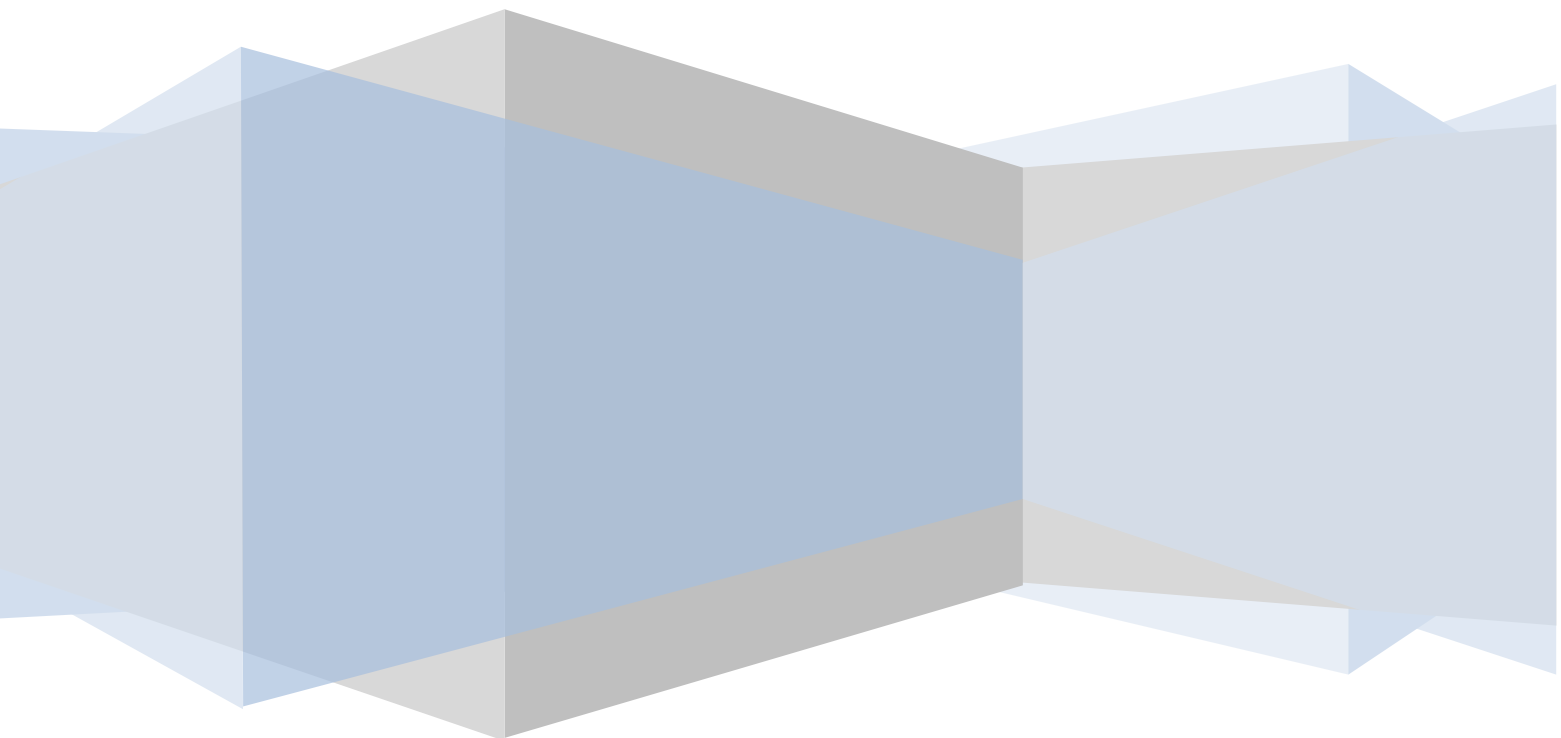


Employment Land Review(ELR)

2018



Glossary

Employment Land: Land allocated for business, general industrial and storage/distribution uses as defined by Classes B1, B2 & B8 of the Town and Country Planning (Use Classes) Order 1987 (as amended) or with an extant planning consent for such uses. Employment uses exclude retail, leisure, residential care facilities, mineral extraction and waste disposal.

B1a: Offices other than in a use within Class A2;

B1b: Research and Development of products and processes;

B1c: Light Industry appropriate in a residential area;

B2: General Industrial- use for industrial processes other than one falling within class b1 (excluding incineration purposes, chemical treatment or landfill or hazardous waste);

B8: Storage or Distribution – including open air storage

FTE: Full Time Equivalent.

Committed Employment Land: All available land allocated for commercial/industrial employment uses or with extant planning permission for employment use, excluding (a) expansion land, (b) land with empty industrial buildings already in-situ, unless those buildings are time expired, and (c) special sites allocated for specific employment uses.

Net Employment Land Requirement: the difference between the likely amount of new employment land required, against the amount of land likely to be lost to non-employment uses over a stated period.

Gross Employment Land Requirement: the total amount of land likely to be required for employment uses over a stated period.

Margin of choice: the addition of a stated factor to the net land requirement projections to ensure that businesses making locational choices have a degree of flexibility or choice.

Gross Internal Floorspace: The entire area inside the external walls of a building and includes corridors, lifts, plant rooms, service accommodation, but excludes internal walls (RICS, Code of Measuring Practice (6th Edition)).

Net Internal Floorspace: The internal area of a building including entrance hallway, kitchens and built in units, but excluding toilets, stairways, lifts, corridors and common areas (RICS, Code of Measuring Practice (6th Edition)).

Land Immediately Available: Land serviced or capable of being serviced in 12 months.

Land Requiring Preparation: Land where major provision of roads and utility services is required, or where major demolition and site remediation is required.

Plot Ratio: the ratio between gross floorspace and total site area.

Employment Density: average floorspace per worker ratio, usually expressed as square metres per worker.

Employment Land Take-up: Take-up is defined as the development or first occupation of a site. Take up occurs at the point at which construction of a building commences (the point at which it can no longer be regarded as an available development site). Where a developer builds out employment premises in separate phases (as opposed to a continuous rolling programme), take-up occurs at the start of each phase.

Take-up excludes (a) extensions of existing premises unless they occur on land outside the curtilage of the existing site and (b) changes of use. The extent of take-up typically accords with the area of land that a developer would have to acquire for the purposes of the development. This may not equate to the boundary of a development for the purposes of a planning application.

Where buildings are demolished and the site is redeveloped, this constitutes take-up. But where an occupier rebuilds part of his premises with the intention of re-occupying them, the site does not become available to the market, and thus no take-up occurs.

Historic Employment land Take-up: The average yearly development of commercial/industrial land for employment uses over the Plan Period.

Current Take-up: The average yearly take-up of commercial/industrial land for employment uses over the last 5 years.

Restricted Employment Sites: Land in addition to general employment land allocations that is restricted for particular purposes such as airport and port expansion, chemical and steel industry, protecting land for potential rail freight interchanges and sites reserved for major users and inward investment.

Implied Supply: An estimate of the number of years that it would take to consume available land at prevailing take-up rates. It is calculated by dividing the amount of available land by the average yearly take-up.

Housing Land Availability Assessment (HELAA): The primary function of the HELAA is to identify sites with potential for housing/ employment; assess how much housing/ employment potential the site has; and, assess when the site is likely to be developed.

Employment Land Portfolio: The Council's full supply of identified future employment land. This includes sites allocated through the CSUCP Key Employment areas of Newcastle International Airport, Walker Riverside and allocations within the Urban Core.

Co Star: A commercial property database, which provides data on over 400,000 UK commercial property buildings. Data recorded includes space becoming available, let or sold, new tenants moving in, leases expiring, or the building being demolished.

Micro-enterprises: HMRC define a micro employer as a business with 9 or fewer employees

Preface

The Newcastle Employment Land Review (ELR) has four main purposes:

- to identify the City's employment land requirements for the period 2010 – 2030 based on an analysis of economic forecasts, recent trends and policy aspirations;
- to assess the quality of the City's main employment areas for continued use and identify potential new land to meet future requirements.
- In doing so, it will provide the evidence base to inform the Development and Allocations Plan (DAP) and support the CSUCP. This Plan will set out the second part of the Council's Local Plan for growing economic competitiveness and prosperity. It will identify the amount, type and broad locations of new employment land that should be provided to 2030.
- This update has been produced to support the 2018 Pre-Submission DAP. The DAP sets out the Council's planning policies for managing development within Newcastle. It sets out site allocations and designations and supports the strategic policies and growth planned for in the CSUCP which forms part 1 of the Council's Local Plan. Its purpose is to provide an update on the ELR 2014 which was published in support of the (CSUCP), and sets out an updated portfolio of employment sites for allocation, or retention for B1, B2, & B8 uses. The report provides a focused update covering sites identified in the 2014 ELR and the Housing and Employment Land Availability Assessment (HELAA) call out for sites. It provides an additional level of focussed assessment in addition to the HELAA. The ELR 2018 has been produced in tandem with the HELAA and will be updated regularly.

Contents

- 1. Introduction and Approach**
- 2. Policy Context & Established Evidence Base**
- 3. Economic Context & Prognosis**
- 4. Stakeholder Consultation**
- 5. Property Market Analysis Update**
- 6. Taking Stock of the Existing Situation**
- 7. Creating a Picture of Future Requirements**
- 8. Reviewing our 'Established Portfolio' Of Employment Sites**
- 9. Identifying our 'Portfolio' to 2030**
- 10. Site Deliverability and Interventions**
- 11. Conclusions & Recommendations**

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Appendices

Appendix 1: Potential New Employment Sites Proforma

Appendix 2: Potential Retained Employment Sites proforma

Appendix 3: Schedule of Potential New Employment Site assessments

Appendix 4: Schedule of Potential Retained Employment Site assessments

Appendix 5: Newcastle Gateshead Employment Land and property Demand Assessment

Summary

Introduction

- 1.1 Newcastle City Council has undertaken an Employment Land Review (ELR) as part of the evidence base for the City's Local Plan.
- 1.2 The ELR will provide robust evidence to demonstrate the scale, type and broad location and deliverability of new employment floorspace and land needed across the City. It informs the emerging policies and proposed allocations set out in the Development and Allocations Plan (DAP).
- 1.3 This ELR is concerned with informing Newcastle's employment land supply to support the emerging DAP. The CSUCP, which was adopted in October 2015 fixes the requirements to 2030.
- 1.4 The Council's Local Plan for Newcastle is broken down into two parts. Part 1 is the CSUCP, adopted in March 2015 and part 2 is the DAP.
- 1.5 The Core Strategy is the strategic level document for the City. It is a joint document produced by Gateshead and Newcastle Councils, and includes policies to ensure the expansion of employment area, science and research, retail-led development, housing growth and infrastructure to support development in the heart of the region.
- 1.6 The Development and Allocations Plan (DAP) forms part 2 of the Local Plan for Newcastle, and provides detailed employment site allocations and policies for managing development as well as providing site allocations and designations. It supports the strategic growth priorities set out in the CSUCP.
- 1.7 This ELR 2018 has been produced to provide a key evidence base document supporting the DAP. It will inform the policies in the DAP and its employment land allocations.
- 1.8 The ELR has been undertaken in compliance with national planning guidance and follows the three-stage process outlined in the Government's Employment Land Review "the brown book" as follows:
 - Stage 1 – Taking stock of the existing situation – review of key local economic and employment issues.
 - Stage 2 – Creating a picture of future requirements – analysis of economic forecasts, recent trends and local policy aspirations to quantify the amount of industrial and warehousing land and office floorspace required by the city and its key economic sectors in the period 2010 to 2030.
 - Stage 3 – Identifying a "new" portfolio of employment sites – review of the city's main employment areas and sites to assess their suitability for continued employment use and identifying potential sites to fill gaps in future supply.
- 1.9 This ELR is accompanied by a detailed assessment of economic development requirements provided in October 2016 as part of the Newcastle and

Gateshead Employment Land and Property Demand Assessment Update (ELPDA). The ELPDA reviews trends in the commercial development market in Gateshead and Newcastle, with reference to regional / sub-regional influences where appropriate. It also reviews recent economic projections in assessing need for employment land against the requirements established within the CSUCP. This ELR should be considered alongside the ELPDA, and consequently, the ELR does not seek to replicate the analysis presented in the ELPDA. However, this ELR makes reference to key elements of the ELPDA where summarising its assessment of development need. The ELPDA was intended as an informative and update on the employment and economic situation in Newcastle and Gateshead. This review includes more recent research into the commercial development markets within the City, particularly in terms of the trends in the new development of office and industrial floorspace, take up of floorspace, and wider trends.

- 1.10 This report relies upon the econometric job forecasts produced by St Chad's College, Durham that reflect the implications of the sustained economic downturn. The requirements identified in the work undertaken by St Chads are discussed in the ELPDA which considered the possible need to amend the employment land estimates based on up to date market condition and evidence. The key findings of the ELPDA are discussed later in this ELR. This ELR takes into account National Planning Practice Guidance (NPPG). Contextual information and site assessments have also been updated.

Figure 1: Overview of Employment Land Review Work 2010-2018

ELR Version	Description
ELR 2010	Provided the evidence base for the LPA's joint Core Strategy Document.
ELR 2012	<p>Update of the findings in the 2010 ELR, to take account of :</p> <ul style="list-style-type: none"> • New econometric job forecasts produced by St Chad's College, Durham that better reflect the implications of the sustained economic downturn. • The report has also been redrafted to take into account the National Planning Policy Framework (NPPF). • Updating contextual information and site assessments from the earlier report. <p>The document is updated by a number of key assessments including:</p> <ul style="list-style-type: none"> • Policy review • Sectoral employment forecasts to 2038 • Socio-economic desktop research • A property market report • Site visits and assessments • Consultation with stakeholder
ELR 2014	Assessed the quality of the City's main employment areas for continued use, and identify potential new land to meet future requirements.

ELR 2017 Update Paper (Draft ELR)	Update of employment land portfolio and methodology to support draft Development and Allocations Plan
ELR 2018	<p>ELR to form part of the evidence base in support of the Submission Draft Development and Allocations Plan. It will;</p> <ul style="list-style-type: none"> • Update policy context and evidence base • Update the economic context • Update property market analysis • Take into consideration the findings of the ELPDA, produced by Cushman and Wakefield on behalf of the Council in October 2016 • Update overview of current stock and employment space in Newcastle • Review recent trends and changes to supply • Create a picture of future requirements • Identify the future pipeline of development in Newcastle. • Update the employment land portfolio • Review/ consider site viability • Conclusions and recommendations informing the Development and Allocations Plan

Methodology

- 1.11 The ELR update follows the three-stage approach advocated by the Government's Employment Land Review guidance published in December 2004. This guidance has now been withdrawn, however the approach it recommends has still been used by the Council, as it follows an established methodology, which was subject to scrutiny during the Examination in Public of the CSUCP in 2014. The methodology set out below has been checked for compliance with extant policy (NPPF) and national guidance (PPG).
- 1.12 The ELR had been assessed for conformity with the NPPF using the National Planning Policy Framework: Planning Practice Guidance for Housing and Economic Land Availability, regard has also been given to the "Employment Land Reviews – Guidance Note" (ODPM 2004). While the NPPG does not prescribe a single methodology for the assessment of employment need and supply, it strongly encourages that appropriate consideration be given to its recommendations.
- 1.13 The study focuses on employment space needs for the group of "B" Use Classes indicated in Figure 1 below. The study does not consider the future land needs of other employment generating uses such as retail, tourism, healthcare and education, although it recognised that these sectors perform a critical role in providing employment and economic growth opportunities.

Structure of report

Section 1 – summary

Section 2 - sets the scene for the ELR with a summary of the national, regional and local policy context.

Section 3 - examines the socio-economic characteristics of the City: comparing the workplace economy and characteristics of the working residents to the regional/ national economies to get an understanding of locally significant issues; the current position of the economy; and, how it is placed for future economic growth.

Section 4 - sets out the stakeholder consultation carried out as part of this study.

Section 5 - Profiles the property market, showing Newcastle's current position, how it has changed in recent years and the main influences on it.

Section 6 - reports on Stage 1 of the ELR – taking stock of the existing situation. This section provides an overview of current stock and employment space in Newcastle.

Section 7 - describes Stage 2 of the study – creating a picture of future requirements. This stage analyses economic forecasts, recent trends and local policy aspirations to quantify the amount of office, industrial and warehousing land floorspace required by the city and its key economic sectors to 2030. This work was carried out to support the CSUCP, which has established the employment land requirements for the City over the plan period to 2030.

Section 8 - reports on Stage 3 - identifying a “new” portfolio of employment sites. In this stage, a qualitative review of the city's main employment areas and sites was undertaken to assess their suitability for continued employment use. In addition to the review of the role and contribution of the City's existing employment, a review of new sites with the potential to meet future demand for employment land identified in section 7 and set out in the CSUCP was also carried out. The results of this assessment were carried out in tandem with the regular update of the HELAA. Site visits and assessments were undertaken between January 2018 and March 2018. The information gathered as part of this review has been used to update the Council's Housing and Employment Land Review (HELAA) database.

Section 9 - identifies the sites which will form the ‘portfolio’ of employment sites which will form the basis of the Local Plan portfolio and the needs identified in Section 7.

Section 10 - considers the financial viability of the employment land portfolio.

Section 11 - brings together the key findings of Stages 2 and 3 to provide conclusions on the study's results. This section sets out a number of policy recommendations for the Local Plan.

A glossary of terms used is supplied at the front of the main report. Finally, Appendices are provided of the results of the Stage 1, Stage 2 and Stage 3 assessments of the city's main industrial and warehousing areas; a detailed analysis of Newcastle's key economic sectors.

2. Policy Context & Established Evidence Base

Review of Key Documents

National Policy Guidance

- 2.1 This section sets the scene for the study, and considers the national and regional policy context which frames the existing and future provision of employment land across Newcastle. The local policy context is then reviewed, highlighting key areas which need to be considered in developing the employment land policies in the Development and Allocations Plan.
- 2.2 Newcastle's planning policies need to fit within the framework set out by national legislation and planning policy. This framework provides material considerations in the production of Local Plans and in the determination of planning applications. The following are of particular relevance to employment land within Newcastle:

Localism Act (2011)

- 2.3 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.

NPPF

- 2.4 The Local Plan must be in conformity with the NPPF. The NPPF came into force on 27 March 2012 and emphasises the importance of economic growth and Local Planning Authorities taking a proactive approach to accommodating and supporting all foreseeable types of economic growth. This is the principal planning document influencing the Local Plan and its supporting documents. In July 2018 an updated version of the NPPF came into effect.
- 2.5 The NPPF requires that Local Plans should:
- "a) set out a clear economic vision and strategy which positively and proactively encourages sustainable economic growth, having regard to Local Industrial Strategies and other local policies for economic development and regeneration;
 - b) set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period;
 - c) seek to address potential barriers to investment, such as inadequate infrastructure, services or housing, or a poor environment; and
 - d) be flexible enough to accommodate needs not anticipated in the plan, allow for new and flexible working practices (such as live-work accommodation), and to enable a rapid response to changes in economic circumstances.

82. Planning policies and decisions should recognise and address the specific locational requirements of different sectors. This includes making provision for clusters or networks of knowledge and data-driven, creative or high technology industries; and for storage and distribution operations at a variety of scales and in suitably accessible locations.”

2.6 The NPPF states that sustainable development consists of three key objectives which should be pursued in mutually supportive ways. These are;

a) an economic objective – to help build a strong, responsive and competitive economy, by ensuring that sufficient land of the right types is available in the right places and at the right time to support growth, innovation and improved productivity; and by identifying and coordinating the provision of infrastructure;

b) a social objective – to support strong, vibrant and healthy communities, by ensuring that a sufficient number and range of homes can be provided to meet the needs of present and future generations; and by fostering a well-designed and safe built environment, with accessible services and open spaces that reflect current and future needs and support communities’ health, social and cultural well-being; and

c) an environmental objective – to contribute to protecting and enhancing our natural, built and historic environment; including making effective use of land, helping to improve biodiversity, using natural resources prudently, minimising waste and pollution, and mitigating and adapting to climate change, including moving to a low carbon economy.”

2.7 The presumption in favour of sustainable development runs through the entire NPPF. For plan-making this means that:

“a) plans should positively seek opportunities to meet the development needs of their area, and be sufficiently flexible to adapt to rapid change;

b) strategic policies should, as a minimum, provide for objectively assessed needs for housing and other uses, as well as any needs that cannot be met within neighbouring areas⁵, unless:

i. the application of policies in this Framework that protect areas or assets of particular importance provides a strong reason for restricting the overall scale, type or distribution of development in the plan area⁶; or

ii. any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole”.

2.8 Paragraph 80 of the NPPF requires that policies should help to create the right conditions for businesses to invest, expand, and adapt. It states;

“Planning policies and decisions should help create the conditions in which businesses can invest, expand and adapt. Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development. The approach taken should allow each area to build on its strengths, counter any weaknesses and address the challenges of the future. This is particularly important where Britain can be a global leader in driving

innovation, and in areas with high levels of productivity, which should be able to capitalise on their performance and potential.”

- 2.9 To meeting this requirement as well as the requirements of the presumption in favourable development, particularly with regards to the preparation of the DAP, it is essential that the Council establish a robust understanding of the City’s employment land requirements. This ELR will meet this need and provide an up to date review of employment land need, and supply in the City as well as making recommendations for appropriate employment land allocations to meet those needs over the plan period.
- 2.10 NPPF requires Local Planning Authorities set policies which promote an effective use of land.

- 2.11 To ensure the effective use of land NPPF states:

“120. Planning policies and decisions need to reflect changes in the demand for land. They should be informed by regular reviews of both the land allocated for development in plans, and of land availability. Where the local planning authority considers there to be no reasonable prospect of an application coming forward for the use allocated in a plan:

- a) they should, as part of plan updates, reallocate the land for a more deliverable use that can help to address identified needs (or, if appropriate, deallocate a site which is undeveloped); and
- b) in the interim, prior to updating the plan, applications for alternative uses on the land should be supported, where the proposed use would contribute to meeting an unmet need for development in the area.

- 2.12 To meet this requirement the ELR includes an assessment of employment sites which are currently protected for employment uses and makes recommendations based on its findings, as to which sites should be retained for employment uses in the DAP and which should be de-allocated

Autumn Budget 2017

- 2.13 The most recent budget was published at a time when the UK economy showed modest growth, GDP having grown by 1.5% in the third quarter of 2017, employment remained at record highs and unemployment was at its lowest rate since 1975. Projections provided by the Office for Budget Responsibility (OBR) predict slower growth in the future, mainly due to low productivity growth. The Budget focuses on establishing a new relationship with the EU following the decision to leave the EU. It affirms the government’s objective of creating a stronger and more sustainable economy.
- 2.14 The Government’s long term strategy for growing the economy and increasing productivity hinges on its long term strategy which is supported by the National

Productivity Investment Fund (NPIF). Government actions to boost productivity include:

- Transport: A £1.7 billion new transforming cities fund through the NPIF to improve connectivity and support jobs across England's great city regions
- Research and Development: The largest boost to R&D support for 40 years with a further £2.3 billion investment from the NPIF in 2021-22
- Long Term Investment: Unlocking over £20 billion of patient capital, over the next 10 years so that innovative high-growth firms can achieve their full potential
- Emerging Tech: Leading the world in developing standards and ethics for the use of data and AI, and creating the most advanced regulatory framework for driverless cars in the world
- Skills: Creating a new partnership with industry and trade unions to deliver a National Retraining Scheme, giving people the skills, they need throughout life to get a well-paid job, and equipping young people with the science, technology, engineering, and maths (STEM) skills to become innovators of the future

UK Industrial Strategy (2017)

2.15 The UK Industrial strategy sets out long term plans to improve productivity and earning power of people in the UK. It is based on five key pillars.

- ideas: the world's most innovative economy
- people: good jobs and greater earning power for all
- infrastructure: a major upgrade to the UK's infrastructure
- business environment: the best place to start and grow a business
- places: prosperous communities across the UK

Core Strategy and Urban Core Plan (March 2015)

2.16 The CSUCP was adopted in March 2015 and promotes economic growth for Gateshead and Newcastle. Policy CS6 sets out the Council's commitment to ensure provision by 2030 of a minimum of 150 hectares of developable land (70 hectares in Gateshead and 80 hectares in Newcastle) based on forecasted growth to meet the gross employment land requirements. This figure includes 512,000 sq m of office floorspace, focused in the Urban Core. The plan was intended to objectively identify and meet the needs of the businesses in the area. The objectives identified in the plan in relation to employment were to:

- Increase our economic resilience and diversity, and ensure opportunities for the supply of suitable, flexible and diverse business accommodation to encourage and support higher levels of entrepreneurship, skills and business formation.
- Encourage population growth in order to underpin sustainable economic growth.

2.17 The CSUCP sets out the key employment areas for employment development in Newcastle and Gateshead. In Newcastle the International Airport and Walker

Riverside are both identified as Key Employment Areas, and the Urban Core is identified as the prime location for office development.

- 2.18 Figure 2 below is an extract from the CSUCP and shows the Gateshead and Newcastle's Key Employment Areas, identified in purple.

Key Supporting Evidence

NewcastleGateshead Office Needs Study 2012

- 2.15 The study was commissioned to provide an up to date assessment of the local office market, and an estimate of future demand, to assist in preparing Development Plan Documents, especially the Core Strategy and Urban Core Plan.
- 2.16 The study considered both supply, and demand, including market research amongst organisations and companies. Notable findings include: the importance attached both to car parking and good public transport links; a clear divide between demand for city centre and out-of-centre office park locations; and a strong market and availability of funding for speculative development, though currently benefiting from pre-lets due to high levels of demand. Newcastle is seen as a desirable address: out-of-centre locations are also attractive and some of these are discounted by prospective occupiers due to lack of access to town centre facilities and public transport.

NewcastleGateshead Long Term Employment and Demographic Projections, Report by Research Group (PRG)/ Durham Business School/St Chad's College (2012)

Balance of Growth Between Newcastle and Gateshead

- 2.17 The report presents the outcome of work on long term employment and demographic (population) projections for Gateshead and Newcastle. Independent employment projections (obtained from Cambridge Econometrics), and demographic projections (provided by Office for National Statistics), for Newcastle, Gateshead and the North East covering the period 2010-2030 were assessed using a variety of analytical and modelling techniques. Each projection included a comparative analysis of historic and projected values and an analysis of the underlying factors which cause values to change from one year to the next. Analysis suggested it was appropriate to make a small adjustment to the employment projections affecting the balance of growth between Newcastle and Gateshead. As a result, the additional employment growth of around 22,000 over the plan period jobs will be spilt in proportion to its current levels of employment, ie Gateshead is projected to receive an additional 7,000 jobs, while Newcastle receives 13,900 jobs.

Labour Market Balance

- 2.18 Analysis of the projected labour market balance for 2030 indicates that the vast majority of the increase in the number of jobs, from around 299,000 in 2010 to

around 321,000 thousands in 2030, will be taken up by workers resident in Newcastle or Gateshead.

- 2.19 The proportion of employment within Newcastle and Gateshead which is filled by residents from Newcastle or Gateshead is estimated to increase slightly between 2010 and 2030. This increase is largely a consequence of the estimated impact of changes to state pension age and school leaving age, coupled with an assumed increase in the employment rate (the proportion of economically active residents in employment) to a more 'normal' level of 94% by 2030. These factors are estimated to increase the projected employed population of Newcastle and Gateshead from around 210,000 in 2010 to around 238,000 in 2030.

Office Bridging paper (2013)

- 2.20 The Office Bridging Paper was produced in September 2013. It was published to provide an update to the Office Needs Assessment (July 2012), reflecting the changes to the long term employment growth projections that were prepared by St Chad's (February 2012), national planning policy and economic outlook. The Bridging Paper provided an update to the portfolio of office sites in Newcastle and Gateshead. A review of the portfolio is included in this ELR, and a review of the office market was provided as part of the ELPDA.

ELPDA (2016)

- 2.21 The Newcastle Gateshead Employment Land and Property Demand Assessment (ELPDA) commissioned by Gateshead and Newcastle Council's provided an update on the office and industrial market sectors to inform the policies in the emerging Development and Allocations Plan (DAP). The ELPDA was intended to provide a sense check to ensure that the employment land requirement set out in CSUCP Policy CS6.
- 2.22 The ELPDA recommends that 31 ha gross of land for office development should be allocated in Newcastle to cover the remainder of plan the plan period with the focus of the majority of the development towards the city centre market. To meet industrial land and floorspace requirements to 2030 the ELPDA recommends that 28 ha gross of land be allocated in addition to the land allocated within the Enterprise Zones. The approach taken by Cushman and Wakefield, based on projecting forward take up based on figures provided in the Council's AMR, differs from the approach based on St Chads estimates which form the basis of the CSUCP evidence and the justification for Policy CS6. Nevertheless the ELPDA indicates that the position set out in CSUCP Policy CS6 is still appropriate. The ELPDA is discussed in more detail later in this document.

Regeneration Strategies and Initiatives

2.23 This section, provides an analysis of economic policy documents relating to the future need for, and supply of, employment land. The following documents have been reviewed, with the key findings summarised below:

North East Local Enterprise Partnership and the Strategic Economic Plan (SEP) (2014) (Updated 2017)

2.24 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. In January 2016 the area included a population of 1.95 million, a £35.4 billion economy and 49,230 enterprises. The LEP aims to ensure that the North East maximises its contribution to national economic growth and rebalancing the national economy and sustain the strong leadership and partnership working.

2.25 The Local Enterprise Partnership aims to be instrumental in:

- Promoting productivity, enterprise and business growth through developing innovation and exploiting research and development capabilities: Building on key economic strengths and 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 enterprise and Private Sector Business Growth, including dealing with enquiries for new investment from both existing businesses and inward investors.
- Bidding for and programme managing funding.
- Providing strategic input and projects into other key areas linked to economic growth such as integrated transport, infrastructure, connectivity and energy investment.

2.26 The Strategic Economic Plan (SEP) for the North East LEP is the document which sets out how the NELEP will achieve its goals. The plan outlines the medium term economic objectives for the North East and identifies interventions and areas of investment to support economic growth, increases in productivity and increases in the number of people in employment.

2.27 At the centre of its growth ambitions the SEP seeks to:

- Decrease the gap between the Region and national average on GVA;
- Increase the private sector employment density;
- Improve business density;
- Increase the employment rate of the Region; and

2.28 The SEP provides the synergy between the NELEPs European aims, agreed City Deals (Sunderland and South Tyneside / Newcastle) and NELEP Investment Fund. The headline target in the SEP is to achieve, by 2024, at minimum a halving of the gap between the North East and the national average (excluding London) in terms

of GVA, private sector employment density, business density, employment rate, and unemployment rate.

2.29 The SEP outlines three high level strategic outcomes to achieve this goal, these are:

- Innovative, enterprising and creative businesses;
- Skilled and inclusive communities that are great places to live; and
- Infrastructure that serves and connects.

2.30 Underpinning these strategic outcomes is an imperative to deliver improvements to the assets in the Region which can give competitive advantage to the regional economy by ensuring connectivity to key national, European and international markets.

2.31 The SEP recognises the importance of the manufacturing base in the North East, particularly advanced and marine engineering. It also identifies the following growth sectors which will have a positive impact the economy over the course of the Plan:

- Business services;
- New economy including cultural, creative and media industries;
- Low carbon and renewable sectors;
- Tourism; and
- Logistics.

2.32 The SEP identifies that in order to facilitate jobs growth, NELEP needs to:

- Provide the necessary infrastructure that serves and connects people and businesses;
- Support innovative, enterprising and creative businesses by investing in improved skills and educational performance; and
- Create skilled and inclusive communities that are great places to live in.

The key employment locations and growth corridors along the A1, the A19, the River Wear and the River Tyne include the:

- Urban cores of Newcastle Gateshead, Sunderland and Durham;
- North East LEP Enterprise Zone including Port of Tyne and Swan Hunter;
- International Advanced Manufacturing Park in Sunderland and South Tyneside; and
- Team Valley and Aycliffe Industrial Estates, and the business and industrial estates near the northern entrances to the Tyne Tunnel.

The SEP identifies Newcastle as one of the regions three major cities alongside Sunderland and Durham. It is noted for its contribution to science, education, culture, the digital and service sectors and for the regionally and nationally significant Newcastle International Airport.

NELEP Low Carbon Enterprise Zone

2.33 The Northern Eastern LEP area's Low Carbon Enterprise Zone was agreed in August 2011. It is hoped to generate 7,000 net additional jobs over 10 years focusing on quality jobs and supporting infrastructure. They become operational from April 2012, supported by a new marketing strategy. Phase 1 includes 117ha focused on capturing the benefits of low carbon economy at:

- Ultra Low Carbon Vehicle sites comprise of 42ha adjacent to the A19 in Sunderland. 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 and mixed use development is proposed which has 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 potential to accommodate sub-sea and offshore wind sectors.

2.42 Phase 2 includes the following sites in Newcastle

- North Bank of the Tyne extension. A 2.79 ha site providing 22,320 sq m of new floorspace with an Enhanced Capital Allowance. This extension to the existing successful Enterprise Zone along the north bank of the River Tyne will continue to support additional businesses with a focus on maritime engineering, oil and gas. Located on the former Swan Hunter and Neptune shipping yards the existing sites support key sectors, this will provide more opportunity for further growth, including larger units.
- Newcastle International Airport Business Park Newcastle, a 41.7 ha site providing 95,250 sq m of new floor space and benefiting from a Business Rates Discount. This multi-phased site will provide significant new capacity next to the growing Newcastle International Airport. The initial phase of development will provide high quality office space targeted at businesses which will benefit from the proximity to national and international connectivity provided by the airport and more locally through the metro system and A1. Further sites will similarly support business growth with a premium on connectivity including logistics and warehousing.

2.43 A number of high profile sites are also identified across the region including;

- *Holborn Riverside*, South Shields. 11.62 ha site providing 46,460 sq m of new floor space with one site benefiting from a Business Rate Discount, and the other site benefiting from Enhanced Capital Allowance.
- *Follingsby Business Park*, Gateshead. A 28 ha site providing 122,000 sq m of floorspace with discounted Business Rates. Well sited on the A19, the Enterprise Zone site builds on the existing Follingsby site, significantly increasing the site available.

- *Ramparts Business Park*, Berwick. A 6.6 ha site providing 27,981 sq m of floor space with discounted Business Rates. Expanding on the existing Ramparts Business Park the site will improve the provision of business premises in Berwick.
- *Ashwood Business Park*, Ashington. A 16.13 ha site providing 64,00 sq m of new floorspace with an Enhanced Capital Allowance. Capitalising on the success of Ashwood in attracting major pharmaceutical and manufacturing firms to the area, Ashwood Enterprise Zone site is a large location focused on pharmaceuticals and mixed manufacturing linked to the strengths shown in the local economy.
- *International Advanced Manufacturing park (IAMP)*. A 25 ha site providing 62,700 sq m of new floorspace benefiting from an Enhanced Capital Allowance. As part of the nationally significant International Advanced Manufacturing Park development this site will bring forward major industrial and manufacturing space and facilities..
- *Port of Sunderland*, Sunderland. A 8.3 ha site providing 49,930 sq m of new floorspace and benefiting from an Enhanced Capital Allowance. The Port of Sunderland has ambitious growth plans to make the most of its location at the mouth of the River Wear and direct access to the North Sea as well as integrated modal shift with a reinstated rail head and strong road connectivity. The site development will focus on manufacturing, storage and distribution particularly for offshore energy, marine industries such as cabling and export focused sectors which make the most of the location of the port.
- *Fairmoor*, Morpeth. A 9.23 ha site providing 29,600 sq m of new floor space with discounted Business Rates. Fairmoor is a greenfield development site linked to wider economic development in northern Morpeth.
- *Hawthorn Prestige Business park*, Murton. A 26 ha site providing 68,248 sq m of new floorspace, benefiting from a Business Rate Discount. The Hawthorn Prestige Business Park is a ready for development site located close to the A19.

Newcastle City Deal (2012)

- 2.44 The City Deal supports the next phase of the City's economic growth, contributing to the North East LEP's four main economic priorities of:
- Supporting Enterprise and Private Sector Business Growth
 - Building on Key Economic Strengths
 - Improving Skills and Performance
 - Strengthening Transport, Connectivity and Infrastructure
- 2.45 Newcastle provides a major contribution to the productivity and competitiveness of the UK economy and is a significant driver of economic growth across the wider LEP area. Home to 295,000 people in 2017, Newcastle provides employment to almost 200,000 people; a significant number are commuters from the wider LEP area. In 2016 it generated 21% of the LEP area's GVA. Newcastle is home to; two major universities; one of the country's largest financial and business service centres; a responsive education sector including major colleges and private sector training providers; and the UK's best hub of green technology services.
- 2.46 In recent years employment growth, combined with a stalled property pipeline, has led to a decrease in supply of Grad A office space in the City relative to demand. There is the potential for this to act as a brake on the economic recovery. However

there is growing evidence of interest in developing and redeveloping new Grade A offices space in the City.

- 2.47 In Q2 2017 Legal and General submitted a planning application for the first of several modern high quality buildings, offering 100,000 sq ft of office floorspace. They have since received planning permission for the development. When completed the project will provide 500,000 sq ft of office and research space. This development demonstrates the importance and success of the ADZ, which was one of the key elements of the City Deal's strategy to unlock growth in the city centre.
- 2.48 In Q3 2017 Taras Properties Ltd were reported as preparing to submit a planning application for circa 100,000 sq ft of Grade A office space adjacent to Pilgrim Street in Newcastle City Centre. East Pilgrim Street is identified in the City Deal as an underutilised area adjacent to the city's main business district. Progress towards the development of this site is good indicator of the success of the City Deal and ADZ.
- 2.49 The City Deal identified that Newcastle is a City with unique green assets, low carbon sector strengths and pioneering research activities stimulated by world class universities, Newcastle represents a compelling location for knowledge-based, private-sector-led growth. The North East LEP has established a Low Carbon Enterprise Zone for the marine & offshore wind sector and ultra low carbon vehicles, and Newcastle University is developing geothermal heat sources in the City. Development of the Low Carbon Enterprise Zone at Walker Riverside continues to progress well, with much of the wider employment area now developed, and housing advanced manufacturing facilities to support various low carbon and other offshore industries.
- 2.50 Newcastle International Airport is a key asset for the entire North East for freight and business travellers. Improving connectivity into Newcastle is also essential, ensuring that employment opportunities can be accessed by the widest possible labour force, as is improving broadband infrastructure.
- 2.51 A key to ensuring that the aims of the City Deal are met is the Newcastle Gateshead Accelerated Development Zone.

Newcastle Gateshead Accelerated Development Zone (ADZ) (2012)

- 2.52 The aim of the Newcastle Gateshead ADZ is to unlock growth across the urban core, returning the area to its pre-recession economic trajectory, which had seen more rapid employment growth in Newcastle than any of the other core cities. The ADZ is aligned with our economic strategy, which concludes that to reach our full economic potential we must grow the knowledge economy, develop and retain a skilled workforce, promote regeneration that is sustainable and stimulate growth in the urban core of Newcastle and Gateshead where we are at our most competitive.
- 2.53 The ADZ includes of Newcastle's key sites, and the central area of the Urban Core of Newcastle, which offer significant growth potential. We can accelerate growth in the short and medium term at:

- Newcastle Helix, offering opportunities for businesses to co-locate with Newcastle University.
 - Stephenson Quarter and Central Station area, primed to become a major new office district in the next decade.
 - East Pilgrim Street, an under-utilised area adjacent to the city centre's main business and retail district, set to become a substantial mixed-use development.
- 2.54 There has been significant development within several sites, in particular Newcastle Helix has seen considerable development of high quality mixed use developments, with a significant proportion of Grade A office floorspace. Recent developments include-
- 2.55 Stephenson Quarter has also undergone significant redevelopment. Phase one of the Stephenson Quarter development, was supported by a £1.7 million loan from the North East Investment Fund. It included the completion of the 251 room Crowne Plaza Newcastle hotel, the adjacent multi-storey car park and The Rocket – a 35,000 square foot office building.
- 2.56 East Pilgrim Street has undergone significant public realm and site preparation works to enable new office space development.
- 2.57 The ADZ included commitments by Newcastle and Gateshead Council's to borrow £92 million to fund an investment programme; to work with businesses and investors to lever £800 million of private sector investment over 25 years; Newcastle and Gateshead Councils invested a further £100 million within the ADZ area.
- 2.58 Central Government committed to the retention of all business rate growth for 25 years in the 80 ha ADZ area. This funding was used to finance the infrastructure costs of the TIF scheme. UKTI agreed to work with local partners to promote economic opportunities within the ADZ, within relevant key sectors.

Enterprise Zones

- 2.59 The city has two Enterprise Zones. One is located at the regionally important gateway of Newcastle International Airport and the other at Walker Riverside. The Airport offers excellent transport facilities, is well connected to the local infrastructure, and is capable of acting as an important employment location in its own right.
- 2.60 The second of the Enterprise Zones is located at Walker Riverside (Neptune Energy Park) and regionally significant marine offshore related industries and low carbon manufacturing. A significant amount of development has come forward on this site over the past few years including;
- **2010/2013** - 4,293 sq m of B2 floorspace at Neptune Yard.
 - **2012/2013** - 1,448 sq m of B1a floorspace at the former in Shepherd Offshore, Station Road; 7,692 sq m of B2 floorspace at Neptune Energy Park, Fisher Street.

- **2013/2014** - 2400 sq m of B2 floorspace at Wellstream Ltd, Wincomblee Road; 697 sq m of B1a floorspace at Rendle Road, Walker, and; 4100 sq m of B2 floorspace at Duco Ltd, Swan Road, Walker.
- **2014/2015** – 906 sq m of B2 and 907 sq m of B8 floorspace at Shepherds Offshore Ltd/ Land on former Neptune Yard.

2.61 Both of the Enterprise Zones are situated within the Key Employment Areas identified in the Council's CSUCP and the Key Employment Areas, along with the Urban Core, are the focus of Newcastle and Gateshead's industrial distribution and office development. The designation of sites within Key Employment Areas and as Enterprise Zones means that there are strong drivers for development, as well as ensuring that there is a high level of protection for much needed employment land.

2.62 An update on the progress and recent major developments within the ADZ and Enterprise Zones is set out below.

Newcastle Helix

2.63 The development at Newcastle Helix (formerly Newcastle Helix) represents a major City Centre development and regeneration project in Newcastle. It is a focal point and landmark location for science, technology, business, living and leisure activities. The site comprises;

- The completed Core includes a cluster of science and technology based businesses
- The Key, a temporary facility, was completed in January 2016, providing 219sqm of accommodation at a cost of £900k. This is now occupied by Newcastle University
- The University Urban Sciences Building was completed in August 2017 providing 14,800 m² of accommodation at an approximate cost of £44m
- Newcastle Life Sciences Laboratories Building commenced in March 2017, providing 7,500sqm of accommodation at an approximate cost of £25.8m
- The Learning & Teaching Centre at an approximate cost of £29 million commenced September 2017 and due for completion by September 2019
- The LLP has introduced Legal & General Capital as an investor partner to accelerate commercial development on the Newcastle Helix site
- Grade A Office developments by Legal & General providing 13,000m² has received planning approval and will open in July 2019
- A £30m National Innovation Centre for Data and Ageing is planned for early 2020 subject to planning approval this has consent and is now on site not sure of completion date.
- Newcastle Helix Energy Centre will provide a common energy source for the site at a cost of 16.7m
- Consent has also been approved for a multi storey car park/cycle hub

Stephenson Quarter & Central Gateway

- Stephenson Quarter Phase 1 has now completed.

- The hotel is trading and has been since September 2015
- The Car Park is also trading and officially opened in late December 2015
- The Rocket (3251sqm) is now complete and Convergys, a global leader in customer management services, is the sole tenant of the office accommodation having entered into a lease in June 2016 creating up to 600 new jobs
- Phase 2 has received planning approval for the North East Futures University Technical College (UTC) and a six-storey office development. The UTC has commenced construction with completion expected summer 2018. The School will open in Sept 2018
- Central Gateway Phase 1 redevelopment work has attracted additional private sector investment estimated at £10.78m
- Further works are currently in development to address taxi access, car parking and the provision of improved commercial opportunities for the station as well as encouraging further economic development and investment on the Forth Yards site and beyond

East Pilgrim Street

2.64 East Pilgrim Street represents one of the most strategically important City Centre regeneration areas in the north of England. The first office development on the southern block is expected to comprise of a 14 storey 120,000 sqft office building. The site is currently in the development stage involving £30m of private sector investment and up to £5m of public sector investment. Temporary consent for the Stack (retail units) on the Northern block has been granted and the site is now open.

Marine and Offshore

- The North Bank of Tyne programme works with a variety of partners to continue the growth and investment into the North Bank of the Tyne, supporting the expansion of existing businesses and marketing, encouraging new businesses into the Enterprise Zone area.
- Current North Bank of Tyne Enterprise Zone operators include;
- GE Oil & Gas (Innovation Centre)
- IHC Fraser Hydraulic Power
- Bridon
- Tyne Subsea (Newcastle University)
- JDR Cables

City Skills Hub

- Launched in February 2016 at the city library, the Skills Hub supports economic growth through tackling employment and skills barriers.
- The Skills Hub brings together a range of partners offering career advice and employment support services from across the city, including Connexions, Generation NE, National Careers Service, Newcastle Futures, JET and Supported Employment.

- Young people and adults, both employed and unemployed, are offered one-to-one appointments with advisers from the partner organisations
- Many of the customers who register at the Skills Hub are looking to secure employment or training opportunities (70% have declared themselves as unemployed), whilst others may be seeking careers advice for a potential career move (16% of customers who use the Skills Hub services are employed), and others are still in training and education (12%).
- Between September 2016 and September 2017 almost 3000 appointments had taken place with advisers from the partner organisations, attendance at events and workshops totalled over 1800, and over 260 people had progressed into employment or training as a result of the support they received through the partner organisations.

Housing and Economic Land Availability Assessment (HELAA), (2018)

- 2.65 The HELAA is a technical study that determines the suitability, availability and achievability of land for development. It combines the assessment of land for housing and employment and replaces the Strategic Housing Land Availability Assessment (SHLAA). The HELAA and the ELR both share the same approach to employment site assessments, however the scope of the ELR is greater than the HELAA, assessing the current state of employment within the City in terms of existing and proposed employment land.
- 2.66 The process was previously known as the Strategic Housing Land Availability Assessment SHLAA (2013) and is now known as the HELAA. This change has been made to reflect the fact that to comply with national planning guidance as set out in the NPPG, the process now includes the consideration of employment sites in addition to housing.
- 2.67 The HELAA methodology was consulted on in January 2016. The HELAA itself was subject to consultation in 2017 alongside the draft Development and Allocations Plan from October 2017 to November 2017. It will be consulted on again as part of the evidence base for the Pre-Submission Consultation on the DAP in 2018.
- 2.68 The HELAA will be updated and publicized annually.

North of Tyne Devolution Deal

- 2.69 In November 2017 the North of Tyne devolution deal was announced. It provided the opportunity for the three north of the Tyne Council's, Newcastle, North Tyneside, and Northumberland, to receive a £600 million investment fund. The investment fund and the new mayoral powers that accompany it are expected to generate £1.1 billion for the local economy and to create 10,000 new jobs, leveraging £2.1 billion in private sector investment.
- 2.70 The Government and the three councils have as of April 2018 agreed a 'minded to approve' devolution deal for the North of Tyne. This has potential to bring additional funding to accelerate employment growth.

Neighbouring Local Plans

- 2.71 Durham County Council consulted on the issues and options for the County Durham Plan in June 2016. The Issues and options consultation document established the intention to increase the employment rate within County Durham to 73%. Indicative employment land requirements within the County Durham Employment Land Review Assessment of Future Requirements Interim Report (May 2016) sets out three scenarios which point to a requirement of between 130ha and 270ha gross employment land between 2016 and 2033.
- 2.72 Gateshead Council and Newcastle City Council adopted the CSUCP in March 2015. Newcastle City Council and Gateshead Council are currently preparing the next stage of their Local Plan's, building on the strategic policies provided within the CSUCP. The compatibility of Gateshead and Newcastle's policy approach to employment land was evident through the examination of the joint CSUCP, and the Councils continue to work collaboratively on evidence base preparation and policy development, supporting sustainable economic growth at the heart of the region.
- 2.73 The North Tyneside Local Plan was adopted in June 2017. The plan sets out a requirement for a minimum of 150ha net employment land over the period 2014 to 2032, with sites allocated to meet this requirement, providing for a range of uses across the Borough. The availability of employment land and premises along the River Tyne Corridor, and A19 corridor in North Tyneside are likely to continue to accommodate some regional demand for business land and premises, particularly within the renewable / low carbon technology sector, and for out-of-town office development.
- 2.74 North Tyneside includes a number of key employment sites including Cobalt, and Quorum business parks as well as significant industrial land along the north bank of the River Tyne. It is important that the role of these employment sites is taken into account when considering the future development of employment sites within Newcastle's Local Authority Area.
- 2.75 Northumberland County Council withdrew the Northumberland Local Plan Core Strategy from examination in July 2017. Following the withdrawal of the Northumberland Core Strategy the Council has worked to prepare a new Local Plan. Consultation on the new submission of the draft Local Plan will begin on 4 July 2018 to 15 August 2018.
- 2.76 South Tyneside Council consulted on spatial growth and development options as part of preparation of a new Local Plan in June 2016. Assessments of employment land requirements published to support this consultation indicate a requirement for around 70ha of employment land over a 20 year plan period. The International Advanced Manufacturing Park (IAMP – discussed below) has potential to influence

this employment land requirement, and is not included within the 70ha 'general' employment land requirement identified.

- 2.77 Sunderland City Council will be consulting on the Publication Draft from 15 June to 27 July 2018. This is the final stage of consultation before Sunderland City Council submits the Plan to the Secretary of State for the Ministry of Housing, Communities and Local Government for examination. The draft plan notes recommendations for a requirement of between 95 and 115ha of general employment land to meet identified needs over the plan period.

International Advanced Manufacturing Park (IAMP)

- 2.78 South Tyneside Council and Sunderland City Council have produced and adopted in November 2017, an Area Action Plan for development for the period 2017 to 2032 of up to 150ha of land for employment uses. This site is located within the administrative boundaries of South Tyneside Council and Sunderland City Council, situated close to the Eastern boundary of Gateshead. The IAMP will provide large floorplate industrial premises within the A19 corridor, providing a type and quality of space for business growth that is not currently available elsewhere within the region. Restrictions on the type of uses accommodated within the IAMP mean it will attract growth specifically within the advanced manufacturing and automotive sector, with potential to support the existing Nissan car manufacturing plant, situated to the south of the IAMP. The IAMP will support the Nissan plant with 392,000 sq m of floorspace over 150 ha.
- 2.76 The IAMP is a key project for the SEP and will accommodate more than 5,000 jobs and support a further 10,000 in the wider area through supply chain and multiplier effects. The unique opportunity presented by this project means the anticipated economic growth would not occur without development of the IAMP.
- 2.77 It is difficult to assess with accuracy what the impact of the IAMP will be, whether it will cause businesses related to the supply chain to relocate to the IAMP site or whether the increased economic activity will increase demand in some premises in Newcastle. It is also equally possible that the distance of the IAMP from Newcastle could mean that there is relatively little impact on the City.

3. Economic Context & Prognosis

introduction

- 3.1 In this section Newcastle's economy is analysed looking at areas which employment land policy could influence. It identifies any changes to the economy that have taken place since the adoption of the CSUCP and will support the emerging DAP.
- 3.1.1 The workplace economy is examined, the businesses and the jobs located in the City – highlighting the sectors Newcastle specialise in and how its employment profile has changed. The economic profile of City residents is considered, focusing on their skills and economic well-being. The balance of jobs and workers and their travel-to-work patterns are discussed. This analysis is important in identifying the existing strengths and weaknesses of the City's economy, as well as those factors likely to influence the nature and level of future demand for employment land.

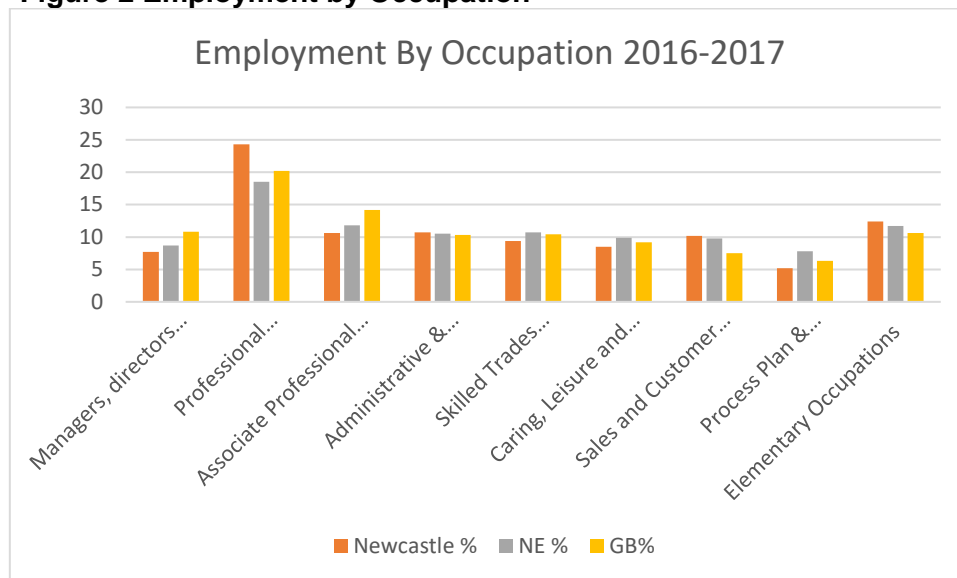
The Workplace Economy

- 3.2 Recent trends in the City are summarised below. These allow the City's economy to be compared with that of Tyne and Wear, the North East region and Great Britain as a whole.
- 3.3 Newcastle has recovered relatively well from the recession of 2007. Both the employment rate and the absolute number of employed people in the City are now at levels comparable to before the recession. However employment in the City is still lower than the national average, and other major cities such as Leeds and Sheffield.
- 3.4 Years of austerity measures, have had an impact on the North East Local Enterprise Partnership (NELEP) economic area hard. Newcastle performs similarly to other Core Cities but has an unemployment rate above the national average. Between 2009 and June 2017 unemployment fell from 13.8% of economically active people aged 16-64 to 6.5%. It is now at its lowest rate since 2005. The gap between Newcastle and the national average unemployment rate has narrowed significantly since the peak of the recession. On the surface this is a positive change, although due to the transition to universal credit there are no reliable data sources on the number of claimant unemployed people in the city. The figures also do not show what quality of jobs are being taken up, or whether they are full time, part time, permanent or fixed term contracts.
- 3.5 The effects of the decision by the UK to leave the EU are unclear at present, although the more pessimistic predictions suggest that it could lead to a significant contraction in the UK, and the North East Region's economy, with an associated rise in unemployment.

Industrial Structure

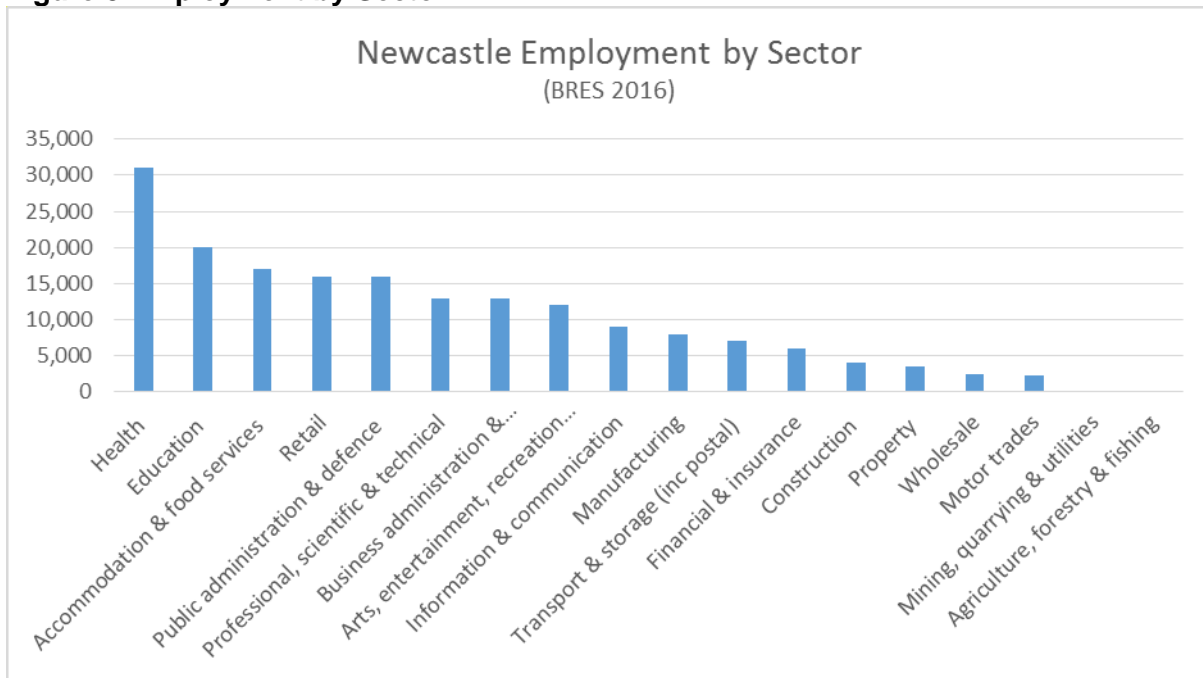
- 3.6 According to latest 'Employee Jobs' data available from the Office National Statistics (2016), there are approximately 178,000 jobs in Newcastle. During 1998 – 2016, the number of employees jobs in the City grew 19.45% from 149,000 to 178,000 exceeding the national average of 9.2%.
- 3.7 Figure 5 & 6 illustrate the balance of sector activity in Newcastle. They show that:
- manufacturing is lower than both the rest of the North East and England as a whole and the UK average (5.2% of jobs compared with 6.3% nationally and 7.8% regionally);
 - of particular note for the office economy and office demand, the Professional Occupations accounted for 24.3% of jobs, above both the national average of 20.20% and the regional average of 18.5%;
 - Newcastle has an over-representation of jobs in Public Administration, reflecting the fact that the area is the administrative centre for Tyne & Wear. 37.6% of Newcastle's jobs are in public administration, education and health, above both the regional average of 32.2% and the national average of 26.5%; and
 - Newcastle has a below average proportion of jobs in construction (2.2%) to the North East (4.0%) and nationally (4.6%).

Figure 2 Employment by Occupation



Source: Nomis (www.nomisweb.co.uk) – Labour Market Profile

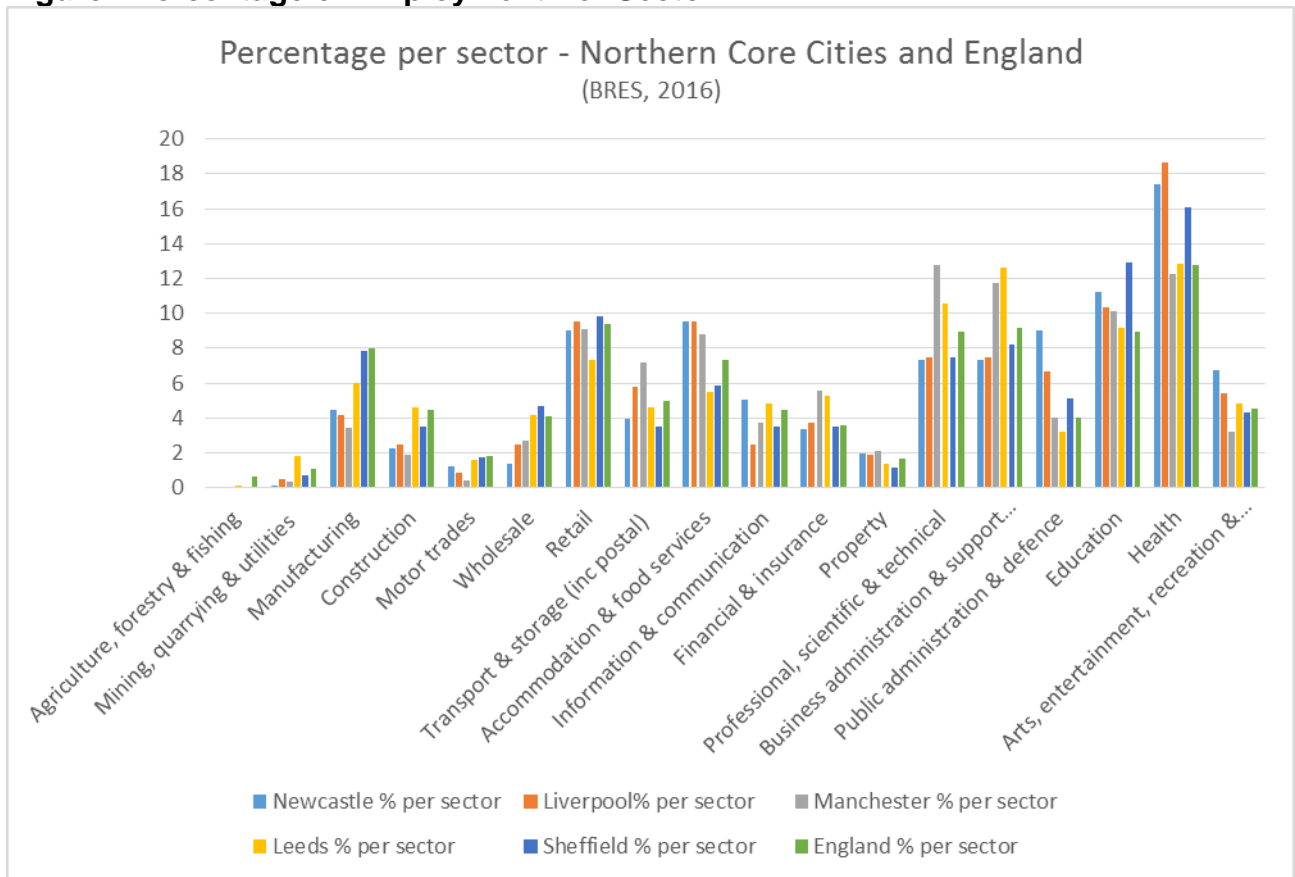
Figure 3 Employment by Sector



3.8 Health is the largest employment sector in Newcastle, with over 30,000 employees in 2016. It is also our fastest growing sector in terms of numbers and third fastest growing proportionally between 2009-2015, having grown by 6,000 employees or 23%. Other high growth sectors include information and communications, which has grown by nearly 29%, accommodation and food services (25%) and arts, entertainment and recreation. Sectors which have seen a decline over the period include finance and insurance (down by 25%), professional, scientific and technical (down by around 7%) and public administration and defence (down by nearly 6%).

3.9 Despite the small decreases in professional, scientific, and technical, and public administration and defence sectors as well as a more significant decline in finance and insurance, the significant positive growth in sectors such as information and communications is very encouraging and illustrates the City's strong commitment to, and role as a centre of cutting edge digital employment and innovation. The success of accommodation and food services is encouraging for the City's vibrancy and economy as a whole and is also reflective of a more general shift nationwide in terms of the role of city centres as increasingly being focused around leisure and recreational roles as opposed to a strictly retail orientation. The decline of financial and insurance sectors over the period is likely strongly linked to the impact of the recession on the financial sector and it is reasonable to conclude that this sector will rebound over coming economic cycles.

Figure : Percentage of Employment Per Sector

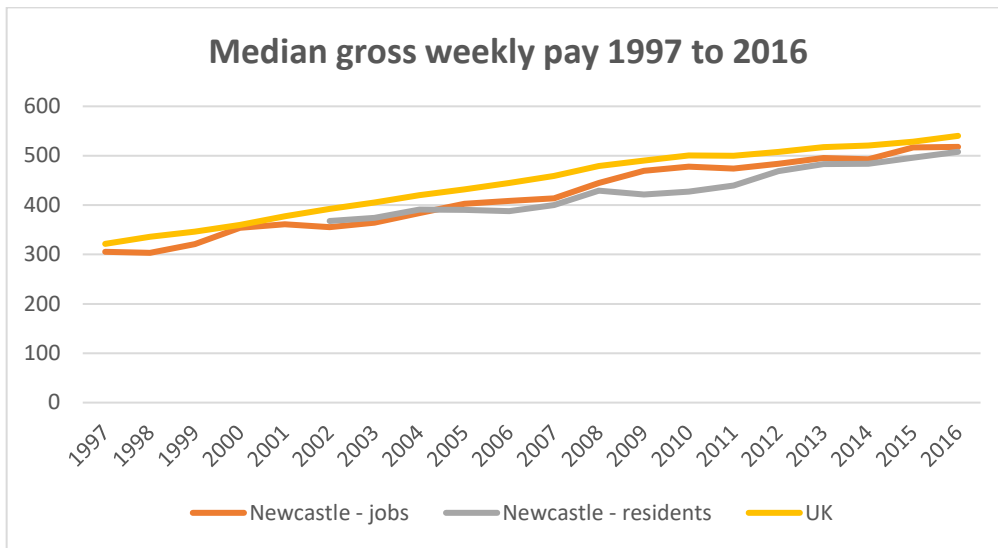


3.10 As the chart above shows, the high proportion of health jobs in Newcastle is significantly above the England average. It is also clear that despite the recent decline in the number of jobs in Newcastle in public administration and defence, there is still a significantly higher proportion of jobs in Newcastle in this sector than in any other Northern Core City and more than twice the UK average. The high proportion of health jobs and public sector jobs in Newcastle can both be seen in part as indicative of a number of large institutional employers in the city. However they are also possibly indicative of an under-developed private sector. Closing the gap in the private sector employment density by 50% by 2024 is one of the core targets set out in the NELEP. Between 2015 and 2016, the gap between private sector employment compared to the rest of the country excluding London, had increased. This was reflective of a small increase in private sector employment per head across England excluding London compared to a stable position in the NELEP area.

3.11 It is essential that we ensure that we provide opportunities for our high-growth potential sectors to expand in the city.

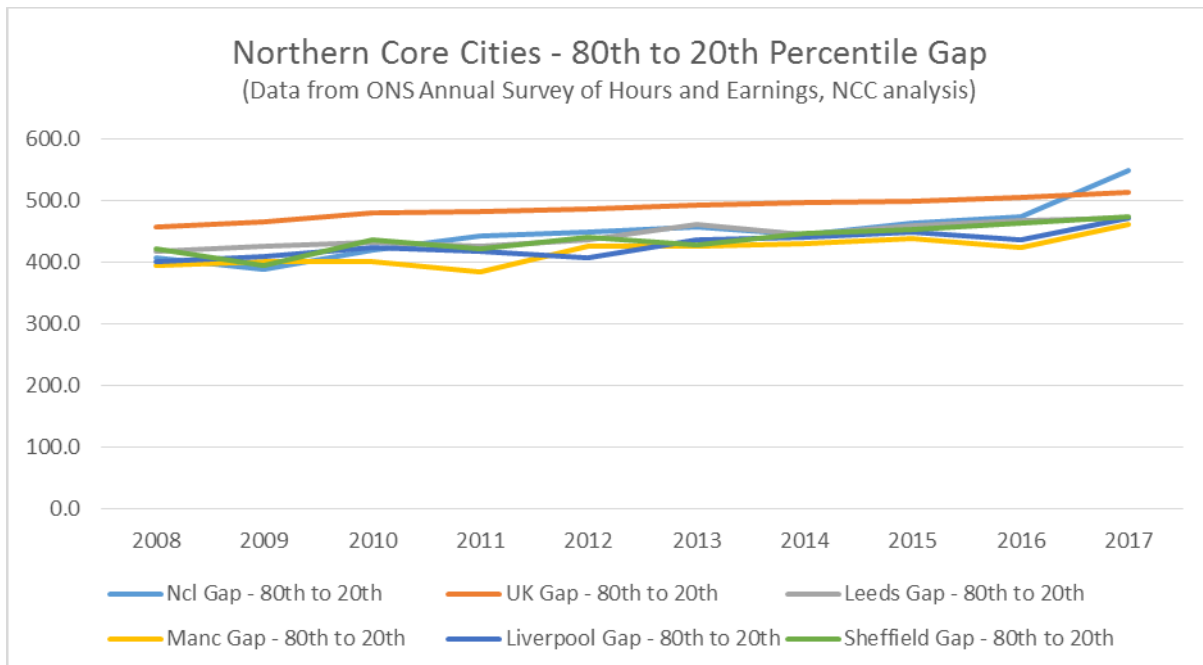
Pay and quality of jobs

Figure 5: Median Gross Weekly Pay 1997 to 2016 (NOMIS)



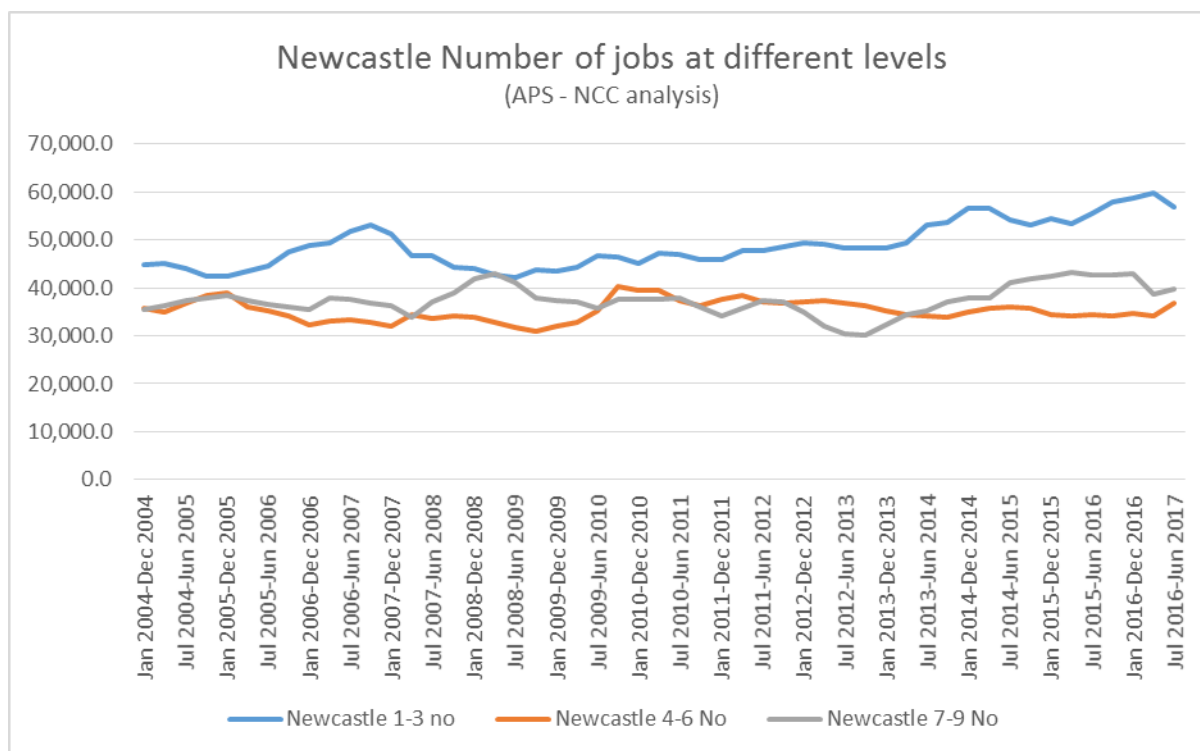
3.12 Median pay growth in Newcastle has tracked the UK average, but the figure remains lower. Taking into account inflation, this means there has been a real terms decrease in pay in the city, which is more marked for our residents. However, there is a more divided picture if we consider pay at the lower and higher ends of the scale.

Figure 6: Northern Core Cities – 80th to 20th Percentile Gap 2008 to 2017



3.13 This pay gap is reflected in the quality of jobs available in the city.

Figure 7: Newcastle Number of Jobs at Different Levels



- 3.14 The overall number of jobs has been increasing and the biggest increase has been seen in the number of jobs in the top three Standard Occupation Codes (1-3: managers, directors and senior officials; professional occupations; and associate professional and technical occupations), which now make up over 42% of all jobs in the city. At the same time, Newcastle has seen the number of jobs in the next three classes (4-6: administrative and secretarial; skilled trades; caring leisure and other services) fall by around 3,500 since 2008, accounting for only about 27% of jobs. The number of jobs in Newcastle in the lowest three categories (7-9: sales and customer service; process, plant and machine operatives; and elementary occupations) has risen gradually over the last few years, but there are still fewer jobs in those areas than there were in 2008.
- 3.12 This trend is reflective of a national shift towards a narrowed labour market in terms of mid-level jobs with a greater proportion of employees being employed in less secure and potentially lower wage jobs. It is important in the city in the context of potentially increased competition for entry level jobs (eg from more students working, very pro-active government labour market policies, a push for extending working lives) and the evidence for the increasing wage divide between those in lower-paid employment and those in more highly skilled sectors. Looking ahead, with the prospect of automation affecting an increasing proportion of jobs in Newcastle (as elsewhere, see, for example, the 2018 Centre for Cities City Outlook), it is essential that Newcastle focuses on providing the right conditions for highly skilled occupations and providing residents with the training opportunities they need to access them.
- 3.15 The evidence discussed above shows that the number of well-paid and highly skilled jobs in the City has increased significantly. This is a positive development for the City and the wider region which suggests that Newcastle continues to be a central location in the region for quality jobs and a high skill economy. It is also true

however that the proportion of middle tier jobs, particularly those in skilled trades, and services has decreased while the more elementary occupations have increased. The Council is committed to ensuring that the City supports a diverse job market with good quality jobs for all its residents. Ensuring that sufficient land is available for employment of the right type and in the right locations is a key factor in ensuring that a range of quality employment opportunities are available.

- 3.16 The Council should continue to encourage employment in better jobs, as part of its commitment to NELEP targets. In particular the goal of creating 100,000 more and better jobs by 2024. It is essential that from a planning point of view, the Council maintain a supply of employment land across the city, to cater for the needs of a diverse range of employers, and specifically for those employers in sectors which can provide high quality, stable employment.

Office, Industry and Warehousing

- 3.17 Employment land covers B1, B2, and B8 uses, which are often referred to as business or B-space jobs i.e. jobs in office, industrial and warehousing sectors. In assessing sectoral employment, a range of economic sectors have been examined based on the Standard Industrial Classifications (SIC '03).

- 3.18 For the purposes of this ELR it is considered that Offices are those which fall into the classification of B1 Business uses as described in the Town and Country Planning (Use Classes) Order 1987 (as amended). Offices of the kind falling within Use Class A2 (financial services such as banks and building societies, professional services, other than health and medical services, and including estate and employment agencies) are not considered as part of this report.

- 3.19 Industrial space is occupied by businesses in manufacturing, some parts of construction, and motor repairs and maintenance. Warehousing is occupied by a variety of transport and distribution activities.

- 3.20 Newcastle has a higher proportion of offices compared the national average, and the North East average. There are proportionally less jobs in industry and warehousing compared with the North East and England. This reflects Newcastle's role as regional capital, premier office location for the North East. It has a strong reputation of banking, corporate finance, investment management and insurance sectors. Its relatively constrained geography, has influenced the siting of modern industrial and warehousing locations, many of which are on the edge of the City. The SEP identifies that the North East is under represented in terms of high quality jobs compared to the rest of the country. It sets a target that by 2024, 60% of the employment growth should have been in higher paid and higher skilled jobs. Newcastle has a significant role to play in providing the right premises and environment within the City. The SEP also cites a need to establish a varied portfolio of potential development sites with the right infrastructure to leverage private sector investment in key existing and new employment sites and ensure the area can compete for investment, support the growth of existing businesses and accommodate the ambition for 100,000 more jobs. It suggests that in order to maximise growth in the North East's economy, strategies, plans and programmes will focus appropriate enabling investment towards the key employment locations

including along the A1 and A19, the River Tyne, and the coast. These locations include:

- The urban cores of Newcastle and Gateshead;
- The North East Enterprise Zone;
- The International Advanced Manufacturing Park in Sunderland and South Tyneside;
- The two largest industrial estates in the area (Team Valley Trading Estate and Aycliffe Business Park, business and industrial estates near the northern entrance to the Tyne Tunnel, and key employment locations along our main transport corridors; and
- Newcastle International Airport Business Park.

Employment Change

3.21 The ONS jobs density (2016) illustrates that there are 0.97 jobs to the working age population. Jobs density is defined as the number of jobs in an area divided by the resident population aged 16-64 in that area. For example, a job density of 1.0 would mean that there is one job for every resident aged 16-64.

VAT Registered Business

3.22 The latest figures indicating the number of businesses, together with the percentage of registrations and de-registrations in Newcastle in 20015-2016 is shown in Figure 11 below.

Figure 8: Births and Deaths of VAT Registered Businesses (2016)

	Newcastle	North East	Great Britain
Births	14.4%	14.3%	15.3%
Deaths	13.8%	11.5%	11.5%
Active enterprises	8,385	68,005	2,527,515

Source, ONS business demography

3.23 As can be seen in Figure 11 above, Newcastle experienced a modest number of births. This was slightly greater than the regional average and lower than the national average. Newcastle also experienced higher than average business deaths suggesting business survival rates are poorer in Newcastle than elsewhere.

Figure 9: Number of Businesses and Business Density (NOMIS time series)

Date	Newcastle Upon Tyne (Enterprises)	North East (Enterprises)	Great Britain (Enterprises)
2010	6,200	55,865	2,031,845
2011	6,120	54,770	2,012,900
2012	6,370	56,420	2,081,700
2013	6,385	56,430	2,000,890
2014	6,680	59,340	2,197,000
2015	7,320	65,735	2,382,370
2016	7,665	67,800	2,485,410
2017	7,925	69,830	2,598,095
Percentage increase over period (%)	27.8	24.9	27.8

3.24 ONS data indicates that the number of businesses in Newcastle has increased steadily since 2011 by around 30% to nearly 8,000 in 2017. This growth has been led primarily by growth in the number of micro-enterprises in the city. As we consider the requirements for employment land and office space for Newcastle, we need to take into account the needs that these small, emerging businesses have for small-scale, flexible office accommodation. Ensuring that suitable units, which vary in terms of size, location, and rental cost, is essential to ensure that Newcastle can accommodate the full spectrum of demand from potential businesses, particularly those which at the smaller end of the market, such as start up businesses.

3.25 Whilst the professional, scientific and technical, the financial and insurance and the business administration and support sectors may have seen overall employment decline, they have also seen big increases since 2010 in the number of business units, which is perhaps indicative of improving productivity. Our fastest growing sector since 2010 is health, which has seen the number of businesses has increased by over 50%, followed closely by information and communications, where there has been a 45% increase in the number of businesses.

3.26 The increase in the number of businesses in Newcastle is reflected in an increase in business density in the city. Business density in Newcastle is improving at roughly the same rate as the national average, but given our low base. Other Northern core cities are improving on this measure at a faster rate. The number of enterprises per 10k of population in Newcastle grew by 12% between 2010-2015, the same as the national rate, whereas the same measure has increased by more than 25% in Leeds and Manchester and they have started to close the gap with the UK average.

Figure 10: Business Density as proportion of UK average (2015)

	2010	As proportion of UK average	2015	As proportion of UK average	Increase of...
UK	335	100%	376	100%	12%
Leeds	272	81%	340	90%	25%
Manchester	254	76%	321	85%	26%
Newcastle	224	67%	250	66%	12%

(NCC analysis of Nomis data).

Newcastle's People

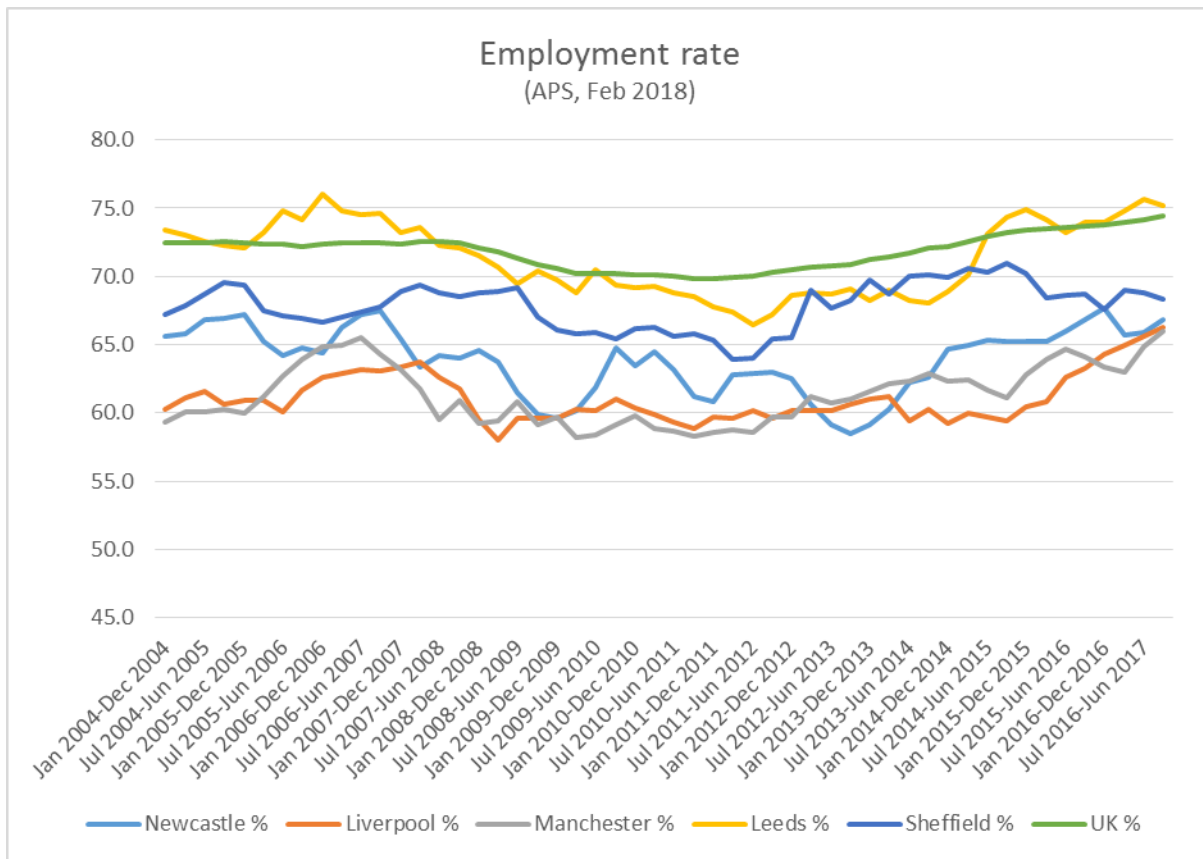
Population

3.27 In 2017, the resident population of Newcastle was estimated at 295,800 up from 274,500 in 1998. This represents marginal growth of 0.76%.

Economic Activity

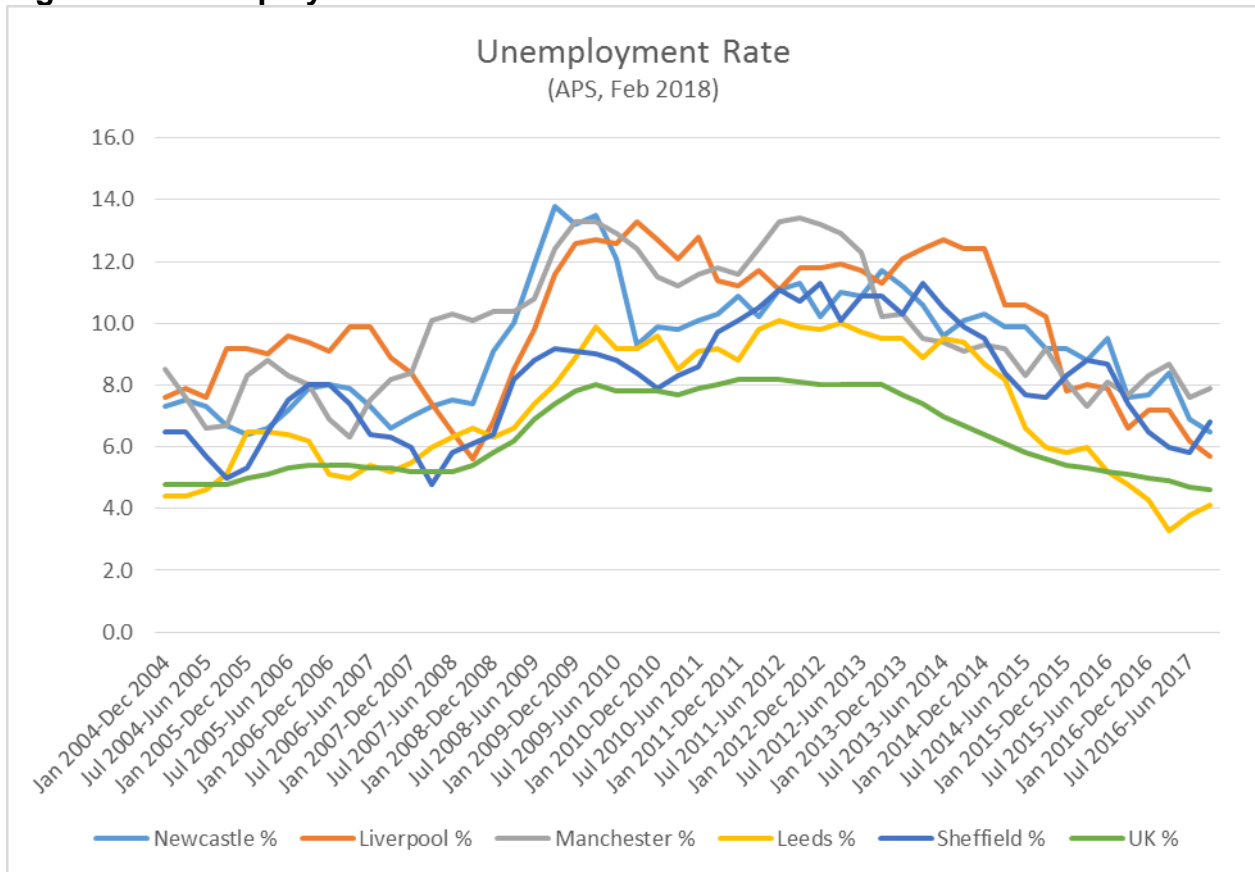
3.28 In 2017 the employment rate in Newcastle stood at 66.6%, around its highest level since before the economic downturn in 2007. In absolute numbers, at 137,000 the number of people in employment in Newcastle is almost 20,000 more than at the peak of the recession in around 2012 and around 10% more than were employed in the city even when the employment rate was at its highest in 2007. Employment in the city remains, however, below the 2017 regional average of 70.6% and the 2017 national average of 74%.

Figure 11: Employment Rate 2018



3.29 As with most other Northern Core Cities, the unemployment rate in Newcastle has been above the national average consistently for a long period of time. It has fallen from 10.9% of economically active people aged 16-64 in 2009 to 6.9%, or 10,100 people. This is the lowest rate since 2005. The gap between the Newcastle rate and the national average has narrowed significantly since the peak of the recession: from a 3.2 percentage point gap in 2009 to 2.5 percentage points in 2017.

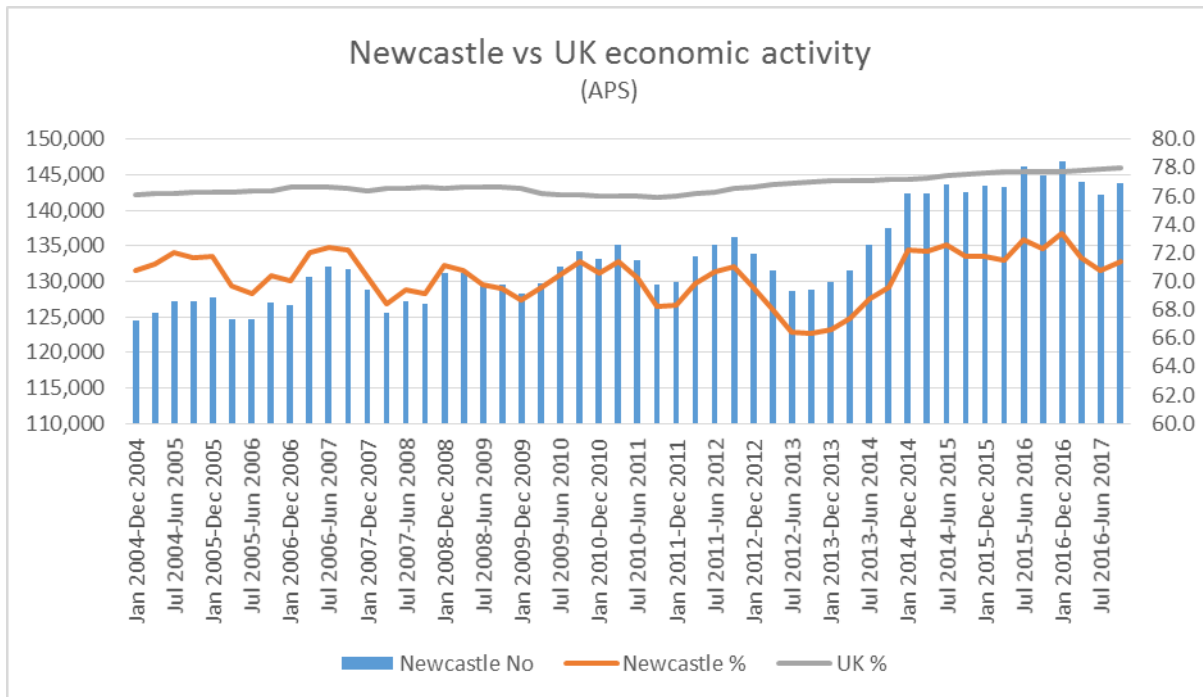
Figure 12: Unemployment Rate 2018



3.30 The trends of increasing employment and falling unemployment can be ascribed both to improvements in the labour market (nationally and locally) and potentially to a national policy focus on getting out of work people into jobs.

3.31 The number of people aged 16-64 who are economically active in the city has increased by over 15,000 since 2012. Changes to inactive groups in the city suggest that increasing numbers of economically active people in the 50-64 group and increasing numbers of students working or looking for work have driven this rise. It is important that Newcastle's labour market is able to continue to meet the employment needs of these groups and capitalise on the skills and experience that they can bring to the labour market.

Figure 13 Newcastle vs UK Economic Activity



3.32 The table above demonstrates that Newcastle is still behind the rest of the country as far as economic activity is concerned. Addressing this gap is a priority of the SEP and in order to do so, a robust approach to encouraging employment should be taken. The first step in such an approach should be to ensure that there is enough of a range and choice of accommodation in terms of employment land available for future development as well as to ensure that there are enough premises available to accommodate present and possible future needs. Ensuring that employment premises are not lost to inappropriate uses is essential, particularly given growing evidence of demand for industrial uses, particularly among smaller start up operations, as well as the growing trend in converting offices to residential uses via the prior approval process.

Qualifications

Figure 14 Qualifications (December 2017)

Qualification	Newcastle upon Tyne (%)	North East (%)	Great Britain (%)
NVQ4 and above	37.3%	31.7%	38.6%
NVQ3 and above	61.0%	52.1%	57.2%
NVQ2 and above	77.5%	72.6%	74.7%
NVQ1 and above	85.2%	84.1%	85.4%
Other qualifications	5.9%	6.3%	6.9%
No qualifications	9.0%	9.6%	7.7%

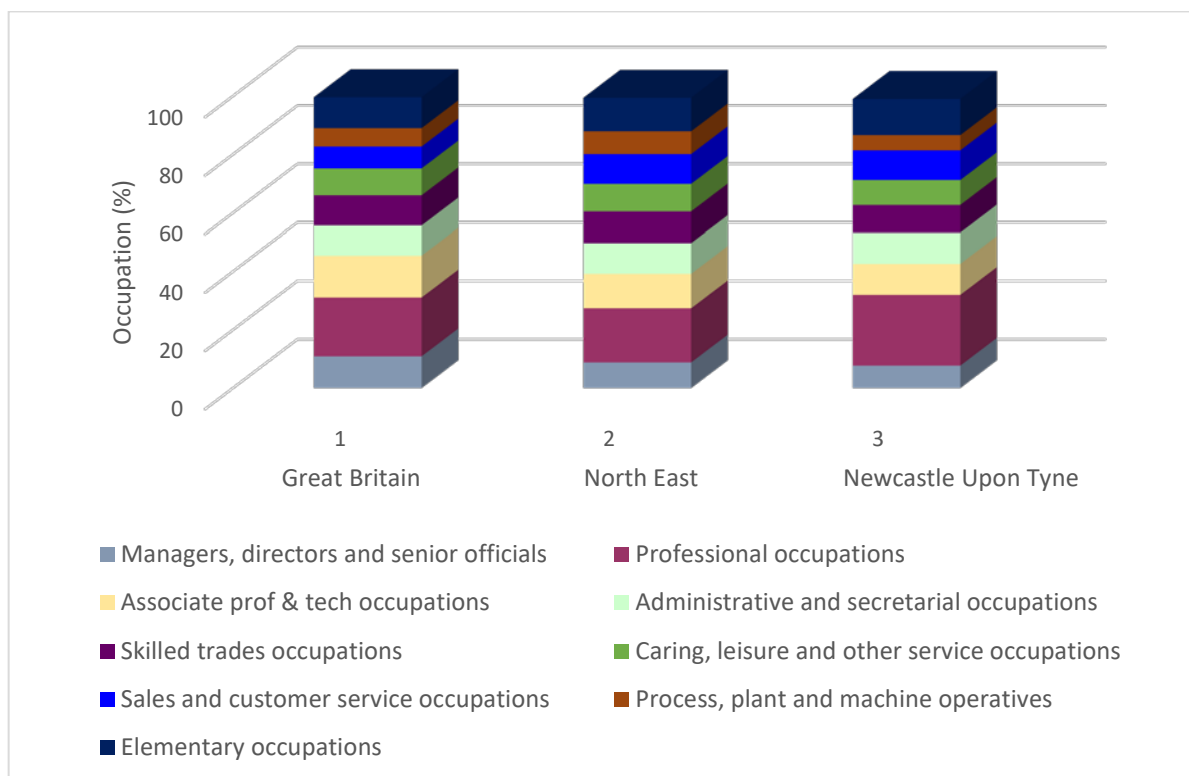
Source: Nomis (www.nomisweb.co.uk), 2017

3.33 With two world class universities and Newcastle College located in the city, Newcastle is home to a highly skilled workforce, with 37.3% of its working age

population qualified to NVQ level 4 or above: above the regional average but slightly below the national average. The city has a lower proportion of its population with no qualifications at 9%, however this is still above the national average. This group includes a high proportion of older workers who, as noted above, are increasingly staying in the labour market for longer. Whilst the size of the group with low or no qualifications is falling, it is essential that the city and employers continue to provide opportunities and support for those with lower skill levels. It is essential that we provide a range of employment opportunities to enable people to keep working throughout their lives recognising that people may in future remain in work.

Occupation Profile (Data source NOMIS Labour Market Profile)

Figure 15: Occupation Profile 2017



Source: Nomis (www.nomisweb.co.uk) – Annual Population Survey

3.34 Compared with the North East, Newcastle has a higher proportion of its residents working in Managerial, Professional and Technical occupations, but it still lags behind the national figure (43% compared with 39.2% regionally and 45.6% nationally). However, it has higher proportion of residents in Sales and Customer Service occupations (10.2% compared to 9.8% in the North East and 7.5% nationally). There are higher proportions of residents employed in Elementary occupations (12.4% compared with 11.7% in the North East and 10.6% the United Kingdom) Elementary occupations consist of simple and routine tasks which mainly require the use of hand-held tools and often some physical effort.

3.35 At £533 the gross weekly earnings of Newcastle’s residents are slightly above the regional average of £504.1 and below the national average of £553.

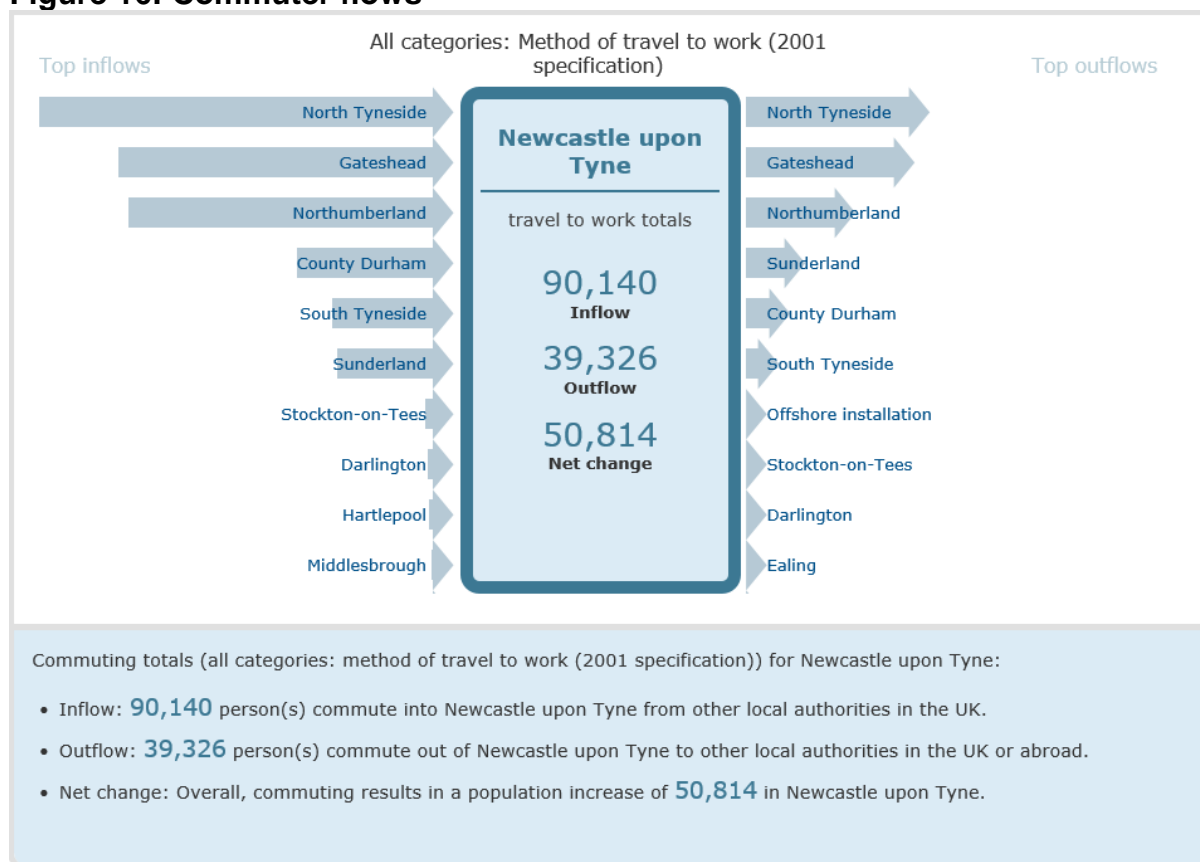
3.36 Newcastle has relatively high levels of deprivation, being ranked by the English Indices of Deprivation as the 53rd most deprived of the 326 English local authorities as of 2015. Despite this it benefits from above average weekly earnings which suggests that the City is providing well paid jobs, but that there is still room to provide more and better jobs in the City.

Travel to Work

3.27 Job density in Newcastle is 0.97, which is higher than the national and regional averages (0.84 and 0.71 respectively) and is characteristic of Newcastle's role as a regional capital. It has fallen since its peak in 2011 of 1.11 at a time when the national and regional rates rose (albeit slightly). This could perhaps be attributed to the movement of some jobs out of the city centre and the increase in the size of the labour market in the city. Nevertheless the City's high job density is a positive feature, providing opportunities to enhance the role of the City as a key regional employer and economic centre.

3.28 ONS data indicates that Newcastle has a workplace population of 169,652, with 90,140 in commuters and just 39,326 out-commuters. This shows the relative pull of Newcastle as a regional centre of employment. Newcastle's employment influence covers a wide geographical area with more than double the number of workers commuting into the City to work compared to those commuting out.

Figure 16: Commuter flows



(Source: ONS 2011 Census)

Future Potential

- 3.29 In order to identify the economic potential of Newcastle, it is important to consider what employment 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 their local employment and their recent growth potential.
- 3.30 Locational quotients measure whether an area has a particular specialism in an industry or trade, and are calculated by dividing the proportion of employees in the sector and the benchmark area (in the case of the North East). It then shows what the change has been over the past 5 years.
- 3.31 Figure 17 below assesses the City's current sectoral strengths through the use of location quotients, which measure the concentration of employment in an industry at the local authority level relative to the regional average.

Figure 17: Locational Quotient Analysis

Sector	Employees 2011 Newcastle	Employees Newcastle 2016	Employees 2016 Regional Average	LQ	Change between 2011-2016
Agriculture, forestry and fishing	153	0	7000	0	-153
Mining quarrying	231	10	1000	0.056964273	-221
Manufacturing	7,315	8000	126000	0.361677924	685
Electricity, Gas, Steam and Air Conditioning	691	100	6000	0.094940455	-591
Water supply; Sewerage, Waste Management	537	75	5000	0.08544641	-462
Construction	7,613	4000	66000	0.345238018	-3613
Wholesale	17,779	21000	165000	0.724999839	3221
Transport & storage (inc postal)	5,520	7000	52000	0.766826752	1480
Accommodation & food services	10,314	17000	95000	1.019360675	6686
Information and Communication	4,470	9000	42000	1.220662994	4530
Financial and Insurance Activities	3,817	6000	24000	1.424106826	2183
Real Estate Activities	1,704	3500	21000	0.949405	33296
Professional, scientific and technical activities	7,307	13000	78000	0.949404551	5693
Administrative and support service activities	5,732	13000	91000	0.813775329	7268
Public administration and defence	8,517	16000	70000	1.302040526	7483

Education	12,662	20000	112000	1.017219161	7338
Human health and social work activities	18,794	31000	179000	0.986532103	12206
Other service activities Arts, entertainment and recreation Activities of households as employers;...	6,179	11000	63000	0.994614291	4821

Source: Nomis Employee Jobs (2016), NCC analysis

- 3.37 Figure 17 shows that no sector has a location quotient above 2.1, indicating that Newcastle does not have an overwhelming over-representation in any particular sector. It can, however be seen that Newcastle has a modest over-representation in a varied range of sectors. This includes high value sectors such as banking, finance and insurance and public administration, education and health. The over-representation of these sectors is an indication that the Newcastle is the regional capital of Tyne and Wear offering some competitive advantage to these sectors that enables them to flourish within the City.
- 3.38 The data set out in Figure 17 above indicates that Newcastle has a strong service base
- 3.39 Newcastle has an under representation when compared with the regional average in a number of manufacturing and distribution services. This could indicate that within the regional context, the City has successfully made the transition from an industrial based economy to a service based economy and would make sense considering Newcastle's role as the regions primary office location. Notwithstanding this it is important that the City maintain varied employment opportunities across multiple sectors, to avoid over dependence on a one sector, and there are a variety of sites outside the Urban Core which currently provide employment land and premises for general employment uses, such as industrial and warehousing, and limited out of town office development. Specific allocations as part of the CSUCP Key Employment Areas at Walker Riverside and Newcastle International Airport provide land for more specific purposes. The land allocated at the airport will support general employment land for small business units, industrial and warehousing, and land predominantly for air freight and warehousing. Land is also allocated at the airport for a large single user. The Key Employment area at Walker Riverside benefits from Enterprise Zone status and has become a major location for advanced manufacturing and offshore related industries including renewable energy and low carbon manufacturing.

Sectors with Growth Potential

- 3.40 A number of sectors, deemed to be important to the local economy, have had their growth potential examined. Sectors have been deemed important because of factors such as their economic output, the number of people they employ, the profile they have themselves and how they contribute to the City's image and reputation and, finally, their growth potential. The analysis draws upon the findings of research undertaken by SEEDA¹ which examined the key drivers of business location by sector. Although it is acknowledged that the SEEDA work was not produced to reflect the North East commercial property market, it is considered that many of the key findings are likely to be true for the study area.

Financial / Business Services

¹ Spatial Requirements of Key Sectors in the South East, SEEDA (2004)

- 3.41 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 factors 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. A review of available floorspace at Quorum and Cobalt Business parks, considered in more detail later in this report, has shown that both sites still have significant amounts of floorspace available. The North Tyneside Local Plan allocated sites E021 Cobalt, and E010 Quorum in its Local Plan. There is still allocated available land for each site, 25.29 ha at Balliol Business Park East (Quorum), and 6.25 ha at Cobalt Business Park. The remaining land at both of these sites is anticipated to be developed towards the end of the Plan Period in 2032. However once these sites are fully let, pressure for floorspace is likely to increase. It is anticipated that this could be met at Newcastle International Airport.
- 3.42 As the regional centre, Newcastle's economy has a high representation of business services. The SEP identifies this sector as a being key to the economic growth of the City and the wider region.
- 3.43 In order to successfully attract a greater number of businesses in the sector, there will be a need to provide more appropriate accommodation in the Urban Core. The development of high quality, modern Grade A office accommodation at Gallowgate, Newcastle Helix and Stephenson Quarter will make a significant contribution to this. Development at Newcastle Helix, and Stephenson Quarter is ongoing, East Pilgrim Street is undergoing site preparations for development. In the longer term, there is strong potential for future growth in business and financial services.

Distribution

- 3.36 Key locational factors for distribution and logistics activities are the availability of low cost warehousing, storage and distribution sites, whilst access to the strategic road network is essential. This sector is under-represented in Newcastle with warehousing accounting for 7000 jobs. Despite being under represented compared to the wider regional average, the number of jobs in the sector have increased over the past several years.
- 3.37 Newcastle plays a relatively smaller role in the distribution sector than surrounding authorities, and a greater one in terms of the financial services and other office based sectors. This is reasonable considering that the City is compact compared to its neighbours as well as being surrounded by neighbouring authorities such as Gateshead and North Tyneside which are both home to significant manufacturing and distribution sectors.

- 3.38 Overall there appears to be scope for moderate growth in the distribution / logistics sector, although it will be critical to ensure the continued availability of large, low cost sites with good accessibility.

General Manufacturing

- 3.39 Newcastle has a low proportion of employment in manufacturing relative to regional and national averages. This sector is relatively cost sensitive and therefore access to a supply of affordable sites and premises will remain important, although competition from lower cost locations abroad continues to increase. Other key locational factors for the sector include good transport accessibility and an appropriately skilled local labour force.

Advanced Manufacturing / Engineering

- 3.40 This sector traditionally comprises of higher value manufacturing and engineering that rely upon greater technological and skills outputs. Important locational factors for the sector include proximity to the strategic road network, availability of high quality business park environments and flexible / affordable workspace. However, the critical factor is the availability of a skilled, qualified and experienced workforce.
- 3.41 Newcastle has below average base in these sectors, and forecasts predict further decline.
- 3.42 There has been considerable growth in this sector in recent years, in particular at Walker Riverside, which has been identified as a key area for development in the SEP.
- 3.43 Elsewhere in the region, Sunderland City Council and South Tyneside Council have adopted an AAP for the International Advanced Manufacturing Park. The IAMP is a key project for the SEP, and will make a significant contribution to the region's economic growth. Once developed, the IAMP will accommodate more than 5,000 jobs, and support a further 10,000 in the wider area through supply chain and multiplier effects. The development of the IAMP has the potential to encourage warehousing and other related industrial activities in the wider region, for example at Follingsby.

Information Technology

- 3.44 The Digital and tech sector continues to experience significant growth with predicted growth of 28%² in the next three years, Newcastle's tech sector is at the heart of a growing North East cluster. Important locational factors for the sector can include a high quality ICT infrastructure and the availability of a skilled workforce, as well as proximity to major metropolitan centres and the

² Growing the Digital Technology Sector; the Auxin Partnership; Jul 2016

market opportunities they provide. Additionally, ICT businesses can be attracted to areas of high environmental quality.

- 3.45 Newcastle currently has a modest over-representation of employment in computer related activities. This small over representation is likely due to the City's pre-eminence as a location for science and R&D related activities as well as it being home to two major universities.
- 3.46 Overall, this sector is considered to offer the potential for modest growth. This may increase if financial and business services increase in the area. This is because the sector is a key driver of demand for ICT services. The SEP also identifies the digital sector as a having significant potential for growth. The Council should endeavour to encourage this sector both to improve its economy and to meet the requirements of the SEP.

Environmental Technologies / Energy

- 3.47 The North East has seen more than 60%³ growth in the energy sector over the past four years, Newcastle Helix will be home to the National Centre for Energy Systems Integration and there are several key testing facilities along the North Bank of the Tyne, including deep dry docks and hyperbaric testing facilities.
- 3.48 This sector includes activities such as renewable energy technologies, recycling, water treatment, decontamination and other environmental consultancy. Key locational considerations include the availability of a skilled labour force, proximity to universities with relevant R&D facilities, access to customers/suppliers and available incubator/move-on facilities.
- 3.49 Offshore engineering and the markets of recycling and renewable energy have been identified as niche growth sectors for Newcastle. Walker Riverside has seen significant development as the focus of this sector in Newcastle.
- 3.50 Development between 2010 and 2018 at Neptune Energy Park and has included;
- 700 Tonne Heavy Load Out Pad (Measuring 27mx27m designed for a blanket uniformity distributed load of 10 Tonnes per square metre. The total load that can be placed on the platform is 7300 Tonnes)
 - 1,000 Metre Deep Water Quay
 - 100 Acres Development Land
 - Heavy Storage Areas / Serviced Office Accommodation

³ Growing the Digital Technology Sector: the Auxin Partnership; Jul 2016

- 500,000sq ft Warehousing
- 250 tonne of Mobile Crane Capacity
- Deep Water Berth Dredged to 8.5 Metres Below Chart Datum
- Heavy + Abnormal Lift Specialists
- Freight Forwarding Services
- Designated Abnormal Load Routes
- 218m x 32m Dry Dock Facility
- Marine Engineering Services
- Several remaining Development Areas
- Colocation Design & Build space available

Healthcare / Biotechnology

- 3.51 The primary locational driver for the sector is access to relevant research and development activity, with many business start-ups requiring close university links. Additionally, access to a pool of suitable graduate labour and proximity to existing bioscience clusters can be important to businesses, whilst large, lower-cost sites are often sought for production facilities. Locations with good access to major metropolitan centres are often viewed as preferable.
- 3.52 Newcastle performs well against a number of locational criteria, including proximity to research activity, notably Newcastle and Northumbria universities. Newcastle, with the development of Newcastle Helix is anticipated to capture the majority of sub-regional demand for the sector.
- 3.53 Development at Newcastle Helix is well underway, and once completed the 24 acre site will provide mixed use facilities ranging from Grade A office space to University research and development facilities, and will be the largest development of its kind in the UK. It will provide an estimated 4,000 jobs. Phase 1 is now complete and fully occupied with Phase 2 set to include three National Centres of Excellence. It will bring forward 200,000 sq ft of Grade A office space in addition to what has been brought forward as part of Phase 1.
- 3.54 Developments at Newcastle Helix include;
- **THE CORE:** Opened in November 2014, and designed with urban sustainability at its heart, The Core spans seven floors and offers flexible office space starting from 200 sq. ft. Free access to communal spaces throughout the building creates an environment for collaboration and innovation. The building houses nationally significant academic and industry research partnerships and found within The Core is the Cloud Innovation Centre, aiming to help businesses and the public sector take advantage of cloud computing to improve competitiveness, make new products and up-skill the region.

- **NEWCASTLE LABORATORY:** Planned to open in Autumn 2018 the facility will provide high-quality lab and office space for companies involved in the application and commercialisation of life sciences research and development. Newcastle laboratory will provide 76,000 sq. ft. of commercial laboratory and office space, to support the commercialisation of products and services.
- **OFFICE SPACE:** Legal & General Capital are investing in two premium plots on Newcastle Helix offering a total of 200,000 sq. ft. of Grade A office space. Planning approval has been gained for the first office (120,000 sq. ft.) which will be complete in Spring 2019, and the second to follow.
- **URBAN SCIENCES BUILDING (USB):** Opened in September 2017 the 100,000 sq. ft. building has created a new home for Newcastle University's Institute for Sustainability and the School of Computing. The USB houses a number of ground-breaking projects including the creation of a unique £2m grid-connected energy storage test bed in collaboration with Siemens, the Urban Observatory which will collect a diverse set of data from across the city of Newcastle, and the Decision Theatre which will use data from the Urban Observatory to facilitate public and stakeholder engagement around urban sustainability. The building and the surrounding city area will become a 'living laboratory' underpinning research to make urban centres more sustainable for future generations. The £20m EPSRC National Centre for Energy Systems Integration (CESI) will also be located in the USB.
- **LEARNING AND TEACHING CENTRE:** The building, which will open in September 2019, will seat 750 people in the auditorium conference centre. The flexible auditorium space can be reconfigured to create a range of lecture theatres of different sizes. Following the perimeter of the curve of the 'shell' on the ground floor will be an exhibition space and café.
- **THE KEY:** Using similar technology to that developed for the 2012 Olympic Stadium. The Key is the first fabric structure to be used as a heated work space and was Newcastle University's first building on the site.

Overall, this sector is considered to offer strong growth potential for Newcastle.

Creative Industries

- 3.55 The diverse sector includes activities such as publishing, graphics, software and web-design etc. Key locational factors sought by businesses in this sector include access to broadband, areas with an attractive lifestyle. The availability of skilled staff and affordable town centre premises with a good cultural image can also be important. A high proportion of freelance contractors typically work from home or within small offices.
- 3.56 Newcastle has existing concentrations of creative activity, with clusters of suitable premises and workspaces in areas such as Pink Lane and the

Ouseburn, where mixed use developments have come forward successfully in recent years. The Toffee Factory provides fully modernised flexible 24/7 office space and facilities for a variety of working patterns and needs. It focuses on providing flexible quality space for creative industries. Currently in the pipeline is the development of Lower Steenbergs Yard, where a recent planning application has been granted for a mixed use development including 34 homes, and 800 m sq of office space.

- 3.57 It is considered that the future growth of creative industries is likely to be strong. The Council should consider opportunities to ensure that space is available for smaller and medium sized businesses, particularly start ups. These businesses tend to look for smaller units in areas with good accessibility, but where there is potential for flexible working arrangements, co-working, and greater flexibility in leases.

Construction

- 3.58 Significant development activity has taken place in Newcastle over the past several years. Major developments include the:
- Newcastle Great Park- Major Urban extension to Newcastle, early phases including Warkworth Woods and Melbury Estate are now completed, with further phases coming forward over the next several years.
 - Significant development on various sites including SLR sites, totalling 3,346 units in since 2010
 - The Quayside – development of residential flats, Plot 12 offers the potential for new office development.
 - Newcastle Helix (formerly Science Central) – Phase 1 is now complete. The site includes a variety of occupants ranging from Newcastle university. A major partner, Legal and General has committed to accelerate commercial development on the Helix site.
 - Stephenson Quarter – Phase 1 now complete, major build to rent schemes, flatted developments, The Rocket is now complete and a single major tenant has entered into a lease arrangement.
 - East Pilgrim Street – site preparation works underway
- 3.59 The infrastructure, building and construction industry has seen a substantial increase in pipeline activity in recent years, driven in large part by house building, and infrastructure.
- 3.60 While Brexit has brought uncertainty to the sector the message from government is clear, infrastructure projects should continue and UK Treasury-backed bonds will be used to fund projects.
- 3.61 The majority of employment in the sector is ‘on-site’ and a result generates little requirement for commercial premises. It does, however create a requirement for storage depots and wholesale premises supplying construction products and materials. Such uses are particularly cost sensitive

and will therefore tend to locate in areas of the City with low land values. Overall the future growth potential of the construction sector is considered to be reasonably strong.

Figure 18: Sector growth potential and spatial requirements.

Sector	Growth Potential	Specific Spatial Requirements
Advanced engineering	Employment in the industrial sector is expected to decline. However advanced manufacturing is identified in the SEP as a key area for growth. The Sector itself is likely to play a significant role in the economy of Newcastle and the North East.	Requirements for large industrial premises have been forecast to decline in overall terms, while the need for research and development and light industrial space is expected to increase.
Banking and insurance	Workforce numbers are forecast to grow. Government policy is for the sector to grow nationally.	Office space with good access. Take up statistics show propensity to locate in the city centre. There is a strong move to quality in the current market. Grade A office space is at a premium. The main focus of development to accommodate these uses should be in the Urban Core
Professional services	Workforce numbers are forecast to grow strongly.	Grade A office space with good access is required. Take up statistics show propensity to locate in the city centre. The main focus of development to accommodate these uses should be in the Urban Core
Creative industries	Government research has highlighted strong potential for growth. The SEP has identified this as a priority sector.	Wide-ranging and difficult to define. May range from B1c or B1 floorspace for artists using heavy machinery. Units which are no longer suitable for more traditional industrial uses may still serve a role in supporting this sector.
Environmental technologies	The role of environmental technologies is likely to increase. The SEP identifies environmental technology as a major area for growth.	High quality small and medium sized units which combine office, research and development and light industrial functions.

		Offshore renewables may require large scale B2 space.
ICT and communications	The North East software and technology market is worth nearly £2billion. The wider northern ICT market is £12billion. The software and technology market in the North East is forecast to grow by £0.5billion by 2020 and in the first eight months of 2015, 20% of all FDI going to the North East was in software and IT.	High quality office space with high band with infrastructure.
Public administration	Workforce is forecast to increase.	Office space with good access.
Wholesale and distribution	Employment in warehousing and distribution is predicted to grow modestly.	Warehouse space for storage and distribution and secure external service/storage yards. Specific requirements may occur in areas close to sources of labour.

Source: NCC Analysis

4. Stakeholder Consultation

Introduction

- 4.1 The ELR analyses the economic forecasts, recent trends and local policy aspirations to provide an assessment of the amount of industrial and warehousing land and office floorspace required by the city and its key economic sectors, focusing on the Plan Period to 2030. It should be read in conjunction with the Housing and Economic Land Availability Assessment (HELAA).
- 4.2 The HELAA is a technical study that determines the suitability, availability, and achievability of land for development. It is a key evidence source to inform plan making with regards to housing and employment land but does not represent policy in itself. It does not determine whether a site should be allocated for development in future. Actual allocations are made through the Local Plan.
- 4.3 The relationship between the HELAA and the ELR is as follows. The HELAA has evolved from the Strategic Housing Land Availability Assessment (SHLAA). This assessment focused solely on evidence relating to housing in the City. Previously the SHLAA and the ELR were standalone documents. The SHLAA process was later renamed to reflect the fact that it was expanded to include uses other than housing, including employment, leisure and retail. This change was undertaken in response to recommendations set out in the National Planning Practice Guidance (NPPG), which identifies the advantages of carrying out land assessments for housing and economic development as part of the same exercise, so that sites can be allocated for their most appropriate uses. All sites that were considered as part of the previous SHLAA (2013) were retained and carried forward into the HELAA. In addition to the SHLAA housing sites, the HELAA includes all the sites identified within the ELR (2014) portfolio of employment sites. The ELR continues to assess the local economic and employment issues as well as creating a picture of future requirements, however the final stage of the process where a new portfolio of employment sites is identified is now linked with the HELAA process. The element of this process which reviews existing employment sites remains solely in the ELR because the purpose of the HELAA is to identify new land based on its availability, suitability, and achievability and assessing existing employment sites based on these criteria would not be meaningful. The element of the ELR which assesses new employment sites has however been integrated into the HELAA process.
- 4.4 The HELAA assesses development potential of sites submitted or identified by the Council through the HELAA call for sites process, as well as those previously considered as Part of the SHLAA (2013) and ELR (2014). This includes sites in the ownership of the Council, public sector land, and underused land and buildings.

- 4.5 The Development and Allocations Scoping Report was consulted on from 17 January for six weeks until 28 February 2014. The Scoping Report set out the range of topics the Council proposed to cover in the Development and Allocations Plan and what policies it would include.
- 4.6 The draft DAP was then subject to consultation in accordance with the Council's Statement of Community Involvement (SCI). The purpose of this stage of consultation was to gather the views of as large a range of stakeholders as possible. Consultation on the Draft DAP also included consultation on the Employment Policies and identified employment land portfolio.
- 4.7 The Council will be consulting on the Pre-Submission DAP in the Autumn of 2018. This ELR will be included in the DAP evidence base, which will provide a further opportunity for consultation.
- 4.8 Newcastle borders three local authority areas: North Tyneside Council, Northumberland County Council, and Gateshead Council. The assessment of economic development needs prepared to support Newcastle and Gateshead's Local Plan has considered demand for economic development across the administrative boundaries of Gateshead Council and Newcastle City Council local authority areas. This was examined as part of the CSUCP examination in public, which took place in 2014 and Policy CS6 of the CSUCP sets out Newcastle's economic development needs. This ELR has considered the supply of sites within the administrative boundary of Newcastle and has informed the allocation of the sites in the DAP. In practical terms, although the ELR focuses on the need for, and supply of employment land within Newcastle, it is appropriate to consider the potential implications of planned development activity in neighbouring local authority areas.
- 4.9 Aside from the Gateshead and Newcastle CSUCP, to date only North Tyneside Council has adopted a post-NPPF Local Plan document. The other local authorities' Local Plans are at varying stages of development. Specific issues that may be relevant to development in Gateshead are considered below. In accordance with the Duty to Cooperate, Newcastle Council will continue to engage with neighbouring local authorities on cross-boundary issues related to strategic priorities, such as key strategic objectives identified in the NELEP.

5. Property Market Assessment

Introduction

- 5.1 The following summary analysis will provide an overview of the current commercial (office B1, industrial B2, and storage and distribution B8) property market across Newcastle to set the local context for spatial planning policies.
- 5.2 Property market analysis was initially prepared in 2010 and updated as part of this review by DTZ in 2012 utilising their local market knowledge and professional expertise. It informed the policy preparation of the CSUCP. An update was provided in 2016 by Cushman and Wakefield (ELPDA). It considers the economic analysis and qualitative aspects of the demand for land and property, considering for what kinds of businesses Newcastle is an attractive location and what kinds of land and properties these businesses will require.
- 5.3 The ELPDA takes into account a number of recent developments in policy at both the national and local level which need to be considered when attempting to assess the future employment needs in Newcastle. These include;
- Changes in national planning policy (NPPF & NPPG)
 - The increased emphasis on promoting housing growth with viability and market pressures becoming increasingly relevant material planning considerations, putting employment land portfolios at risk
 - The extension of permitted development rights to allow changes of use for vacant office buildings to residential use.
 - The Northern Powerhouse agenda and the new Enterprise Zones
 - The importance of alignment of the land and property requirements with the Strategic Economic Plan and the sector objectives and priorities.
- 5.4 A full analysis of the commercial property markets carried out by DTZ and the Update provided by Cushman and Wakefield are included.

Changes since the ELR 2014

- 5.5 The Council's CSUCP set the employment land requirements for both Newcastle and Gateshead, and allocates sites in a number of key locations, including the Urban Core, Walker Riverside, and Newcastle International Airport.
- 5.6 Changes to permitted development rights in 2013 and 2014 has made the change of use of offices B1(a) to residential (C3) permitted development

subject to prior approval on matters such as highways, flooding and contamination.

- 5.7 In accordance with PPG local planning authorities should now produce integrated assessments of housing, employment and other economic development land uses. The Government views HELAA's (Housing and Economic Land Availability Assessments) as the key component of the evidence base. The Council consulted on its draft HELAA between 11 November and 23 December 2016. The HELAA was further consulted on in November 2017 as part of the draft DAP consultation.
- 5.8 Enterprise Zones at Newcastle International Airport, and Walker Riverside were adopted. EZ's provide a number of benefits including reduced business rates; simplified local authority planning including Local Development Orders granting automatic permission for certain uses; government support to ensure superfast broadband is rolled out throughout the zone; 100% tax relief to businesses making large investments in plant and machinery in key areas.

Offices

Market Geography and Competing Locations

- 5.9 Newcastle is the premier office location in the North East, and the relative isolation of this market from the rest of the UK means that it functions as a major regional centre. After the decline of the of the UK's industrial base in the 1980's and 1990's, upon which Newcastle's economy historically depended, there was a market revival of the local economy. Consequential demand for office accommodation has been generated by companies from the north east or for regional offices for national firms.
- 5.10 Office floorspace, lies at the heart of the City's regional and sub-regional role, and are a major driver of growth, crucial to the aims of CSUP, NewcastleGateshead Accelerated Development Zone, Science City, and the North East Local Enterprise Zone. The Core Strategy identifies the Urban Core as the primary location for office development in the City, with Newcastle International Airport providing additional capacity as part of the Key Employment Area.
- 5.11 Office uses are defined in the Use Classes Order 1987, each with its own set of requirements. The two principal office market sectors which are relevant to the ELR are:
- a. The general B1 a) office market comprises corporate, professional, legal, finance and business organisations which require larger floor plates, for prestige, main office, and "back office" purposes such as call centres. Development may be speculatively built for leasing or sale on the open market, or purpose built for particular public or private sector occupiers. The City Centre is the principal location, highly accessible to employees through public transport, or through City Centre housing.

- b. Class B1 b) knowledge transfer and research organisations with strong links to the Universities and College will be a crucial part of Newcastle's growth, through, for example, International Centre for Life, and the emerging Science City project. Identified locations include Newcastle Helix at the former Tyne Brewery, now known as the Helix.
- 5.12 Newcastle's city centre office market can be split into two main areas – the traditional core business area around Grey Street and Pilgrim Street, the Quayside; and the western fringe around St James Boulevard, Gallowgate and Stephenson Quarter.
- 5.13 Supply is constrained due to the compact nature of the centre, as well as competing demand for retail, leisure and residential space. As a result, supply has struggled to meet demand and this has resulted in out-of-centre developments both in Newcastle and the surrounding authorities, notably North Tyneside. Out of town office developments provide a different offer to city centre locations. Larger floorspace and floor plates, as well as significant parking provision and frequently lower rents, can make out of town locations attractive to major employers with large numbers of staff, particularly those involved in back office activities which may require less access to an urban centre.
- 5.14 As well as the requirements of major corporate or institutional users, economic strategies require the provision of smaller suites of premises for small and medium enterprises (SMEs), ie business start-ups, managed workspace, move-on accommodation etc. These premises may combine characteristics of both B1 a), B1 b), and possibly even B1 c) light industry, where low key making, assembling or other processes may be carried out without detriment to neighbours. This type of accommodation is particularly important to Newcastle's growing creative industries cluster in the Ouseburn, as it lends itself to conversions or new build in brownfield infill locations and smaller sites, and a lively mix of uses and activities. SME accommodation is considered in further detail below.

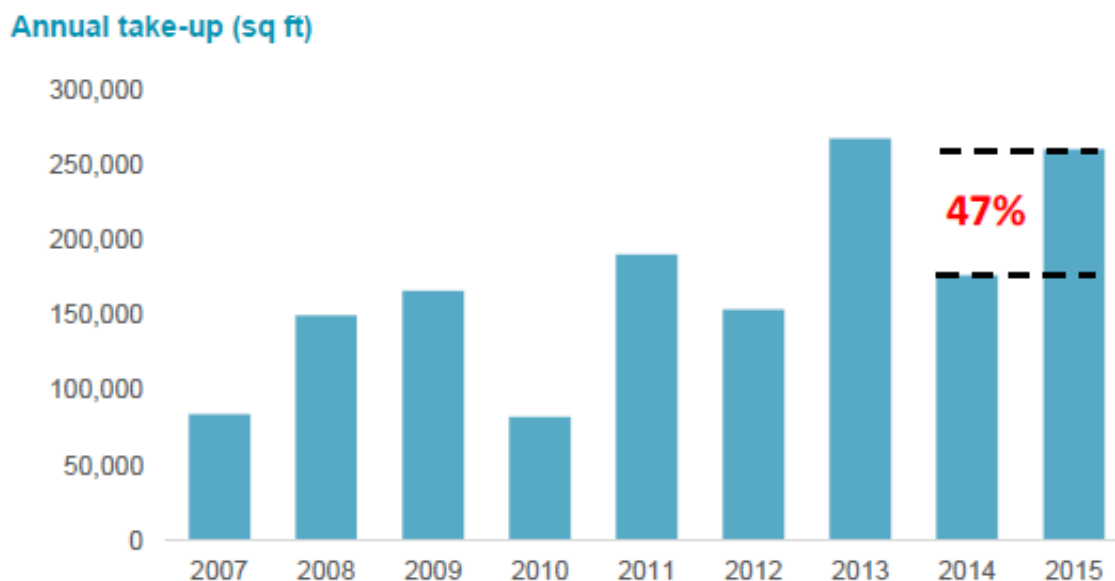
Recent Market Trends/ floorspace take up

City Centre

- 5.15 As the regional centre for the North East, Newcastle has important public sector functions. As well as local and government operations for Newcastle, there are a number of national government departments based in the City. The most significant are the Inland Revenue and the Department for Work and Pensions.
- 5.16 Figure 19 below shows that decline in the take-up of city centre office space identified in the 2014 ELR has reversed in recent years.

5.17 The ELPDA identified that in the City Centre, in Q3 2015, Newcastle experienced the largest increase in occupier activity of the 10 largest regional cities in the UK with take-up more than doubling over the quarter to 102,000 sq ft, the highest amount of quarterly take-up recorded in the City. Q4 2015 also saw a large number of enquiries turn into deals that led to an annual take-up of 24,248 sq m (261,000 sq ft), a 47% increase on 2014, as depicted in Figure 4.4 below. This resulted in take-up in 2015 approximately matching what it was in 2013, which was the highest level of annual take-up since 2007.

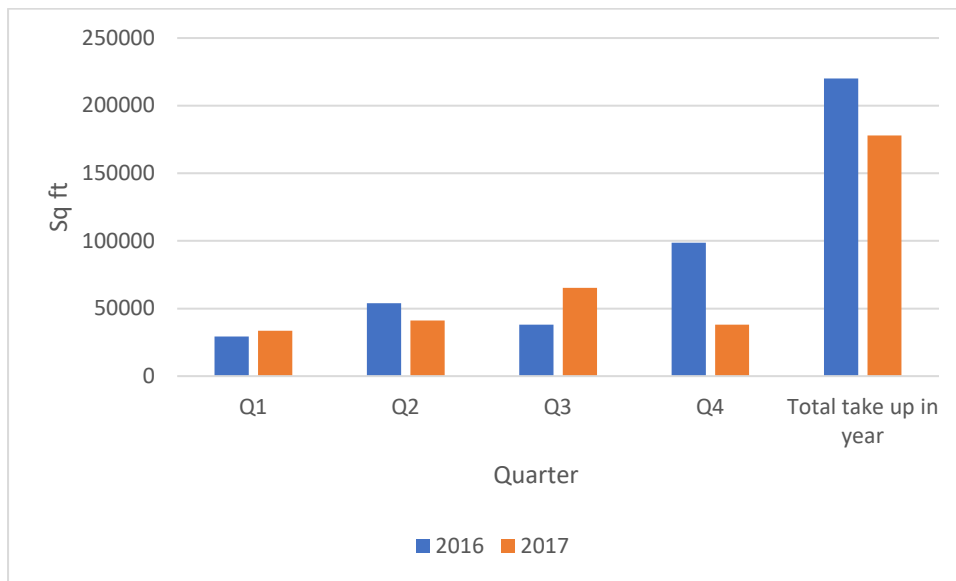
Figure 19: Annual floorspace take up/lettings 2007-2015 Newcastle City Centre



Cushman and Wakefield

5.18 The 2014 ELR identified that landlords with available capital were able to divide vacant floors into smaller suites which were easier to let in the existing market. More recently the ELPDA identified that occupier sentiment had improved throughout 2015 with occupier sentiment gathering momentum throughout the year in 2015, with the second half of the year (H2) representing 61% of total take-up indicating a stronger end to the year with a higher percentage of transaction deals than H1. Q3 2015 saw the most take-up of the year with 9,476 sq m (102,000 sq ft), more than double than any other quarter. Demand in the City Centre remained high and there are currently understood to be c. 9,300 sq m (100,000 sq ft) of active occupier requirements in the market. In June 2016, Legal & General announced that it was to become a long-term investment partner in the Newcastle Helix site alongside the City Council and Newcastle University. In 2018 with construction underway, this represents the largest investment deal in the City and office building with private sector funding to be constructed over the last decade.

Figure 20 Newcastle City Centre Office floorspace take up 2016 and 2017



Source: NCC review of Commercial Property Consultants quarterly market updates

5.19 A review of take up between 2016 and the end of 2017 in the City Centre office market, based on a review of market updates published by Cushman and Wakefield and other property market consultants within the ‘Offices Group’, comprising BNP Paribas Real Estate, Bradley Hall, Gavin Black & Partners, GVA, Knight Frank, Lambert Smith Hampton, Naylor Chartered Surveyors and Sanderson Weatherall - noted an uptick in city centre take-up in the final quarter of 2016; the third highest city centre take-up since the group began collating data in 2010.

5 Year average floorspace take up city centre

5.20 The ELPDA identified a 5-year annual floorspace take up of 19,107 sqm over the 5 years from 2011. This has increased slightly when take up figures from 2016 and 2017 are considered. This represents a relatively modest change in take up, but reflects a positive growth in demand for office floorspace in the city centre.

Figure 21: floorspace take up per year

Year	City centre take up sq ft	City centre take up sq m
2011	182,411	16,946
2012	156,914	14,578
2013	251,127	23,330
2014	251,127	23,330
2015	254,096	23,606
2016	20,8971	19414
2017	17,8177	16,553
5 year average city centre take up (2011-2015)	205,666	19,107
5 year average city centre take up (2013-2017)	228,700	21,246

City centre supply

- 5.21 As of 2015 the ELPDA identified that there was 41,805 sq m (450,000 sq ft) of available office floorspace across Newcastle City Centre. 12,820 sq m (138,000 sq ft) of this is Grade A and 28,613 sq m (308,000 sq ft) are Grade B. This evidence indicates that the availability of office space in Newcastle has declined across all grades since 2012.
- 5.22 Cushman and Wakefield’s UNITED KINGDOM Office Market Snapshot for the fourth Quarter of 2017 identified 650,000 sq ft (60,386 sqm) of available office floorspace in the city centre, and a total of 143,000 sqft (13,285 sqm) under construction. A review of completions data for 2017 published by commercial property agents⁴ operating in the City identified a supply of 175,000 sqft (16,258 sqm) of City Centre Grade A Office floorspace. With few new office developments being completed in 2017, availability is likely to be further constrained
- 5.23 When considering supply and demand it is important to keep in mind that projecting forward past floorspace take up as an approach does not take account of possible future changes to the market. Nevertheless they are a useful indicator of possible future demand. Similarly the ELPDA assesses available office floorspace in terms of what is currently available in the market, and what is under construction at a given point in time. It does not consider the potential for new development beyond that which exists or that which is currently under construction. Major developments that have yet to commence have the potential to alleviate demand in the short, medium and long term. Development at Newcastle Helix, Stephenson Quarter, and East Pilgrim

⁴ Newcastle North East Property Market Report 2018 Knight Frank

Street all show that new office provision can come forward viably, with public sector support.

- 5.24 The ELPDA considers that office floorspace requirements in the CSUCP, which equate to 380,000 sqm for the Urban Core (75% to be allocated in Newcastle) is still a valid level of provision for the Urban Core.
- 5.25 Based on available evidence it is clear that between 2015 and 2018 available floorspace continued to be taken up by strong demand, while development of new office floorspace in the City Centre remained relatively low, largely as a result of low prime yields, making speculative development without public sector support and funding unpalatable for many developers. It is clear that there is a strong demand for office floorspace in Newcastle City Centre, and that demand is growing. It also indicates that current supply is diminishing. While the allocation of office floorspace is an important step in ensuring that the Urban Core continues to thrive, and grow as an attractive location for businesses, it is also essential that the Council monitor levels of take-up, availability and the development of new sites, and potentially intervene where appropriate to improve supply.

Out of Town

- 5.26 The ELR 2014 identified that the out of town market experienced more demand than the city centre in terms of both the individual size and overall number of transactions. It considered that this demonstrated a clear market preference for space outside of the City Centre. This was considered to be due to the availability of Enterprise Zone incentives, through either reduced taxes or the easing of statutory regulation (predominantly planning), to build employment accommodation out of town; major deals seen over the past several years tending to be for headquarter style buildings with bigger floorplates, i.e. such as those taken up by the Sage Group and Virgin Money. Also the major driver of demand for office stock had been private and public-sector occupiers operating back office functions. As such the features that had most attracted occupier have been access to road network, cheap rent, and parking, all of which are more often found in out of centre locations.
- 5.27 While the out of town market continues to attract considerable interest from occupiers, the level of take up has declined, while there has been a noted increase in take up within the Urban Core. Notwithstanding this shift in the balance between the city centre and out of town markets, the ELPDA found that the Newcastle out-of-town office market remained in a strong position, with an average annual floorspace take-up of 7,897 sq m (85,000 sq ft). Most of the market activity is concentrated in a small number of business parks including; Newcastle Business Park & Newburn Business Park both on the River Tyne, Newcastle Great Park located just off the A1 north of Newcastle and Partnership House/Regents House in Gosforth. Secondary

locations include mostly second hand stock and small floorplates above retail units.

- 5.28 The fourth quarter of 2015 showed strong performance in the Newcastle out of town office market that led to an annual take-up of over 9,290 sq m (100,000 sq ft). The largest deal of the year came in Q4 2015 where Ubisoft took 2,694 sq m (29,000 sq ft) at Partnership House, Gosforth. Other significant deals in 2015 included Cundall Johnson taking 1,300 sq m (14,000 sq ft) also at Partnership House in Q4, and Bede Gaming taking 1,151 sq m (12,400 sq ft) at Newcastle Great Park in Q2. A summary of the out of town office take up over the 5 years to 2015 is presented in Figure 23 below.

Figure 23: Newcastle Out of Town Office take up

Year	Out of town Sqft	Out of town Sqm
2011	61,877	5748
2012	58,228	5410
2013	95,600	8882
2014	109,580	10,214
2015	100,950	9,379
2016	208,971	19,414
2017	146,427	16,553
5 year average out of town take up (2011-2015)	85,259	7,897
5 year average city centre take up (2013-2017)	122,285	12,289

- 5.27 The ELPDA identified a 5 year average take-up for the out of town office market to 2015 of 7,897 sq m. Based on availability of 40,300 sq m of currently available office floorspace. This represents a five year supply.
- 5.28 A review of take up in 2016 and 2017 indicated that take up had seen a significant rise in 2016, before falling again in 2017, albeit not down to previous levels. When looking at the trend since 2011 its clear take up in the out of town market is increasing generally despite considerable fluctuations year on year.
- 5.29 The ELPDA notes that both Quorum and Cobalt Business parks are two of the largest out of town business parks in the region and are located just outside of Newcastle's Local Authority area. These sites are identified as having had, and being likely to have a significant impact on the demand for floorspace inside Newcastle's administrative area. A review of recent transactions at Cobalt and Quorum Business parks between 2016 and Q2 of 2018 has shown take up of 12,737 sqm of office floorspace. These represent some of the largest transactions in the out of town market.

- 5.30 Out of town supply continued to be dominated by the Cobalt and Quorum Business Parks, and both had single buildings of over 100,000 sq ft immediately available for occupation at the end of 2017.
- 5.31 The North Tyneside Local Plan allocated sites E021 Cobalt, and E010 Quorum in its Local Plan. There is still allocated available land for each site, 25.29 ha at Balliol Business Park East (Quorum), and 6.25 ha at Cobalt Business Park. The remaining land at both of these sites is anticipated to be developed towards the end of the Plan Period in 2032.
- 5.32 However once these premises are fully let demand is likely to increase in other locations. Investment in the out of town market is also likely to be funded through local authority intervention.
- 5.33 Despite their current dominance in the out of town market it is likely that as occupancy levels increase and supply diminishes, in Quorum and Cobalt, that occupiers will begin to seek new premises. It is essential that Newcastle ensure that it has sufficient demand to meet new demand in the out of town market as it arises.

Pipeline Development

- 5.34 The development pipeline at the time of the ELR 2014 consisted primarily of Stephenson Quarter. Stephenson Quarter. Phase 1 provided 35,000 sq ft of office accommodation. The second phase of development has been granted planning permission, this will include the six-story Phoenix building which will be speculatively developed and include 50,000 sq ft of office space. The development of 107,000 sq ft at Newcastle Helix (formerly Newcastle Helix) is committed and completion is due in Q4 2019.
- 5.35 Beyond Stephenson Quarter, key City Centre office developments in the pipeline included Ouseburn and East Quayside, Strawberry Place and the Quayside. The Ouseburn and East Quayside Development Framework sets down how key sites, including Lower Steenberg (including the Toffee Factory), Malmo Quay and East Bank will be brought forward as part of a phased development programme. Although the Ouseburn is very much an edge-of-centre location, it is an intrinsic part of the regeneration of the Newcastle.

Office Portfolio Update

- 5.36 Strawberry Place, phase 1 is complete and provides a block of student accommodation. Phase two will include the office component of the development.
- 5.37 St James Metro remains suitable for a comprehensive mixed use redevelopment in the short or medium term.

- 5.38 Plot 57 Quayside is a proposal by UK Land Estates which has the potential to deliver 2,787.09 sq m / 30,000 sq ft of offices. Has now been developed.
- 5.39 Plot 12 Quayside, or 'Imperial Quay' as it has also been known, is a second and larger scheme in the Quayside area. Although cancelled, a previous scheme by AWG proposed 9,290 sq m / 100,000 sq ft of office development on the site and it is still believed to offer substantial potential for an office scheme of a significant size.
- 5.40 The key out-of-town office locations for longer term development is Newcastle International Airport. These sites are identified for employment use in the CSUCP which is committed to providing 80 ha of net additional employment land over the plan period.
- 5.41 At the time the ELR 2014 was published prime rents remained unchanged at £215 per sq m (£20 per sq ft), evidenced by the two grade A lettings at City Quadrant in the Urban Core. The ELPDA identified that prime City Centre office rents increased to £237 sq m (£22 per sq ft), evidenced by lettings at the Liveworks scheme in Q4 2015 and prime yields held at 5.75% throughout the year.
- 5.42 In Q4 of 2017 a new city centre headline rent was set at £23.50 per sq ft at Central Square South. Prime rents in the out of centre market are likely to remain at £16.50 as supply is still plentiful.
- 5.43 This increase on the prime rents identified in the ELR 214 and the ELPDA is in line with the increasing demand in the market for office floorspace. A rise in prime rents shows an increasing interest from companies to locate in the city centre, as well as being indicative of a potential lack of supply in the current city centre office market. It also suggests that as rents increase, yields on offices may well follow, leading to a greater likelihood that speculative office development will return to the market.

Investor Appetite

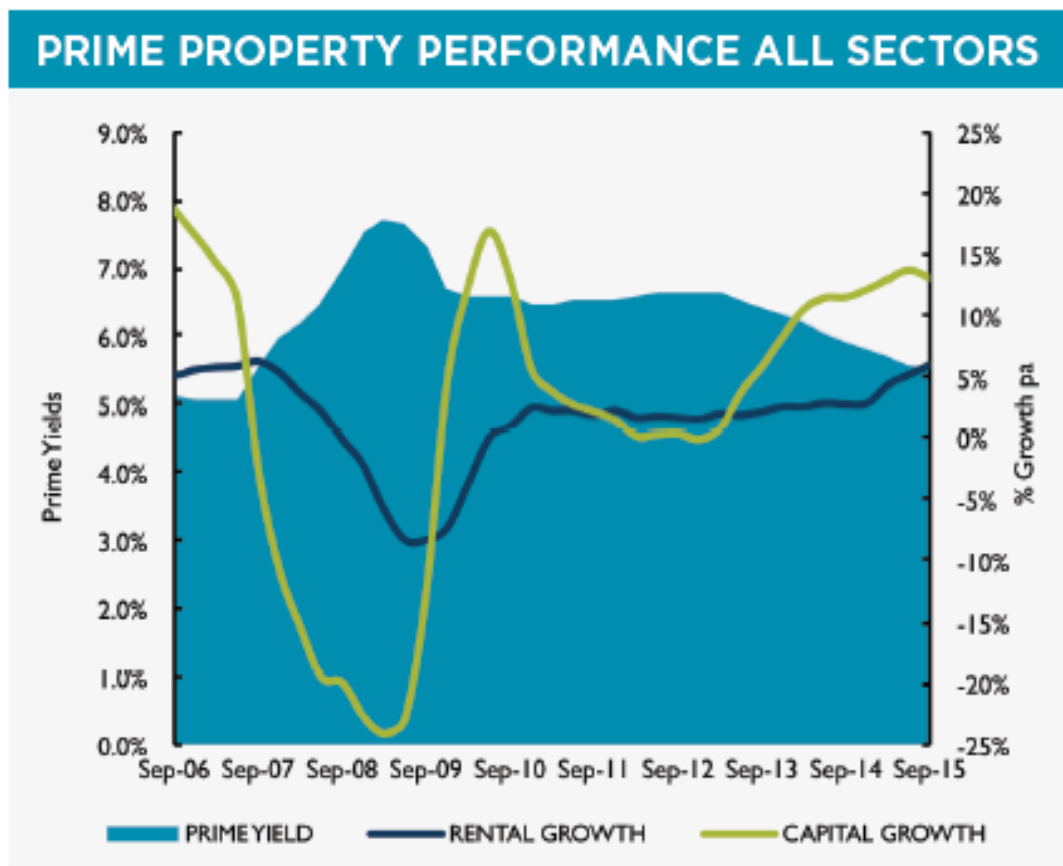
- 5.52 The ELR 2014, based on DTZ market intelligence identified that investor sentiment had worsened over 2011, in response to the Eurozone crisis and the anticipated impact on capital flows. This period was characterised by a lack of prime transactions leading to prime office yields being maintained in Newcastle at 6.5%.
- 5.54 5.55 The ELPDA identified a number of key factors in its assessment of the market context in 2015, including:
- The investment market had stabilised over recent months moving into the end of 2015, with performance in many of the strongest segments

increasingly driven by rental growth and less so by yield compression, with occupier sentiment positive and underpinned by healthy consumer and business confidence and the positive outlook for the economy.

- The low interest rate environment, combined with the relatively high and stable income yields of UK commercial property, is still proving attractive to new investors, although some buyers are more cautious in light of the strong run in values seen over the last few years, as well as the increases seen in global volatility.

5.56 According to the RICS UK Commercial Market Survey, occupational demand rose for the 12th consecutive quarter in Q3 2015, with demand strengthening across all three main property sectors. This is maintaining upward pressure on prime rents across all sectors, led by offices, which saw average rents increase 7.1% in the year to September 2015, while industrial rents were up 3.8% during the same period.

Figure 24 – UK Property Performance across All Sectors (2015)



Source: Cushman & Wakefield

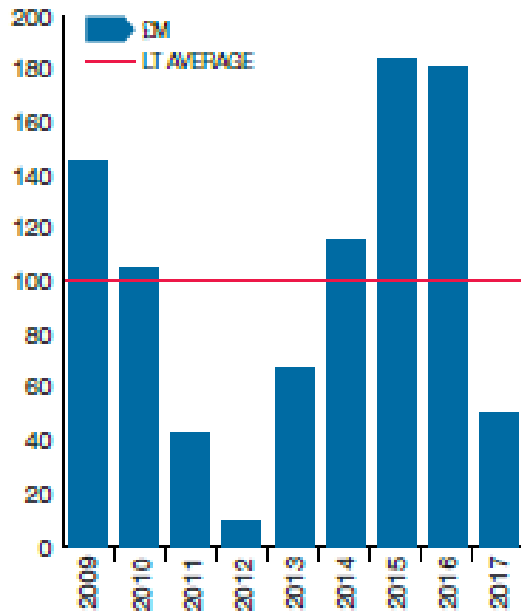
5.44 There were some signs that investors may be re-evaluating their views on pricing and risk, amid heightened global uncertainty and volatility. C&W considered that yield compression was therefore unlikely to be over and strong demand and high pricing was expected to persist into 2016 as shown in figure 24.

- 5.45 The ELPDA identified the following findings regarding the investor appetite for office assets
- Business activity is steadily improving across the UK
 - Risk aversion may be rising in UK firms
 - Of the regional office market Manchester is the strongest performing location. Demand is also high in cities such as Bristol and in the South East.
 - High quality stock remains an issue across the country and development activity is picking up as a result, but is still far below what is required to meet demand levels.
 - Most UK regions continue to see upward pressure on rents.
 - The investment market has stabilised with yields for regional tier 1 and 2 cities in Q3 2015 remaining unchanged
 - Regional out of town yields remained static.
 - Demand from overseas investors was high in 2015, though this has moderated moving into 2016
 - The lack of high quality grade A stock has deterred some investors from deploying capital.
 - GDP has now increased for 12 consecutive quarters, breaking a pattern of slow and erratic growth from 2009.
- 5.46 The findings of the ELPDA show moderate improvement in the economy and in investor interest and confidence when compared to the situation described in the ELR 2014.
- 5.47 At a regional level take up across the ten regional cities amounted to 124,486 sq m (1.34m sq ft) in Q3 2015, 36% less than the previous year quarter. During Q3 2015, only three city markets recorded an increase in growth in take up; Manchester, Glasgow and Newcastle. The largest increase in occupier activity was in Newcastle where take-up more than doubled on the previous quarter.
- 5.48 More recent data indicated that investment in the office market declined significantly between 2016 and 2017⁵. Investment in the city centre reached £50m, 49% below the 10 year average for the city. However the number of deals was higher than 2016, indicating a higher number of transactions but at a lower total value.

⁵ Knight Frank; Newcastle North East property Market Report, 2018

Figure 25: Newcastle Office Investment

FIGURE 3
Newcastle office investment
(£m)



Source: Knight Frank Research

5.49 The limited availability of grade A space and the increasing demand across the city centre and out of town markets means that landlords are likely to demand higher rents on their properties. This in turn is likely to increase the likelihood of speculative office development in the City Centre as returns on investments improve. It is also likely to encourage refurbishment of existing product in order to satisfy demand ahead of the completion of new developments such as Newcastle Helix. Notwithstanding this fact, it is likely that the Council will still have to play an active role in enabling development in the short and medium term. Many recent schemes have been supported by the public sector including Stephenson Quarter, and the Helix.

General Industrial

Market Geography and Competing Locations

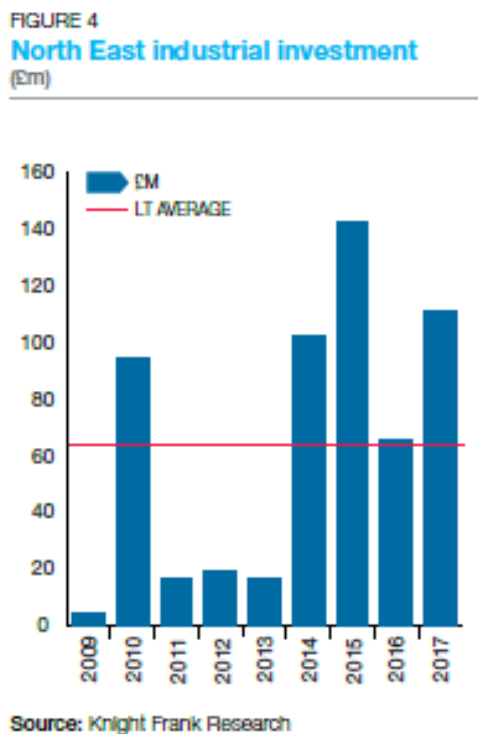
5.50 The city has lost much of its legacy of traditional industries such as shipbuilding and brewing, but still retains a substantial industrial base, which needs to be conserved, key industrial sectors such as electrical engineering, offshore marine technology, military vehicles, and food manufacturing.

- 5.51 In line with the trend across the country, manufacturing has declined in the area. The City's location in the north-east, remote from the country's motorway network precludes it from being considered for major national distribution requirements. However, Newcastle nevertheless has a thriving warehousing sector which predominantly services the local and regional economy.

Recent Market Trends

- 5.52 The historic demand for industrial floorspace has been considerably less dynamic than for the office market. However, continuing competition for land in the area has resulted in small industrial sites being lost for conversion / redevelopment for other more valuable uses such as residential. This has been the case for older poorer quality industrial buildings in predominantly residential areas e.g. Carricks Biscuit factory redeveloped for housing as 'The Bakers', Cowgate. Such challenges emphasise the need to ensure that the Council protects valuable employment land. It is essential that the Council maintain a robust portfolio of employment land providing a wide range and mix of accommodation to meet the needs of various industrial and warehousing based employers.
- 5.53 The ELPDA identified that between 2011 and 2015 there has been a small increase in speculative development of sub 1,858 sq m buildings as occupier activity increases. However it also points out that developers are still not constructing buildings over 4,645 sq m (50,000 sq ft) speculatively.
- 5.54 The North East region suffers from a lack of Grade A industrial accommodation, identified in the ELPDA, and it considers that build to suit deals and refurbishments will be the main source of higher quality industrial space for the foreseeable future.
- 5.55 The focus of Newcastle's industrial market is predominantly around the Airport Industrial Estate. Secondary parks are located at sites such as Brunswick industrial Park and Merica Way. Significant industrial development has taken place at walker riverside over the past several years, with a focus on off shore energy, and specialist manufacturing facilities.
- 5.56 Newcastle is a relatively tightly constrained City, with a focus as the central office location for the region. The authorities surrounding the city, particularly to the south of the River Tyne are more predominantly focused on industrial and in particular warehousing employment uses. Most notably in the form of places such as Team Valley, and the Nissan Plant in Sunderland, which is being greatly expanded through the IAMP project. Notwithstanding this Newcastle has a strong role to play as a site for advanced manufacturing, particularly for SME businesses and creative industries.

Figure 26: North East Industrial Investment

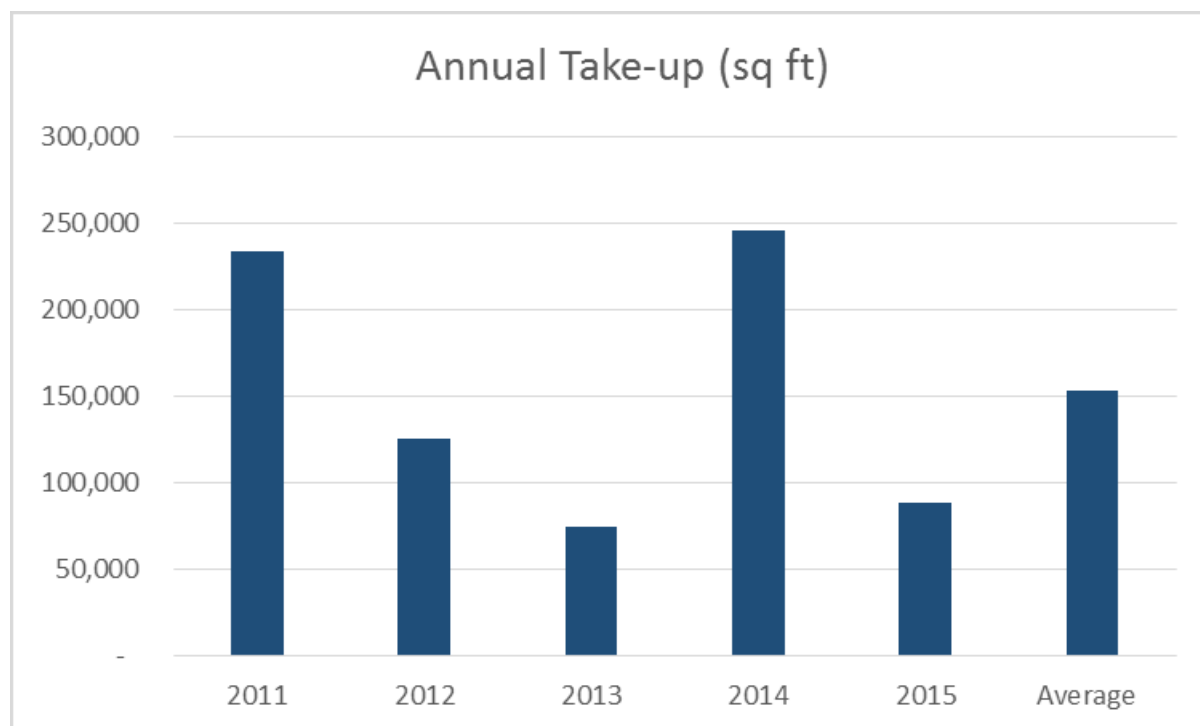


5.57 Knight Frank, in their 2018 North East Property Market Report noted that investment in industrial development increased significantly in 2017, surpassing investment in all the previous years to 2009 with the exception of 2015, shown in Figure 26 above. The increasing level of industrial investment across the region is further evidence that the Council should seek to protect its employment land and not take a short sighted approach when planning for future employment growth.

Take Up

- 5.58 In Gateshead there is a significant area of land available for industrial development. However, Team Valley Trading Estate, the most popular regional employment site is now almost entirely built out. The limiting of new supply in this area may lead to opportunities in Newcastle.
- 5.59 Across Newcastle the ELPDA identified sluggish take up of industrial floorspace in 2015 with only c. 8,175 sq m of floorspace transacted, compared to an annual 5 year average of 14,214 sq m. However projected increased activity is expected to increase prime rents. Rents are projected to rise by an average of 2.9% per year to 2020, the second highest increase in the UK. More recent property market research has shown a growing level of investment and interest in the industrial market as rents increase and opportunities for profitable speculative development grow.

Figure 27: Newcastle Industrial Floorspace Take-up/Lettings 2011-2015 (Co-Star data)



Source: ELPDA

- 5.60 The above graph shows significant fluctuations in floorspace take up in the 5 years to 2015. Quarterly take up also fluctuated between 6,875 – 22,761 sq m.
- 5.61 Over the 5 years, there were only two transactions of a single unit over 1,858 sq m (20,000 sq ft), highlighting the focus of occupier demand on smaller floorplates. 25,083 sq m (270,000 sq ft) of transactions related to unit sizes of below 465 sq m (5,000 sq ft) (36% of total) and 14,231 sq m (153,000 sq ft) related to unit sizes of between 465 – 929 sq m (5,000–10,000 sq ft). There was 27,473 sq m (295,723 sq ft) of take-up for units between 929-1,858 sq m (10,000- 20,000 sq ft) (39% of total), and only 4,459 sq m (48,000 sq ft) of transactions above 1,858 sq m (20,000 sq ft), representing only 6% of overall industrial take up and reinforcing the lack of take-up of larger floorplates.
- 5.62 This is likely to represent a lack of supply as well as the focus of demand on smaller floorplates. Between 2010 and 2015 there were 205 transactions totalling over 71,257 sq m (767,000 sq ft) of industrial floorspace with 55% relating to units under 929 sq m (10,000 sq ft).
- 5.63 Demand for smaller floorplates could also suggest a general shift in employers to the SME end of the spectrum. The smaller units in Newcastle’s portfolio may have a significant role to play in meeting this demand for smaller premises. Therefore it is increasingly important for the Council to ensure that it retains a strong mix of units both in location and in terms of the size of available premises.

- 5.74 More recent investigations of available data has shown a sustained growth in the North East industrial market with industrial development well above 2016 levels and second only to those in 2016. As levels of investment in the industrial market rise, it's possible that demand for land for development will also increase. It is also possible that increasing investment will lead to refurbishment or redevelopment of industrial sites.

Availability

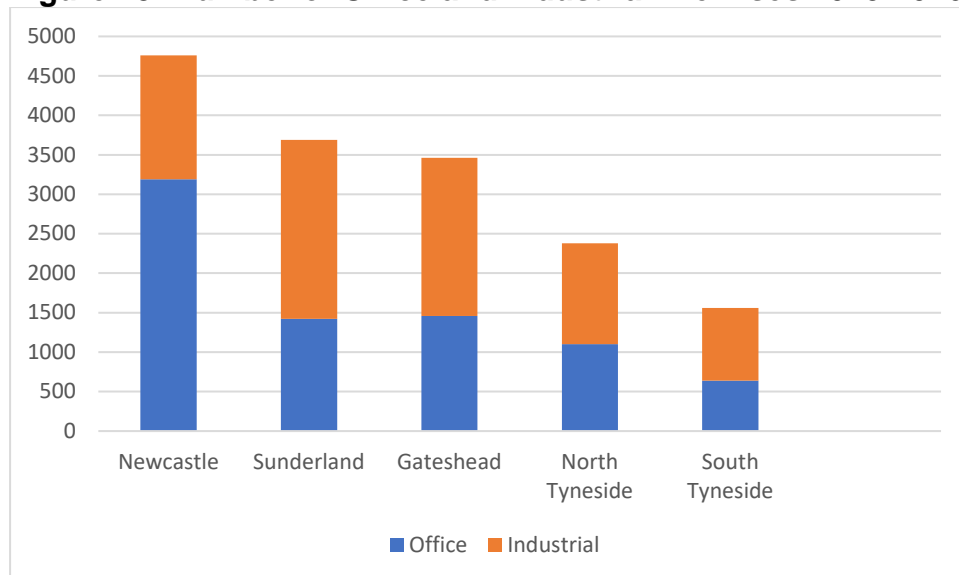
- 5.75 VOA data gathered in the ELPDA indicated that across Newcastle in 2012 there were 1,600 individual rateable hereditaments across a total of c. 102,190 sq m (1.1m sq ft), although the ELPDA considers this to be an underestimation of floorspace.
- 5.76 In terms of available floorspace at 2015 a review of Co-star data in the ELPDA identified 37,904 sq m (408,000 sq ft) of available industrial accommodation available for occupants in Newcastle. This equated to approximately two and a half years of supply.
- 5.77 Knight Frank's Newcastle North East Property Market Report 2018 indicates that the North East continues to suffer from a lack of good quality industrial stock. Significantly it identifies that there is a shortage of modern industrial stock across the region, as well as very few new build industrial projects.
- 5.78 Flexibility of the employment land portfolio is key to it being fit for purpose. The emerging portfolio will ensure a choice of sites to meet a range of business needs/office segments and provide flexibility for the plan to respond to changing economic circumstances.

6 Taking Stock of the Existing Situation

Introduction

- 6.1 Newcastle contains more office and industrial premises in total than any of the other Tyne and Wear authorities, which is to be expected given Newcastle's role as the regional capital. Office premises make up the larger proportion of premises in comparison to other authorities.

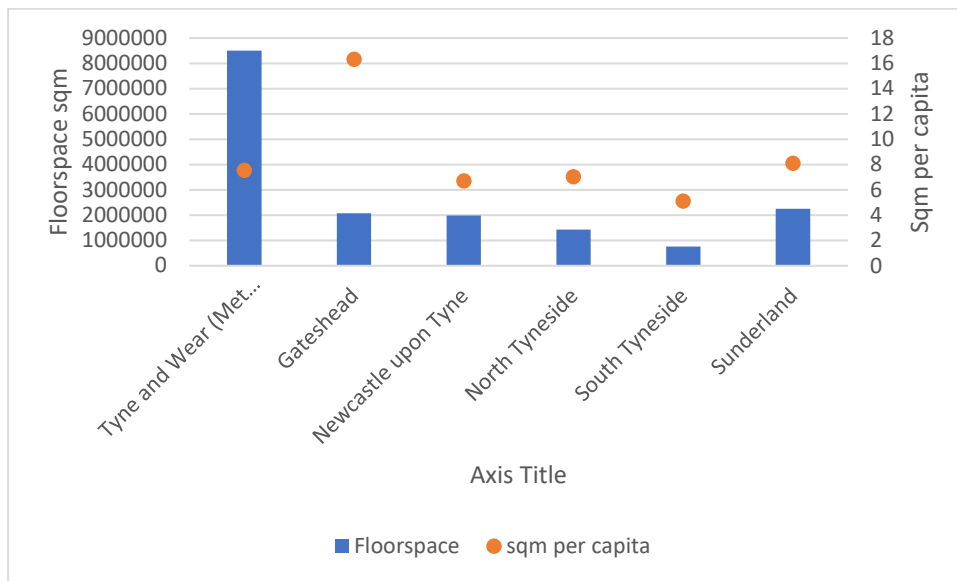
Figure 28: Number of Office and Industrial Premises 2015-2016



Source VOA: NDR Business Floorspace Tables

- 6.2 Figure 29 below summarises the total stock of industrial and office floorspace within Newcastle and the neighbouring authorities of Tyne and Wear. This indicates that the City has less employment floorspace than Sunderland, in both absolute and per capita terms. Furthermore, benchmarking this against the population of each area illustrates that Newcastle has the fourth highest floorspace in Tyne and Wear.

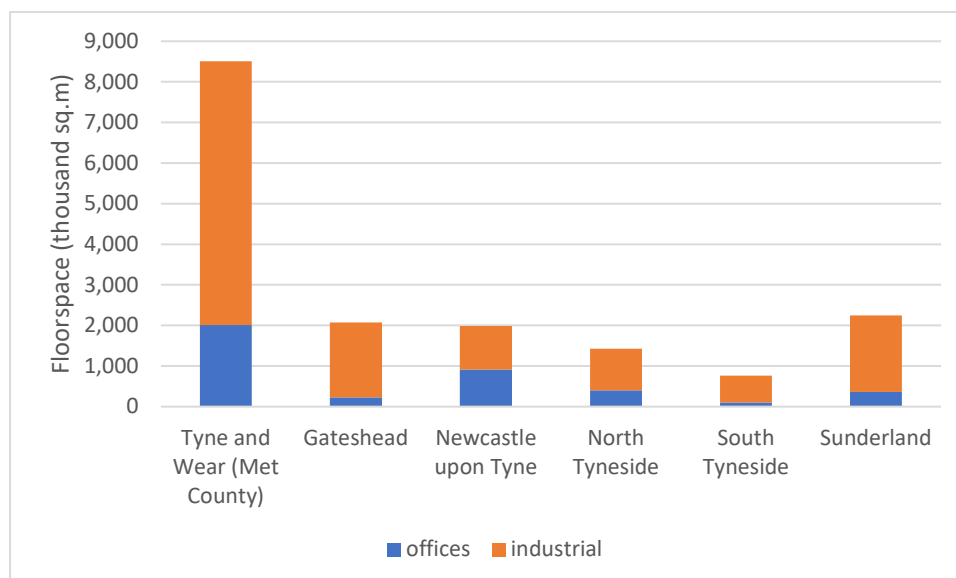
Figure 29: Office and Industrial Floorspace 2015-2016



Source VOA: NDR Business Floorspace Tables

- 6.3 Figure 30 below illustrates the level of floorspace in Newcastle and the surrounding authorities broken down by office and industrial floorspace. The bulk of the floorspace in the North East is industrial in nature, which is perhaps to be expected given the region’s role as an important industrial area in the past and the ongoing importance of the industrial sector within the regional economy.
- 6.4 Newcastle and North Tyneside have the largest proportions of office floorspace as a proportion of their total employment floorspace. North Tyneside benefits from a number of major office locations, most notably the Quorum and Cobalt business parks which offer modern Grade A floorspace. Newcastle’s main location for offices is within the Urban Core, where there exist numerous city centre locations, including the modern Grade A floorspace being developed at the Helix, and Stephenson Quarter. This shows the importance of Newcastle as a major office location. Figure 30 shows that Newcastle has a lower proportion of industrial floorspace relative to office floorspace compared to other neighbouring authorities. While this data does not suggest that Newcastle has a shortage of industrial floorspace, it does indicate that industrial floorspace is more limited in supply in Newcastle compared to neighbouring authorities such as Gateshead which benefit from extensive stocks of industrial floorspace.

Figure 30: Level of Floorspace by use 2016



6.5 Figure 31 below examines the change in Newcastle’s stock of employment space, by type, over the period 2000/2001 – 2015/2016 This shows that the City’s total stock of employment space fell by 10%, which was the greatest decrease of all the Tyne and Wear authorities.

6.6 It is clear from Figure 31 that the authorities in the region have seen an increase in the amount of office floorspace and in most cases with the exception of North Tyneside, a decrease in industrial floorspace. This is in keeping with economic projections which indicate a contraction in the amount of industrial floorspace needed over the plan period. This being said a decline in the amount of industrial floorspace should not be seen as an indication that the industrial sector is in decline in uniform decline. Improvements in automation, working practices, and the kind of industrial activity practiced, i.e. advanced technology manufacturing, SME’s, and smaller start-ups suggests that industry will still play a significant role in the North East economy.

6.7 The cyclical nature of the industrial market should also be noted, and recent trend nationally and to some extent locally, suggest growing interest from investors in developing and refurbishing industrial sites.

Figure 31: Change to employment space and by type 2000/2001 - 2015/2016

	Offices		Industrial		Total	
	1000 sq m	%	1000 sq m	%	1000 sq m	%
Newcastle upon Tyne	37	4	-260	-20	-223	-10
Sunderland	44	14	-10	-1	34	2
Gateshead	46	25	-136	-7	-90	-4
North Tyneside	230	135	12	1	242	20
South Tyneside	24	30	-86	-12	-62	-7

Source – ONS NDR business floorspace tables

Property Availability / Vacancy Levels

- 6.8 Vacancy levels within Newcastle’s retained employment sites, vary and in some cases are generally above the 10% rate that is typical of a normal healthy market. This indicates that there could be an oversupply particularly among industrial units. However it should be born in mind that Newcastle and the North East have a large amount of older industrial premises, and employment sites with a mix of stock in terms of age and quality are common.
- 6.9 Similarly information on the proportion of vacant floorspace is currently limited. It is difficult to identify the exact level of vacancy on sties in terms of floor space in sqm at this time. This means that with current vacancy data it is possible to gain a picture of the number of units that are vacant but not what this represents in terms of overall floorspace.
- 6.10 It is recommended that the Council undertake further work to gather more comprehensive vacancy information across the City. This information will be provided in comprehensive *Employment Site Review and Marketing Reports*, which will look in detail at the vacancy levels and other important functional features of the City’s existing employment sites.

Growth Trends

6.11 Figure 32 shows the gross average completion rates over periods for office, industrial and storage space between 2010-2017.

Figure 32: floorspace completions in Newcastle since, 2010

Floorspace (sq m) Sector	2010-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	Total	Average annual completions 2010-2017
Warehousing	2,078	1,350	631	1,648	933	1090	7,730	1,104
Office	11,014	15,016	5,021	19,190	5,658	4287	60,186	8,598
Industrial	22,619	7,842	6,500	1,827	932	2290	42,010	60,01
Total	35,711	15,016	12,152	22,665	7,523	7657	100,724	14,389

Source: Newcastle City Council AMR

6.12 The 2014 ELR identified historical data for Newcastle highlighting the declining new build of industrial space, which for 2004- 2008 averaged 7,700 sq m per year. However, 2009 – 2011 data shows a drastic increase made up by 2 substantial completions at Neptune Energy Park and Kingfisher Boulevard.

6.13 Completions between 2012 and 2016 showed a declining trend, with completions of industrial floorspace between 2012/2013 and 2013/2014 averaging 7,171 sq m compared to only 1379.5 sq m between 2014/2015 and 2015/2016. Much of this difference can be ascribed to the completion of large developments at Neptune Energy Park. Industrial completions in 2016/2017 reached 2290 sq m, showing some improvement possibly linked to increasing investment in the region and City wide industrial market.

6.14 Warehousing development has also seen a long-term decline, from 9,400 sq m per year on average between 1994/1998 down to 5,800 sq m between 2004/2008 and then 1,523 between 2009 /2010. Between 2010/2012 and 2016/2016 warehousing completions averaged 1,103 sq m, reaching a high of 2,078 sq m and a low of 631 sq m in 2013/2014.

6.15 Office new build in Newcastle increased significantly from 1994, rising from 11,700 sq m per year between 1994 and 1998, 52,000 sq m per year between 2004 and 2008 and then 49,327 sq m between 2009 /2011. Between

2010/2012 and 2016/2017 average annual floorspace completions reached 8,598 sq m. In 2014/2015 a high of 19,190 sq m of floorspace was completed as a result of major developments at Kings House, Forth Banks and the Former S & N Brewery.

- 6.16 Since 2005, the annual space for office new build in Newcastle has fallen back – for example, in 2008 it was 30,000 sq m. This trend is in line with ONS data on total floor space in the area, which suggest that the amount of total office floor space in the area peaked in 2004, before dropping slightly and remaining fairly static up to 2008 before dropping off in 2011 during the recession. It continued to increase up to 2014-2015 but decreased slightly in 2015-2016.
- 6.17 Between 2010/2012 and 2015/2016 annual floorspace completions have fluctuated between lows of approximately 5,000 sq m in 2013/2014 and 2015/2016, and a high of 19,190 sq m in 2014/2015. This is lower than in the pre recessionary period and reflects a number of factors including a relative lack of major office developments in the city in this period as well as little development of speculative office floorspace linked to a persistent lack of viability in the development of speculative office developments. While speculative development has yet to return to the market, several major office developments have entered the development pipeline in recent years, as a result of council led enabling initiatives provided. These include the extensive development at Newcastle Helix, Stephenson Quarter. Further development at locations including East Pilgrim Street is expected to come forward in the near future.
- 6.18 By looking at trends over a particular timeframe, these annual rates of new build provide a useful indication of the likely levels of new build expected to accommodate all requirements, including new businesses, relocations and expansions. However, it does not necessarily directly reflect the net change in the amount of floor space required once you have taken into account space that is already occupied or available. The evidence discussed above also shows that historic completion rates have varied significantly over the long term and development has not returned to pre-recessionary levels largely due to the lack of speculative development.
- 6.19 The lack of development of significant amounts of employment land over a given period does not necessarily mean that the Council should plan for less employment land in the future. National and local economic strategies for the region indicate a strong role for industry and office development.

Floorspace Completions by Use Class

- 6.20 Since 2010 data recorded in the Council's Annual Monitoring Report shows that on average approximately 15,704 sqm of employment floorspace has been completed each year.

6.25 Approximately half of this floorspace has been within B1(a) office use, with completions of office premises at the Newcastle Helix in 2012/2013 and Kings House, Forth Banks 2014/2015 representing some of the largest developments.

6.26 The dominant role of office development in Newcastle is to be expected given its role as the premier office location in the region.

Figure 33 Employment floorspace completions since 2010 (sqm gross internal area)

	B1	B2	B8	Total
2016/2017(2018)	4278	2,290	1090	7,667
2015/2016	5,658	932	933	7,523
2014/2015	19,190	1,827	1,648	22,665
2013/2014	5,021	6,500	631	12,152
2012/2013	15,016	7,842	1,350	24,208
2010/2012	11,014	22,619	2,078	35,711
Total 2010-17	60,177	42,010	7,730	109,926

6.21 Market intelligence provided in both the ELPDA and the evidence provided by DTZ to support the 2014 ELR, identify increasing demand for good quality premises that are not currently being met by the market at present. This is further evidenced by the success of a number of developments which have been underwritten by the council through pre let arrangements (i.e. Rocket). Discussions with colleagues in the Council's property teams have also identified increasing demand for industrial units. Demand for office premises, particularly Grade A has been increasing over the past several years, however prime rents have not reached a level where speculative developments are coming forward to meet increasing demand, although there is potential for this to change as supplies constricts. Office development continues to be focused in attractive locations, particularly Newcastle Helix and Stephenson Quarter.

Take-up of Employment Land extrapolated from completions

- 6.22 This section summarises the current availability and past take-up of employment land in Newcastle to provide a context for the assessments of demand and supply. The analysis of past take-up rates and implied supply presented in the following paragraphs provides a measure of the balance of demand and supply. Take-up rates should not, however, be interpreted as a comprehensive assessment of future requirements, because they only enable us to make projections based on historic data.
- 6.23 Unlike the assessment of gross employment take-up discussed earlier in this section, this analysis considers the take-up of land based on a definition which identifies those developments for employment use that result in a reduction in the supply of employment within the City. As such it can help us to estimate the number of years that it would take for all available employment land to be developed.

Definition of Take-Up

- 6.24 Take-up is defined as the development or first occupation of a site. Take up occurs at the point at which construction of a building commences (the point at which it can no longer be regarded as an available development site). Where a developer builds out employment premises in separate phases (as opposed to a continuous rolling programme), take-up occurs at the start of each phase.
- 6.25 Take-up excludes (a) extensions of existing premises unless they occur on land outside the curtilage of the existing site and (b) changes of use. The extent of take-up typically accords with the area of land that a developer would have to acquire for the purposes of the development. This may not equate to the boundary of a development for the purposes of a planning application.
- 6.26 Where buildings are demolished and the site is redeveloped, this constitutes take-up. But where an occupier rebuilds part of his premises with the intention of re-occupying them, the site does not become available to the market, and thus no take-up occurs. In measuring take-up we exclude public roads and footpaths, but where a developer builds a series of units around a common service yard or with dedicated parking areas, accessed from spur roads, these are included. Where an estate is laid out with landscaped strips along estate roads, these are excluded, whereas areas of landscaping within a development plot are included.
- 6.27 In preparing this ELR an assessment of take up in line with the definition set out above has been carried out through an assessment of data recorded in the Council's AMRs going back to the start of the plan period.
- 6.28 AMR data prior to the adoption of the CSUCP in 2015 did not identify completions in terms of take-up as doing so was agreed at the Examination in Public of the CSUCP. As such a desk-based assessment of completions

data was carried out to provide a picture of take-up. AMR's produced after the adoption of the CSUCP were also reviewed for consistency.

Figure 33 Take up by year (ha)

2010/12	2012/13	2013/14	2014/15	2015/16	2016/17	Total (ha)	Average per annum
10.85	5.28	7.16	2.88	0.91	2.36	29.44	4.2

- 6.29 Figure 33 shows that development rates have been subdued in recent years. However evidence discussed in section 5 demonstrates growing demand for business premises, particularly in the City Centre, where there has been a sustained and notable shortage of high quality floorspace compared to demand, exacerbated by challenges facing speculative development.
- 6.30 Demand for high quality industrial floorspace is also rising, with the ELPDA identifying that despite sluggish take up in 2015 demand was projected to rise as increased activity Rents in Newcastle were forecast to increase by an average of 2.9% per year over five years.
- 6.31 Market intelligence identifies a demand for quality commercial premises that is not being met by current supply. This has been a persistent problem in the North East Region and in Newcastle in particular. A high level of demand for new and refurbished stock has the potential to encourage commercial development in areas where sites and premises are available. Recent trends in the industrial sector have shown increasing levels of investment activity in industrial land and premises. For several years the focus of development has been on incentivised sites in areas such as those covered by the Enterprise Zones at Walker Riverside and in the Urban Core at locations such as Newcastle Helix and Stephenson Quarter, with further development expected at East Pilgrim Street in the near future. While development in these locations will continue to be essential to the Council's ongoing economic aims, increased interest in both new development and refurbishment of properties on other employment sites, particularly those well related to existing industrial estates and business parks (notably Brunswick Industrial Estate, and Brought Park Industrial Estate) has also been noted.

Loss of Employment Land

- 6.32 Information on the amount of employment land lost to non-employment uses is not recorded in the Council's AMR's between 2010/2012 and 2014/2015, however the Council began recording losses in 2015/2016, where 4.85 ha of employment land was developed for non-employment uses, slightly higher than the average of 3.71 ha per annum recorded in the 2014 ELR.

- 6.33 The largest individual losses of employment land to non-employment uses came from a handful of major redevelopments, including the redevelopment of the former British bakeries Ltd site at Wheatfield Road. This application alone represented just under half of the total employment land (2.21 ha) lost in the period. Similarly other major losses of employment floorspace came from the redevelopment of vacant office blocks such as Eaga House. A significant loss of employment land was also recorded on Newburn Industrial Estate at the former Warburtons premises on Shelly Road. This site is now vacant but remains within the protected employment area and as such has the potential to come forward for future employment development. The majority of other losses of employment floorspace came from smaller applications, primarily for the redevelopment of vacant office or industrial units in areas of regeneration such as the Ouseburn, where there has been significant regeneration activity with a focus on providing student housing. There has been a noticeable increase in changes of use to alternative and other commercial uses, including sui generis, which is in many cases compatible with traditional employment activities. The reuse of land via the development management process rather than solely through the Local Plan process is not necessarily a reflective of a decline in economic activity as a whole, rather the reuse of often older or poorly located units for alternative uses is a natural part of the economic development in the City.
- 6.34 It should be noted that the loss of employment land to alternative uses often includes change of use to 'alternative' uses providing other compatible commercial uses, including sui generis uses which in many cases are compatible with the ongoing business activities taking place on an employment site.
- 6.35 The reuse of formerly B-class uses as determined through the Council's Development Management process as opposed to a revised Local Plan allocation, should not be seen to demonstrate a decline in economic activity within Newcastle or a specific employment site. The development of suitable alternative commercial uses of the type that would not interfere with or undermine the role and function of surrounding employment uses can be seen as part of the evolution of the economy.

Available employment land

- 6.36 The DAP will retain c.297 ha of employment land in the City for B1, B2, & B8 uses. These existing employment sites form the existing and largely occupied stock of employment sites in the City. The majority of these sites are discreet industrial estates or business parks in the City.
- 6.37 Circa 125 ha of land formerly allocated for B1, B2 & B8 uses has been deallocated as a result of the assessment carried out in this ELR (many of the sites were proposed for deallocation as part of the ELR 2014) considering the suitability of the sites for continued protection. Employment uses are still present on several deallocated sites and the lack of protection through the DAP does not mean that the Council will automatically permit alternative uses. Instead applications for alternative uses will be considered on their merits and

employment uses may continue in the foreseeable future. These locations also offer the potential to accommodate alternative non- B1, B2 & B8 uses in many cases.

- 6.38 Newcastle has approximately 125 ha Gross of available employment land (including mixed uses sites). This represents the total portfolio of potential sites at the present time and includes sites allocated through the CSUCP, including Newcastle International Airport, Newburn Riverside, and those within the Urban Core, as well as those proposed for allocation the DAP.

7. Creating a Picture of Future Requirements

- 7.1 Based on an assessment of economic development needs provided within the 2014 ELR, policy CS6 Employment Land in the CSUCP sets out a minimum requirement for 150ha of net developable employment land across Gateshead and Newcastle to be identified and allocated to meet gross employment land requirements, including requirements for office floorspace. Policy CS6 identifies a specific requirement for office floorspace of a minimum of 512,000 sqm (gross internal area).
- 7.2 Supporting text to policy CS6 states that of the combined requirement for employment land provision, a minimum of 80ha is to be provided in Newcastle along with 80% of the minimum 512,000sqm office floorspace. Approximately 75% of the office floorspace to be provided over the plan period is to be accommodated within the Urban Core.
- 7.3 This equates to the following requirements for Newcastle to 2030:
- 80 ha of net developable employment land, including;
 - circa 409,600 sqm of office floorspace, approximately 307,200 sq m to come forward in the Urban Core and ;
 - the remainder to come forward at Newcastle international Airport, or elsewhere in the City subject to a sequential test and impact assessment on sites over 200 sqm (net internal area).
- 7.4 The CSUCP was adopted in 2015 and the strategic policy requirements set out in Policy CS6 form the basis of the City's employment land requirements over the plan period. In preparing the evidence to support the emerging Development and Allocations Plan (DAP) an updated assessment of take-up, market conditions, and economic projections data was provided in October 2016 by Cushman and Wakefield (formerly DTZ) and is set out in the Employment Land and Property Demand Assessment ELPDA.
- 7.5 The up to date assessment of take-up, market conditions, and economic projections data contained in the ELPDA and the ELR 2018 has found that the employment land requirements of CSUCP Policy CS6 remain an appropriate level of provision of employment land to support business growth in Newcastle.

Estimating Employment Land Requirements

- 7.6 This ELR incorporates the findings of a detailed assessment of the economic development needs, provided within the Newcastle and Gateshead Employment Land and property Demand Assessment Update (ELPDA). It

reviews the estimates of employment land need against the requirements established in the CSUCP. As such this ELR should be considered along with the ELPDA, and does not seek to replicate its analysis. Instead the ELR refers to relevant elements of the ELPDA, and summarises its assessment of development needs in comparison to earlier estimates which underpin the 2014 ELR and CSUCP.

- 7.7 The Newcastle and Gateshead Employment Land & Property Demand Assessment does not suggest that a review of the employment need identified in the Core Strategy is necessary.
- 7.8 In Considering the requirements for employment land over the period 2015-2030 the ELPDA considers three separate approaches. These include:
1. Assessing floorspace letting projections to provide an assessment of the amount of floorspace that has been let over a 5-year period (2010-2015). This assessment is based on Co-Star property data. This assessment gives an indication of the amount of letting activity and demand, which in turn is used to provide a projection of future demand. This method relies on considering letting transactions of existing premises. Estimates of employment land requirements generated by this approach should be considered with caution because they do not provide a picture of future employment land requirements.
 2. Historic floorspace completions of employment land were reviewed in order to establish an average annual level of development. This approach projects forward past trends and while it is likely to provide a more accurate picture of employment land requirements than the assessment of floorspace lettings, the projections are still constrained by historical activity.
 3. An assessment of economic projections of employment change by industry sector was acquired from Oxford Economics, who using assumptions around employment densities and plot ratios then translate the projections in to employment land requirements. This method involved applying a range of assumptions, such those around local economic growth rates and growth between industrial sectors. These projections, viewed on their own do not necessarily reflect recent observed trends in employment land and the commercial property market.

Job Forecasts

- 7.9 In 2012 the Planning teams at Newcastle City and Gateshead Borough Council decided to commission new economic population projections capable of providing a consistent and up-to-date set of projections to inform the Core Strategy and Urban Core Plan. 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, none of these earlier scenarios were taken forward in the updated employment land modelling work.

7.10 The following three scenarios were used to underpin the quantitative econometric modelling to form the evidence to support the CSUCP employment land policies:

1. Long Term Recovery;
2. Cambridge Econometrics Baseline Scenario;
3. St Chad's Scenario

7.11 The different assumptions used in the rates of growth in each economic sector give differing projections as shown in figure 34.

Figure 34: Projected Employment Change 2010 – 2030/2038, against all sectors

	2010		2030			2038		
	Employment	Cambridge Economics	St Chads	Long Term Recovery	Cambridge Economics	St Chads	Long Term Recovery	
1 Agriculture etc	1.2	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	
2 Coal	0	0	0	0	0	0	0	
3 Oil & Gas etc	0	0	0	0	0	0	0	
4 Other Mining	0	0	0	0	0	0	0	
5 Food, Drink & Tob.	1.2	-0.5	-0.5	-0.5	-0.6	-0.6	-0.6	
6 Text., Cloth. & Leather	0.3	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	
7 Wood & Paper	0.4	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	
8 Printing & Publishing	1.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	
9 Manuf. Fuels	0	0	0	0	0	0	0	
10 Pharmaceuticals	0.5	0	0	0	0	0	0	
11 Chemicals nes	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	
12 Rubber & Plastics	0.5	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	
13 Non-Met. Min. Prods.	0.2	0	0	0	0	0	0	
14 Basic Metals	0	0	0	0	0	0	0	
15 Metal Goods	1.2	0	0	0	0	0	0	
16 Mech. Engineering	2.5	0.1	0.1	0.1	0	0	0	
17 Electronics	0.3	0	0	0	0	0	0	
18 Elec. Eng. & Instrum.	0.3	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	
19 Motor Vehicles	0.6	0.2	0.2	0.2	0.3	0.3	0.3	
20 Oth. Transp. Equip.	0.1	0	0	0	0	0	0	
21 Manuf. nes	0.9	0.1	0.1	0.1	0.3	0.3	0.3	
22 Electricity	0.7	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4	
23 Gas Supply	0	0	0	0	0	0	0	
24 Water Supply	0	0	0	0	0	0	0	
25 Construction	8.6	0.6	0.5	0.6	0.9	0.7	0.9	
26 Distribution	4.1	0	0	0	0.3	0.2	0.3	
27 Retailing	17.2	-1	-1.2	-1	-1.2	-1.5	-1.2	
28 Hotels & Catering	9.3	1.9	1.8	1.9	3	2.8	3	
29 Land Transport etc	4	0.4	0.3	0.4	0.3	0.2	0.3	
30 Water Transport	0	0	0	0	0	0	0	
31 Air Transport	1	0.6	0.6	0.6	1.1	1.1	1.1	
32 Communications	1.8	0	0	0	0	0	0	
33 Banking & Finance	7.5	2.2	2.1	2.2	2.8	2.6	2.8	
34 Insurance	0.5	0.2	0.2	0.2	0.3	0.3	0.3	

	2010		2030			2038	
	Employment	Cambridge Economics	St Chads	Long Term Recovery	Cambridge Economics	St Chads	Long Term Recovery
35 Computing Services	5.6	-0.4	-0.5	-0.4	-0.5	-0.6	-0.5
36 Prof. Services	19.1	7.5	7.2	7.5	12.1	11.6	12.1
37 Other Bus. Services	14.6	0.3	0.1	0.3	0.7	0.5	0.7
38 Public Admin. & Def.	22.3	-0.6	-0.8	-0.6	0.1	-0.3	0.1
39 Education	21.3	-0.6	-0.8	-0.6	0.4	0.1	0.4
40 Health & Social Work	32.2	1.7	1.3	1.7	4.4	3.8	4.4
41 Misc. Services	11.2	4.9	4.7	4.9	7	6.7	7
Total employment	192.4	16.3	13.9	16.3	29.9	26.3	29.9

Source: DTZ

Warehousing
Office
Industrial



7.12 Figure 35 below sets out the level of net employment change forecast over the period 2010 – 2030/2038 for Newcastle under each growth scenarios.

Figure 35: Level of net employment change against each scenario

Scenario	2010-2030	2010-38
	Total	Total
Long Term Recovery	16.3	29.9
Cambridge Econometrics	16.3	26.3
St Chad's	13.9	29.9

Source: DTZ

7.13 The job forecasts were subsequently turned into employment land requirements through the application of the standard employment densities, vacancy rates and plot ratios. Employment densities recommended in the HCA Employment Densities Guide 2nd edition 2010 were used to determine floorspace requirements, and plot ratios by use class were applied to determine the employment land requirements associated with each projection.

7.14 For Newcastle, this generates a net employment land requirement of between 0.3ha and 7.8ha for the period 2010 – 2030 as illustrated in the below table.

Figure 36: Employment Land Requirement (ha)

Scenario		Office	Industrial	Storage/ Distribution	Total
Long Term Recovery	2010 - 2030	7.2	-6.9	0.0	0.3
Cambridge Econometrics	2010 - 2030	14.0	- 7.0	0.0	7.0
St Chad's	2010 - 2030	14.7	-6.9	0.0	7.8

Source: DTZ Research

Take-up Losses and margin of choice

7.15 Analysis in the 2014 ELR of the take up of commercial office/industrial floorspace in Newcastle indicated that between 2000 and 2012, a total of 83.30ha allocated/ committed for employment land has been taken up for B1, B2, B8 use, which equates to approximately **6.95ha per annum**. Projecting the employment land take up forward (6.95ha per annum) to 2030 suggested that a requirement for around **139.0ha/194.60ha** (104.25ha based on 6.95ha over 15 years) of employment land. It was acknowledged that this presumption was based on a limited data source and does not factor in the

likely impacts of a prolonged recession, which would significantly reduce take-up in the short to medium term.

- 7.16 It was considered debatable as to whether the very high take up levels of the decade up to 2012 would continue over the plan period and the Council's view was that take-up rates were likely to reduce by a third in years to come (equating to 4.63ha per annum), having the result of decreasing the long term gross take up scenario to **93.0ha** over the period 2010-2030.
- 7.17 Analysing losses of B1, B2, B8 employment land indicated that over the ten year period from 2000⁶, some **40.98** ha was lost to other uses, at a rate of **4.09**ha per annum. Over the 5 year period from 2005 losses fell back to **3.71**ha per annum. If the level of short term losses were to continue to 2030/2038, some **74.2ha / 103.88ha** would be needed to maintain the current employment stock. Notably, much of this employment loss is lost to non-employment land uses for example residential rather than retail use.
- 7.18 In determining whether this recent trend of losses is likely to continue, a number of factors were considered, and are summarised in the table below.
- 7.19 The ELR 2014 suggested that the short term – past rate of 3.71ha per annum losses, was a justifiable way forward. By factoring in the likely net losses of employment land to job-forecast-based net projections presented above would generate a **gross employment land requirement of between 74.5ha and 82.0ha for the period 2010-2030**.
- 7.20 It was considered to be standard procedure when carrying out an ELR to build in a **margin of choice**, to allow for a degree of flexibility in the allocations by applying a stated factor in the demand calculations. The was considered to ensure that there would not be a contraction in the market.
- 7.21 Consequently, by including an allowance for the replacement of losses and factoring in two years of take up (based on long term trends) to allow for a margin of choice, this results in a **gross total requirement of between 83.77ha and 91.27ha for the period 2010-2030 and 122.15ha and 134.15ha for the period 2010-2038**.

Sense Check

- 7.22 The range of estimated gross employment land requirements identified through the various scenarios indicated a need for a better understanding of the likely possible levels of growth to inform the policy requirements in the CSUCP. The ELR 2012 therefore included a sense check of employment land requirements.

⁶ This timeframe has been used to limit the number of years of stalled development included in the long and short term average.

7.23 In addition to reviewing the three econometric model scenarios a report, the Newcastle Property Market Overview and Demand Assessment 2012 was commissioned from DTZ which took a slightly different view to establishing the range of employment land required. It advised that in planning for the future employment needs of the Newcastle area, that the projected take up level should be regarded as the upper limit of the amount of land required to 2038. The mid period take up level suggests a figure of 9 ha (gross) per annum of employment land take up, which equates to a gross land requirement of 180ha to 2030 and 252ha to 2038. They also advise that, at any time, there should also be five years "supply of deliverable sites" equating to 45ha in order to meet market requirements.

7.21 The sense check recommended that there was a very strong argument that not all losses of employment land should necessarily be replaced or reflected in an increased gross land requirement. The view was taken that where sites were no longer 'fit for purpose' or operate for the use they were intended that their de-allocation will not be reflected in an increased gross land requirement.

Based on the findings of the sense check the adjusted range, were therefore as follows:

Long Term Recovery: 74.5/112.88ha

Cambridge Econometrics: 81.2/121.88ha

St Chad's: 82.0/124.88ha

Take Up Projections: 166.80/233.52ha

DTZ with adjusted Take-Up: 45 to 120/168ha

Reviewing the Employment Land Requirements

7.24 The ELPDA reviewed up-to-date evidence in providing recommendations for the emerging Local Plan policies of Gateshead Council and Newcastle City Council.

7.25 An analysis of floorspace lettings data in Newcastle shows a relatively large amount of lettings in the City Centre, which is reflective of the major role the City plays as regional hub for businesses. Using plot ratios of 40% for industrial floorspace, 80% for out of town office, and 200% for town centre office developments produces the estimated employment land requirements as set out within table 37.

Table 37: Average annual floorspace lettings and associated employment land requirements (based on Co-Star property data)

	Average annual floorspace lettings (sqm)	Employment land requirement 2015-30 (ha)
Office (Town Centre)	19,045	14.25
Office (out of town)	7,897	14.80
Industrial (B1b/c, B2, B8)	37,904	53.30
Total	64,846	82

7.26 Historic floorspace completions over the period 2004/05 and 2014/20 were assessed to provide an average annual rate of development of employment land. Plot ratios of 124% for B1 development (taking account of both town centre and out of town development), and 40% for B2 and B8 development were applied to translate the average annual rate of development into employment land requirements between 2015 to 2030.

Table 38: Average annual floorspace completions and associated employment land requirements (based on Newcastle Council monitoring data)

	Average annual floorspace completions (sqm)	Employment land requirement 2015-30 (ha)
B1	26,174	31.41
B2	6,266	23.50
B8	1,279	4.80
Total	33,719	59.70

7.27 The econometric projections produced by Oxford Economics, which were acquired in January 2016 provided a projection of the potential change in employment in Newcastle over the period 2015 to 2030. Changes in jobs set out in the projections were converted into projected floorspace by using the HCA's Employment Density Guide 2015 (3rd Edition). Plot ratios of 125% for B1 development (taking account of both town centre and out of town

development), and 40% for B2 and B8 development were applied to the identified floorspace changes to translate the employment land requirements.

Table 39: Projected employment change and associated employment land requirements (based on Oxford Econometrics data)

	Projected employment change 2015-30	Employment land requirement 2015-30 (ha)
B1	5,057	10.8
B2	1,776	-20.4
B8	223	3.3
Total	3,504	5.6

- 7.28 All three of the approaches described above produce differing indications of the likely future requirement to 2030. Each approach needs to be considered before considering the level of employment land provision that is appropriate.
- 7.29 The use of average annual floorspace lettings in establishing an employment land requirement produces the highest estimated employment land requirements. This approach has its limitations however, in that it is based on lettings transactions occurring in current office premises. A significant proportion of these transactions will take place within units that have been vacant for a period of time or which are changing occupier. While this methodology provides a good indication of market activity, the fact that it relies on floorspace take up means that it is influenced by existing stock in the City. Varying lease terms within existing stock will affect the amount of floorspace uptake and ultimately the projected employment land requirement. As such it should not be relied upon as a tool for establishing net employment land requirements.
- 7.30 The employment projections provided by Oxford Economics generate the lowest estimates of employment land requirement. These figures suggest that the total employment floorspace required in the City should be reduced. However it is important to understand that economic projections are produced by combining a variety of assumptions on the economic situation and predicted growth in various sectors of the economy.
- 7.31 When the 2016 Oxford Economics projection is compared against the 2011 Cambridge Econometrics projection, significant differences in assumed rates of growth are evident, with the Cambridge Econometrics 'baseline' projection indicating growth of 16,3000 jobs between 2010 and 2030, and Oxford Economics projection of a of 3,504 jobs between 2015 and 2030.
- 7.32 Accordingly, although econometric projections from Oxford Economics provide a useful indication of relative growth rates of different sectors of the economy, the overall levels of growth represented by the projection should be

treated with caution. The ELPDA notes that the Oxford Economics projections are just one source of available econometric data, and acknowledged that the variability of economic data should be caveated and treated cautiously.

- 7.33 Basing the estimate of future development needs on floorspace completions relies on a methodology which assesses the number of completions of B1, B2, and B8 Use Class designated development completed in a given time frame. These completions include extensions to premises within the curtilage of sites. As such they should not be considered to provide a net employment requirement. Despite this limitation the ELPDA considers the assessment of floorspace completions to represent the most accurate estimate of future employment land requirements.
- 7.34 Using the employment land requirements as estimated by floorspace completions data, the ELPDA recommends a maximum requirement of 31ha of office-based employment land, 28 ha of industrial based employment land. In addition to these requirements the ELPDA recommends North East Enterprise Zone designations (69.29 ha) are considered in conjunction, with the employment land requirements, as the enterprise zone designation has the potential to act as a driver of additional economic growth. The PDA therefore recommends an overall gross requirement of 128.29 ha of employment land over the period 2015 to 2030. The addition of the Enterprise Zone sites to the requirement figure means that the ELPDA defines the 128 ha gross of employment land as a maximum requirement. The ELPDA notes that the stated total figures for the Enterprise Zone sites does not account for already developed floorspace. A significant proportion of the North of the Tyne Enterprise Zone has already been developed for example. Therefore the figure of 128.29 ha gross should be viewed with this caveat in mind.

Growth Rates Within Economic Sectors

- 7.35 The models for estimating employment land requirements based on floorspace completions and past development rates indicate a positive requirement for B2 floorspace despite the significant availability of second hand stock. It should be born in mind that these estimates are influenced by past trends and as such they do not reflect the decline in demand set out in the economic projections data. Despite the picture of decline that is painted by some economic models there is potential for local and national interventions and initiatives to increase the economic activity within specific sectors. Initiatives such as the Northern Powerhouse, and the North East Strategic Economic Plan are some of the relevant strategies currently aimed at supporting growth in the manufacturing sector. These initiatives may also arrest or slow the decline of demand for B2 floorspace. It worth considering that the projected decline in employment within the manufacturing sector does not guarantee a reduced demand for B2 floorspace as the provision of replacement floorspace has the potential to generate demand over the course of the plan period. Recent market research by Knight Frank has identified that the shortage of modern stock for manufacturing uses has generated upward

pressure on rents, increasing the possible viability of speculative development.

- 7.36 All three models considered by the ELPDA as well as those models detailed in the earlier report by DTZ indicate strong levels of future demand for office floorspace in Newcastle. These findings are to be expected considering Newcastle's role as a premier office location within the north east. The findings of the ELPDA broadly conform with the requirements identified in the Core Strategy for the provision of 380,000 sq m of office floorspace in key strategic locations: East Pilgrim Street, Gateshead Quays, Baltic Business Quarter, Stephenson's Quarter and Newcastle Helix.
- 7.37 Estimates of office land requirements based on historic floorspace take up and past development rates should be treated with some caution for several reasons.
- 7.38 Speculative development of office floorspace in Newcastle has not been strong in recent years and this has led to a shortage of Grade A floorspace, particularly in the City Centre.
- 7.39 A significant number of recent office developments such as the Rocket, have been brought forward successfully because of intervention by the council, through pre-letting arrangements to reduce the burden of risk and uncertainty to the developer.
- 7.40 While the supply of Grade B stock is better than that of Grade A, much of it will potentially be of an older type, and while some will be suitable for refurbishment, a proportion will no longer be fit for purpose.
- 7.41 There is a need to consider the impact of wider developments in the region's major business parks, particularly considering the impact on demand once sites such as the Quorum and Cobalt Business Parks are fully occupied. It is likely once these sites are fully let, demand will rise elsewhere in the region.
- 7.42 In terms of the warehousing market the projected demand for B8 warehousing floorspace varies between different economic projections. However the various scenarios considered share the same core trends, with demand for B8 being consistently lower than that for B2 land.
- 7.43 Experian's Long Term recovery scenario is the oldest of the projections used in the 2014 ELR and the ELPDA, and projects the smaller increase in B8 jobs compared to more recent projections.
- 7.44 Market commentary provided within the ELPDA provides useful insight into the potential demand for B8 floorspace within Newcastle:

“With the growth of online retail, at the national scale, online retailers, major supermarket chains and third party logistics providers (3PLs) are all actively seeking modern, big box logistics space to optimise their distribution networks, while there is also good appetite for mid-box space. Much of the

locational focus of the large distribution centres is around the South East and the main motorway corridors (M1/M6) given the ease of access to markets this provides. Given the location of Newcastle and Gateshead, the market for large scale retail distribution centres is likely to be more limited. However, there has recently been significant growth in the last mile delivery concept which drives a requirement for smaller logistics hubs closer to urban areas. This could drive demand for medium sized logistics units to serve as customer delivery hubs around the Newcastle and Gateshead areas. In addition to this, plans to drive the growth of Newcastle Airport and the Port of Tyne from a cargo/freight perspective could also drive a requirement for additional logistics/distributions based floorspace although this will be most likely based adjacent to these transport hubs.”

- 7.45 B2 jobs are projected to decline in all economic projections with the greatest decline identified in the Long Term Recovery Scenario. The bulk of this predicted decline was identified as being likely to be due to the decline in traditional large scale industrial employment. These projections should be treated with care however, as the ELPDA points out that while in real employment terms, manufacturing is predicted to decline in both Newcastle and Gateshead, this is partially a reflection of the sub sector growth in automation processes and technologies, and that there is in fact significant sub-sector growth opportunities within the wider manufacturing sector, especially around advanced manufacturing and the off-shore sector. This statement is supported by the fact that while the number of jobs in manufacturing are predicted to decline, the north East Local Enterprise partnership’s Strategic Economic Plan indicates that the value of the manufacturing sector to Newcastle and the North East’s economy as a whole grew faster than in the NELEP area between the years 2004 to 2014 than in England as a whole. A key target of the SEP is to enhance economic productivity and prosperity in the LEP area, as well as to provide ‘more and better jobs’ in the LEP area. Manufacturing is identified as a key growth opportunity within the SEP and this must be borne in mind when considering how to approach employment land requirements.
- 7.46 The approaches applied to economic projections effectively disaggregate trends at the national or regional level down to the local level. Therefore, growth in specific sectors, such as those prioritised in the SEP, are not necessarily factored into the model. At the higher level the performance of economic sectors shown by economic projections should be seen as an indication of the likely opportunity for growth within wider sections of the economy. While economic projections tell us a great deal about the potential future changes in key sectors within a given area, and broader economic trends will most likely have an impact on levels of development within Newcastle, it is also likely that market conditions, the availability of land in locations which are attractive to developers, as well as conditions in the market will have a significant effect on the types of development of employment land in Newcastle.

- 7.47 It is also essential that a provision of a variety of flexible sites should make up the portfolio of employment land in Newcastle. these should vary in scale and location to support growth within key economic sectors.

Local Plan Employment Land Requirements

- 7.48 The employment land requirements set out within policy CS6 of the CSUCP identify a minimum requirement of 80ha of employment land in Newcastle over the period 2010 to 2030. As an adopted Local Plan Policy this figure forms the basis of the Council's employment land requirements for the DAP, which is part 2 of the Local Plan.
- 7.49 The ELPDA adopts a different approach to estimating employment land requirements utilising different sources of data (reflecting the professional opinions of the different authors used, and different points in time), but arrives at a recommended a range between 69.29 ha and a 'maximum' requirement of 128ha over the period 2015 to 2030. The 'maximum' figure includes 69.29 ha of Gross Enterprise Zone land which is not disaggregate between what has been developed already and what has yet to be developed. As such the 'maximum' figure stated in the ELPDA, in addition to being based on a different methodology, is somewhat of an overstatement of potential requirements.
- 7.50 Although the ELPDA estimates employment land requirements over a 15 year timeframe, rather than the 20 year plan period, it should be noted that the St Chad's 'preferred scenario' economic growth projection used to underpin the CSUCP identified that the majority of the plan period's economic growth would occur in the period after 2015, allowing for a period of recovery from the 2008 economic downturn.
- 7.51 It is considered that the CSUCP requirement of a minimum of 80ha over the 2010-2030 plan period remains an appropriate quantity of employment land to meet anticipated development needs within Gateshead.

8. Reviewing our Established Portfolio of Employment Sites

Introduction

- 8.0 A key requirement of the Employment Land Review is to understand the nature, quantum and broad locations of 'available' employment land across Newcastle. In this stage, qualitative review of the City's main employment areas and sites was undertaken.
- 8.1 The 2014 ELR was undertaken to assess the supply of employment land in Newcastle. It informed the policies and proposals in the Council's Local Plan, part 1 of which was the CSUCP. Its findings and the portfolio of sites identified were used to support the CSUCP strategic allocations.
- 8.2 This ELR, reviews the whole portfolio of employment sites in the City, and will inform the policies and allocations within Newcastle's DAP. It considers potential new employment site allocations as well as carrying out an assessment of the Council's existing employment sites, in which it makes recommendations in terms of boundary changes and potential deallocations.

Planning Practice Guidance

- 8.3 Since the publication of the 2014 ELR and the adoption of the CSUCP there have been several changes to planning guidance relating to the assessment of employment land. Planning Practice Guidance has been taken into account when producing this ELR.
- 8.4 Planning Practice Guidance recommends that Local Planning Authorities integrate their approaches to identifying land for housing and employment. The PPG provides guidance on undertaking the HELAA, setting out three key objectives for the assessment:
- To identify sites and broad locations with potential for development;
 - To assess the development potential of these sites and broad locations; and
 - To assess each site's suitability for development, and the likelihood of development coming forward ('suitability', 'availability' and 'achievability').
- 8.5 The HELAA supports the plan-making process by allowing the proactive and informed selection of sites which may come forward through the emerging DAP. Not all sites identified in the HELAA are suitable for development, for example because of policy designation constraints, or because of viability issues. The purpose of the HELAA is to assess sites rather than to allocate them, which will only be done through the local development plan.

- 8.6 The assessment of land for housing and employment has been carried out using the Council's HELAA database. This comprehensive database includes the assessments of all known potential land allocations in the City. This ELR draws on and feeds into this database as the basis of its assessment of potential employment sites.

Site Assessment Methodology Approach

- 8.7 The methodology applied in undertaking the ELR has regard to the *National Planning Policy Framework (NPPF)* and the *Planning Practice Guidance (PPG)*. It also takes into account the *Employment Land Reviews: Guidance Note 'Brown Book'* published by ODPM in 2004, which has provided the framework for previous ELRs.
- 8.8 The assessment of potential employment sites has been carried out according to the methodology set out below. Existing and potential new sites have been assessed using the "health checks" and "site assessment pro-formas" provided in Appendices 4 and 5.
- 8.9 The assessment of sites contained in this ELR is intended to inform a comprehensive understanding of development opportunities in the City. To allow for a succinct discussion of relevant issues relating to potential employment sites this ELR does not present the findings of every site assessed within the HELAA, the majority of which do not represent a realistic opportunity for development as employment sites because they are unsuitable and/or no available for development for employment uses (B-class). A full list of sites identified and assessed in the ELR is provided in appendix 3.
- 8.10 The assessment of site suitability provided in this ELR is intended to provide a basis on which to consider the extent to which a site has the potential to be developed for employment uses. Any potential constraints that are identified in relation to specific sites has been carried out as a desk –based assessment. This assessment informs the ELR's consideration of whether a site can be considered to be a suitable location for employment (B-class) uses. This means that the scale and type of mitigation that may be required on a given site will depend on the type and scale of development that is being proposed. Therefore development proposals will be required to provide relevant information during the Development Management process.
- 8.11 The Council has reviewed potential employment sites in Newcastle. The starting point for the review of sites was based on those sites identified during the Draft HELAA call out for sites which took place between 11 November and

23 December 2016. At this stage no new sites had come forward or been identified beyond those identified in the ELR 2014.

- 8.12 There was a further opportunity to submit sites for consideration as part of the public consultation on the draft Development and Allocations Plan which ended on the 20th of November 2017.
- 8.13 Several new sites were identified by officers during the regular employment site Health Checks carried out in 2017 and again in 2018. These sites were then added to the HELAA database.
- 8.14 In summary the following sources have been used to identify additional sites:
- Sites identified through a call for sites carried out in November 2016 (submissions were invited from private landowners and developers, as well as providing an opportunity for the Council to identify assets which may have potential for development).
 - Sites identified by Council officers with knowledge of development opportunities in Newcastle.
 - Sites identified within the SHLAA which may not be available for residential development, but could accommodate development within the B class uses.
 - Other sites, identified by officers using local knowledge and aerial photography, which may have potential for development.

Assessing sites

- 8.15 Guidance on the assessment of potential employment land is set out in PPG. The assessment process is made up of three components, suitability, availability and achievability. Where site assessments identify constraints that would have an impact on the suitability, availability and/ or achievability of development, guidance suggests opportunities to overcome constraints are considered.
- 8.16 The Methodology for assessing potential new employment sites in terms of suitability, availability and achievability is set out in detail in the Council's *Approach to Housing Employment and Mixed Use Allocations* document. Below is a brief overview of how potential employment sites have been assessed.

Assessing Availability

- 8.17 The PPG states that a site can be considered available when, on the best information available (confirmed by the call out for sites and information from

land owners and legal searches where appropriate), there is confidence that there are no legal or ownership problems, such as unresolved multiple ownerships, ransom strips, tenancies or operational requirements of landowners. This will often mean that the land is controlled by a developer or landowner who has expressed an intention to develop, or the landowner has expressed an intention to sell. Although generally speaking the existence of a planning permission suggests a site is available, there may be instances where it does not.

- 8.18 A significant portion of Newcastle's employment land is focused into specific well established locations, including defined industrial estates and business parks. Office development is primarily focused in the Urban Core and in several relatively distinct out of town locations. These existing sites provide a range and quantity of premises. This allows businesses to identify premises capable of meeting their needs without generating a demand for new development. While the majority of the sites identified in the employment site portfolio are unoccupied, a minority are currently occupied. Where this is the case these sites have only been included in the portfolio where it is considered that there is a realistic potential for redevelopment to provide new premises.

Assessing Suitability

- 8.19 Guidance set out in the PPG indicates that the assessment of site suitability should be based on the development plan, emerging plan policy and national policy, in addition to considerations of the market and industrial requirements in the functional economic market area.
- 8.20 The assessment of suitability considers whether there are physical, policy or any other known constraints which would have an effect on the development potential of a site. Where constraints are identified, consideration is given as to whether they can be overcome.

Assessing Achievability

- 8.21 The assessment of achievability for employment sites involves making a judgement as to whether a site is viable. The assessment of viability is discussed in more detail in section 10. However in brief, it was tested through the use of notional schemes. This approach was considered to be appropriate to use for this assessment and consistent with the requirements of the PPG.
- 8.22 As the type of development as well as associated operational activities present on employment sites can vary significantly, it can be a challenge to ensure that an accurate assessment of the likely requirements for mitigation can be produced. Instead of assessing the specific viability of each suitable and available development site, the Council has adopted an approach of assessing the viability of notional schemes within value zone. The Council

considers that such an approach is reasonable when taking into account the uncertainty over the type of development that could take place on employment sites and the inherent difficulty in identifying potential ranges of uses, density of development, as well as potential mitigation options to be applied to the impacts of a proposed development. The public sector also has an important potential role in offsetting some costs for businesses. Therefore a more detailed or site specific approach to viability would not be appropriate.

- 8.23 Overcoming constraints on an employment site often requires that a portion of the site be retained to accommodate the relevant mitigation features. This could be through the provision of landscaping or SUDs for example. This method of constraint mitigation means that in some cases the developable area of a site is reduced. This factor has been considered when estimating the net developable area of potential new employment sites.

Estimating development capacity

- 8.24 Take-up of employment land is typically recorded on a plot by plot basis, which equates to a net developable area. To be consistent, availability should be measured on the same basis. We have considered each site and estimated the proportion of land likely to be lost to servicing and landscaping, having regard to typical gross:net ratios achieved on industrial estates and business parks elsewhere in the region. For some sites, gross to net adjustments may be appropriate. Determining development capacity on employment sites is influenced by a range of factors, including the need to provide on-site mitigation of constraints (i.e. provision of SuDS, possible use(s), access arrangements, and site layout. The planning history of sites, or other indications of landowner / developer intentions have been reviewed to inform development capacity estimates). These factors have been considered as part of the HELAA assessment process.
- 8.25 The ELR has estimated development capacity in terms of net developable employment land, rather than providing an estimate of potential floorspace. Where capacity cannot be anticipated by reviewing planning history or other sources, plot ratios can provide an indication of site capacity.
- 8.26 Unless there are site-specific circumstances which indicate a particular use to be appropriate, potential uses have been estimated to be office use (B1a), or general industrial use (B1b/c, B2 and B8).

Timescales

- 8.27 This ELR provides an estimate of the trajectory for offices and employment land in the City. In assessing sites this ELR follows the same approach as the ELR 2014. Where there is known information, no constraints or an extant planning permission on a site, then it is generally considered to be available in the short term (0-5 years), otherwise the site is considered to be a medium term site (6-10 years) if there are minor constraints and a long term site (over 10 years) if there are more significant constraints. The estimate of timescales provided within this ELR has used relevant information where available, including the planning status of the site, landowners' intentions (where known), and the likely implications of constraints affecting the sites, or requirements for infrastructure provision.
- 8.28 In practice the estimate of timescales is provided to give indication of the phasing of delivery, because there are no known physical constraints which would prevent the delivery of 'long-term' sites before 2030, all sites assessed are in effect suitable, available and achievable for economic development and are likely to be deliverable or developable within the plan period.

Reviewing Retained Employment Sites

- 8.29 Newcastle has a number of well-established employment areas in locations across the City, providing significant assets to the economy and supporting a large number of existing businesses. Areas vary in size and in the type of business they accommodate, with some accommodating major national and multinational operations and others providing space for smaller local businesses.
- 8.30 To ensure that the City's employment areas are able to go on supporting the economy the Unitary Development Plan (UDP) designated these employment areas as being suitable for employment uses and prevented non-employment uses from normally being permitted. These designations were referred to as ED sites (ED1, ED3.1 and ED3.2) These designations were 'saved' and sit alongside the CSUCP. Once it is adopted the DAP will supersede UDP policies and in order for existing employment sites to benefit from continued protection it is necessary to allocate them through the DAP. It was therefore necessary for the retained employment sites to be assessed to determine their suitability for allocation within the DAP.
- 8.31 This approach is consistent with the NPPF which states in paragraph 120 that;
- "Planning policies and decisions need to reflect changes in the demand for land. They should be informed by regular reviews of both the land allocated for development in plans, and of land availability. Where the local planning

authority considers there to be no reasonable prospect of an application coming forward for the use allocated in a plan:

a) they should, as part of plan updates, reallocate the land for a more deliverable use that can help to address identified needs (or, if appropriate, deallocate a site which is undeveloped); and

b) in the interim, prior to updating the plan, applications for alternative uses on the land should be supported, where the proposed use would contribute to meeting an unmet need for development in the area.”

8.32 The ELR 2014 provided an assessment of Newcastle’s employment sites and made recommendations as to which sites were still fit for purpose and which should be considered for de-allocation. The health of each of the existing employment sites currently protected through the saved UDP policies is monitored through annual surveys known as Health Checks. The Health checks monitor the suitability of existing employment sites for continued protection and consider market attractiveness and sustainability of the sites. These surveys were used as the basis of the assessment of whether or not the existing employment sites should continue to be protected. This ELR reviews the recommendations made in the ELR 2014 regarding which sites should be retained and which should be deallocated, and has provided a revised list of recommended sites to be allocated in the DAP.

8.33 It is important to note that recommendations within this ELR to de-allocate employment land should not be regarded as a recommendation to reduce business activity in a particular area, or that employment opportunities are not needed. Rather, the appraisal of employment areas has been carried out with the intention of rationalising Newcastle’s stock of employment land. This appraisal also has regard to the broad trend of reducing demand for industrial uses in quantitative terms, and the need to accommodate business growth in other commercial sectors.

8.34 In addition to the potential de-allocation of areas this ELR update has reviewed the boundaries of retained employment sites and redrawn several in response to relevant Local Plan Policies and new considerations. Additional areas for protection have also been identified and assessed in a consistent manner.

Review of Allocated Economic Development, Office, Industrial and Warehousing Areas (ED1, ED3.1 and ED3.2)

8.35 A number of sites were identified in the Newcastle Upon Tyne Unitary Development Plan 1998 under Policies ED1, ED3.1 and ED3.2, as the City’s strategically-important stock of office, industrial and warehousing land.

8.36 In preparing this ELR a further review of the sites considered within the 2014 ELR has been undertaken. Site boundary changes and potential new sites for

protection were also considered. Based on this updated assessment of sites a revised list of sites to be retained, and de-allocated was identified. The review included site visits carried out in February to April 2018 by an officer of the Council's Planning Policy team. The assessments were carried out to assess whether they were 'still fit for purpose' and could contribute to the city's strategic industrial and warehousing land needs.

- 8.37 Employment development is protected and encouraged on these sites. The analysis of these allocations is provided in Appendices C and D. Issues reviewed include each area's locational context, accessibility, constraints, existing sectoral mix, size and type of businesses; amount of floorspace required; scope for windfall, compliance with planning policy, market attractiveness and likelihood and viability of site redevelopment. The key points of each assessment are summarised in this section, with an overall conclusion reached concerning the site's future role in the delivery of the City's future portfolio of employment land. Several sites recommended for de-allocation within the 2014 ELR were reviewed and in some cases it was concluded that they should not be de-allocated. In addition to the potential de-allocation of areas this ELR update has reviewed the boundaries of retained employment sites and redrawn several in response to relevant Local Plan Policies and new considerations. Additional areas for protection have also been identified and assessed in a consistent manner.

8.54 **Figure 40: Sites identified for protection**

Existing Employment Site Name	Site Area (ha)
Albion Row Industrial Estate, Byker	1.00
Armstrong Industrial Estate, Elswick	3.42
Bells Close Industrial Estate, Byker	4.05
Brunswick industrial Estate, Brunswick	19.59
Fawdon industrial Area, Fawdon	17.85
Hoults Yard, Byker	6.69
Industry Road, Heaton	6.08
Mill lane Industrial Estate, Lynwood Development Centre, Elswick	1.52
Newburn Haugh Industrial Estate, Newburn	7.49
Newburn Industrial Estate, Newburn	16.29
Newburn High Street/ Walbottle Road, Newburn	3.0
Noble Street Industrial Estate, Elswick	3.3
Riverside East, Byker	11.87
Scotswood Road West, Scotswood	20.42

Shields Road/ Fossway, Byker	33.10
Throckley Industrial Estate, Throckely	20.19
Westerhope Industrial Estate, Westerhope	8.35
Whitehouse Road, Scotswood	3.21
Newcastle Business Park, Elswick	22.65
Regent Centre, Gosforth	10.60
Benton Park View, Benton	20.51
Great park (Sage Site)	11.08
Newburn Riverside, Newburn	25.66
Site North of Benton park Road and East of Killingwoth Road, South Gosforth	2.03
Airport Industrial Estate, Kingston park	11.95
Former Colliery buildings Havannah	2.57

Figure 41: Sites identified for de-allocation

Site name	Site area
Bakery, Ponteland Road	0.8
Blucher Industrial Estate	1.4
Condercum Road	2.73
George Street/Blandford Street	2.6
Gosforth Industrial Estate	4
Haddricks Mill Road	0.9
New Bridge Street	5.5
Newcastle Brewery (Now Newcastle Helix)	10.9
Pooley Road/ Slatyford Lane	5.0
Premier Development Centre, Whitehouse Road (whitehouse enterprise)	2.7
Prospect/ Tynos Works	3.6
Mill Lane South (former Rainbow Workshop)	0.5
Shieldfield Industrial Estate	1.4
Shields Road West	7.2
Warwick Street	50.2
Whickham View	3.1
Prestwick Industrial Estate	2.6
Barrack Road	6.7
Central Business Park	2.4
Denmark Street/Heaton Road	2.5
Kenton Bar	7.3
Millers Hill, Shields Road	0.8
Portland Road	0.8
South Jesmond (Portland Terrace)	2.0
St. Nicholas Hospital	1.5

Newburn Haugh (The site has now been renamed as Newburn Riverside)	NA
Walker Riverside Industrial Estate	NA
Fowberry Road, Scotswood Road	0.5
Newcastle International Airport	NA
Collingwood Clinic	NA
St Silas, Shields Road	1.0
Sandhills	2.7
Heaton Junction	5.2
North Brunton	2.0

Site Assessments

8.38 The following sections summarise the findings of the site assessments, discussing property market areas and the sites within them.

Results of Existing Employment Site Review

8.39 The site assessment proformas can be found in appendices 1 and 2.

8.40 In summary, of the sites assessed 27 were identified for protection within the DAP. The remainder are recommended for deallocation. Many of these sites have been developed (or had planning permission) or are operating as non office, industrial and warehousing uses (e.g. retail, housing) so are unlikely to contribute to the City's future office, industrial and warehousing land requirements.

Analysis, interpretation and commentary on ED results

Market attractiveness of ED sites

8.41 Analysis of the results indicate that approximately a third of the ED sites generally perform well against the full range of market attractiveness indicators including;

- The proportion of vacant floorspace which vacant units make up within a site. For example a site with numerous vacant smaller units may appear to be performing poorly when in fact there may be several larger units operating comfortably on a large proportion of the site, despite only appearing as a single occupant.
- Similarly a site may include a large number of poor quality or older units in addition to several more modern high quality units, which may distort the perception of the sites performance.
- Low levels of vacancy can be signs of an undersupply, however in many cases this may simply be the result of a site having one or more large occupiers, rather than there being a shortage of units available.
- Vacant units often have the potential for redevelopment when market conditions are favourable. Before decisions are made as to the acceptability of deallocating a site or permitting an unsupported use, careful consideration should be given to market signals which may indicate future demand in the short and medium term.
- Vacant units are not necessarily indicative of poor performance in the medium, or longer term. In recent years the demand for industrial floorspace has been relatively low, however more recently market intelligence indicates that rents have been rising due to a lack of supply, this in turn has led to the return of speculative development in many locations. It is a characteristic of the market for employment floorspace that a constrained supply and rising rents in terms of industrial floorspace often

leads to a resurgence in the speculative development of sites, including redevelopment.

- 8.42 It is acknowledged that many ED sites were identified as containing a number of buildings which were graded as being in 'fair' condition (ie showing extensive signs of wear and tear after 10 years plus of use). It is accepted that this would indicate a lack of market attractiveness through an unwillingness to refurbish buildings.
- 8.43 Equally, however, it could also reflect the fact that many industrial and distribution operations (e.g. waste transfer and heavy industry) place heavy physical constraints on buildings through their day to day operation. This can lead to buildings which show signs of wear and tear but which are nevertheless accepted as normal and inevitable by operators and the market. Also, unlike retail operations which seek to attract customers to their premises, it is often not seen as a priority for many industrial and warehousing businesses to have well maintained building as they are not directly selling goods to customers on site.
- 8.44 Even with the existence of a significant number of 'fair' condition buildings, the fact that they scored well on other market attractiveness indicators (such as high occupancy, good access to the strategic road network etc.) meant that it was not enough on its own to recommend release from its development plan designation.
- 8.45 Similarly, adjacent residential land uses were identified on 23 ED sites reviewed. At face value and taken in isolation this can reasonably be said to reduce their market attractiveness as it presents potential constraints to industrial and warehousing activities which can be noisy and involve round the clock use.
- 8.46 However, analysis of the results reveals that of the ED sites where adjacent housing was identified, the degree of constraint was often reduced by only part of the site boundary having residential neighbours. Also buffering between land uses by mature tree cover, open space, main roads, rail lines, steep site topography etc was noted. Ultimately, the fact that the high occupancy rate was generally recorded in ED sites with adjacent residential land uses indicates that the market itself does not consider them to be prohibitively restrictive.

Sustainability of ED sites

- 8.47 Analysis of the performance of ED sites against the sustainability indicators primarily results in most of the City's sites performing well.
- 8.48 A small number of sites had more mixed results. For example a number of ED sites were identified as containing environmental designations. This meant that

continued and further office, industrial and warehousing activity on the site could compromise these important environmental assets. However, these ED sites would also be noted as performing well against other sustainability indicators. For example while Walker Riverside and Walker Riverside Industrial Park perform badly in terms of being within Flood Zone 3 they also score highly on social development indicators as they are in priority wards and contain Super Output Areas which rank in the 20% most socially and economically deprived SOA in England.

Conclusion and recommendations for ED sites

- 8.49 Following individual analysis of each of the existing employment areas, recommendations as to whether the site should be retained or should be considered for release from its current allocation; either as a whole or in part have been made.
- 8.50 The overall conclusion is that in a third of cases, it is considered that sites generally are 'fit for purpose' and fulfil the location for which they are intended and therefore should be retained. They provide a well functioning, strategically important and finite resource within the City, vital for meeting its current and future office, industrial and warehousing needs. Their value is particularly great given Newcastle's compact nature and significant constraints of the River Tyne and remaining Greenfield and Green Belt sites within its boundaries.
- 8.51 A number of sites are identified as having potential for partial or complete release. These sites have generally been re-developed, or have planning permission or other uses. Several sites recommended for deallocation are expected to remain in employment use but will no longer be afforded protection. These sites with 'uncertain future' could be classified as 'Secondary Employment Areas'. Many of these sites are located within priority wards, and the Council should have an open mind about potentially sacrificing some of these allocations for regeneration purposes.
- 8.52 In general, the City has enough opportunities to replace any losses of existing office, industrial and warehousing land and provide new allocations.
- 8.53 Therefore, it is recommended that 27 of the ED sites reviewed should be considered as 'Primary Employment Areas' for inclusion within the DAP. This is so that they receive statutory development plan designation which protects them for B uses.

Review of potential new Employment Sites

- 8.54 The focus of the 2014 ELR was to inform the CSUCP by providing information on strategic detailed site specific employment matters and requirements. Therefore, it on quantifying the citywide future employment requirement and reviewing the City's strategically important office, industrial and warehousing areas (i.e. ED sites).

- 8.55 The ELR 2014 identified 104 sites in addition to those allocated in the UDP. These sites were added to the HELAA in addition to any sites coming forward during the call for sites. The potential employment have subsequently been assessed in accordance with the up to date HELAA methodology and in accordance with the recommendations described in the PPG.
- 8.56 30 sites were identified to comprise Newcastle's employment land portfolio. 12 sites with significant potential for office development (including as part of mixed use schemes) were identified as part of the portfolio. This portfolio of sites totals 125.21ha gross.

Conclusion and recommendation for non-ED sites

- 8.57 The ELR has been carried out against a backdrop of continued economic uncertainty, nevertheless the North East office and industrial property market has continued to slowly recover from the impact of the economic downturn. The continuation of this recovery is uncertain however, as the country moves closer towards exiting the EU. The impact of Brexit may not be fully understood or felt until sometime after the country leaves the EU, and it will be heavily influenced by the final deal that the government is able to negotiate. Despite the uncertainty over Brexit there are potentially positive signals, with major operators such as Nissan choosing to remain in the North East at the expanding International Advanced Manufacturing Park (IAMP).
- 8.58 Less is known about the impact of the proposed North of Tyne devolution deal, which is expected to be voted on later in May 2018. If this deal goes through Newcastle will be one of three authorities in a new North of the Tyne Authority, with an elected regional mayor. How this will impact high level strategic institutions such as the North East Local Enterprise Partnership, and the goals set out in the Strategic Economic Plan are also unknown at this point in time.
- 8.59 Rents continue to rise as a result of a shortage of high quality office and industrial stock. In the short term this has led to landlords refurbishing their offices to meet capacity. While in the longer term increasing rents have the potential to make speculative development of both office and industrial floorspace a more attractive option for developers. It should also be noted that investment in the industrial sector has started to grow in recent months both nationally and at a regional level.
- 8.60 At the same time industrial and warehousing land is being placed under significant pressure by landowners and developers seeking to benefit from the much higher land values that arise if planning permission for housing is secured. There is also increasing pressure from applications for change of use to alternative non B1, B2, or B8 uses, particularly for recreational, and often main town centre uses, which often have the potential to interfere with the day to day operation of industrial areas, as well as to undermine their long term role. In addition to this the Government has extended permitted development rights allowing the change of use of office to residential accommodation, and further has introduced additional permitted development rights to develop housing in vacant industrial units. These

factors have the potential to significantly and negatively impact the City's supply of viable employment land.

- 8.61 In light of these factors it is essential that the Council ensure that there is sufficient employment land available, both in terms of existing premises and new sites, to meet current demand and growing future demand.
- 8.62 New employment sites can offer an important economic resource for the City by helping to provide an evenly distributed portfolio of office, industrial and warehousing sites which can offer a range of local business development and employment opportunities. These sites make up a key part of the portfolio of employment land, and contribute to meeting the targets set out in the CSUCP for the allocation of a minimum of 80 ha of net employment land within the Plan Period.

9. Identifying our Portfolio

Introduction

- 9.1 CSUCP Policy CS6 identifies a need for 150 ha net of employment land (B1, B2, & B8) and 512,000 sq m of office floorspace focused in the Urban Core. These figures represent the combined requirement for both Newcastle City and Gateshead Borough Councils. Newcastle's share of this requirement is 80 ha net of employment land, inclusive of 410,000 sq m of office floorspace, approximately 75% of which should be focused into the Urban Core, and a limited amount to come forward at Newcastle International Airport and the remainder to come forward elsewhere in the City, subject to a sequential and impact assessment for proposals over 200 sq m.
- 9.2 Detailed site assessments have then been used to identify those sites to be retained for employment use; those to be de-allocated; and new employment site allocations.

Offices

- 9.3 Various studies of the office market in Newcastle were carried out in relation to the office market and land requirements in Newcastle. The 2012 Office Needs Study considered development of new offices in the City between 1989 to 2011. The 2013 Office Bridging Paper was produced in order to consider the updated evidence base, particularly as a result of the changes to long term employment growth projections prepared by St Chad's (February 2012), national planning policy and the economic outlook/property market.
- 9.4 The ELPDA provides an update on the office market in Newcastle. It notes that supply of Grade A stock is constrained and available Grade B stock also continues to fall. In 2016 available office stock in the City Centre was a third of what it was 4 years prior. This shortage of office space in the City Centre can be explained because of the lack of speculative development of offices over the past several years. The lack of speculative development can be a result of prime rents not being high enough to justify developers taking on the risk of developing new office space. Office developments in Newcastle continue to be characterised by significant Local Authority interventions, examples of which include the Rocket, and those at Newcastle Helix, both of which have been brought forward through interventions by the Council.
- 9.5 Market intelligence and a review of industry reports and evidence carried out in 2018 showed that demand for office space was positive, in particular City Centre office space was popular with Professional Services, which made up 30% of let space in 2017 and 29% in Q1 of 2018. The sector looks likely to continue to feature strongly through 2018. Demand from the Technology, Media and Telecoms sector (TMT) also continued to grow. The recently renovated Earl Grey House, let by Tangent plc set a new headline rent for

Grey Street. Despite the demand, available floorspace in the City Centre continued to be constrained, however market intelligence indicates that there is an increasing demand for “quality” in the market with the majority of the demand being for Grade A stock. It is considered likely that this increasing demand for quality premises in the City Centre, as well as evidence of increasing prime rents, could encourage further office development to come forward in the City Centre, however due to the challenges in funding new speculative development the majority of new schemes are still likely to be funded by, or otherwise brought forward with varying levels of local authority intervention.

- 9.6 In terms of the out-of-town market for offices, uptake in 2017 was 21% below the five year average, indicating that the majority of demand in Newcastle is still focused in the City Centre. The out-of-town market in Newcastle and surrounding authorities is dominated by the presence of the Quorum and Cobalt business parks which both have buildings of 100,000 sq ft plus, immediately available. 20% of regional out-of-town transactions completed in Q1 2018 were at Quorum Business Park. It is considered at this time that Quorum and Cobalt will continue to absorb a significant proportion of out of town occupier interest in future however it must be held in mind that once these two sites are fully let, occupiers will begin to search for new locations and if the Council wishes to ensure that these larger employers remain in the City, it must ensure that there is sufficient land available for further development. The CSUCP considers that this development should be focused at Newcastle International Airport (Policy KEA1). The Airport are currently working on an updated masterplan it is essential that the Council consider how best to work in partnership with the Airport to bring forward development of these major allocations.

Industrial Land and Warehousing

- 9.7 Industrial buildings can typically accommodate manufacturing and storage uses. Similarly industrial estates often accommodate both factory and warehouse premises.
- 9.8 Employment forecasts carried out by St Chads show declining levels of employment in industrial sectors. This suggests that over time the requirement for industrial floorspace is also likely to decline. The work carried out by St Chads and the ELPDA broadly concur with this trend. Market intelligence showed that industrial space take up was 4.4m sq ft in 2017 compared to 6.7m sq ft in 2016. These figures are below the 5 year average for the region of 7.1m sq ft. It is likely that these figures have been affected by the lack of quality stock as well as the slowdown in activity caused by uncertainty over Brexit. Take up of units over 50,000 sq ft declined across the region in 2016 & 2017 when compared to 2014 & 2015.
- 9.9 There is a notable shortage of good quality industrial stock in Newcastle and the North East as a whole. This shortage coupled with the strong transaction volumes in 2017, an increase of 69% on 2016 indicates that there is a growing demand in the sector. The shortage of modern premises coupled with

growing demand may suggest an increase in refurbishment and redevelopment of existing poorer quality sites and units and may accelerate speculative development of sites.

- 9.10 Evidence showing the contraction of the industrial sector, should be treated with some caution. New land is still required to demonstrate flexibility, and ensure that the market continues to function efficiently, to accommodate new companies looking to locate to Newcastle, and to allow for the expansion of others.
- 9.11 The findings set out section 6 in this ELR indicate that the employment land and office floorspace requirements established in the CSUCP are still appropriate.
- 9.12 To understand whether levels of allocations are sufficient to meet the requirements of the CSUCP, and the Council's needs over the plan period, it is necessary to identify the amount of employment land that is currently available and suitable for development.

Current Available and suitable sites

- 9.13 Table 42 below shows those sites which have been assessed as part of the HELAA and ELR process. They make up the Council's portfolio of new employment land to meet the requirements set out in the CSCUP. Sites are split depending on whether they are currently part of the allocations in the CSCUP, or a new employment land allocation and should therefore be allocated in the DAP. It should be noted that several sites within the Urban Core have been identified within the portfolio despite not having a specific allocation within the CSCUP. These sites are subject to the strategic policies for the Urban Core set out within the CSUCP and in most cases they fall into the Strategic Sub Areas identified in CSUCP Section 4, Urban Core Policies, therefore it was not considered appropriate to allocate them in the DAP. These sites are included in the portfolio because they are considered to have the potential to come forward, most likely for office development, and to help to meet the City's employment land requirements. The same approach has been taken with regards to sites allocated specifically in the CSUCP in the Key Employment Areas Newcastle International Airport, and Walker Riverside.

Table 42 Recommended Portfolio of Employment Sites

Site Reference / Name	Gross area (ha)	Summary of assessment	Recommendation
Site to the South of Shields Road	6.41	Large cleared former industrial site located within existing employment area. No major topographical constraints. Ground contamination is likely to be an issue. Good access to major road network.	Allocate in DAP
Site to the North of Shields Road/Adjacent to Depot Road	1.18	Cleared former industrial site located within existing employment area. Ground contamination is likely to be an issue. Good access to major road network.	Allocate in DAP
Site to the North of Shields Road	2.05	Site is partly cleared and partly developed. Ground contamination is likely to be an issue. Good access to major road network.	Allocate in DAP
Site South of Whitehouse Road	3.04	<p>Site has been cleared and includes an access onto the existing road network.</p> <p>There are topography issues to the south of the site with a significant change in ground level. Remediation of the site will be required before development is possible.</p>	Allocate in DAP

		There are areas of open space and housing to the north of the site.	
Site to the West of Shelley Road	1.01	Vacant site. Former retail land. Potential for flood risk. Permission granted for (2009/0720/01/DET. Site visit indicated evidence of works to improve access taking place on site.	Allocate in DAP
Site North of Westway Industrial Park, Ponteland Road	1.12	Former Greenfield site, northern perimeter of existing industrial estate. An industrial unit has been developed on part of the site already. 0.6 ha remains for development. Site performs well in terms of location within an existing industrial area, with good access to strategic road network.	Allocate in DAP
Site West of Ruby Park, Brunswick Industrial Estate	1.12	Vacant site is located within existing employment area. Adjacent to newly developed units at Ruby Park. Access is close to residential properties and site is surrounded by Green Belt to the north south and west beyond existing units.	Allocate in DAP
Site to the East of Riversdale Way	1.70	Undeveloped brownfield land situated among industrial uses. Ground contamination may be an issue. Improvements to road access would be required to facilitate development.	Allocate in DAP

Site to the West of Goldcrest Way, Newburn Riverside Industry Park, Scotswood Road	1.12	Located within existing employment are at Newburn Riverside. No obstacles to development. Conditional consent granted for car parking as ancillary to the role of the wider employment area (2016/1947/01/DET). Sit may no longer be available in the short term.	Allocate in DAP
Woodside Avenue, Walker Riverside	0.96	Cleared former housing site. Surrounded by employment uses. In close proximity to the Neptune Energy Park Enterprise Zone. Site will be incorporated into expanded Enterprise Zone.	Allocate in DAP
Site to the North of Kingfisher Boulevard, Newburn Riverside Industry Park, Scotswood Road	2.54	Vacant brownfield site. Adjacent to cement works and existing employment uses. Good access via kingfisher boulevard although somewhat isolated from the rest of the city because of location. Surrounding uses are modern and appear to be performing strongly. Some parking issues in the area.	Allocate in DAP
Site to the South of Shelley Road, Newburn	2.97	Vacant plot within existing serviced industrial estate.	Allocate in DAP

Industrial Estate			
Newcastle Centre for Ageing and Vitality (CAV) Site	7.58	Former Hospital site. Allocated for mixed use development. A significant portion of the site has been developed for medical, scientific, and research facilities associated with Newcastle university, Newcastle College and the Royal Victoria infirmary. Site is identified as having the potential to link with the development taking place at Newcastle Helix (Newcastle Helix). Sequential test for offices would be required. Site is Highly suitable for development related to research and development.	This site is not recommended for allocation within DAP Policy DM1. Instead it is allocated in DAP Policy DM9- Newcastle Centre for Ageing and Vitality (CAV) Site.
Neptune Energy Park (Phase 3c) –	5.59	Neptune Energy Park. Allocated in the CSUCP and included within the EZ	CSCUP Allocation Key Employment Area
Land at junction of Abingdon Road and Fisher Street	0.97	Former dry docks. CSUCP allocation as part of Walker Riversider Key Employment Area. Site is within the Neptune Energy Park EZ	CSCUP Allocation Key Employment Area
Land at former Neptune Yard	2.10	Part of Neptune Energy Park. Allocated in the CSUCP and included within the EZ.	CSCUP Allocation Key Employment Area

South of Freight Village, Airport	5.03	CSUCP allocation Newcastle International Airport Key Employment Area.	CSCUP Allocation Key Employment Area
Southside, Newcastle Airport	40.88	CSUCP allocation Newcastle International Airport Key Employment Area.	CSCUP Allocation Key Employment Area
Airport Southside Expansion site	13.00	CSUCP allocation Newcastle International Airport Key Employment Area.	CSCUP Allocation Key Employment Area.
Spillers Mill, Quayside	1.98	CSUCP allocation. Urban Core.	Urban Core Site,
Strawberry Place	0.64	Urban Core site. Development underway.	Urban Core Site
Safestore (former Heron's Garage)	0.68	Site is within the Urban Core. It is currently occupied but is considered to offer a realistic opportunity for redevelopment. This could potentially come forward as part of the wider development of Fourth Yards.	Urban Core Site
NCC Coach Park & WH Smith Depot	0.78	Site is within the Urban Core. The site is currently occupied but has the potential to be redeveloped within the plan period.	Urban Core Site
Stephenson Quarter	4.13	CSUCP allocation in the Urban Core.	CSCUP Allocation

Newcastle Helix (Newcastle Helix)	7.83	CSUCP allocation. Urban Core. Newcastle Helix. A significant amount of development has taken place.	CSCUP Allocation
East Pilgrim Street	3.77	CSUCP allocation. Urban Core. East Pilgrim Street.	CSCUP Allocation
Forth Goods Yard	2.77	CSUCP allocation. Urban Core. Fort Goods Yard.	Portfolio Site
South of Pottery Lane	3.15	CSUCP allocation. Urban Core. Derelict site, considered as part of Forth Yard Study.	Urban Core Site
St James Metro Station	0.9	Planning application for mixed use scheme, including offices approved.	CSUCP Allocation
Lower Steenbergs Yard	0.31	Identified in the 1NG 'Phase 1: Ouseburn and East Quayside Development Framework' to come forward for commercial uses (4,744 sq.m. of B1 floorspace).	Urban Core Site

Emerging Employment Land Portfolio

9.14 Newcastle's Emerging Employment Land Portfolio is broken down as follows:

- **Newcastle International Airport:** Newcastle International airport is allocated in CSUCP Policy KEA1. It includes 4 ha (net) of land at South of Freight (KEAb) for small business units and industrial use. A further 32 ha (net) of land at Southside (KEAb) for predominantly air freight and warehousing. 10 ha (net) of land is allocated at the Southside Expansion site (KEAd) for a larger single user of B1 class use.
- **Airport Related Uses:** A substantial area of the original Airport Masterplan remains available.
- **General Employment Land: Walker Riverside/Neptune Energy Park:** Walker Riverside offshore and general industry area is a major brownfield resource with an important cluster of sub-sea industries. Much of this area is covered by the Neptune Energy Park Local Development Order. It is also subject to Enterprise Zone status which incentivises development for employment uses, including simplified planning regulation. The entire location sits within the Walker Riverside Key Employment Area allocated in the CSUCP for marine/ offshore engineering and renewables. The Key employment area covers 51 ha in total. Within this area there are several vacant potential employment sites with the potential to contribute to the Council's portfolio of employment land. These are:
 - Neptune Energy Park
 - Land at former Neptune Yard
 - Land at junction of Abingdon Road and Fisher Street
- **Discovery Quarter:** This is a large part of the western side of the City Centre with significant sub-areas such as the Gallowgate office quarter; Newcastle Helix; and the Forth Yard Study Area.
- **Urban Core Brownfield Mixed Use: Ouseburn Regeneration Area:** A significant Brownfield Mixed Use potential is identified in the Ouseburn Regeneration Area on the eastern edge of the City Centre, with particular relevance to the needs of SMEs.
- **Urban Core Brownfield Mixed Use:** Various remaining brownfield sites are scattered around the city, notably Stephenson Quarter. Several such sites have been identified in the Urban Core and are considered to have the potential to contribute to the Council's portfolio of employment land.
- **General Employment Land:** Various remaining brownfield sites are around the city within traditional industrial estates and areas. These sites

will make up the majority of the allocations within the DAP, the bulk of the portfolio of employment land being allocated through the CSUCP.

Newcastle International Airport:

- 9.15 Newcastle International Airport is considered to be an important employment location which should be protected and has potential for growth. As its largest airport it is the principal international gateway into the North East Region. The airport serves a key role as a major contributor to economic activity and regeneration in the North East and the wider north region. It provides access to air travel and to new and emerging markets for business, commerce and industry. Economic development and regeneration is encouraged by facilitating inward investment, and tourism is supported by providing access to UK destinations and attractions.
- 9.16 The airport is considered to be an important employment location for general employment uses and the Key Employment Site will be a premier business location in Newcastle's portfolio of economic land. Specifically 10 ha net of land at Southside expansion site (KEAd) to be promoted for a large single user 'Solus' for B1 use. A Solus site is typically occupied by a large public or private organisation serving a national or international customer base, often providing head quarters accommodation in a high quality landscaped environment.
- 9.17 Key Employment Area consists of Newcastle Airport North (KEAa), which is allocated for airport related development and three sites to the south (KEAb), (KEAc) and (KEAd) where these restrictions do not apply. In particular site KEAd will be supported by the new Airport Access Road which will provide improved access to the A696. In addition Policy NN4 requires reservations of land to be made at NN4a to enable suitable road connections to the facilities and services of Newcastle Great Park. Uses that directly relate to the operations or function of the airport include a wide range of facilities and infrastructure that is required to sustain and support an international airport. Such uses include those that will bring benefits to the operation and development of the airport, improve its role as a major contributor and stimulus to the North East economy. The uses are defined as:
- Aircraft Apron,
 - Aircraft Maintenance,
 - Airline sales, reservations and booking offices,
 - Airline training centres,
 - Aviation and vehicle storage facilities,
 - Avionics maintenance and supply,
 - Car hire operations and parking,
 - Flight packaging: provision and supply units,
 - Hotel,
 - Preparation and storage facilities,
 - Internal highways and infrastructure,

- 9.18 The Airport plays a key role in the North East economy, as the 11th busiest airport in the UK having grown 102% in the past 20 years. The Airport is currently consulting on its masterplan to 2035.
- 9.19 The dominance of Quorum and Cobalt Business Parks is likely to continue over the short term due to the continued high levels of availability and heavy incentives, however as the dominance of these premises decreases and the market rebalances the Airport will be in a position to accommodate new demand.
- 9.20 NPPF recognises the importance of identifying strategic sites for local inward investment or to meet anticipated needs over the plan period. Also, where possible, identify and planning for new or emerging sectors likely to locate in their area.
- 9.21 Newcastle International Airport is considered to be an important employment location for general employment uses. The additional land identified at the Airport, approximately 14.4 hectares (net), would also be suitable as a single user site. Having such a site would allow Newcastle to respond to office needs for those businesses that do not require an urban core location.
- 9.22 The Airport, is capable of providing large floor plates. It has the potential to offer a high quality landscaped environment with access to the strategic road network and wide labour pool catchment. The transport nodes at the Airport provide significant economic opportunities. Opportunities also exist for industrial development in the area, such as freight, the servicing of aircraft and associated vehicles, supplemented by light manufacturing and storage uses, or those uses focused on new businesses and small and medium sized enterprises.

Walker Riverside

- 9.23 Three major sites dominate this area: A&P yard, Shepherd Offshore and land adjoining Wellstream. Within this area 12.95 (ha) net was identified as being available for development prior to the adoption of the Core Strategy. Since then construction has begun on several sites within the portfolio. The River Tyne North Bank Regeneration Strategy by North Tyneside and Newcastle Councils, covers a study area from Walker to the Bull Ring at North Shields, North Tyneside. The Strategy proposes expanding on Walker Riverside's pre-eminence as a location for marine industries.
- 9.24 The offshore marine sector on the Tyne is recognised as one of the area's key economic assets and a key growth sector for the North Eastern LEP area in terms of both economic and job growth, and accelerating moves towards a low carbon economy. The offshore marine supply chain is currently in the process of diversifying into the offshore wind sector, providing the marine engineering skills and technical capabilities needed to support the growth of offshore wind.

- 9.25 Enterprise Zone status has ensured that significant development has taken place in large parts of the Key Employment area at Walker Riverside, which continues to show strong signals of growth. A further expansion of the EZ took place in 2017, and an additional site (cleared housing) identified by officers was also incorporated into the EZ.
- 9.26 The City Council is committed to creating the conditions for economic growth and to the development of the Neptune Energy Park EZ areas, building on a commitment of over 25 years in which the Council has worked in partnership with the private sector to stimulate growth in the marine and offshore sector on the North Bank of the Tyne. The continued development of the Neptune Energy Park Enterprise Zone areas will build on the area's existing strengths in marine offshore engineering and the site is ideally positioned to offer direct supply lines to offshore oil and gas fields and UK wind farms in the North Sea.

Major Office Locations

The Discovery Quarter

- 9.27 The Quarter can be broadly grouped into several sub-areas:
- Gallowgate office quarter, including the northern end of St James Boulevard;
 - Newcastle Helix;
 - the southern and middle parts of St James Boulevard;
 - south of Central Station (Stephenson Quarter);
 - Forth Yard Study Area: a longer term development area currently being evaluated, including Network rail operational land, the west side of Forth Banks, Pottery Lane and the Calders site.
- 9.28 A significant part of the area has been developed for academic spin-off research B1 b) development..
- 9.29 Newcastle Helix falls within the ADZ. The 12.1ha site is at the heart of the city, and is well underway to becoming a new urban quarter for the city. It offers opportunities for businesses to co-locate with Newcastle University, building on the strengths of world-class research strengths and generating new economic opportunities in the areas of science and innovation.
- 9.30 Discovery Quarter B1 a) office space can only be broadly estimated over the plan period. Figures are based on developers' indicative or proposed schemes, together with estimates where this is considered feasible, based on the floorspace calculator and the following criteria:
- mixed use schemes with offices as the major element, alongside other uses such as apartments, hotels, student housing;

- buildings of 5 storeys maximum, reflecting the general grain of the city, and envelopes of recent office developments, eg, City Gate, St James Gate, Trinity Gardens; and
- allowance on larger sites for outdoor space for landscaping, public realm, civic spaces, etc.

Central

9.31 The most significant site coming forward in the Central area is East Pilgrim Street. East Pilgrim Street falls within the ADZ and is a large and strategically important regeneration opportunity area at the heart of Newcastle City Centre, comprising some 17ha of land adjoining the retail core. Approximately 3ha are anticipated to come forward for Grade A office space. Two development frameworks have been prepared for the area which cover the allocation, the northern area is primarily focused on retail led development while the south will be developed for a mix of uses including a major component of office development.

9.32

Quayside

9.33 Stephenson Quarter is also part of the ADZ and is a comprehensive mixed-use redevelopment including hotels, offices and residential accommodation, cultural buildings and cafes, restaurants and bars. Planning permission was granted in 2009 followed by a subsequent amendment in 2011. The scheme represents one of the largest proposed physical redevelopment projects in the City Centre with a development programme likely to commence in late 2013. 40,000 sq m of office / business accommodation is proposed as part of the development.

9.34 Plot 12 Quayside also provides the opportunity for delivery in the medium term. Plot 12 Quayside, or 'Imperial Quay' as it is to be known, has the potential to accommodate approximately 8,700 sq m of office space.

9.35 The completion of the 35,000 sq ft of Grade A office space at the Rocket in 2017.

9.36 The Second phase of the Stephenson Quarter redevelopment will incorporate a 140000sq ft office development at Stephenson House.

Ouseburn

9.37 1PLAN, Phase 1: Ouseburn and East Quayside Development Framework sets down how key sites including the Lower Steenbergs Yard, will be brought forward as part of a phased development programme.

9.38 The vehicle for progressing the above character areas is the Urban Core Plan, and as such over the plan period these figures are subject to change.

- 9.39 Planning permission has been granted for lower Lower Steenbergs yard 2015/0577/01/DET where conditional planning permission has been granted for the erection of a mixed use scheme including 800 sq m of office floorspace
- 9.40 The other main development on Lower Steenbergs Yard is the refurbished Toffee Factory, comprising circa 1757.8 sq m of office space.
- 9.41 Further development areas identified in the Ouseburn and East Quayside Development Framework include Malmo Quay, East bank, Maling Street, and Spillers Quay. East Bank has now been developed for residential uses through the award winning Maling's residential development. Maling Street remains undeveloped, but is expected to come forward for residential development. Malmo Quay also remains undeveloped, and could bring forward . Spillers Quay is currently occupied by the Ouseburn Regeneration Centre and its car park.

General Conclusions on offices

- 9.42 It is clear that there is significant capacity in the City for office development in a variety of forms, primarily within the Urban Core. B1 a).
- Newcastle Helix, offering opportunities for businesses to co-locate with Newcastle University;
 - Stephenson Quarter and Central Station area, fast becoming a major new office district in the rest of the decade; and
 - East Pilgrim Street, an under utilised area adjacent to the city centre's main business and retail district, set to become a substantial mixed-use development.
- 9.43 These sites currently face a number of obstacles which inhibit development: viability gaps, constraints in public and private sector finance and the requirement for significant up-front enabling infrastructure investment – including site preparation, demolitions, energy and utilities infrastructure, and highways improvements.

Ouseburn Regeneration Area

- 9.44 The Lower Ouseburn valley contained a major concentration of heavy industries in the 19th century, but after their disappearance it declined in importance, and is not subject to any current overall statutory designation. More recently, it has begun to re-emerge as a new focus for a wide range of small businesses and housing. The Ouseburn Regeneration Area now plays a role as a significant employment area. It extends along the river Tyne frontage from the west bank of the Ouseburn to St Peter's Basin and the

landmark of Spillers Mill. It extends inland as far north as Shieldfield. The area includes historic industrial allocations at Albion Row; Shieldfield Industrial Estate and Hoult's Yard which is now an important small business centre and Riverside East which contains a wide range of business accommodation.

- 9.45 The non-statutory Regeneration Strategy for Lower Ouseburn is a guide for local businesses, land owners and developers, providing the framework for detailed site development briefs. The area contains the Lower Ouseburn Conservation Area, and a Character Statement (2000) and a Conservation Management Plan (2004) have been formally adopted, together with the Urban Design Framework, a SPG identifying land use planning and transportation opportunities as well as identifying constraints to the site. The guidance highlights the relevant policy considerations, statutory requirements and introduces design principles which must be addressed in the submission of a planning application for any proposed development within the Lower Ouseburn Valley.
- 9.46 The vision for the area is for a mixed urban village centred on the historic conservation area core. Housing, cultural, performance and media uses are a major aspect of the area's character.
- 9.47 One of the aims of the ADZ is to set up a central Newcastle Skills Hub, both physical and virtual, to integrate disadvantaged groups into the labour market, upgrade the skills of the low-qualified in employment and promote the development of skills which will meet the needs of the future economy. It will also promote apprenticeships, acting as a central point for applicants and helping to reduce costs to SMEs of taking on apprentices.

Supply of Employment land

9.48 The ELR provides a comprehensive assessment of new employment land (net) to meet the requirements set out in the CSUCP

Figure 43: Supply of Employment Land

	Net Employment land (ha)
CSUCP allocations and Urban Core Sites	65.07
Capacity of sites assessed in the ELR (Recommended DAP Allocations)	24.23
Supply sub total	89.30
Take-up since 2010 (start of plan period)	29.44
Residual minimum requirement of employment land over the plan period	59.86
Balance of employment land supply and take up against CSUCP minimum requirement of 80 ha	+29.44

Timescales

9.49 This section should explain how the pipeline was developed and include the table of the trajectory Figure 44 sets out the current delivery strategy of available employment sites over the plan period, based on the findings of this latest review. The available employment sites will be regularly reviewed.

Table 44: Schedule of employment sites and anticipated phasing (Figures may not sum due to rounding)

Location	Total land use (ha) net	Total Short-term (ha) net	Total Medium-term (ha) net	Total Long-term (ha) net
East	17.87	13.72	3.19	0.96
North	0	0	0	0
Outer West	53.25	10.2	23.1	20
West	18.02	6.23	9.79	2.05
Total	89.30	30.20	36.08	23.01

10. Site Deliverability and Interventions

Viability and employment sites key information

The supply of employment land for development is highly dependent upon availability; **there are** private landowners simply may not wish to release land for development. This could be because their handling of the land is restricted by title issues or trusts, or because they have alternative aspirations for the site, often for higher value uses such as residential. A robust evidence base underpinning the Local Plan is therefore important in providing the conditions necessary to support, protect and bring forward valued employment sites for development.

Notwithstanding ownership and planning policy constraints, the financial viability of a site plays a crucial role in determining whether it comes forward for development. Redevelopment costs (particularly site remediation), anticipated demand and rental levels are all fundamental components of a scheme's viability and if these are considered to be unfavourable at a particular site then landowners are unlikely to put the land forward.

In such instances, public sector intervention may be required in the form of subsidy, grant or gap funding to make a site stack-up financially. Alternatively, a site could be brought forward as a mixed-use scheme to enable higher value uses to cross-subsidise the provision of new employment land / premises. Maintaining a flexible approach to requiring s.106 contributions could also reduce the overall financial burden on developers. Public sector investment should focus upon facilitating parcels of ready-made, serviced, development land.

It should also be noted that the greater the policy specificity and certainty, the easier it is for the market to make informed investment decisions.

The delivery of economic development is ultimately not determined by the level of constraints on individual sites, but by market conditions, developer confidence, availability of finance and regeneration imperatives.

Introduction

- 10.1 The National Planning Policy Framework stresses the need to ensure the appropriate use of land for employment.

Paragraph 120 states that;

“ Planning policies and decisions need to reflect changes in the demand for land. They should be informed by regular reviews of both the land allocated for development in plans, and of land availability. Where the local planning authority considers there to be no reasonable prospect of an application coming forward for the use allocated in a plan:

a) they should, as part of plan updates, reallocate the land for a more deliverable use that can help to address identified needs (or, if appropriate, deallocate a site which is undeveloped); and

b) in the interim, prior to updating the plan, applications for alternative uses on the land should be supported, where the proposed use would contribute to meeting an unmet need for development in the area.”

10.2 And paragraph 121 states;

“Local planning authorities should also take a positive approach to applications for alternative uses of land which is currently developed but not allocated for a specific purpose in plans, where this would help to meet identified development needs. In particular, they should support proposals to:

a) *use retail and employment land for homes in areas of high housing demand, provided this would not undermine key economic sectors or sites or the vitality and viability of town centres, and would be compatible with other policies in this Framework; and*

b) *make more effective use of sites that provide community services such as schools and hospitals, provided this maintains or improves the quality of service provision and access to open space.*

10.3 Financial viability plays one part in assessing the likelihood of a site coming forward for an allocated use. In addition a number of other factors are relevant when identifying sites for allocation for employment uses, such as the intentions of owner occupiers, local and national government interventions, the aims of national and regional industrial strategies, as well as the role of national, regional, and local delivery interventions focused on restoring the City to its pre recessionary economic growth.

10.4 Financial viability for planning purposes is defined by RICS Professional Guidance, Financial viability in planning, 1st edition, guidance note as:

“An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, while ensuring an appropriate Site Value for the landowner and a market risk adjusted return to the developer in delivering that project”.

Employment Land and Viability

10.5 The methodology for testing commercial schemes is a continuation of the approach adopted for the CSUCP and for both authorities CILs. The full updated viability assessment can be found in the Newcastle Gateshead Viability and Deliverability Report.

10.6 Notional commercial scheme types have been used to test viability which vary by land use and by type to reflect representative commercial schemes that could come forward across the authority areas. This takes into account development forecast to come forward within plan period to 2030, and recent planning applications and permissions, including for offices and

industrial development. Four commercial value areas for urban and non-urban sites in both authority areas were tested, to determine the maximum potential headroom that might be available. The commercial value areas represent Newcastle City Centre, High, Medium and Low value areas.

- 10.7 The viability appraisals use generalised assumptions to find an 'average' assessment for the type of development being appraised. Both values and costs vary significantly and therefore provide a broad indication of viability which is appropriate for a plan wide approach.
- 10.8 The results of the appraisals indicate that the economic viability varies across geography and uses reflecting economic conditions rather than the impact of policies in Newcastle's plan. It is impractical to anticipate every form of development scheme that comes forward, and, whilst within the commercial low and medium value urban areas there is limited or negative headroom for certain categories of development, there is also a higher proportion of public sector land ownership in these areas. The Councils have a track record of facilitating development where needed, and will utilise CIL, other development contributions and publicly owned land to enable high quality employment space to come forward, in addition to playing an active role in the Local Enterprise Partnership (LEP) to secure any available funding.

National Industrial Outlook

- 10.9 A review of national and local market trends in the industrial sector indicates a more positive outlook for the sector and emphasises the need to take a proactive approach to allocating land for employment uses. It's important for the Council to ensure that land is available in suitable locations to accommodate growth in expanding sectors of which industrial & logistics is one.
- 10.10 Nationally over the past several years, the industrial & logistics sector has grown to become the asset class of choice, reaching a record annual volume of £7.5bn in 2017 with sector-leading annual returns of 19.6%.
- 10.11 Through 2018 stock of varying size and quality has continued to change hands across all parts of the market. Growing investment in the industrial & logistics sector has led to it becoming something of a haven. A review of national trends indicates a growing role for the sector.
- 10.12 The continuing Brexit process appeared to have had little impact on the market in 2017, resulting in a respectable level of take-up over the year. Appetite for quality also showed little sign of decreasing, with grade A space accounting for 30% of UK take-up nationally, the second highest proportion on record after 2016.
- 10.13 UK logistics take-up was down significantly on 2016's record but taking Amazon's activity in 2016 out of the equation, take-up was broadly in line.

Additionally the 'mid box' sector returned to form in 2017, recording its second strongest year of take-up on record, while the smaller end of the market continued to perform, with take-up marginally ahead of the annual average.

- 10.14 Boosted by the fall in the pound, UK manufacturing is growing, with output almost back to where it was pre-credit crunch in 2008. That said, more certainty over the post-Brexit landscape may have an effect among internationally orientated occupiers. Possible tariffs are a concern for international operations, whose supply chains often span the continent. To this regard, the automotive industry seems particularly vulnerable, albeit anecdotal evidence of long-term commitments to the UK among the major car manufacturers is hugely reassuring. Even if there are barriers to trade from Brexit, this is arguably just as likely to encourage some occupiers to focus their footprint in the UK as it is to force others to take flight.

North East Industrial Outlook

- 10.15 The North East Industrial and Logistics market is less buoyant and has been operating at a below average level, seeing its lowest take-up since 2013. Availability currently stands at a record low with a lack of speculative development and grade A space accounts for only 9% of total supply. The North East continues to suffer from a lack of good quality stock with only around 485,000 sq. ft. of stock that could be considered modern.
- 10.16 Prime headline rents have remained stable at £8.10 per sq. ft., established in 2016 for a new build unit of 11,000 sq. ft. at Team Valley with a further letting of 26,000 sq. ft. at Team Valley which achieved a figure of £7.45 per sq. ft.
- 10.17 Generally secondary industrial estates are performing well, especially given the smaller nature of the units are always likely to attract small to medium sized businesses on affordable rents. The nature of these tenants suggests they are likely to be less concerned by the effects of Brexit in comparison to say larger national/multinational corporations who occupy space of 15,000 sq. ft. + for example.
- 10.18 Whilst many of the units are in need of refurbishment/upgrading, this typically does not deter industrial type occupants and has been shown by the number of lettings over the last few years. In most cases, we are seeing rental incentives including rent free periods afforded to tenants to compensate for the condition of properties.
- 10.19 Despite difficult economic conditions for industrial development, in certain locations which benefit from proximity to the strategic highway network, critical mass and higher rental levels, there is evidence of a stronger market and recent investment. There is evidence of more limited investment in other employment areas, with less appetite for speculative development and examples of schemes coming forward subject to gap funding.

North East office outlook

- 10.20 Newcastle City Centre is the primary office location in the region. Investment in the office market rose steadily and significantly between 2013 and 2016, falling off sharply in 2017. This drop was explained by a lack of high value sales rather than a fall in the number of deals. This is unsurprising given the relative shortage of new largescale office developments coming forward.
- 10.21 The office market is characterised by higher levels of demand, particularly for Grad A stock, and lower levels of availability, 15% below the 10 year average as of the end of 2017. City centre office development such as it is, is primarily focused on sites such as Newcastle Helix, underpinned by ADZ support. The increasing pressure on supply coupled with relatively higher levels of demand saw headline rents increase by 2% in 2017. Nevertheless Newcastle has the lowest prime rent of the major UK regional cities, increasing the likelihood of inward investment. It is also possible that as rental yields increase as a result of increased demand and a continuing shortage of stock, that speculative development pick up in the medium and longer terms.
- 10.22 Newcastle City Centre is the dominant office location in the region. However the office market more generally shows a more cautious approach to new development, and the appraisal results reflect these conditions. In the short term intervention by the Councils and/or cross subsidisation from higher value uses will help to facilitate development on key sites, particularly in the wider Urban Core. It is expected that development could come forward more readily in the medium to longer term as economic conditions improve.
- 10.23 The NPPF advocates an approach which is flexible to allow employment areas to grow and adapt in the context of future market circumstances. There are challenges in the commercial sector and a cautious approach is needed in local plan policies/requirements to try and facilitate future development.

Delivery Interventions

- 10.24 The economic growth of core cities and urban centres, such as Newcastle is a strategic priority both at national and regional levels. The Gateshead and Newcastle Core Strategy and Urban Core Plan CSUCP is fundamental to directing and supporting growth in the sectors and central sustainable locations that will help to deliver the economic growth that the North East demands. There are a number of major delivery schemes in place which aim to encourage economic growth in the North East and Newcastle.

Enterprise Zones

- 10.25 The first round of Enterprise Zones was launched in April 2012 to support economic growth by providing tax breaks and a range of interventions to

help businesses start-up, grow and expand. Following this success, a second round of sites went live in April 2016.

- 10.26 Collectively, the North East Enterprise Zone is made up of 21 sites. Three of these sites are in Newcastle: North Bank of the Tyne; North Bank of the Tyne Extension; and Newcastle Airport Business Park.
- 10.27 The North East sites have been strategically selected to drive growth by building on local strengths, making the most of our natural and physical environment, skills and existing business base, as well as the innovation ecosystem.
- 10.28 The sites benefit from agreements that enable up-front investment and speedy development of facilities, as well as simplified planning processes through things like Local Development Orders.

Enterprise Zone status benefits;

- Business rate discount – businesses can claim up to 100% discount against business rates that are worth up to £275,000. This can be claimed over a five year period through occupying premises on an Enterprise Zone site. This is the equivalent of £55,000 per year but does not need to be taken as an even annual split. To take advantage of this benefit, a business were required to located on the site by the end of March 2018 for Round 1 sites and by the end of March 2021 for Round 2 sites
- 100% enhanced capital allowances – this tax relief is issued to businesses making large investments in plant and machinery. Businesses wanting to take advantage of the enhanced capital allowance must be located on site and make the claim by the end of March 2020 for Zone 1 sites and by the end of March 2025 for Zone 2 sites

Accelerated Development Zones (ADZs)

- 10.29 The aim of the NewcastleGateshead ADZ is to unlock growth across the urban core, returning the area to its pre-recession economic trajectory, which had seen more rapid employment growth in Newcastle than any of the other core cities. The ADZ is aligned with our economic strategy, which concludes that to reach our full economic potential we must grow the knowledge economy, develop and retain a skilled workforce, promote regeneration that is sustainable and stimulate growth in the urban core of NewcastleGateshead where we are at our most competitive.
- 10.30 The ADZ covers four key sites which offer significant growth potential over the next 25 years, where we can accelerate growth in the short and medium term:

- Newcastle Helix, offering opportunities for businesses to co-locate with Newcastle University. The 9.7 ha Helix site, formerly Newcastle Helix has developed rapidly to create one of Europe's leading innovation quarters, the site will bring together industry leaders, researchers and residents in new, high-quality community. It is an exemplar of sustainable urban development which combines prestigious commercial and residential space with first-class research and education facilities in the heart of a flourishing city. Home to the UK's National Innovation Centres for Data and Ageing and significant university research assets, Newcastle Helix offers developers opportunities to capitalise on academic excellence to drive growth.
- Stephenson Quarter and Central Station area, primed to become a major new office district in the next decade. The 4 ha site adjacent to Newcastle Central Station is developing into a leading office and knowledge district. Phase 1 is already complete, with a new 4* hotel, multi-story car park, high spec conference/ music venue and fully occupied Grade A office space. Further office space will be created over the next 12 months with a focus on tech-based companies, sitting alongside a business-focused technical college and quality landscaping across the site.
- East Pilgrim Street, an under-utilised area adjacent to the city centre's main business and retail district. It is set to become a substantial mixed-use development. The 7.9 ha site represents one of the most strategically important areas of Newcastle city centre. Given its close proximity to the city's shopping centre the northern part of the site has been earmarked for a retail-led development, with the central and southern areas being developed for mixed uses including office, residential and leisure.

10.31 These sites currently face a number of obstacles which inhibit development: viability gaps, constraints in public and private sector finance and the requirement for significant up-front enabling infrastructure investment – including site preparation, demolitions, energy and utilities infrastructure, and highways improvements.

10.32 A coherent programme of infrastructure investment – to be financed through tax incremental finance (TIF) – has been identified totalling £92m. This will lever in £800m of private sector investment and unlock significant development. It is expected to generate incremental annual business rates of up to £21m (and £320m in total) by 2038, enabling borrowing to be paid back by 2031.

10.33 The ADZ is forecast to generate 13,000 jobs, or 11,000 net of displacement and deadweight.

Local Growth Fund (LGF)

- 10.34 The North East Local Enterprise Partnership (NELEP) has secured a £270m Local Growth Fund; a capital programme that forms a key element of the North East Growth Deals agreed with Government between 2014 and 2017. It allows the North East LEP to progress ambitious growth measures, together with their partners, to achieve the objectives set out in the Strategic Economic Plan (SEP).
- 10.35 This total includes funds awarded under the three rounds of Local Growth Funding and supports major capital projects across the North East LEP area through smart, strategic and focused investment of public and private sector funding.
- 10.36 The Local Growth Fund funded projects directly support one or more of the following strands of activity:
- Driving innovation and improving business support
 - Developing skills infrastructure and supporting economic inclusion
 - Creating new strategic economic assets and infrastructure
 - Enhancing strategic transport corridors and public transport infrastructure

European Structural Investment Fund and the Shared Prosperity Fund

- 10.37 The 2014-2020 European Structural Investment Fund (ESIF) will inject more than £437m into the North East. Although the funds are held by Central Government, the North East LEP plays an important role to ensure these funds are used to deliver both the European goals of smart, sustainable and inclusive growth and support the Strategic Economic Plan.
- 10.38 The UK's impending departure from the EU will bring to an end EU funding to the UK's nations, regions and local areas. Central Government has promised a replacement (termed the 'Shared Prosperity Fund') but the details are still some distance from being worked out.

North East Local Enterprise Partnership (NELEP)

- 10.39 Local Enterprise partnerships were formed following the Local growth White Paper, published in October 2010, and evidence provided in the North East Independent Economic Review.
- 10.40 The NELEP covers the local authority areas of County Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland. In January 2016 the area included a population of 1.95 million, a £35.4 billion economy and 49,230 enterprises.

The LEP aims to ensure that the North East maximises its contribution to national economic growth and rebalancing the national economy and sustain the strong leadership and partnership working.

- 10.41 The NELEP has provided resources for the North East in several ways;
- Securing three rounds of Regional Growth Fund and Local Growth Fund investment
 - Preparing the strategy for European Strategic and Investment Funds
 - Preparing successful proposals for the 21 Enterprise Zone sites which have secured government tax benefits for investors business and will deliver a rolling investment fund over time
 - Specific resources linked to projects aiming to take forward key aspects of the SEP have also been obtained i.e. developing engagement with European innovation platforms.

Strategic Economic Plan (SEP)

10.42 The Strategic Economic Plan (SEP) for the North East LEP is the document which sets out how the NELEP will achieve its goals. The plan outlines the medium term economic objectives for the North East and identifies interventions and areas of investment to support economic growth, increases in productivity and increases in the number of people in employment.

At the centre of its growth ambitions the SEP seeks to:

- Decrease the gap between the Region and national average on GVA;
- Increase the private sector employment density;
- Improve business density;
- Increase the employment rate of the Region

10.43 Delivery of the North East Strategic Economic Plan since 2014 has focused on the key employment locations and growth corridors along the A1, the A19, the River Wear and the River Tyne include the:

- Urban cores of Newcastle Gateshead, Sunderland and Durham;
- North East LEP Enterprise Zone including Port of Tyne and Swan Hunter;
- International Advanced Manufacturing Park in Sunderland and South Tyneside; and
- Team Valley and Aycliffe Industrial Estates, and the business and industrial estates near the northern entrances to the Tyne Tunnel.

10.44 The SEP identifies Newcastle as one of the regions three major cities alongside Sunderland and Durham. It is noted for its contribution to science, education, culture, the digital and service sectors and for the regionally and nationally significant Newcastle International Airport.

The delivery of the SEP since 2014 has included;

- Enterprise Zone investment in the form of infrastructure agrees to support development on EZ sites, and the second Enterprise Zone expansion launched in April 2017
- North East Investment Fund totalling £55 million in funds fully committed, and supporting 21 projects. £4.5 million was allocated to extend the Finance for Business Fund (JEREMIE)
- The North East Growth Deal secured £329.9 for the region of which £220 million was allocated to the NELP for 2016-2021. 48 capital projects were funded through the Deal
- European Structural and Investment Funds of €559.5 million national allocation for the NELP area was secured for 2014-2020. As of November 2016 three quarters of the ERDF allocation was committed, which was the highest in the country.

North of Tyne Devolution Deal

10.45 In April 2018, the North East Combined Authority (NECA) gave consent to the creation of a new *North of Tyne Mayoral Combined Authority* for the North of Tyne area covering Newcastle, North Tyneside and Northumberland.

10.46 The Secretary of State for Housing, Communities and Local Government laid the necessary legal order in July 2018, with a view to the Order being made in October 2018. Subject to Parliamentary approval, the new authority will be set up in October 2018 and will go through a process to appoint an interim mayor ahead of an election in May 2019. An elected mayor will chair a cabinet of six representatives from Newcastle, North Tyneside and Northumberland councils, plus representatives from the North East Local Economic Partnership (NELEP) and the business community.

10.47 The new body will have a £600m investment fund, worth £20m a year over 30 years, which is expected to generate £1.1 billion for the local economy, create 10,000 new jobs and leverage £2.1 billion in private sector investment.

10.48 New powers and funding that will be available to the North of Tyne through this deal include:

- A new, directly elected Mayor for North of Tyne to give a strong and powerful voice to our area
- £600 million of extra money to invest in the North of Tyne
- Projects to improve education, skills and help people get into work.
- Local control of the £23 million per year budget for adult education.
- Powers to develop land for economic growth and regeneration.

- Projects that increase the growth and productivity of our rural communities.
- Working better with Government to boost trade and investment.
- Projects to grow our digital sector and low-carbon economy.
- A joint committee to manage public transport across the North East.
- A commitment to explore new opportunities for the North of Tyne in future.

Conclusions on achievability

- 10.49 Assessing the achievability of employment sites essentially involves a judgement about the economic viability of a site. The potential range of commercial development that may be accommodated on any given piece of employment land varies considerably, depending on the location, size and other characteristics of the site, as well as in relation to changes in demand for different uses and changing market conditions over time.
- 10.50 The type of employment development accommodated on a given site can vary, making it difficult to provide a truly accurate estimate of viability. The use of commercial value zones and viability testing of notional schemes in this report provides a broad indication of the viability of generic commercial development in different locations throughout Newcastle. This approach is considered proportionate when the uncertainty over the type of development that could take place on sites allocated for employment uses. The uncertainty regarding potential range of uses, and density of development, and the potential mitigating needed to address the impacts associated with the proposed development, in addition to opportunities for public sector intervention to offset some costs demonstrate that a detailed, site or scheme-specific approach to viability is not appropriate.
- 10.51 Despite the lack of viability of employment land development identified in this report, development of employment land continues to take place in the City and wider region, often supported by local, regional, and national government initiatives, such as those described above. Furthermore, development of industrial and office floorspace is not always influenced solely by the financial viability of the development itself which is often the case in the house building sector. For example, it can be the case that a site will be developed to facilitate the aims and function of a given business and while the development may represent a cost to a business, it enables the desired economic activity to take place.
- 10.52 In recent years employment land has continued to be developed across several locations, mostly those benefiting from incentives such as Enterprise Zone, and Accelerated Development Zone Status. Notable examples include extensive development at Neptune Energy Park and Walker Riverside where there has been significant development to support the renewable energy and offshore sectors, and the Newcastle Helix

(formerly Newcastle Helix), which is one of the City's flagship mixed use developments.

- 10.53 Although much of the major commercial development in recent years has been focused on sites with incentives, new development and refurbishments have continued to take place across the City and its industrial estates and business parks. Newcastle City Council's Annual Monitoring Report 2016-20167 identified several significant planning completions including development of a new 1090 sqm building at the former Havannah Colliery site in Hazlerigg, as well as 1550.5 sqm at Brunswick Industrial Estate, and 2280 sqm at High Yard, Wincomblee Road.
- 10.54 Clearly while it is appropriate to test the viability of employment land development through notional schemes, the findings of the report should be viewed in the context of wider trends and features of the employment land market, and in particular the need to ensure that the City is well positioned to encourage economic growth and development across a range of sectors and locations, in line with national and local strategies for economic growth.

Chapter 11. Conclusions and Recommendations

- 11.1 The assessment of recent economic trends carried out in the ELR (which reference to the work carried out in the ELPDA) considers that the DAP should not take an alternative approach to that taken in the CSUCP Policy CS6. The requirement of 80ha of net developable employment land over the plan period 2010-2030 remains an appropriate level of employment land provision, capable of meeting anticipated needs, while ensuring a range of suitable sites to meet current and future needs.
- 11.2 The comprehensive assessment of the supply and demand for employment land in Newcastle has identified a portfolio of 89.30 ha of net developable employment land that could be delivered within the Plan Period. The portfolio represents a suitably varied range of sites in terms of scale and, location within the City as well as in terms of their potential uses. They are able to accommodate a varied range of employment needs and ensure flexibility in terms of where businesses can locate their operations, while also allowing a degree of choice for developers and occupiers, seeking to invest and develop sites in the City. It is therefore recommended that these sites be proposed for allocation for employment uses within the Pre-Submission DAP.
- 11.3 In terms of its current stock Newcastle has a relatively small stock of employment land when compared to neighbouring authorities such as Gateshead. Much of the established employment stock focused in areas of historic industrial activity, particularly along the bank of the River Tyne. Although many of the existing employment sites perform well in supporting local businesses, Newcastle has a shortage of high quality industrial and warehousing premises relative to demand, to meet the needs of occupants. This is the case across the North East Region as a whole and means that there is an opportunity to encourage renovation and development of new employment stock on existing well established sites, to meet the needs of current and new occupants. Several undeveloped sites recommended for allocation in the DAP are located on existing employment sites and benefit from existing infrastructure, servicing, and landscaping.
- 11.4 The review of Newcastle's existing employment sites carried out in this ELR sought to identify those existing employment sites that were well defined, and able to support new and existing businesses. Sites which performed poorly in terms of sustainability or market attractiveness were identified for de-allocation. Although in some cases employment uses were expected to continue on site it was considered an appropriate approach to de-allocate less

suitable and poorly performing sites. Section 8 of the ELR recommends a list of sites for de-allocation (where formerly they were allocated through policies 'saved' from the UDP). These sites are not recommended for allocation in the DAP, and will not be protected in the future, although this should not be seen as an endorsement by the Council for sites to be developed for alternative uses, and applications for non B Class Uses will still be assessed against relevant national and Local Plan policies and will be determined on their merits as part of the Development Management process.

- 11.5 The allocation of employment sites in Newcastle will ensure that developers and occupiers will have confidence in the market and in the continuing future use of land for employment uses. Protecting retained employment sites in Newcastle will ensure that industrial, warehousing and office business uses will have suitable, sustainable locations in which to set up and operate, and will prevent conflict between different uses. By retaining employment sites the City will continue to be able to offer employment locations capable of attracting businesses to support the City's economic growth and to provide flexibility in terms of meeting the employment needs of the City moving forward, particularly in relation to current and future industrial and economic strategies.
- 11.6 It is important to provide a strong level of protection for the City's employment sites, if the targets set out in the CSUCP are to be met. Despite the need for a high degree of protection on employment sites it is recognised that clarity is needed in relation to the criteria that the Council will expect to be met before non-employment uses are considered acceptable on sites benefiting from protection within the DAP.
- 11.7 The ELR identifies a significant amount of employment land for de-allocation and seeks to retain only those sites which provide a strong positive contribution to the employment needs of the City. It is therefore reasonable that these sites should receive a high degree of protection, preventing alternative uses unless robust and compelling evidence can be provided to demonstrate that an alternative use on site is justifiable and will not undermine the ongoing function and role of the retained employment site for its allocated use.
- 11.8 A period of no less than 24 months was considered to represent an appropriate indication (in addition to other criteria) that there is no reasonable prospect that a site would be occupied for employment uses. The Council considers that this marketing period along with the criteria set out in the DAP will ensure that the City's supply of employment land is protected, ensuring that existing businesses and new occupiers have suitable locations in which to work, while also ensuring that the City's employment land portfolio has the capacity to respond to changes in industrial and economic demands.

- 11.9 In preparing the ELR several areas of potential further work have been identified.
- 11.10 Section 5 of this report identifies an increasing demand for office floorspace in the City, and in the Urban Core in particular. In preparing this ELR and reviewing losses of office floorspace to alternative uses, it has been noted that a significant amount of the floorspace being lost to alternative uses has come through the permitted development rights permitting change of use from offices (B1(a) to residential (C3). In addition to monitoring the supply of employment floorspace take up, losses and supply, the Council may wish to consider a review of the impact of the permitted development rights on the office supply in the City.
- 11.11 In reviewing the stock of existing employment land for allocation as retained employment sites in the DAP, it was noted that it would be beneficial for monitoring employment land in the future for the Council to gain an updated position to provide a more in-depth understanding of the sites recommended for allocation both in terms of an analysis of the sectors. This could be done through *Employment Site Review and Marketing Reports*.

Recommendations

- 11.12 To support the effective implementation of the DAP and based on the evidence and matters discussed in the ELR the Council should consider the following recommendations;
- The ELR recommends that the DAP allocate employment land in addition to that already allocated in the CSUCP, to meet the requirement to allocate 80 ha of net employment land to 2030
 - The DAP should allocate the recommended 27 existing employment sites as retained employment sites in the DAP, preventing alternative uses in these areas
 - Produce *Employment Site Review and Marketing Reports* for the allocated retained employment sites
 - Monitor the supply, take up, and losses of employment land and floorspace in the City through the Council's AMR
 - Establish policy criteria which will enable Development Management Officers to determine whether a loss of employment land to an alternative use might be acceptable on allocated retained employment sites. This should involve an assessment of the amount of time that a site has been vacant, indicating whether there is 'no reasonable prospect' of a site coming forward for its allocated use.