-40 Grey Street	City Centre	3,311	0.08	1990/0477/01/DET
	1992	Blocks A-D Central Park	Inner East	8,101	1.00	
	1997	St. Nicholas Buildings, St Nicholas Street	City Centre	9688	0.21	1988/2002/01/DET
					1.29	
1992	1993	Technopole, Central Park	Inner East	4,645	0.39	
	1993	Portland Towers, Market Street	City Centre	7,009	0.31	1989/0569/02/RES
					0.70	
1993	1994	NEPIA, 100 Quayside	City Centre	1,765	0.12	
	1995	Bridge Court, Closegate	City Centre	7,645	0.58	1993/0947/01/UDC
	1994	Northern Rock, Regent Centre, Gosforth	North	2,995	0.76	1993/0338/01/DET
					1.46	
1994	1995	Tyneside House, Skinnerburn Rd , Water Street	Inner West	2,952	1.00	1994/0818/01/UDC
	1995	Quayside House, 110 Quayside	City Centre	3,940	0.10	
	1994	Gill Aviation, Newcastle Airport	North West	710	0.05	1994/0615/01/DET
	1995	Link House, Melbourne St / Argyll Street	Inner East	1,230	0.21	1994/1257/01/UDC
					1.36	
1995	1996	Sandgate House, 102 Quayside	City Centre	2,730	0.08	
	1996	Back Benton Park Road, Longbenton	North	4,952	0.60	1995/0208/01/DET
					0.68	
1996	1997	St. Ann's Wharf, 112 Quayside	City Centre	5,435	0.24	
					0.24	
1997	1998	Centre for Life, Bioscience Centre	City Centre	12,018	0.24	1995/1565/04/UDC
					0.24	
1998	1999	Rotterdam House, 116 Quayside	City Centre	3,346	0.13	
	1999	Diamond Court, Airport Industrial Estate	North West	1,875	0.46	
	1999	Brunswick Ind Est	North West	399	0.32	
					0.91	
1999	1999	Mandale House, Melbourne Street	Inner East	2,760	0.20	1997/1852/01/UDC
	2000	Fenham Hall Studios	Inner West	288	0.10	1995/1733/02/RES
	2000	Nexus House, 146-158 Westgate Road	City Centre	2,683	0.10	1998/1538/01/DET
					0.40	
		TOTAL 1989 - 1999		**177,782**	**21.66**	
2000-01	2001	Lloyds Court (Ph 1), 52-60 Grey Street	City Centre	2,292	0.05	1992/1161/01/DET
	2001	Offices Freight Village, Newcastle International Airport	North West	825	0.23	2000/1143/01/DET
	2002	10-12 Main Road, Kenton Bank Foot	North West	260	0.12	1998/0973/01/DET
	2000	Ward Hadaway, Keel Row House, Quayside	City Centre	2,323	0.09	
					0.49	
2001-02	2001	Northern Rock, Regent Avenue, Gosforth	North	28,000	3.93	2000/0780/01/DET
	2002	Citygate 1, Bath Lane	City Centre	14,400	1.35	2000/1243/01/DET
	2004	St James Gate 1	City Centre	6,600	0.27	2001/0695/03/OUT
	2003	Lloyds Court (Ph 2), 62-78 Grey Street & 28-42 High Bridge	City Centre	4,174	0.10	2000/0538/01/DET
	2002	The Quadrant, Newburn Riverside	Outer West	2,483	0.80	
	2004	St Ann's Quay, 122 Quayside	City Centre	3,680	0.07	2001/0524/01/DET
	2003	Stella House (Plot 9a), Newburn Riverside	Outer West	5,845	1.60	
	2002	Riverside House, Newburn Riverside	Outer West	5,574	1.29	
					9.41	
2002-03	2003	The Cube, Barrack Road	City Centre	2,230	0.14	2000/1585/01/DET
	2007	Citygate 2, Gallowgate	City Centre	17,490	0.60	2000/1243/01/DET
	2004	Plot 1, City West Business Park	Inner West	1,440	0.87	1999/0934/07/RES
	2004	Sage, Cell B, Newcastle Great Park	North West	43,663	12.28	1999/1300/10/RES
	2004	Hexham Road, Throckley	Outer West		0.19	
	2003	Inland Revenue (Ph 1), Benton Park Road, Longbenton	North	136,006	23.17	1996/0334/02/RES
					37.25	
2003-04	2005	Trinity Gardens (office content)	City Centre	20,884	1.07	2001/0953/03/RES
	2004	Inland Revenue (Ph 2), Benton Park Road	Longbenton	30,100	as above	2002/1011/01/DET
					1.07	
2004-05	2005	St James Gate 2	City Centre	10,985	0.27	2001/0695/03/RES
	2006	Barratt & Eaga (Plot 3), Violet Close, City West Business Park	Inner West	2,099	0.40	2004/1694/01/DET
	2006	NE Ambulance Service, Bernicia House, Newburn Riverside	Outer West	3,240	0.70	
					1.37	
2005-06	2008	Time Central, Gallowgate / Strawberry Lane	City Centre	9,272	0.19	2004/1145/01/DET

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New Office Development in Newcastle 1990-2011

Year Take-up	Year Completed	Address	Location	GIA (sq m)	Area (ha)	Application Ref.
	2007	The Waterfront (Plot 5), Goldcrest Way, Newburn Riverside	Outer West	5,500	0.96	2004/1890/01/DET
	2008	Partnership House, Regent Farm Road, Gosforth	North	15,900	0.85	2004/2104/01/DET
	2008	Car Park, Northern Rock complex, Regent Farm Road, Gosforth	North		0.50	2004/2104/01/DET
					2.50	
2006-07	2010	Haymarket Hub, Haymarket	City Centre	3,471	0.11	2006/1267/01/DET
	2008	Keel House, Causey Bank / Garth Heads	Inner East	1,966	0.06	2003/0058/01/DET
	2007	Carliol Central, Carliol Square	City Centre	727	0.03	2004/1145/01/DET
	2007	City Quadrant, Westmorland Road / Waterloo Street	City Centre	2,540	0.08	2002/0883/02/AMD
					0.28	
2007-08	2010	Wellbar Central, Gallowgate	City Centre	13,190	0.22	2006/1949/01/DET
	2008	West One, Skinnerburn Road / Forth Banks	City Centre	4,178	0.16	2006/2412/01/DET
	2009	Regent Point, Regent Centre, Gosforth	North	10,944	0.52	2005/1614/01/DET
	2009	Media Exchange, Upper Steenbergs Yard, Stepney Bank	Inner East	2,950	0.31	2007/0321/01/DET
	2008	Maling Court, Union Street, Shieldfield	Inner East	1,260	0.17	2006/1783/01/DET
	2009	Gateway West, Kingfisher Boulevard, Newburn Riverside	Outer West	5,850	1.15	2007/1154/01/DET
	2008	Northern Hospitality Training, The Clock Tower	Inner East	2,291	0.33	2007/2165/01/DET
	2008	Cell C, Newcastle Great Park	North West	7,589	1.54	1999/1300/133/RES
					4.40	
2008-09	2010	Newcastle Uni Administrative Services, Barras Bridge	City Centre	8,170	0.27	2007/0945/01/DET
	2009	Land west of Manorgrove, Shields Road, Byker	Inner East	703	0.04	2007/0195/01/DET
	2010	Generator Studios (Phase 2), Trafalgar Street	City Centre	2,898	0.08	2007/1950/01/DET
					0.39	
2009-10					**0.00**	
2010-11	2011	Toffee Factory, Ouse Street, Ouseburn	Inner East	2,367	0.20	
					0.20	
2011-12					**0.00**	
			TOTAL 2000 - 2011	**446,359**	**57.36**	
			TOTAL 1989 - 2011	**624,141**	**79.02**	

NOTES: *Conversions and refurbishments are excluded. Redevelopments, including those behind a retained façade, are included.*
The redevelopment of the Inland Revenue Longbenton Estate is included in the table but excluded from our analysis.

SOURCES: *B1,B2 & B8 starts 2005-2010, Newcastle City Council, Feb 2011*
All completed office development March 1990 to August 2009, Newcastle City Council, 2010
Office Development in Newcastle, Storeys Edward Symmons

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New Office Development in Gateshead 2000-2011

Year of Take-up	Estimated year of Completion	Scheme	Location	Planning Ref	Gross Internal Area sq m	sq ft	Site Area (ha)
2000-01	2000	Persimmon House, Clasper Way	Metro Centre	1098/99	600	6,459	0.17
2000-01	2001	Tyne River House (Block B), Watermark	Metro Centre		3,522	37,912	0.67
2000-01	2000	High Street West, Coburg Street[1]	Town Centre	5/00	590	6,351	0.06
2001-02	2002	Richmond House (Block A), Watermark	Metro Centre		2,362	25,425	0.52
2002-03	2003	Television House (Block C), Watermark	Metro Centre		3,526	37,955	0.68
2003-04	2003	Maingate, Kingsway North, Team Valley[2]	Team Valley	532/02	5,950	64,047	1.11
2003-04	2003	Prismtech House, Fifth Avenue Business Park	Team Valley	296/00	1,400	15,070	0.42
2004-05	2004	International Business Centre, Mulgrave Tce	Town Centre	03/00265	2,170	23,358	0.47
2004-05	2004	Keel Row, Watermark	Metro Centre		3,516	37,847	1.16
2005-06	2005	Design Works, William Street	Other	03/01122	1,625	17,492	0.09
2006-07	2007	NECA House, Clasper Way	Metro Centre	06/00630	937	10,086	0.11
2006-07	2009	Baltic Place	Quays	05/00596	14,000	150,700	0.39
2006-07	2007	Bankside, Watermark	Metro Centre		3,306	35,587	1.12
2006-07	2007	Staithes, Watermark	Metro Centre		2,984	32,121	0.72
2006-07	2006	Dukesway, Team Valley	Team Valley	05/00034	1,265	13,617	0.32
2007-08	2008	Baltimore House	BBQ	06/00804	4,996	53,778	0.48
2007-08	2008	Open University	BBQ				
2007-08	2008	Point 5, The Point	Quays	05/01476	258	2,777	0.05
2007-08	2008	Queens Court	Team Valley	06/00237	1,839	19,795	0.33
2010-11	2011	CAB, Swan Street	Town Centre	10/01308	1,296	13,950	0.13
2010-11	2011	Design Centre for the North	BBQ	06/00226	4,854	52,250	0.57
2011-12	2012	Trinity Square, High Street	Town Centre	10/00712	2,418	26,028	0.07
					63,414	**682,605**	**9.64**

NOTES: *1. Estimated GIA. VOA identifies NIA of 527 sq m*

2. Mixed use scheme, site apportioned in line with office floorspace

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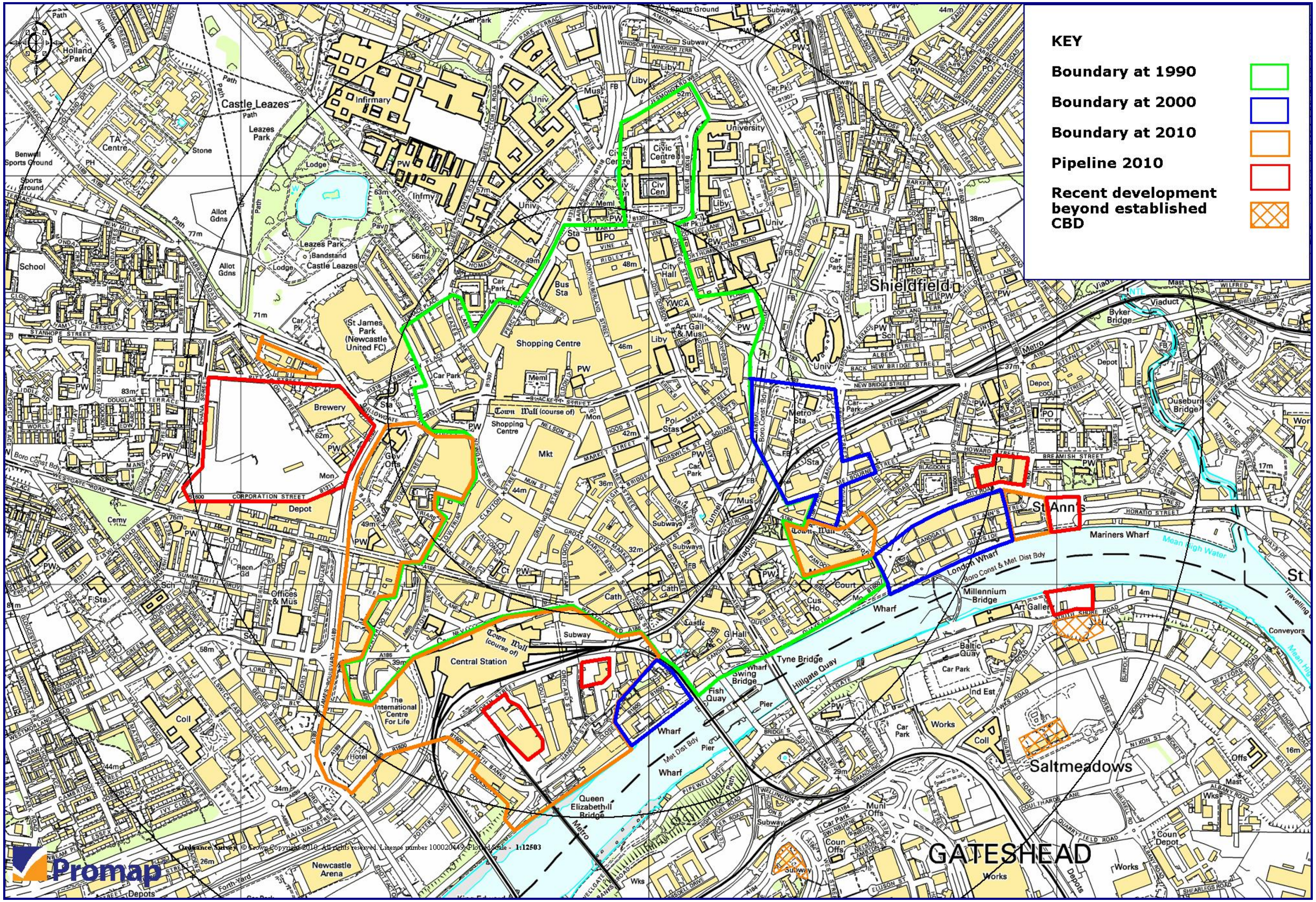
APPENDIX 4

Boundaries of NewcastleGateshead Central Business District 1990 - 2010



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Reported take-up of new Offices in Newcastle and Gateshead

PROPERTY	LOCATION	DATE LET	AREA (sq ft)	OCCUPIERS	RENT (psf)	COMMENTS
1990						
41/53 Grey Street	Newcastle City Centre	1990	30,000	Bank of Scotland	£13.00	pre-let
Great North House, Sandyford Road	Newcastle City Centre		16,000	One North East		
Newcastle Business Park	Newcastle periphery	1990	300,000	AA, BA, IBM, Merz McLellan	£9.50	Enterprise Zone development. Major occupiers took pre-sales. 650,000 sq ft in total - majority of remaining offices let by late 1992.
1991						
Kelburn House, Mosley Street	Newcastle City Centre	1991	18,000	Credit Lyonnais, Newcastle Building Society, Life Assurance Scotland	£11.00	
Newcastle Business Park	Newcastle periphery	1991	300,000			
1992						
Wallington Court, Sandyford Road	Newcastle City Centre	1992	9,600	not known		
Dean Court, Dean Street	Newcastle City Centre	1992	9,200	J Rothschild	£10.50	
New Croft House, Market Street	Newcastle City Centre	1992	36,000	Employment Service	£13.50	
Newcastle Business Park	Newcastle periphery	1992	50,000			
1993						
Central Technology Park, Manors	Newcastle City Centre	Apr-93	86,000	UBS, Halifax, Government	£12.50	Developer A F Budge went into receivership. Receivers built out development and let over a period of approx 1 year.
Technopole, Manors	Newcastle City Centre	1993	52,000	various		Initially designated for high-tech users
1994						
Portland Towers	Newcastle City Centre	1994	81,000	Newcastle Building Soceity		pre-sale
1995						
Fleming Business Centre, Burdon Terrace	Newcastle City Centre	Jul-95	30,000	Anderson Consulting		
Gainsborough House, Grey Street	Newcastle City Centre	Jul-95	26,000	Touche Ross, Independent Insurance	£11.50	
NEPIA House, 100 Quayside	Newcastle City Centre	1995	25,500	NEPIA	n/a	pre-sale
Quayside House, Quayside	Newcastle City Centre	Sep-95	42,021	Clydesdale Bank, Government, KPMG	£13.00	
1996						
Sandgate House, Quayside	Newcastle City Centre	Oct-96	29,514	Ward Hadaway	£13.00	
Bridge Court	Newcastle City Centre	Nov-96	64,290	BT	£13.00	
1997						
Tyneside House, Skinnerburn Road	Newcastle City Centre	Apr-97	33,800	Environment Agency		
St Anns Wharf, Quayside	Newcastle City Centre	Oct-97	58,253	Dickinson Dees, Mott MacDonald	£13.00	
1998						
Centre For Life, Neville Street	Newcastle City Centre	1998	137,000	various		
1999						
Rotterdam House, Quayside	Newcastle City Centre	1999	35,992	Regus, Dickinson Dees	£14.85	
2000						
Nexus House, St James Boulevard	Newcastle City Centre	2000	29,880	Nexus		
Central Square, Forth Street	Newcastle City Centre	April/May 2000	69,585	Lloyds TSB, Ove Arup	£15.00	

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Reported take-up of new Offices in Newcastle and Gateshead

PROPERTY	LOCATION	DATE LET	AREA (sq ft)	OCCUPIERS	RENT (psf)	COMMENTS
52 Grey Street	Newcastle City Centre	Oct-00	10,000	Northern Recruitment	£14.00	
Melbourne House, Melbourne Street	Newcastle City Centre	2000	30,000	various inc Government	£11.00	
2001						
Keel Row House, Quayside	Newcastle City Centre	Jul-01	23,995	pre-sold to Ward Hadaway	n/a	
The St Nicholas Building, St Nicholas Street	Newcastle City Centre	2000/2001	61,760	Thomson Solicitors, American Express, Government, Ultralase	£14.50	
Central Square South, Forth Street	Newcastle City Centre	July/Sept 2001	88,000	Eversheds, Reflections Software	£17.50 to £19.50	
St Ann's Quay, Quayside	Newcastle City Centre	Oct-01	29,014	Crown Prosecution Service	£16.00	
2002						
Citygate One, St James Boulevard	Newcastle City Centre	Mar-02	55,511	S&N, NCFE, Ernst & Young (prelet), Grainger Trust	£17.50	
2003						
Stella House, Newburn Riverside	Newcastle periphery	Feb-03	50,000	One NE		
Lloyds Court, Grey Street	Newcastle City Centre	Apr-03	23,624	Northern Electric, Nigel Wright	£16.00 - £19.50	
Trinity Gardens, Quayside	Newcastle City Centre	Aug-03	60,000	Dickinson Dees (pre-let)	£18.00	
The Cube, Barrack Road	Newcastle City Centre	Oct-03	24,000	Sintons	sale	
2004						
St James Gate	Newcastle City Centre	Jan-04	61,000	Watson Burton, Baker Tilley	£17.50	
Link House, Melbourne Street	Newcastle City Centre	Aug-04	14,000	Home Office	£14.25	
Sage, Great Park	Newcastle periphery	2004	240,000	Sage		
2005						
Newburn Riverside	Newcastle periphery	2004 onwards	108,000	DEFRA, North East Ambulance Service, plus others, precis dates not known		
Watermark	Gateshead	Jan-05	20,000	Tyne Tees	£15.00	
Maingate, Kingsway	Gateshead	Apr-05	55,000	Regus (05), TNT (06), Yell (06)	£15 to £17.50	
2006						
Stockbridge House, Trinity Gardens, Quayside	Newcastle City Centre	April/Oct 06	25,130	Maersk, Ward Hadaway	£20.00	
Citygate Two, Gallowgate	Newcastle City Centre	Jul-06	90,000	Newcastle University, UNW	£20.00	
Time Central, Gallowgate	Newcastle City Centre	Nov-06	86,000	Robert Muckle, Brewer Dolphin (both pre-lets), Beechcroft (6,000 sq ft @ £23 in July 08)		
City West, Scotswood Road	Newcastle periphery	May-06	10,140	Barratts	£14.80	
Watermark	Gateshead	Dec-06	10,300	Mansell	£16.00	
2007						
Richmond House, Watermark	Gateshead	2007	20,000	EAGA, approx date		
St James Gate Phase 2	Newcastle City Centre	2006/2007	80,000	Big Lottery, UBS		
Trinity Gardens, Quayside	Newcastle City Centre	Mar 07/Jan 08	52,987	St James Wealth, Faber Maunsell, RBS, Atisreal	£20 to £22	
2008						
1 Downing Plaza, Barrack Road	Newcastle City Centre	Feb-08	100,000	Newcastle University (pre-let)	£20.50	

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APPENDIX 5

Reported take-up of new Offices in Newcastle and Gateshead

PROPERTY	LOCATION	DATE LET	AREA (sq ft)	OCCUPIERS	RENT (psf)	COMMENTS
Keel House, Causey Bank	Newcastle City Centre	Feb-08	12,838	NAB Land	£18.35	
City Quadrant, St James Boulevard	Newcastle City Centre	May-08	7,000	Wardell Armstong		
Baltic Business Quarter	Gateshead	2008	20,000	Open University (Gateshead College at 160,000 sq ft not included as education)		
2009						
West One	Newcastle City Centre	Jul-09	15,000	Balfour Beatty, Hempsons, Kaplan Financial	£15.00	
The Tower, Regent Centre	Newcastle periphery	2009	120,000	Originally Northern Rock; subsequently Newcastle Council and EAGA		
Baltic Place	Gateshead	Oct-09	40,200	NEPIA, 1NG , Santander	£15.00	
2010						
Baltimore House	Gateshead	Oct-10		Gateshead Council for small businesses	£17.00	
2011						
Wellbar Central	Newcastle City Centre	Jul-11	36,259	B Sky B, Punter Southall	£20.00	
Generator Studios II	Newcastle City Centre	Sep-11		Low Carbon Lighting, B3 Architects, Real Time Claims	£13.00	
Baltic Place East	Gateshead	Sep-11		NE Access to Finance	£11.40	
CAB Building,Swan Street	Gateshead	Jul-05	13,950	CAB	F/H	
TOTAL 1990 TO 2009			**3,213,134**			
OTHER						
Cobalt Business Park, Wallsend		1999 to 2009	**1 Million**	Orange, North Tyneside Council, Proctor & Gamble,	£14 - £16	
Vantage Point, Balliol	Newcastle periphery	Feb-99	20,000	NHS Direct	£12.00	
Quorum, Benton Lane	Newcastle periphery	Jan-02	60,000	Inland Revenue	£14.95	
Vantage Point, Balliol	Newcastle periphery	Sep 01/Feb 02	40,000	Sitel, Enterprise 5	£12.00	
Quorum, Benton Lane	Newcastle periphery	Feb-04	60,000	Mapeley		
Quorum, Benton Lane	Newcastle periphery	Mar-06	24,332	IBM	£14.95	
Quorum, Benton Lane	Newcastle periphery	Jul-06	60,000	Inland Revenue	£14.95	
Quorum, Benton Lane	Newcastle periphery	Sep-06	30,000	MWB	£15.25	
Quorum, Benton Lane	Newcastle periphery	Nov-06	24,240	National Grid	£14.95	
Quorum, Benton Lane	Newcastle periphery	Apr-08	71,423	Aesica Pharmaceutical	£14.95	
Quorum, Benton Lane	Newcastle periphery	early 09	40,201	Convergys		
Quorum, Benton Lane	Newcastle periphery	Oct-09	100,000	Tesco Finance	£16.95	
Total for Quorum			**530,196**			

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ECONOMETRIC MODELLING METHODOLOGY AND RESULTS

2010 ELR Scenario Modelling

To help inform the development of the North East Regional Spatial Strategy, CEBR were commissioned to model a range of economic growth scenarios for the Region, as summarised below:

- Bronze Scenario: economic growth of 2.3% per annum;
- Bronze/ Silver2 Scenario: economic growth of 2.8% per annum(used within the RSS).

To ensure the alignment of the earlier draft of the ELR with the regional policy framework, the CEBR scenarios were used as the basis to develop a range of growth scenarios for the Study Area.

These scenarios, which provided sectoral employment growth at regional level, were subsequently adjusted to provide job growth forecasts at the Local Authority level by Experian Business Strategies, for both Newcastle and Gateshead. The adjustments were made using Experian's sub-regional economic model. This takes account of the existing economic structure of each Local Authority and the historical relationship between the regional performance of an industry and the performance observed at the Local Authority level.

In addition, Experian provided their '**Baseline' Scenario** model, which provides their most up to date breakdown of economic growth from spring 2009 for Gateshead Borough. The Newcastle forecasts, which were commissioned slightly later to inform their ELR, are based on Experian's summer forecast data (July 2009), which incorporates a much more severe recession than the spring forecasting data. DTZ termed this scenario the '**Public Sector Contraction Scenario'**.

It should be noted that as the Experian baseline assumes a much deeper contraction in the short–term; longer term growth rates are consequently relatively strong as the economy 'catches up' to its long term rate. When these relatively fast growth rates are taken forward, the result is that long term employment levels in the baseline are slightly higher than in the bronze 2.3% forecast. Consequently, a further scenario was commissioned for Gateshead Borough that dampened post-2020 growth for the baseline, termed the 'severe recession' scenario. As Experian's summer forecasting data was much more severe than the spring data, a **'Severe Recession' Scenario** was not produced for Newcastle City.

In addition, a further scenario was developed for both Newcastle and Gateshead. This takes the employment forecasts from 2008-2013 from the Experian Baseline/Public Sector Contraction Scenario and then applies the annual growth rates from the Bronze/Silver2 Scenario to cover the period 2013-2038. This ensures that the forecasts are more consistent with the North East RS, which uses the Bronze/Silver2 Scenario to identify future land requirements. Called the **'Long Term Recovery' Scenario**, it factors in the continuing impact of the economic downturn and assesses the implications in terms of a recovery in the long term for both Newcastle and Gateshead, driven by increasing employment in office-based occupations.

2012 ELR Updated Scenarios

Following the publication of the original Gateshead and Newcastle ELRs in 2010, the planning teams at Gateshead Borough and Newcastle City Councils commissioned new demographic projections capable of providing a consistent and up-to-date set of projections to inform the Joint Core Strategy. It was considered that given the prolonged economic slowdown, the previous CEBR forecasts were out-of-date. With the exception of the 'Long Term Recovery' Scenario, which factored in the economic downturn to an extent, none of these earlier scenarios were taken forward in the updated employment land modelling work.

Employment projections were purchased by the two authorities from Cambridge Econometrics (CE) in the summer of 2011. The annual data covered the 50 year period from 1981-2030, inclusive, at three different geographical areas: the administrative areas of Newcastle and Gateshead councils and the North East region.

St Chad's College (Durham University) were subsequently appointed to analyse the CE projections alongside the latest official population projections from the ONS. Using modelling techniques, the compatibility of these two sets of projections was analysed.

Between 1981 and 2010 employment in both Newcastle and Gateshead grew at a faster rate than the North East, and employment in Gateshead grew at a faster rate than Newcastle. Accordingly, GVA in Gateshead grew at a much faster rate than Newcastle and the North East over this period.

Gateshead's higher rate of employment and GVA growth was not reflected in CE's projections when compared to growth in either the North East or Newcastle. To better reflect Gateshead's historic growth rate, and the current split of employment between Newcastle and Gateshead an 'alternative' scenario was developed by St Chad's. This projection retained the overall level of growth identified by CE, but better reflects Gateshead's current employment share (36% of the total jobs in Newcastle and Gateshead).

Both districts are projected to increase employment by 7% - a total of roughly 22,000 additional jobs between 2010 and 2030 (around 8,000 in Gateshead, and 14,000 in Newcastle). The largest increase will be in the business and financial services sector group (and in particular professional services).

Based on the discussion above, the following three scenarios have been used to underpin the quantitative econometric modelling:

1 **Long Term Recovery Scenario** (average 3.1% GVA growth per annum)**;**

2 **Cambridge Econometrics Baseline Scenario** (average 2.1% GVA growth per annum)**;**

3 **St Chad's Scenario** (average 2.2% GVA growth per annum)**.**

In order to translate the job forecasts into estimates of potential employment space, it was necessary to allocate the level of employment change forecast for office, industrial, and wholesale/distribution uses as follows:

- The office floorspace requirement is related to job growth/decline in the financial and business service sectors[1];
- The industrial floorspace requirement is related to job growth/decline in the manufacturing sectors[2]; and
- The wholesale/distribution floorspace requirement is related to job growth/decline in the three SIC sectors of wholesaling, transport and communications for the Experian forecasts; distribution, land transport and communications for the CE/St Chad's forecasts[3].

Both the Experian forecasts and the CE/St Chad's forecasts provide head count figures (i.e. total employment), rather than Full Time Equivalents (FTEs), with the latter required for conversion purposes. It is generally accepted that 1 FTE equals one full time job or two part time jobs. Following a review of the latest BRES 2010 forecasts for NewcastleGateshead, it was apparent that on average, 89% of jobs in B1 related industries were full time, compared to 97% in B2 related industries and 91% in B8 related industries. This equated to a conversion factor of around 0.9. Hence it was assumed that 1 job equates to 0.9 FTEs.

[1] i.e. Business Services, Banking and Insurance Other Financial and Business Services, publishing and part of Public Administration and Defence for the Experian forecasts; Banking and Finance, Insurance, Computing Services, Professional Services, Other Business Services, Publishing and part of Public Administration and Defence for the CE/St Chad's forecasts.

[2] Excluding publishing, but including part of construction and wholesaling in the case of the Experian forecasts; construction and distribution for the CE/St Chad's forecasts.

[3] It should be noted that the three categories relating to warehouse/distribution issues include a wide number of activities which operate in different types of space that would not normally be defined within this category (e.g. SIC4 'taxi operators' are included within the general 'transport' SIC2 employment category, but clearly do not operate out of warehouse-type units). A detailed analysis of the most recent SIC 4 data from the ABI statistics database for 2008 (used for consistency purposes over the more recent BRES database) indicates that across Gateshead, 75.1%, 47.3% and 62.1% of jobs in the wholesaling, transport and communications categories, respectively, are considered to contribute to the need for warehouse/distribution employment land. On this basis, the Experian data for these three industrial classifications were reduced, by approximately a third, to remove non-'B8' (warehousing/distribution) based uses from the statistics. A similar approach was taken to the CE/St Chad's forecasts. It was assumed that this proportion remains relatively constant over the study period.

In order to translate the resulting figures into net employment floorspace projections, employment densities (as recommended in the HCA Employment Densities Guide 2nd Edition 2010[4]) were then applied to the job change figures.

It was therefore assumed that:

- One FTE B1a/B1b general office job requires 14sqm of employment floorspace (GEA);
- One FTE B1c light industrial job requires 50sqm of employment floorspace (GEA);
- One FTE B2 industrial job requires 37sqm of employment floorspace (GEA);
- A combined B1c/B2 factor of one FTE job per 44sqm was obtained by taking an average of the aforementioned B1c/B2 GEA equivalents;
- One FTE warehousing/distribution job requires 70sqm of employment space (GEA);
- It has been assumed that a gross area of 1ha is required to develop 4,000sqm of out-of-centre office, industrial or warehousing/distribution space (equal to a plot ratio of 40%). For town centre office space, previous studies elsewhere in the country (see Arup/Donaldsons' Demand for Employment Land in Greater Manchester, 2006) use 200% as an appropriate plot ratio when calculating employment land requirements in City Centres, whilst Newcastle City Council and Storeys Edward Symmons have undertaken primary research that indicates a plot ratio of 300% would be more appropriate[5]. This latter figure necessarily assumes an office building of six stories in height, with 50% plot coverage[6].

The demand projections generated via this employment forecasting method represent a net future requirement for employment space and do not take into account any future losses of employment space to non-employment uses as the latter data is not consistently available over a sufficiently lengthy time period to enable a comparison to be made. Nor

[4] HCA OffPAT (2010), Employment Densities Guide, 2nd Edition

[5] The capacity of mixed-use sites to accommodate B-class uses varies, and until masterplans have been produced, cannot be estimated with a high degree of accuracy. Having regard to the list of sites and range of uses that would be acceptable we have assumed that a 50% employment component is appropriate in accordance with the approach taken by Newcastle City Council for their ELR.

[6] This approach necessitates splitting the employment growth in B1a sectors into 'town centre' and non-town centre growth and applying the 300%/40% plot ratios accordingly. In determining the likely split, it was considered that past rates of office development in out of centre locations in the Borough would be an unreliable indicator of future rates, given the increased emphasis in PPS4 on developing 'town centre uses' such as offices in or adjacent to existing centres. The presence of an up-to-date SHLAA will also reduce likely out-of-centre windfall office development. Hence it is not considered unreasonable that around 75% of future office development is likely to be at higher densities at 'in-centre', accessible locations.

does it factor in the need to redevelop or replace older space with new premises to meet modern requirements.

Employment Forecasts

The St Chad's 2012 employment projections for Gateshead Borough and Newcastle City are presented in Table A6.1. They indicate that overall:

- Growth projections are similar in relative (albeit not absolute) terms, with forecasts of 7% growth indicated for both Newcastle and Gateshead. Given the greater employment base in Newcastle, this equates to a growth of 13,900 compared to 7,800 in Gateshead over the 20 year period.

- The disparities within the sectors are more significant, with particularly strong growth in hotels and catering; air transport; banking and finance; insurance in Newcastle compared to less pronounced growth in these sectors for Gateshead. Whilst both areas are anticipated to experience decline in retailing, education and public administration/defence and education, the scale of decline is forecast to be significantly higher for Newcastle than Gateshead.

- Manufacturing industries are generally forecast to decline in both Local Authority areas, although there are anomalies, with strong growth forecast for Metal Goods and Construction in Gateshead.

Table A6.1: Projected Employment Change 2010-30, St Chad's Model 2012

Industrial Sector	Newcastle City		Gateshead Borough	
	Total 2010-30	% Growth	Total 2010-30	% Growth
1 Agriculture etc	-400	-33.3%	0	0.0%
2 Coal	0	0.0%	0	0.0%
3 Oil & Gas etc	0	0.0%	0	0.0%
4 Other Mining	0	0.0%	0	0.0%
5 Food, Drink & Tob.	-500	-41.7%	-400	-23.5%
6 Text., Cloth. & Leath	-100	-33.3%	-100	-33.3%
7 Wood & Paper	-100	-25.0%	-100	-20.0%
8 Printing & Publishing	-200	-16.7%	-100	-16.7%
9 Manuf. Fuels	0	0.0%	100	100.0%
10 Pharmaceuticals	0	0.0%	0	0.0%
11 Chemicals ne	-100	-100.0%	-900	-52.9%
12 Rubber & Plastics	-100	-20.0%	-100	-14.3%
13 Non-Met. Min. Prods.	0	0.0%	-100	-25.0%
14 Basic Metals	0	0.0%	0	0.0%
15 Metal Goods	0	0.0%	500	13.2%
16 Mech. Engineering	100	4.0%	100	5.9%
17 Electronics	0	0.0%	-100	-12.5%
18 Elec. Eng. & Instrum.	-100	-33.3%	0	0.0%
19 Motor Vehicles	200	33.3%	200	50.0%
20 Oth. Transp. Equip.	0	0.0%	0	0%
21 Manuf. nes	100	11.1%	100	14.3%
22 Electricity	-300	-42.9%	-200	-33.3%
23 Gas Supply	0	0%	0	0.0%
24 Water Supply	0	0%	0	0.0%
25 Construction	500	5.8%	1,600	15.8%
26 Distribution	0	0.0%	100	1.6%
27 Retailing	-1200	-7.0%	-900	-6.9%
28 Hotels & Catering	1800	19.4%	600	12.8%
29 Land Transport etc	300	7.5%	0	0.0%
30 Water Transport	0	0.0%	0	0.0%
31 Air Transport	600	60.0%	0	0.0%
32 Communications	0	0.0%	100	2.6%
33 Banking & Finance	2100	28.0%	100	6.3%
34 Insurance	200	40.0%	0	0.0%
35 Computing Services	-500	-8.9%	-100	-5.6%
36 Prof. Services	7200	37.7%	2,700	45.0%
37 Other Bus. Services	100	0.7%	1,100	13.8%
38 Public Admin. & Def.	-800	-3.6%	-300	-2.8%
39 Education	-800	-3.8%	0	0.0%
40 Health & Social Work	1300	4.0%	1,700	13.1%
41 Misc. Services	4700	42.0%	2,100	55.3%
TOTAL	**+13,900**	**7.2%**	**+7,800**	**7.3%**

Key:

>10% Growth	>10% Decline

Source: St Chad's / Cambridge Econometrics analysis

Table A6.2 sets out the level of net employment change forecast over the period 2010 to 2030/38 for Newcastle City and Gateshead Borough under each of the three growth scenarios[7].

Table A6.2: Projected Total Employment Change 2010-30/38

	Scenario	2010-30		2010-38	
		Total	% Growth	Total	% Growth
Gateshead	Experian Long Term Recovery Scenario	20,270	+21.0%	29,890	+30.9%
	Cambridge Econometrics Scenario	5,600	+5.3%	12,000	+11.3%
	St Chad's Scenario	7,800	+7.3%	15,200	+14.3%
Newcastle	Experian Long Term Recovery Scenario	27,400	+15.5%	40,800*	23.0%*
	Cambridge Econometrics Scenario	16,300	+8.5%	29,900	15.5%
	St Chad's Scenario	13,900	+7.2%	26,300	13.7%

Source: Experian CE / St Chad's / NLP/DTZ analysis *note – to 2037 only

As might be expected, the total amount of net employment growth over the period 2010-30 for both Local Authority areas is strongest for the Long Term Recovery Scenario, with a substantial increase of almost 20,300 employees for Gateshead, and 27,400 for Newcastle.

As discussed above, the St Chad's scenario was explicitly developed to better reflect Gateshead's historic growth rate, hence the current split of employment demonstrated in the Cambridge Econometrics scenario was rebalanced in Gateshead's favour, hence the St Chad's scenario is the most pessimistic for Newcastle.

Overall, the econometric forecasts are broadly consistent in terms of the sectors forecast to grow/decline, with only the scale of magnitude differing across the scenarios. The major determinants of the differences between the Newcastle and Gateshead office growth forecasts are the Banking and Finance, Professional Services and Other Business Services sectors (at least with regards to the St Chad's forecasts); growth is projected to be far greater in Newcastle than in Gateshead for Banking and Finance as it is starting from a much stronger base. For the other two sectors, growth is forecast to be significantly stronger for Gateshead than Newcastle due to the rebalancing process.

However, whilst the econometric scenarios project reasonably strong job growth in both districts to 2030, much of it is in non-B class uses.

[7] See above for minor methodological differences between the two ELR approaches in translating employment forecasts to land requirements.

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Table A6.3 separates out the likely employment growth in employment sectors associated with B1a office space. It indicates that the magnitude of office growth is higher for Newcastle City in all of the Scenarios modelled, ranging from growth of 8,625 employees in the St Chad's scenario, to 9,500 for the Long Term Recovery (to 2030). Whilst Gateshead's scenarios follow a similar pattern, the scale of office-based employment growth is substantially lower.

Table A6.3: B1a Office Employment Growth Forecasts 2010-30/38

	Newcastle B1a Office Employment Growth		Gateshead B1a Office Employment Growth	
	2010-30	2010-38	2010-30	2010-38
Long Term Recovery Scenario	9,500	14,300	3,333	4,963
CE Scenario	9,423	15,367	3,233	5,314
St Chad's Scenario	8,625	14,171	3,693	6,005

Source: Experian / CE / St Chad's / NLP/DTZ analysis

It is stressed that whilst econometric forecasts can provide a helpful starting point as to the likely future requirements for employment space, some degree of caution needs to be applied, due to the unpredictability of market circumstances and the considerable influence of external factors on the local economy. Clearly, the starting point for this assessment, 2010, represents a time when productivity in the economy was approaching a low point, and hence the forecasts have factored in the impact of the continued economic slowdown and recovery in the medium to long term.

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ELR Ref	SCHEME	LOCATION	GRID REFERENCE		PLANNING STATUS				QUALITATIVE CRITERIA							CONCLUSION	PHASING	MARKET SECTOR
					Status	Planning Application Reference	Description / Mix of Uses	Developer / Applicant	MARKET INDICATORS					SUSTAINABILITY INDICATORS				
			Easting	Northing					Physical Condition	Infrastructure	Owner / Site Assembly	Constraining Land Uses	Development Viability	Sequential Test	Greenfield / Brownfield			
NEWCASTLE																		
1076	Plot 12, East Quayside	City Centre	425995	564184	With Consent	2002/0921/01/ DET	Erection of new building comprising multi storey car park at 5 levels, food and drink uses on 3 levels with offices and residential uses	One North East	Cleared, level & remediated PDL. Steep slope to rear.	No obstacle.	Public sector	No obstacle. Commercial B1 office space.	Prime rents. Modest abnormal costs. Good viability.	In Centre location	Brownfield	Anticipated that the site will be taken up when the market return, given its location in the urban core and the local success of similar schemes.	Medium Term	City Centre
1328	Strawberry Place	City Centre	424505	564522	With Consent	2006/2245/01/ DET	Mixed use development comprising 7 storey office building with basement levels, rooftop plant, ground floor retail & restaurant 10 storey hotel. 3 storey office	Fraise Properties United	Cleared, level PDL. Metro line beneath	No obstacle.	Public sector	No obstacle. Commercial B1 office space.	Prime rents. Modest abnormal costs. Good viability.	In Centre location	Brownfield	Evidence suggests that demand for A1 office space will outstrip supply when the market returns. It is anticipated that the site will come forward in the short to medium term.	Short to medium term.	City Centre
1684	Westgate House, Westgate Road	City Centre	424774	564010	With Consent	2007/2668/01/ DET	Erection of 5 storey office building, fronting onto Westgate Road, Pudding chare & St James Street and commercial unit to part ground floor	One North East / Centreland	Cleared level PDL between two buildings Basement voids.	No obstacle.	Public sector / Private developers	Listed buildings in mixed use area . Air quality improvement area.	Prime rents. Modest abnormal costs. Good viability.	In Centre location	Brownfield	Discount - the site is to small for inclusion within the Employment Land Review.	Discounted by ELR	City Centre
2802	Goldcrest Way, Newburn Riverside	Outer West	417947	564249	With Consent	2008/1425/01/ DET	Erection of 3 storey office building with plant room to roof and associated landscaping.	UK Land Estates	Cleared, level & remediated PDL.	No obstacle.	Public sector	Adjacent to B1 offices and B2/B8 office space.	Secondary rents. No abnormal costs. Good viability	Out of Centre location	Brownfield	Retain as employment site.	Short to medium term.	Industrial Estate / Business Park
3031	Hanover Buildings, 6 Clavering Place	City Centre	424933	563773	With Consent	2005/0444/01/ DET	Erection of 3, 4 and 5 storey office building with dedicated basement parking.	Hugh Mackay Retirement Benefit Scheme	Small cleared level PDL	Poor access.	Private Developer	Adjacent to residential apartments and commercial B1 office space.	Prime rents. Modest abnormal costs. Good viability.	In Centre location	Brownfield	Discount - the site is below the minimum threshold for inclusion within the Employment Land Review/	Discounted by ELR	City Centre
4739	Former Jesmond Picture House, Lyndhurst Ave	North			With Consent	2008/0716/01/ DET	Erection of 4 storey building comprising of plant room to basement, 2 units - retail/restaurant and lobby to ground and office accommodation at 1st to 3rd floors.	MK (The Jesmond) Ltd	Small cleared, level PDL. Support to gable end of public house.	No obstacle.	Private Developer	Adjoins public house within dense residential area. Metro line to west.	Tertiary rents. Abnormal costs. Poor viability.	Out of Centre location	Brownfield	Discount: The likelihood of the site coming forward for employment uses is very limited, and the site is to small for inclusion within the Employment Land Review.	Discounted by ELR	Town / Suburban Centre
3302	Fusion, Clavering Place	City Centre			With Consent	2007/2281/01/ DET	Erection of 3/4 storey office building with 25 car parking spaces at basement level.	Buccleuch Estates	Cleared level PDL	Poor access.	Private Developer	No obstacle. Commercial B1 office space.	Prime rents. Modest abnormal costs. Good viability.	In Centre location	Brownfield	Not assessed by ELR	Not assessed by ELR	City Centre
4293	55-57 Quayside	City Centre			With Consent	2006/0603/01/ DET	Erection of 5 storey office block with parking and plant in basement.	UK Land Estates	Small tight site. Cleared level PDL adjoins public house.	No obstacle.	Private Developer	No obstacle. Adjacent to pub and offices	Prime rents. Modest abnormal costs. Good viability.	In Centre location	Brownfield	Not assessed by ELR	Not assessed by ELR	City Centre
None	Lambton Road, Jesmond	North			With Consent	2007/1301/01/ DET	Erection of 2 x two storey office blocks with cycle stands and associated car parking	Wilkie Smith	Small tight site. Garages on small level PDL	Access via cobbled back lane	Private Developer	Adjoins residential and playing fields	Secondary rents. Modest abnormal costs. Low viability	Edge of Centre location	Brownfield	Not assessed by ELR	Not assessed by ELR	City Fringe
None	St James Point, St James Street	City Centre			With Consent	2007/0753/01/ DET	Erection of 5 storey office block (B1) with intergrated sub station to part of ground floor	Circle Red	Single storey buildings on small PDL site that adjoins offices	No obstacle.	Private Developer	No obstacle. Commercial B1 office space.	Prime rents. Modest abnormal costs. Good viability.	In Centre location	Brownfield	Not assessed by ELR	Not assessed by ELR	City Centre
None	Junction of Ambrose Place/ Fisher Street	East			With Consent	2007/0610/01/ DET	Erection of two storey office unit with associated access road, parking and landscaping	Priority Sites	Small cleared PDL	No obstacle.	Public / Private Developer JV	No obstacle. Commercial B1 office space.	Tertiary rents. Low abnormal costs. Moderate viability	Out of Centre location	Brownfield	Not assessed by ELR	Not assessed by ELR	Industrial Estate / Business Park
None	Scottish Life House, Archbold Terrace	City Centre			With Consent	2007/1490/01/ DET	Erection of six storey building on existing surface car park comprising four floors of offices (B1) multi storey car park, ground floors retail/ restaurant/ professional services units	Jomast	Constrained site. Cleared level PDL	No obstacle.	Private Developer	No obstacle. Commercial B1 office space.	Secondary rents. Low abnormal costs. Moderate viability	In Centre location	Brownfield	Not assessed by ELR	Not assessed by ELR	City Fringe
None	Union Street / Stoddart Street, Shieldfield	Ouseburn			With Consent	2009/0264/01/ DET	Erection of 7 storey building comprising 4 office units, 17 flats and 54 studio apartments of student accommodation	Adderstone	Sloping PDL with two businesses in occupation	No obstacle.	Private Developer	No obstacle. Commercial B1 office space.	Secondary rents. Modest abnormal costs. Low viability	Edge of Centre location	Brownfield	Not assessed by ELR	Not assessed by ELR	City Fringe

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ELR Ref	SCHEME	LOCATION	GRID REFERENCE		PLANNING STATUS				QUALITATIVE CRITERIA							CONCLUSION	PHASING	MARKET SECTOR
					Status	Planning Application Reference	Description / Mix of Uses	Developer / Applicant	MARKET INDICATORS					SUSTAINABILITY INDICATORS				
			Easting	Northing					Physical Condition	Infrastructure	Owner / Site Assembly	Constraining Land Uses	Development Viability	Sequential Test	Greenfield / Brownfield			
2644	Newcastle Great Park (NGP) Cell A	North	421879	571326	Outline Consent	1999/1300/117 /RES	n/a	NGP Consortium	Cleared, level greenfield site.	Utilities and road infrastructure required	Private Developer	Commercial B1 office space. Close proximity to airport and the A1.	Secondary rents. High off-site abnormal costs. Moderate viability	Out of Town location	Greenfield	Up front Infrastructure provision required. Other sites at NGP more viable for office development.	Long term	Strategic Office Park
2646	Newcastle Great Park (NGP) Cell C	North	423160	571179	Outline Consent	1999/1300/117 /RES	n/a	NGP Consortium	Cleared, level greenfield site.	No obstacle. Good road infrastructure and utility provision	Private Developer	Commercial B1 office space. Close proximity to airport and the A1.	Secondary rents. No abnormal costs. Good viability.	Out of Centre location	Greenfield	High quality office site which could accommodate major HQ requirement	Phased development over the S/M/L	Strategic Office Park
4211	NGP office block D, Cell C	North	423343	571042	Outline Consent	1999/1300/117 /RES	n/a	NGP Consortium	Cleared, level greenfield site.	No obstacle. Good road infrastructure and utility provision	Private Developer	Commercial B1 office space. Close proximity to airport and the A1.	Secondary rents. No abnormal costs. Good viability.	Out of Centre location	Greenfield	High quality site in prominent location on office park.	Short term.	Strategic Office Park
1331	St James Metro Station	City Centre	424385	564459	Without Consent	n/a	n/a	n/a	Vacant level PDL with bank to rear. Contamination unknown. Metro line beneath.	No obstacle.	Private Owner	Mainly commercial (B1) and football stadium. Noise from adjacent Metro. Compatable users-different times of use	Prime rents. High abnormal costs. Moderate viability	In Centre location	Brownfield	Evidence suggests that demand for A1 office space will outstrip supply when the market returns. It is anticipated that the site will come forward in the short to medium term.	Medium term.	City Centre
1374	Forth Goods Yard	City Centre	424411	563450	Without Consent	n/a	n/a	n/a	Vacant / underused sites and premises on PDL. Contamination likely. Retaining wall to south. Structures require grubbing up.	Road access poor. Pottery Lane below level of site. To gain consent for network closure a case would need to be made to the Office for Rail Regulators.	Private Owner	Noise / vibration issues from adjacent railway. Railway viaduct to east and Redheugh Bridge to west set above site level. Newcastle Radio Arena / Calders. Noise and congestion from the Arena.	Prime rents. Very high abnormal costs. Poor viability	In Centre location	Brownfield	The Forth Yard Study identifies the site as being capable of accommodating up to 186,000 sq.m (2,000,000 sq.ft) of office space to become the 'Spinningfield' for Newcastle. Despite this the delivery of the site for employment uses in long term is uncertain	Long term	City Centre
1384	Safestore (former Heron's Garage)	City Centre	424375	563551	Without Consent	n/a	n/a	n/a	Building on slightly sloping PDL. Contamination unknown.	No obstacle.	Private Owner	Railway viaducts, multi storey car park to the west. Noise / vibration from the adjacent railway.	Secondary rents, Low abnormal costs. Moderate viabilitu	In Centre location	Brownfield	Long term and uncertain site. May not come forward for employment uses. Constrained by viability and land assembly in the short term.	Long term	City Centre
1398	South of Pottery Lane	City Centre	424461	563320	Without Consent	n/a	n/a	n/a	Mainly level vacant/derelict PDL with land stability issues. Contamination likley. Retaining wall to south	Road access poor. Skinnerburn Road below level of site. Off site infrastructure improvements	Mixed Ownership. Site Assembly	Noise / vibration issues from adjacent railway. Railway viaduct to east and Redheugh Bridge to west set above site level. Newcastle Radio Arena / Calders. Noise and congestion from the Arena.	Prime rents. Very high abnormal costs. Poor viability	In Centre location	Brownfield	The Forth Yard Study identifies the site as being suitable for a Casino. The principle of a Casino in this location has been accepted by the Council. The likelihood of the site coming forward for employment uses is unlikely.	Long term	City Centre
1400	Stephenson Quarter	City Centre	424685	563637	Mixed-use Consent	2008/0500/01/DE T	n/a	n/a	Post Office sorting office still in use. Level PDL. Contamination likely. Metro line passes under western end of site	No obstacle.	Private Owner	East – B1 offices, north and west Railway Station and sidings. Noise / vibration from adjacent railway	Prime rents. High abnormal costs. But potential for cross subsidy from other uses. Good viability	In Centre location	Brownfield	The site will come forward with an element of Grade A office space.	Short term.	City Centre
1407	Blandford Square	City Centre	424187	563954	Without Consent	n/a	n/a	City Council, Hanro, Olnato, Van der Velde, Hindle and Blandford Estates.	Surface car parks and warehouses. Level PDL. Contamination likely.	No obstacle.	Mixed Ownership. Site Assembly	Commercial area. Noise / vibration from St James Boulevard.	Prime rents. Moderate abnormal costs. Moderate viability	In Centre location	Brownfield	Viability affected by the recession. Existing commercial buildings need to be relocated to provide for comprehensive redevelopment. Evidence suggests that demand for B1 office space will outstrip supply when the market returns but there is no certainty that the site will come forward for offices.	Long term	City Centre
1412	Main former brewery site / Science Central	City Centre	424057	564314	Mixed-use Consent	2008/1116/01/DE T	n/a	NCC on behalf of Science Central Partnership - NCC, One North East	Cleared and remediated gently sloping PDL. No obstacles to development	Infrastructure required to individual development plots	Public sector	B1, some B2 (subject to redevelopment long term?), Westgate Hill residential area to the south/west. Noise / vibration from	Prime rents. Modest abnormal costs. Good viability.	In Centre location	Brownfield	This strategic site will come forward with mixed use with an element of employment use.	S/M/L	City Centre

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ELR Ref	SCHEME	LOCATION	GRID REFERENCE		PLANNING STATUS				QUALITATIVE CRITERIA							CONCLUSION	PHASING	MARKET SECTOR
									MARKET INDICATORS					SUSTAINABILITY INDICATORS				
			Easting	Northing	Status	Planning Application Reference	Description / Mix of Uses	Developer / Applicant	Physical Condition	Infrastructure	Owner / Site Assembly	Constraining Land Uses	Development Viability	Sequential Test	Greenfield / Brownfield			
3068	Cement works and scrap yard, Pottery Lane East	City Centre	424595	563469	Without Consent	Planning application progressed by Metier comprising a 120 - 150 bed hotel, up to 800 student housing units with operator and speculative office space.	n/a	Metier	Gently sloping PDL with stabillity issues derelict buildings and former scrap yard. Contamination likely. Retaining wall to south	Road access poor. Skinnerburn Road below level of site.	Mixed Ownership. Site Assembly	Mainly B1/B2/B8 to the north and east. Rail viaduct to the west. Noise from adjacent railway viaducts.	Prime rents. Moderate abnormal costs. Moderate viability	In Centre location	Brownfield	The surrounding wider area known as the Forth Yards has been identified as accommodating up to 186,000 sq.m (2,000,000 sq.ft) of office space to become the 'Spinningfield' for Newcastle. This site has been identified as incorporating some speculative offices	Long term	City Centre
3077	Heber Street and brewery offices	City Centre	424254	564344	Without Consent	n/a	n/a	n/a	Land and buildings including listed church on level PDL. Contamination likely.	No obstacle.	Private Owner	Mainly mixed commercial or cleared sites. Noise / vibration from the A189	Prime rents. Moderate abnormal costs. Moderate viability	In Centre location	Brownfield	Site will benefit from the proximity to Science Central and may not come forward for employment.	S/M/L	City Centre
4292	CWS Engineering Depot, Blandford Street	City Centre	424131	563976	Without Consent	n/a	n/a	n/a	Vacant warehouse on sloping PDL with land stability issues and retaining walls. Contamination likely.	No obstacle.	Private Owner	Mainly mixed commercial or cleared sites. Noise / vibration from the A189	Prime rents. Moderate abnormal costs. Moderate viability	In Centre location	Brownfield	Prime location at the entrance to the Discovery Quarter. Site may come forrward for residential or employment use.	Short to medium term.	City Centre
4329 & 4330	NCC Coach Park & WH Smith Depot	City Centre	424173	563457	Without Consent	n/a	n/a	McAleer & Rushe	Partially vacant level PDL, with depot. Contamination likely.	No obstacle.	Public sector and private developer	Mainly commercial, highways & Newcastle College. Noise / air quality.	Secondary rents, Low abnormal costs. Moderate viability.	In Centre location	Brownfield	The Forth Yard Study indicates that the wider area of Forth Yard could accommodate up to 186,000 sq.m (2,000,000 sq.ft) of office space to become the 'Spinningfield' for Newcastle. This site has the potential to come forward with an element of office space.	Medium Term	City Fringe
1035	Spillers Quay	Ouseburn	426701	563889	Without Consent	n/a	n/a	n/a	Level quay. PDL . Contaminated made ground. Flood risk.	No obstacle.	Public Sector	Industrial to east. Residential apartments to north.	Secondary rents, High abnormal costs. Poor viability.	Edge of Centre location	Brownfield	Site is likely to come forward for commercial and leisure uses as part of the wider regeneration of the Ouseburn and East Quayside.	Short to medium term.	City Fringe
1038	Ouseburn Central	Ouseburn	426307	564478	Without Consent	n/a	n/a	n/a	Level PDL Contamination likely	No obstacle.	Mainly Public Sector but land assembly required	No obstacle. Commercial	Secondary rents. High abnormal costs. Low viability	Edge of Centre location	Brownfield	The regeneration of the Ouseburn is a medium / long term prospect for the city and specific land use proposals should be flexible and respond to the market	Medium to long term	City Fringe
1039	Lower Steenbergs Yard	Ouseburn	426363	564257	Without Consent	n/a	n/a	n/a	Old warehouses. PDL Contamination likely. Some site constraints	No obstacle.	Public Sector	Commercial, includes Hotel de Vin. Noise / vibration from City Road.	Secondary rents. Moderate abnormal costs. Low viability	Edge of Centre location	Brownfield	High demand anticipated as part of the wider regeneration of the Ouseburn.	Medium term.	City Fringe
1077	Malmo Quay	Ouseburn	426386	564129	Mixed-use Consent	2007/0902/01/ DET	n/a	n/a	Level quay. PDL . Contamination. Flood risk.	No obstacle.	Public Sector	Commercial B1 - East Quayside development to the west / north-west approx 5 - 6 storeys. Residential 2 - 4 storeys to east and north east.	Secondary rents, Low abnormal costs. Moderate viabilitu	In Centre location	Brownfield	Likely to come forward for commercial and leisure uses as part of the wider regeneration of the Ouseburn and East Quayside.	Short term.	City Fringe
3064	Maling Street	Ouseburn	426470	564246	Without Consent	n/a	n/a	n/a	Level PDL with no obstacles to development	No obstacle.	Public Sector	Cleared site to the west, open space to the east, industrial to the north. No obstacle, surrounding area to be redeveloped by 1NG.	Secondary rents. Moderate abnormal costs. Low viability	Edge of Centre location	Brownfield	2,032 sq.m of B1 floorspace proposed as part of Phase 1 of the 'Ouseburn and East Quayside Development Framework'	Short term.	City Fringe
1313	East Pilgrim Street Masterplan Area	City Centre	425068	564357	Without Consent	n/a	n/a	n/a	Retail / Offices / Commercial buildings on level site. PDL. Demolition required.	Some new infrastructure may be required	Mixed Ownership. Site Assembly	No obstacle. Commercial	Prime rents. High abnormal costs. Moderate viability	In Centre location	Brownfield	Retail-led regeneration scheme to include an element of B1 floorspace.	S/M/L	City Centre

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3025	General Hospital Site	Inner West	422856	564623	Mixed-use Consent	2009/1478/01/DET	n/a	n/a	Former hospital buildings. Gently sloping PDL	No obstacle.	Private Owner	Residential to the north and west. Police HQ and Angel Heights to the south. Road noise.	Tertiary rents, Modest abnormal costs. Potential for cross subsidy from more valuable uses. Moderate viability	Out of Centre location	Brownfield	Planning permission approved for the Centre for Ageing Campus (B1b)	Short term.	Town / Suburban Centre
4359	South of Freight Village, Airport	North	419340	570508	Without Consent	n/a	n/a	UK Land Estates	Level greenfield site. No obstacles.	On site infrastructure required.	Private Developer	Newcastle International Airport. Noise from airport. Housing to west.	Secondary rents, Moderate abnormal costs. Moderate viability	Out of Town location	Greenfield	The site is likely to come forward as part of the Airport's expansion plans (subject to market conditions improving)	Medium - long	Strategic Office Park
4358	Southside, Newcastle Airport	North	419554	571128	Without Consent	n/a	n/a	n/a	Level greenfield serviced site. No obstacles.	No obstacle.	Private Developer	Airport related uses. Noise from airport.	Secondary rents. No abnormal costs. Good viability	Out of Town location	Greenfield	Site appropriate for range of airport related employment uses.	Medium term	Strategic Office Park
1713	Southside, Newcastle Airport	North			Lapsed Permission	n/a	n/a	n/a	Level greenfield site. No obstacles.	On site infrastructure required.	Private Developer	Noise from airport runway and aprons to north. Woolsington Hall farm buildings to south.	Secondary rents, Moderate abnormal costs. Moderate viability	Out of Town location	Greenfield	The site is likely to come forward as part of the Airport's expansion plans.	Medium term	Strategic Office Park
None	No.1 Quayside, Milk Market	City Centre			Without Consent	n/a	n/a	n/a	Pub on site. Requires demolition levelling & retaining walls. Tight site.	No obstacle.	Private Owner	Adjoining roads	Prime rents. Moderate abnormal costs. Moderate viability	In Centre location	Brownfield			City Centre
GATESHEAD																		
G485	Trinity Square - Gateshead Town Centre	Central Gateshead	425565	563195	Under Construction	n/a	n/a	Spenhill	PDL with exsiting buildings	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Private Developer	Mix of commercial uses. No obstacle.	Tertiary rents. High abnormal costs. But cross subsidy from other elements of scheme. Viable	In Centre location	Brownfield	Town Centre redevelopment site. Sustainable location, modest market demand,but some B1 to be incorporated within mixed-use scheme.	Short term	Town / Suburban Centre
G411a	MU6 - Askew Road (East) , Bensham Western part of site.	Central Gateshead	425052	563133	With consent	DC/11/00378/OUT	Full consent for Phase 1: B1 office & B8 storage. Outline consent for Phase 2 (see G411b)	Network Rail Infrastructure	Long PDL site with retaining wall to Askew Road frontage. Contamination likely	A Water Main crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Private Developer	Depot at west end of site. Residential apartments on opposite side of railway.	Secondary rents. Moderate abnormal costs. Moderate viability	Edge of Centre location	Brownfield	Bespoke offices for Network Rail under construction	Short term	City Fringe
G117	MU4 - Derwentwater Road	Teams	423609	561888	Without Consent	n/a	n/a	n/a	Level PDL where buildings demolished to slab and likely contamination.	A Water Main crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Private Developer	Adjoins industrial. Current access to site used by industrial traffic. Fronts directly onto the River Team.	Tertiary rents. Moderate abnormal costs. Poor viability. But potential for cross subsidy.	Edge of Centre location	Brownfield	Redevelopment site outside boundary of PEA. Costs of remediation will impact on viability of new employment development. Good strategic and local road access. Relatively close to local services. Suitable for mixed-use development. Potential for cross subsidy.	Medium term	Industrial Estate / Business Park
G395	Fifth Ave Business Park	Team Valley	424940	560160	With Consent	n/a	n/a	n/a	Greenfield site on two levels. No obstacles to development.	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Private Developer	No obstacle. Commercial B1	Secondary rents, Low abnormal costs. Moderate viability.	Out of Centre location	Greenfield	Consent likley to be implemented when market conditions improve	Short term	Industrial Estate / Business Park
G411b	MU6 - Askew Road (East) , Bensham Eastern part of site.	Central Gateshead	425052	563133	With consent	DC/11/00378/OUT	Full consent for Phase 1: (see G411a) Outline consent for Phase 2: C1 hotel, B1 office & A3 restaurant	Network Rail Infrastructure	Long PDL site with retaining wall to Askew Road frontage. Contamination likely	A Water Main crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Private Developer	Depot at west end of site. Residential apartments on opposite side of railway.	Secondary rents. Moderate abnormal costs. Moderate viability	Edge of Centre location	Brownfield	Consent likley to be implemented when market conditions improve	Short term	City Fringe

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			Easting	Northing	Status	Planning Application Reference	Description / Mix of Uses	Developer / Applicant	Physical Condition	Infrastructure	Owner / Site Assembly	Constraining Land Uses	Development Viability	Sequential Test	Greenfield / Brownfield			
G419a	East of Encore Hotel, Hawks Road	Quays	425953	563805	With Consent	DC/08/01288/FU	Erection of 6-7 storey high hotel (202 bedrooms) (use class C1) with ancillary use at ground floor, 4-5 storey high office building (use class B1), construction of new vehicular access to Hawks Road, construction of 67 car parking spaces and provision of 2 new public access routes through site.	Priority Sites Ltd/Starboard Hotels Three LLP/CPS Haulage	Haulage depot on level PDL with steep drop to north. Contamination likely	The site is near to a Sewage Treatment Works (STW) and Northumbrian Water Ltd (NWL) would object to the development of the site.	Private Developer	Mixed-use area with new office development and proximity to housing	Secondary rents, any abnormal costs covered by hotel development. Viable	Edge of Centre location	Brownfield	Consent likley to be implemented when market conditions improve. Prelet may be required.	Short term	City Centre
G420	One Millennium Quay , South Shore Road	Quays	426033	563962	With Consent	DC/08/01922/FU	Development of a hotel (Use Class C1) and Office (Use Class B1) complex, car parking for 83 cars, and associated hard and soft landscaping (including a riverside walkway) (amended 10/03/09 and	MRP (Baltic) Ltd	Cleared, remediated, level PDL.	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Private Developer	Mixed-use area with new office development and proximity to housing	Secondary rents, any abnormal costs covered by hotel development. Viable	Edge of Centre location	Brownfield	Consent likley to be implemented when market conditions improve. Prelet may be required.	Short term	City Centre
G426	Phase II, Queens Court, Earlsway, Team Valley	Team Valley	424579	560492	With Consent	DC/06/00237/FU	Demolition of existing building and erection of 15 units (totalling 10,705m2) for B1, B2 and B8 purposes and associated car parking (revised	UK Land Estates	Cleared, remediated, level PDL. No Obstacles	No obstacle.	Private Developer	No obstacle. Commercial	Secondary rents. No abnormal costs. Good viability	Out of Centre location	Brownfield	Consent likley to be implemented when market conditions improve.	Short term	Industrial Estate / Business Park
None	Adj Kingsway House, Kingsway	Team Valley			With Consent	DC/07/00252/FU	Erection of two-storey office accommodation.	Campus Property Services Ltd	Cleared level site	No obstacle.	Private Developer	No obstacle. Industrial Estate	Secondary rents. No abnormal costs. Good viability	Out of Centre location	Brownfield	Consent likley to be implemented when market conditions improve.	Not assessed by ELR	Industrial Estate / Business Park
None	Unit 3 Addison Ind Est	Other			With Consent	DC/09/00497/FUL	Erection of two-storey office building following demolition of existing building with associated car parking (amended 08/10/09).	Hadrian Architectural	Small level PDL. Demolition required	No obstacle.	Private Owner	No obstacle. Adjoins industrial	Tertiary rents. Low abnormal costs. Moderate viability	Out of Centre location	Brownfield	Consent may be implemented when market conditions improve.	Not assessed by ELR	Industrial Estate / Business Park
G49	Former Huwoods, Kingsway North	Team Valley	424057	560770	Without Consent	n/a	n/a	UK Land Estates	Cleared PDLwith no obstacle to redevelopment	Both a Water Main and Public Sewer crosses the site. A1 capacity issues	Private Developer	Adjoins industrial. Current access to site used by industrial traffic. Mixed use at Maingate to north-east. Housing to north of B601	Secondary rents, moderate abnormal costs. Developer proposing mixed use which would improve viability.	Out of Centre location	Brownfield	Cleared site within PEA where industrial use is viable and office use would exacerbate A1 capacity issues.	Short term	Industrial Estate / Business Park
G114	MU17 - South of Pelaw Metro Station	Pelaw	429447	562035	Without Consent	n/a	n/a	n/a	Cleared level PDL with no obstacles to development	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Public Sector	Housing and industrial	Tertiary rents. Moderate abnormal costs. Poor viability	Edge of Centre location	Brownfield	Cleared site outside boundary of SEA. Adjoins housing area. Poor road access but immediate access to Metro Station. Weak demand for employment uses, but relatively close to local services. Suitable for mixed-use development.	Short term	Industrial Estate / Business Park
G115	MU16 - South of Pelaw Way, Pelaw	Pelaw	429339	561925	Without Consent	n/a	n/a	n/a	Cleared level PDL with no obstacles to development	A Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement. The site is also near to a Sewage Pumping Station (SPS), therefore in accordance with Sewers for Adoption	Public Sector	Housing and industrial uses	Tertiary rents. Moderate abnormal costs. Poor viability	Edge of Centre location	Brownfield	Cleared site outside boundary of SEA. Adjoins housing area. Poor road access but good access to Metro Station. Weak demand for employment uses, but relatively close to local services. Suitable for mixed-use development.	Short term	Industrial Estate / Business Park

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G170a	Riverside	Dunston	421452	563030	Without Consent	n/a	n/a	n/a	Cleared level PDL. Contamination likely.	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement. The site is also near to a Sewage Treatment Works (STW) and	Mixed Ownership. Site Assembly	EA note that site adjoins flood zones which could affect access to site.	Secondary rents. High abnormal costs. Low viability	Edge of Centre location	Brownfield	Adjoins modern office development potential for further development dependent on detailed site conditions. MetroGreen concept recommeds mixed use with potential for offices.	Long term	Industrial Estate / Business Park
G170b	Riverside - Metro Centre overspill parking	Dunston	421452	563030	Without Consent	n/a	n/a	n/a	Cleared level PDL. Contamination likely.	No obstacle	Private Owner	Used as Metro Centre Coach Park. Adjoins railway.	Secondary rents. Low abnormal costs. Moderate viability	Edge of Centre location	Brownfield	Adjoins modern office development potential for further development dependent on detailed site conditions. MetroGreen concept recommends office	Medium Term	Industrial Estate / Business Park
G171a	Land east of Costco	Dunston	421946	562843	Consent on part	DC/11/01368/FUL	Erection of bus depot and ancillary buildings.	UK Land Estates	PDL. Western part of site cleared, level & remediated. Eastern part of site requires remediation. Contamination likely.	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Private owners	Eastern part of site within flood zone. Western part of site adjoins flood zones which would affect access to site.	Secondary rents. High abnormal costs. Low viability	Out of Centre location	Brownfield	Modest market demand but sites are PDL and the viability of redevelopment is weak. Reasonably close to labour and services. MetroGreen concept recommends mixed use with potential for offices.	Long term	Industrial Estate / Business Park
G171b	Land west of Costco	Dunston	421946	562843	Without Consent	n/a	n/a	n/a	PDL. Western part is cleared, level and remediated. Large electrical sub-station situated on eastern part.	Modern road infrastructure to three sides of site.	Private Developer and Northen Electric	Large electrical sub-station. High Voltage pylons on site . Eastern part of site in flood zone	Secondary rents . Moderate abnormal costs. Low viability	Edge of Centre location	Brownfield	Adjoins modern office development potential for further development dependent on detailed site conditions. MetroGreen concept proposes mixed use development in wider area.	Long term	Industrial Estate / Business Park
G175	West of St Omer's Road	Dunston	422349	562402	Without Consent	n/a	n/a	n/a	Level PDL with occupied buildings. Contamination likely.	No known constraints, but new infrastructure may be required to create plots for redevelopment.	Private Owners. Redevelopment may require site assembly	Within primarily commercial area.	Secondary rents. Moderate abnormal costs. Low viability.	Out of Centre location	Brownfield	Employment premises within out-of-centre PEA, where substantial areas of vacant land exist. Limited occupier demand and viability of redevelopment is weak. MetroGreen concept proposes mixed use development in wider area.	Long term	Industrial Estate / Business Park
G176	North of Wellington Road	Dunston	422045	562556	Without Consent	n/a	n/a	n/a	Level PDL with occupied buildings and vacant sites. Contamination likely	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Mixed Ownership. Site Assembly	Within Commercial area. Part is site of local nature importance (pond/wetland)	Secondary rents. High abnormal costs. Low viability	Edge of Centre location	Brownfield	Edge-of-centre but substantial areas of vacant land exist. Limited occupier demand and viability of redevelopment is weak. MetroGreen concept proposes mixed use development in wider area.	Long term	Industrial Estate / Business Park
G187(a)	Reg Vardy Sites, Cross Lane, Dunston	Dunston	421946	562435	Without Consent	n/a	n/a	n/a	Cleared level PDL. Contamination likely.	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Mixed Ownership. Site Assembly	Within commercial area. No obstacle	Secondary rents. High abnormal costs. Low viability	Edge of Centre location	Brownfield	Edge-of-centre but substantial areas of vacant land exist. Limited occupier demand and viability of redevelopment is weak. MetroGreen concept proposes mixed use development in wider area.	Long term	Industrial Estate / Business Park

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G187(b)	Reg Vardy Sites, Cross Lane, Dunston	Dunston	421802	562339	Without Consent	n/a	n/a	n/a	Cleared level PDL. Contamination likely.	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Mixed Ownership. Site Assembly	Within commercial area. No obstacle	Secondary rents. High abnormal costs. Low viability	Edge of Centre location	Brownfield	Edge-of-centre but substantial areas of vacant land exist. Limited occupier demand and viability of redevelopment is weak. MetroGreen concept proposes mixed use development in wider area.	Long term	Industrial Estate / Business Park
G191(a)	Baltic Business Quarter		426087	563537	Without Consent	n/a	n/a	n/a	Cleared, remediated level PDL.	New infrastructure to western part of site, but not to east. Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement. The site is also near to a Sewage Treatment Works (STW) and NWL would object to the development of the site.	Private Developer	Commercial area. Existing road infrastructure may require replacement	Secondary rents. Modest abnormal costs. Moderate viability.	Edge of Centre location	Brownfield	Serviced brownfield development plots on eastern side of Gateshead Town Centre. Identified as key development priority, potential to become major office park in core of city region. Capable of accommodating large requirements but reliant on pre-lets. Scale of site means that site would take substantially more than a decade to build out.	Short, medium & long term	Strategic Office Park
G191(c)	Baltic Business Quarter		426087	563537	Without Consent	n/a	n/a		Cleared, remediated level PDL.	No obstacle. New roads to front of site.	Private Developer	Noise from railway line	Secondary rents. Low abnormal costs. Moderate viability.	Edge of Centre location	Brownfield	Serviced brownfield development plots on eastern side of Gateshead Town Centre. Identified as major office park.	Short term	Strategic Office Park
G324	Resinous Chemicals, Metro Centre	Metro Centre	421777	562605	Without Consent	n/a	n/a	n/a	Cleared, remediated level PDL. Contamination likely.	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Private Owner	Adjacent to Metro Centre and development sites.	Secondary rents. High abnormal costs. Low viability	Edge of Centre location	Brownfield	Edge-of-centre but substantial areas of vacant land exist. Limited occupier demand and viability of redevelopment is weak. MetroGreen concept proposes mixed use development in wider area.	Long term	Industrial Estate / Business Park
G334	1.2 Tyne Bridge	Central Gateshead	425494	563587	Without Consent	n/a	n/a	n/a	Sloping PDL with occupied and vacant buildings. Part of site cleared. Contamination likely	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	HCA, Council and private ownerships. Site assembly underway.	No issues - housing in the vicinity, but opposite A167.	Secondary rents. High abnormal costs. Low viability. Delivery to be supported by public sector.	In Centre location	Brownfield	Mix of vacant and occupied premises within Town Centre Regeneration Area and close to Gateshead Quays. Sustainable location, but site constraints will undermine viability of office development. Some potential for creative industries.	Medium Term	City Fringe
G335	5.1 Mecca Bingo	Central Gateshead	425771	563475	Without Consent	n/a	n/a	n/a	Sloping PDL with occupied buildings and vacant land . Contamination likely.	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Mixed Ownership. Site Assembly	Will require realignment and rationalisation of roads to create suitable site and also needs much better pedestrian integration to town Centre core.	Secondary rents. High abnormal costs. Low viability	In Centre location	Brownfield	Modern occupied premises within Town Centre Regeneration Area, and close to Gateshead Quays. Sustainable location, modest market demand. Costs of relocating existing occupier will undermine viability of office development	Long term	City Fringe

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G336	5.2 Oakwellgate	Central Gateshead	425650	563470	Without Consent	n/a	n/a	n/a	Mainly level PDL with some buildings and gyratory road infrastructure	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Mixed Ownership. Site Assembly	Will require substantial realignment and rationalisation of major roads to create suitable sites and also needs much better pedestrian integration to town Centre core.	Secondary rents. High abnormal costs. Low viability	In Centre location	Brownfield	Island sites amongst slip roads on western edge of Town Centre Regeneration Area, and close to Gateshead Quays. Sustainable location, modest market demand, high costs of rerouting highways. Will only come forward as part of comprehensive town centre	Long term	City Fringe
G337	2.4 High Street North	Central Gateshead	425680	563224	Without Consent	n/a	n/a	n/a	Gently sloping PDL with occupied buildings. Contamination unknown.	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Mixed Ownership. Site Assembly	Area is in multiple use and occupation. GMBC consider there will be a need to retain retail/leisure at ground floor for full extent of High Street. High rise housing immediately to the east	Secondary rents. High abnormal costs. Low viability	In Centre location	Brownfield	Occupied premises within Town Centre Regeneration Area. Sustainable location, modest market demand, and some site constraints. Costly site assembly required before redevelopment.	Long term	Town / Suburban Centre
G338	2.3 Jackson Street	Central Gateshead	425605	563064	Without Consent	n/a	n/a	n/a	Gently sloping PDL with occupied buildings. Contamination unknown.	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Mixed Ownership. Site Assembly	Site is in multiple occupation, ownership and use. Will need to accommodate new route to south ('Jackson Street link') and retail frontage on West, High and Jackson Streets elevations. High rise housing immediately to the south	Secondary rents. High abnormal costs. Low viability	In Centre location	Brownfield	Occupied premises within Town Centre Regeneration Area. Sustainable location, modest market demand, and some site constraints. Costly site assembly required before redevelopment.	Long term	Town / Suburban Centre
G345	5.3 Boulevard North	Central Gateshead	425726	563234	Without Consent	n/a	n/a	n/a	Gently sloping PDL with occupied buildings and cleared site. Contamination unknown.	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Public Sector	3 8-storey blocks of flats on site plus workshop plus BT offices. High rise housing to the south of vacant land and active employment uses	Secondary rents. High abnormal costs. Low viability	In Centre location	Brownfield	Occupied premises within Town Centre Regeneration Area. Sustainable location, modest market demand, and some site constraints. Costly site assembly required before redevelopment.	Medium Term	Town / Suburban Centre
G361A	MU 8 Hillgate Quay	Central Gateshead	425355	563704	Without Consent	n/a	n/a	n/a	Level quay with sloping bank to rear. PDL. Contamination unknown. ADZ & RGF funding sought for infrastructure improvements.	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement. Road access issues.	Public Sector	Tyne Bridge over centre of site. Boundary is directly on the River Tyne banks.	Prime rents. Moderate abnormal costs. Moderate vaibility	In Centre location	Brownfield	Vacant quayside at Gateshead Quays. Sustainable location, good market demand, Proposal for mixed-use scheme. Development viable when market recovers.	Medium Term	City Centre
G362	MU 9 Hawks Rd / South Shore Rd	Central Gateshead	425752	563746	Without Consent	n/a	n/a	n/a	PDL with vacant buildings. Sloping site with development plateaux. Contamination likely. ADZ funding sought for site clearance and remediation.	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Public Sector	Factory complex on upper plateau will require demolition and remediation. Immediately west of Baltic Quays flats.	Secondary rents. High abnormal costs. Low viability. Public sector priority for delivery.	In Centre location	Brownfield	Very high profile site at Gateshead Quays. Sustainable location, good market demand. Proposal for mixed-use scheme. Development viable when market	Medium to long term	City Centre
G363	MU 19 Pipewellgate	Central Gateshead	425126	563536	Without Consent	n/a	n/a	n/a	Level quay and derelict building with sloping bank to rear. PDL. Contamination likely	A Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Private Sector	Quay wall upkeep needs to be considered. High Level Bridge immediately to east of site. Riverside pedestrian and cycle route currently goes around the back of the building, but may need strip to rivers	Secondary rents. High abnormal costs. Low viability	In Centre location	Brownfield	Vacant riverside site and premises on edge of Gateshead Quays. Sustainable location, reasonable market demand, but some site constraints. Offices could be provided as part of mixed-use scheme.	Long term	City Fringe

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ELR Ref	SCHEME	LOCATION	GRID REFERENCE		PLANNING STATUS				QUALITATIVE CRITERIA							CONCLUSION	PHASING	MARKET SECTOR
									MARKET INDICATORS					SUSTAINABILITY INDICATORS				
			Easting	Northing	Status	Planning Application Reference	Description / Mix of Uses	Developer / Applicant	Physical Condition	Infrastructure	Owner / Site Assembly	Constraining Land Uses	Development Viability	Sequential Test	Greenfield / Brownfield			
G403	MU5 - Askew Road (West) , Bensham	Central Gateshead	424835	562946	Without Consent	n/a	n/a	n/a	Level site formerly in residential use where remediation likely to be modest.	Existing roads, water mains and sewers could be reused. Northumbrian Water Ltd (NWL) may require diversions or easements.	Public Sector	Railway to north. Dual-carriageway with central reservation restricts access and egress from site.	Secondary rents. Low to moderate abnormal costs. Moderate viability.	Out of Centre location	Brownfield	Accessible site on periphery of town and city centres, but with low abnormal costs. Viable business park location in strong	Medium to long term	City Fringe
G406	HMS Calliope, Hillgate, Gateshead Quays	Central Gateshead	425574	563826	Without Consent	n/a	n/a	n/a	Level quay and occupied building with sloping bank to rear. PDL. Contamination unknown	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Royal Navy - Operational Reserve unit. Unlikely to be released for development.	Site borders River Tyne. No obstacle. Commercial B1	Prime rents. Moderate abnormal costs. Moderate vaibility	In Centre location	Brownfield	Operational quayside at Gateshead Quays. Sustainable location, good market demand, but some site constraints. Suitable for mixed-use. Owner-occupier will need to be relocated.	Long term	City Centre
G413	1.4 Half Moon Lane	Central Gateshead	425310	563444	Without Consent	n/a	n/a	n/a	Level sites and buildings enclosed by viaducts PDL Contamination unknown	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Mixed Ownership. Site Assembly	Railway viaducts. Residential properties in the immediate vicinity.	Secondary rents. High abnormal costs. Low viability	In Centre location	Brownfield	Vacant sites within Town Centre Regeneration Area, and close to Gateshead Quays. Sustainable location, good market demand. Site constraints include railway viaducts on all sides. Poor road access.	Medium Term	Town / Suburban Centre
G414	1.5 Old Town Hall Square	Central Gateshead	425480	563385	Without Consent	n/a	n/a	n/a	Sloping PDL with listed building, derelict building and cleared sites. Contamination unknown.	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Public Sector	Commercial mixed use with proximity to main road congestion.	Secondary rents Low abnormal cost. Moderate viability	In Centre location	Brownfield	Within Town Centre Regeneration Area. Sustainable location, modest market demand, and some site constraints. Some site assembly would be required before redevelopment.	Medium Term	Town / Suburban Centre
G415	2.2 Interchange South	Central Gateshead	425408	563069	Without Consent	n/a	n/a	n/a	Public transport interchange on level site. Contamination unknown	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Private Owner	High rise housing to the west - physically separated by main road	Tertiary rents. Modest abnormal costs. Poor viability	In Centre location	Brownfield	Occupied premises within Town Centre Regeneration Area. Sustainable location, modest market demand, and some site constraints. Site assembly required before redevelopment.	Long term	Town / Suburban Centre
G460	Point 1, 2, 3, 4 & 6, The Point	Central Gateshead	425204	563358	Outline Consent	n/a	Offices and hotel	n/a	Cleared level PDL. Contamination likely	No known constraints	Private Developer	Immediately adjacent to housing	Secondary rents Low abnormal cost. Moderate viability	In Centre location	Brownfield	On edge of Town Centre Regeneration Area. Sustainable location, moderate market demand, but some site constraints.Current planning permission for offices, but prelets required even when market conditions have improved	Medium Term	City Fringe
G463	Mill Road, East Gateshead PEA (also NEBS)	Central Gateshead	425901	563752	Without Consent	n/a	n/a	n/a	Vacant warehouse on sloping PDL. Contamination likely	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Private Owner	Mix ed use areas. No obstacle. Nearby housing.	Secondary rents. Moderate abnormal costs. Moderate viability.	Edge of Centre location	Brownfield	Site suitable as a mixed-use allocation with a B1 office component. Likely to be brought forward when makret recovers.	Medium Term	City Centre
G486	Baltic Place Phase II	Quays	426066	563846	Without Consent	n/a	n/a	n/a	Occupied buildings and cleared level PDL. Contamination likely.	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Private Owner	Mix ed use areas. No obstacle. Nearby housing.	Secondary rents. Moderate abnormal costs. Moderate viability.	Edge of Centre location	Brownfield	Modern warehouse within PEA. Good market demand. Sustainable location. Appropriate for a mixed use scheme with an element of B1a office when the market recovers.	Medium Term	City Centre

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									MARKET INDICATORS					SUSTAINABILITY INDICATORS				
			Easting	Northing	Status	Planning Application Reference	Description / Mix of Uses	Developer / Applicant	Physical Condition	Infrastructure	Owner / Site Assembly	Constraining Land Uses	Development Viability	Sequential Test	Greenfield / Brownfield			
G501	Maingate Phase IIA	Team Valley	424148	561155	Without Consent	n/a	n/a	n/a	Vacant buildings on level PDL. Contamination likely.	Both a Water Main and Public Sewer crosses the site and Northumbrian Water Ltd (NWL) would require it to be diverted or placed within a suitable easement.	Private Developer	No obstacle. Commercial B1	Secondary rents. Moderate abnormal costs. Moderate viability.	Out of Centre location	Brownfield	Vacant workshop and offices within established PEA with road frontage, adjoining employment uses. Strong market demand. Sustainable location.	Long term	Industrial Estate / Business Park
G521	North East Wholesale Fruit and Veg Market, Derwent Avenue, Earlsway, Team Valley	Team Valley			Without Consent	n/a	n/a	n/a	Level site with hardstanding used for external storage. Major remediation unlikely.	Served by exsting infrastructure to Fruit & Veg Market	Private Owner	Adjoins undeveloped office site. Railway to west. Fruit & Veg Market to north.	Secondary rents, Low abnormal costs. Moderate viability.	Out of Centre location	Brownfield	If surplus to requirements of Fruit & Veg Market site could provide extension to Fifth Avenue Business Park. But lacks prominence and office uses may be constrained by	Long term	Industrial Estate / Business Park

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