

North Tyneside ELR Employment Land Review

Final Report

North Tyneside Council

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LICHFIELDS

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1.0 Introduction

1.1 Lichfields and Lambert Smith Hampton (LSH) have been appointed by North Tyneside Council (NTC) to prepare this Employment Land Review (ELR) for the local authority area. The study is intended to provide the Council with an understanding of:

- North Tyneside’s current position with respect to employment land supply (in both qualitative and quantitative terms); and
- The future need for employment land in North Tyneside over the period 2021 to 2040, drawing upon a range of forecasting techniques.

1.2 The methodological approach applied in undertaking the study has regard to the National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG). It also takes into account the Employment Land Reviews: Guidance Note ‘Brown Book’ published in 2004.

Scope of the Study

1.3 The North Tyneside Local Plan was adopted in July 2017 and was underpinned by an ELR prepared in 2015. Recognising that the North Tyneside Local Plan is now five years old, NTC has commissioned Lichfields and LSH to refresh the Borough’s employment land evidence to:

- Consider future land needs – and the Borough’s growth potential – in the context of key macroeconomic changes (including Brexit and the impact of Covid-19);
- Provide an up-to-date assessment of recent take-up of employment land in North Tyneside; and
- Review the portfolio of employment land which remains in the Borough and assess its continued suitability to meet the needs of businesses.

1.4 In assessing the future need for employment land, this ELR draws upon a range of forecasting scenarios, underpinned by various alternative modelling techniques. For each scenario, the land and floorspace implications are specifically considered for the group of employment use sectors outlined below:

- **Offices:** defined as planning use class **E(g)(i)/(ii)**;
- **Light Industrial:** defined as use class **E(g)(iii)**;
- **Industrial:** defined as use class **B2**; and
- **Distribution/Warehousing:** defined as use class **B8**.

1.5 Demand for both employment land and floorspace is considered in this report and references to ‘employment space’ are intended to relate to both. References to ‘employment uses’ relate to the four sectors as defined in the bulleted list above, whereas references to ‘other uses’ or ‘non-employment uses’ refer to all other sectors of the economy.

1.6 An important consideration for work of this type is that it is inevitably a point-in-time assessment. This study has, however, drawn upon the latest data and other evidence

available at the time of preparation. The accuracy and source of data derived from third party sources have not been verified by Lichfields or LSH.

- 1.7 In addition to the above, it should be noted that the ELR is not a policy or strategy document per se. Rather, it is intended to provide an evidence base input into specific planning or economic development policies being developed by the Council (or decisions regarding the fitness-for-purpose of existing policies).

Report Structure

- 1.8 The remaining sections of this report are structured as follows:

- **Policy Review (Section 2.0)** – a summary of key planning policy and economic strategy documents from the national to local level;
- **Economic Context (Section 3.0)** – a review of current economic conditions and recent trends in North Tyneside, as well as the Borough’s strengths and weaknesses;
- **Understanding Business Needs (Section 4.0)** – an overview of key messages identified through consultation with local businesses and key stakeholders;
- **The Market for Employment Premises (Section 5.0)** – analysis of the current stock of employment space in North Tyneside. The analysis, which also considers recent trends, is presented in the context of provision in the neighbouring local authority areas;
- **Supply of Employment Land in North Tyneside (Section 6.0)** – presents an overview of the current supply of land in the Borough, from both a quantitative and qualitative perspective;
- **Future Requirements for Employment Space (Section 7.0)** – estimates future employment space needs over the period 2021 to 2040, drawing upon a variety of quantitative forecasting techniques;
- **Demand-Supply Balance (Section 8.0)** – assesses the balance between current available land supply and anticipated future needs; and
- **Conclusions (Section 9.0)** – draws together the key findings from Sections 2.0 to 8.0.

2.0 Policy Review

2.1 This section provides a summary of key planning policy and economic strategy documents that form part of the background context which the ELR must take into account. Key messages from a range of documents – from a national level down to the local level – are set out below.

National Documents

National Planning Policy Framework (July 2021)

2.2 The National Planning Policy Framework was updated in July 2021 and replaces its previous iterations (published in March 2012 and revised in February 2019).

2.3 The Framework sets out the Government’s economic, environmental and social planning policies for England. It states that the purpose of the planning system is to contribute to the achievement of sustainable development of which there are three overarching objectives that are interdependent and need to be pursued in mutually supportive ways [paragraph 8]:

- Economic: *“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”*
- Social: *“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”*
- Environmental: *“to protect and enhance our natural, built and historic environment; including making effective use of land, improving biodiversity, using natural resources prudently, minimising waste and pollution, and mitigating and adapting to climate change, including moving to a low carbon economy.”*

2.4 Public bodies have a duty to cooperate with each other, and with other prescribed bodies, on planning issues that cross administrative boundaries [paragraph 24]. The Framework [paragraph 26] states that this is integral to the production of a positively prepared and justified strategy and places a requirement to document the progress of cross-boundary matters through the preparation and maintenance of one or more statements of common ground [paragraph 27].

2.5 The Framework states that LPAs are required to ensure that Local Plans are underpinned by relevant and up-to-date evidence which should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and taking into account relevant market signals [paragraph 31].

2.6 The Framework states that ‘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 [paragraph 81]. To help achieve economic growth, planning policies should [paragraph 82]:

- 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.

2.7 The Framework [paragraph 86] confirms that offices are a ‘main town centre use’, and as such, LPAs should apply a sequential test to planning applications for main town centre uses that are not in an existing centre and are not in accordance within an up-to-date plan [paragraph 87].

2.8 The Framework [paragraph 122] also highlights that planning policies and decisions need to reflect changes in the demand for land. Informed by regular reviews of land allocations and 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 local plan they should reallocate the land for a more deliverable use that can help to address identified needs.

Levelling Up White Paper (2022)

2.9 In February 2022, the Government published the Levelling Up White Paper, setting out the plan to tackle geographical inequalities across the UK. This has since been progressed with publication in June 2022 of the Levelling Up and Regeneration Bill 2022-23. The Levelling up White Paper identified the need for a long-term plan that acts upon an agglomeration of six drivers, known as ‘capitals’, of growth:

- 1 Physical capital
- 2 Human capital
- 3 Intangible capital
- 4 Financial capital
- 5 Social capital; and
- 6 Institutional capital.

The strategy targets will be realised through achieving four overarching missions, disaggregated by 12 objectives. The most pertinent to this assessment includes:

Mission 1: Boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging

- By 2030, pay, employment and productivity will have risen in every area of the UK, with each containing a globally competitive city, and the gap between the top performing and other areas closing; and
- By 2030, domestic public investment in R&D outside the Greater South East will increase by at least 40%, and over the Spending Review period by at least one third. This additional government funding will seek to leverage at least twice as much private sector investment over the long term to stimulate innovation and productivity growth.

Sub-Regional Documents

NELEP Strategic Economic Plan (2022)

- 2.10 The North East Local Enterprise Partnership's ('NELEP') Strategic Economic Plan ('SEP') sets out a clear vision to increase the number of jobs in the North East by 100,000 between 2014 and 2024, with 70% of these being 'better jobs' (defined as managerial, professional and technical roles).
- 2.11 In order to achieve the vision, the plan identifies five areas of strategic importance, where the assets and capabilities of the North East economy provide strong opportunities for growth. Of particular relevance to North Tyneside are the following:
- Advanced Manufacturing;
 - Energy;
 - Business Services; and
 - Tech.
- 2.12 A summary of each is provided below. Each of the key areas are underpinned by two cross-cutting themes: digitalisation and decarbonisation. This involves the processes of accelerated investment in physical infrastructure to improve connectivity and transitioning to new products and delivery models which strip out emissions of carbon and other gases.

Advanced Manufacturing

- 2.13 The North East's advanced manufacturing industry is identified as a globally-focussed industry which accounts for 11% of the area's employment and 15% of Gross Value Added. There are significant clusters in the automotive and pharmaceuticals sectors, with the former employing more than 30,000 people – which is higher than the equivalent from any other region. It is stated that:
- “Substantial growth potential lies in international trade and investment, as well as local supply chains. Collectively, the manufacturing industries represent a significant opportunity to deliver higher productivity by innovating in high level engineering; from design to manufacturing and from the application of number of knowledge and innovation assets.”*

Energy

- 2.14 The SEP states that the North East is the leading location in England in the wind energy, oil and gas sectors. It goes on to suggest that as *“the national and international energy agenda focuses on clean growth, there are huge economic, social and environmental opportunities for the North East to contribute to new solutions that provide clean, secure and accessible energy.”*
- 2.15 The area's assets and opportunities with respect to energy are categorised according to three broad areas: regional energy; offshore and subsea; and demonstration and innovation. In relation to offshore and subsea, the document highlights existing assets of the North East economy, including:

- The presence of three major ports providing 7km of quay next to deep water and easy access to large areas of development land;
- World class supply chain expertise, which is servicing aspects of the global offshore renewables and oil and gas markets; and
- Ease of access to key North Sea oil and gas fields, as well as offshore wind development sites.

2.16 The document also highlights that the North East has been identified as “*a key cluster for the delivery of the Offshore Wind Sector Deal, providing a strong focus to build on regional strengths in offshore energy and subsea technologies.*” The Sector Deal ambition for 2030 includes £48 billion of investment in UK infrastructure and the creation of 27,000 skilled jobs.

Business Services

2.17 Employment in ‘Business Services’ contributes considerably to the NELEP vision of creating ‘better jobs’. The SEP states that “*90,000 (52%) of jobs within the sector are derived from knowledge intensive and higher value sub-sectors*”, which are placed within the branch of ‘professional and technical’ jobs. It also highlights that these sub-sectors attract considerable investment and deliver high levels of exports - making a significant contribution to the increase in services exports. Key sub-sectors of relevance to the North East economy include:

- Financial technology;
- Telecommunications;
- Engineering and management; and
- Consulting and professional services.

Tech

2.18 The tech sector contains over 29,000 employees in the North East and contributes £2bn to the northern ICT economy. Existing specialisms across the region include software; cloud computing; communications; buildings information modelling; and gaming. There are also a number of emerging specialisms in data analytics, immersive technologies and cybersecurity. The SEP recognises the importance of the sector to the region, on the basis that there are “*businesses from across the globe that choose to locate in the North East, as well as a vibrant start-up scene*”. As a result, the sector is considered, by the NELEP, to possess the ability to create and attract talent.

Local Documents

North Tyneside Local Plan (2017 – 2032)

2.19 The North Tyneside Local Plan outlines the Borough’s strategic priorities, policies and proposals to deliver sustainable development and growth up to 2032. It establishes the vision for the Plan period, which is summarised below:

“We want North Tyneside to be a place of opportunity, prosperity and vibrancy; a place that is resilient to climate change, where everyone can be happy, healthy, safe, and able to participate in a flourishing economy.

A place where local businesses are able to thrive and is attractive to inward investment with a high quality natural, built and historic environment providing attractive places for residents and visitors and excellent transport links ,and particularly with Newcastle city centre, Northumberland, South Tyneside, Newcastle International Airport and the Port of Tyne.”

2.20 The Plan sets out 11 key objectives which will support the delivery of the vision. Of most relevance to this ELR is Objective 2: Diversify, strengthen and grow the local economy providing excellent job opportunities for everyone. With reference to Objective 2, the Plan states that:

“The economy will continue to grow and reinforce the Borough's position as an employment location of choice within, and well connected to, the city region. Plans will maximise the area's potential, for tourism and culture and provide attractive and accessible employment sites supported by excellent infrastructure and services, providing jobs and the homes that residents living and working in North Tyneside need, stimulating competition, business creation and increasing skills and educational attainment.”

2.21 The Plan also outlines the spatial strategy for the Borough. With regard to employment land, Policy S1.1 states that employment development will be located:

- *“Within the main urban area;*
- *At areas easily accessible to residents by a range of sustainable means of transport; and*
- *Where businesses may benefit from the Borough's excellent national and international transport connections - including the strategic road network and opportunities provided by the River Tyne.”*

Our North Tyneside Plan (2021 – 2025)

2.22 The North Tyneside Plan outlines a vision of *“building a better North Tyneside looking to the future; and listening to and working better for residents.”* It sets out five overarching themes that underpin policy priorities in the Borough.

2.23 This includes the theme ‘Thriving’, which seeks to achieve regeneration across the whole of the borough, create more good quality jobs, apprenticeships and access to skills-training opportunities, and provide support for businesses. Furthermore, with regard to Thriving, the Plan states that North Tyneside *“will bring more good quality jobs to the Borough by helping local businesses to grow and making it attractive for new businesses to set up or relocate.”*

North Tyneside Borough Council Report: An ambition for North Tyneside (2018)

2.24 The Ambition for North Tyneside report sets out the ambitions of the elected mayor and cabinet for the period 2017-2032. It outlines three overarching themes across the Borough's commitments:

- Our People;
- Our Place; and
- Our Economy.

2.25 With regard to Our Economy, the report states *“the economy will grow by supporting new businesses and building on our strengths. The economy will be business friendly, ensuring the right skills and conditions are in place to support investment. The economy will continue to support investment in our business parks, units and town centres.”*

2.26 The report also provides specific ambitions for each part of the Borough. Key ambitions with regard to employment land include:

- South West – the industrial north bank of the Tyne is considered as a key asset for the area. Based on this, the report states that the Borough will aim to support business and residents to create more and better jobs and to connect those parts of the area that do not have strong transport links. This includes the current ongoing investment and plans for Swans to secure the site and ensure it is ready for development, as well as further development of the Centre for Innovation.
- North West – it is highlighted that the area has access to national infrastructure assets at the A1 and Newcastle Airport, as well as a significant portion of the Borough's open land and major development sites. On this basis, the report outlines the aim to grow the economy and see more and better jobs to which people are better connected.
- South East – the south west contains the major Port of Tyne site, the north side of the Tyne Tunnels and a major site for Northumbrian Water. As a result, there is a strong employment offer in this area of the Borough.

2.27 Key projects for investment are also outlined. Those that fall under the theme of Our Economy include:

- Indigo Park;
- Port of Tyne development area; and
- Improvements to the Cruise Port Terminal.

North of Tyne Combined Authority Economic Vision

2.28 The North of Tyne Combined Authority (NTCA) Economic Vision sets out six key pillars as the focus for creating a more dynamic and inclusive economy. These pillars represent the most important groups, issues, and goals that the NTCA need to invest in to achieve a more prosperous and inclusive future. The pillars considered most relevant to this assessment include:

- Champion of enterprise – *“securing investment, fostering trade links and creating the infrastructure needed for sustained growth and prosperity, and using this to create opportunities and reduce inequalities across our area.”* This seeks to create the conditions needed for businesses to flourish, for the Borough to attract inward investment, and to support existing assets that have the potential for global impact. This pillar also outlines a priority to attract further investment in businesses, infrastructure, and sites.
- Spark of innovation – *“supporting research, business growth and the entrepreneurialism that creates jobs and new opportunities across a range of key sectors. Supporting businesses and entrepreneurs to grow and flourish.”* This outlines the target to develop propositions that support the delivery of the UK’s Industrial Strategy, including the offshore renewable sector.

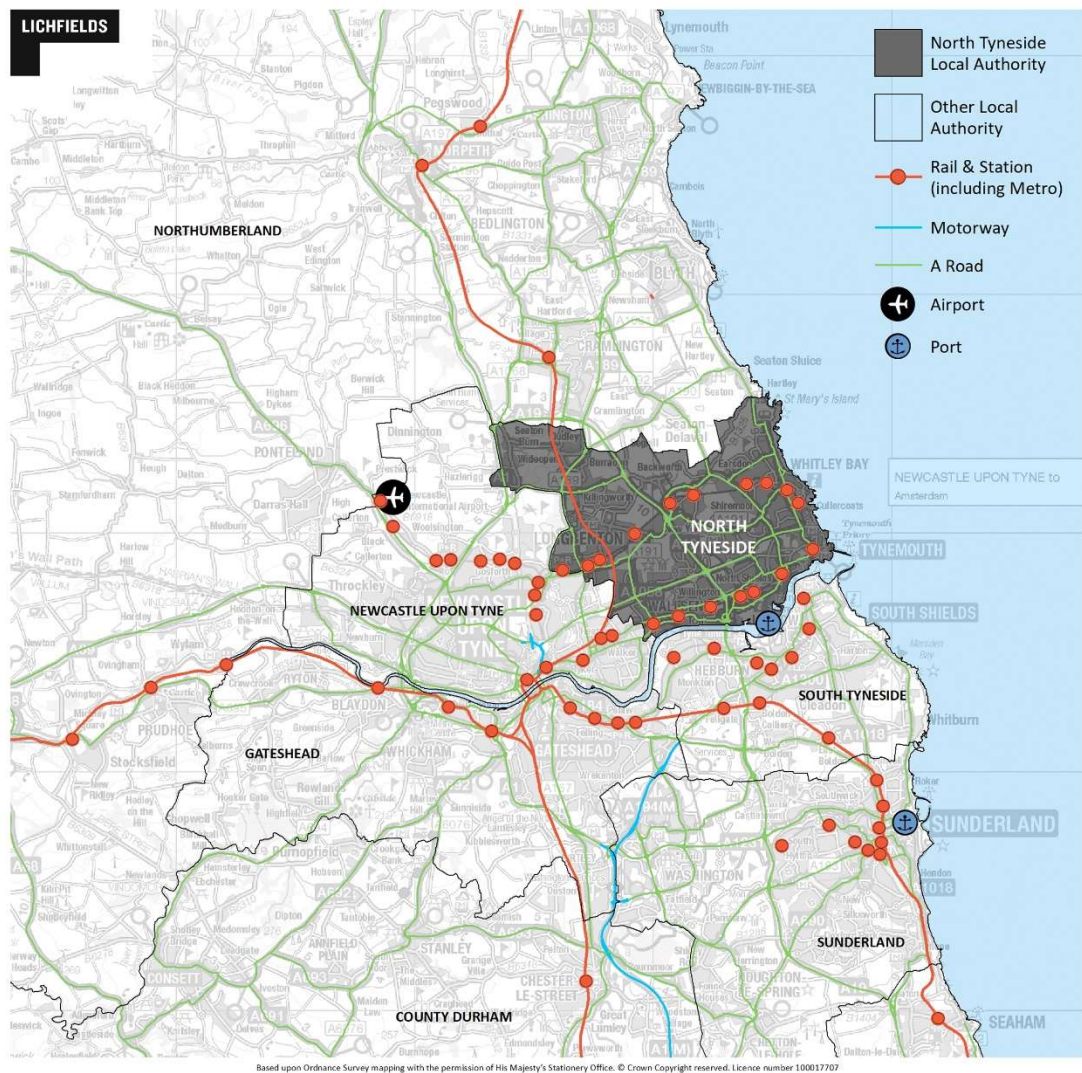
3.0 **Economic Context**

- 3.1 This section establishes the economic baseline for the ELR by reviewing recent economic conditions and trends within North Tyneside, relative to the North East region and the national economy. This is important in identifying the existing strengths and weaknesses of the study area and the factors likely to influence the nature and level of future demand for employment space.

Geography and Connections

- 3.2 Located within the Tyne and Wear conurbation, North Tyneside is a predominantly urban area covering 82.4km² of land. North Tyneside is located to the north of the River Tyne and is bounded by the following local authority areas:
- To the north by Northumberland;
 - To the south, beyond the River Tyne, by South Tyneside; and
 - To the west by Newcastle-upon-Tyne.
- 3.3 The Borough benefits from good public transport infrastructure, with a network of bus routes providing frequent services connecting residents to destinations throughout Tyne and Wear. The Borough also benefits from good connectivity via the Tyne and Wear Metro system, with 17 stations providing access throughout the Borough as well as the wider region. Most notably, this includes access to the North Tyneside coast (Whitley Bay and Tynemouth); Newcastle-upon-Tyne (and Newcastle International Airport); Gateshead; South Tyneside; and Sunderland. The Tyne and Wear Metro system connects with the national rail network at Newcastle and Sunderland, as shown in Figure 3.1.
- 3.4 Key road connections within the Borough include:
- The A19: a key strategic route (running through the Borough from north to south) which connects to the wider Tyne and Wear region. The route extends to Northumberland to the north, and Durham, Hartlepool, Tees Valley and North Yorkshire in the south; and
 - The A1058 (Coast Road): a key east-west link connecting the Borough with Newcastle-upon-Tyne.

Figure 3.1 Spatial Context of North Tyneside



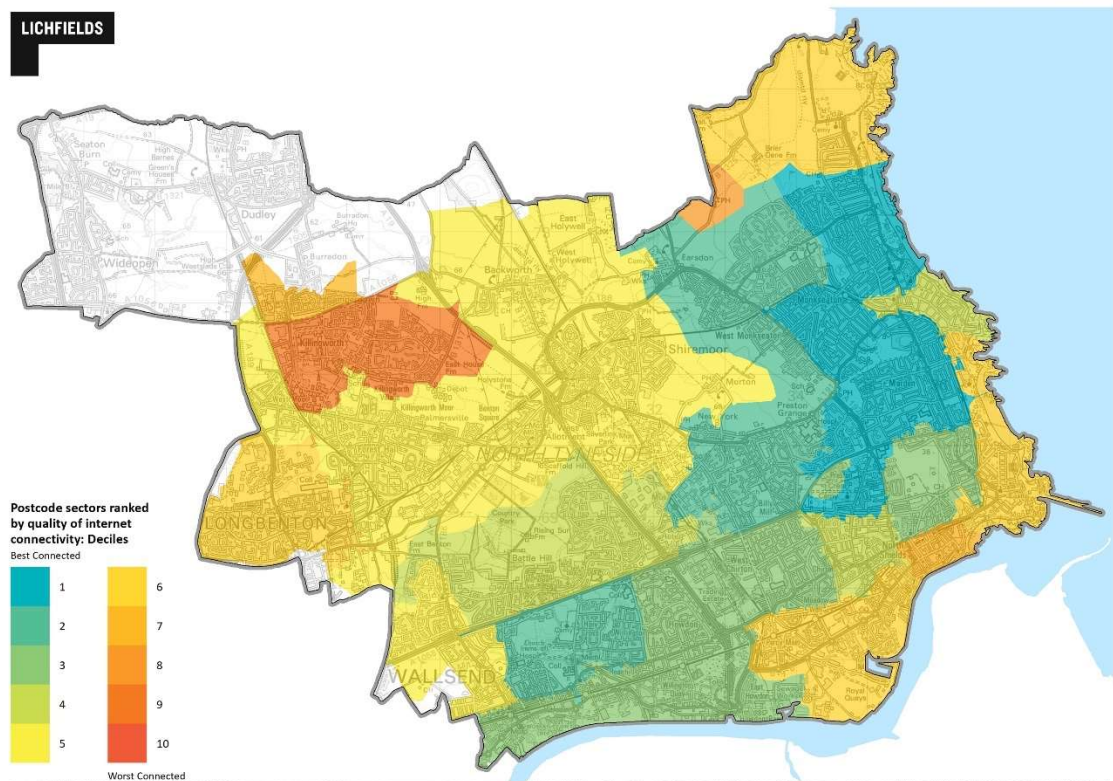
Source: Lichfields

Digital Connectivity

3.5

OFCOM postcode-level broadband connectivity data indicates the level and quality of internet connectivity across the Borough at a postcode-sector ('postcode') level. Each postcode has been ranked against all postcodes across Britain for which data is available, and then grouped into deciles. It demonstrates that, in general, the Borough is well connected with eight postcodes falling within the 20% best connected nationally. This is most notably concentrated in the east of the Borough in the areas of Whitley Bay; Monkseaton; and Marden. There is only one postcode (NE12 6) which ranks within the 20% worst connected nationally.

Figure 3.2 Digital Connectivity map



Source: OFCOM postcode-level broadband connectivity

Functional Economic Market Area

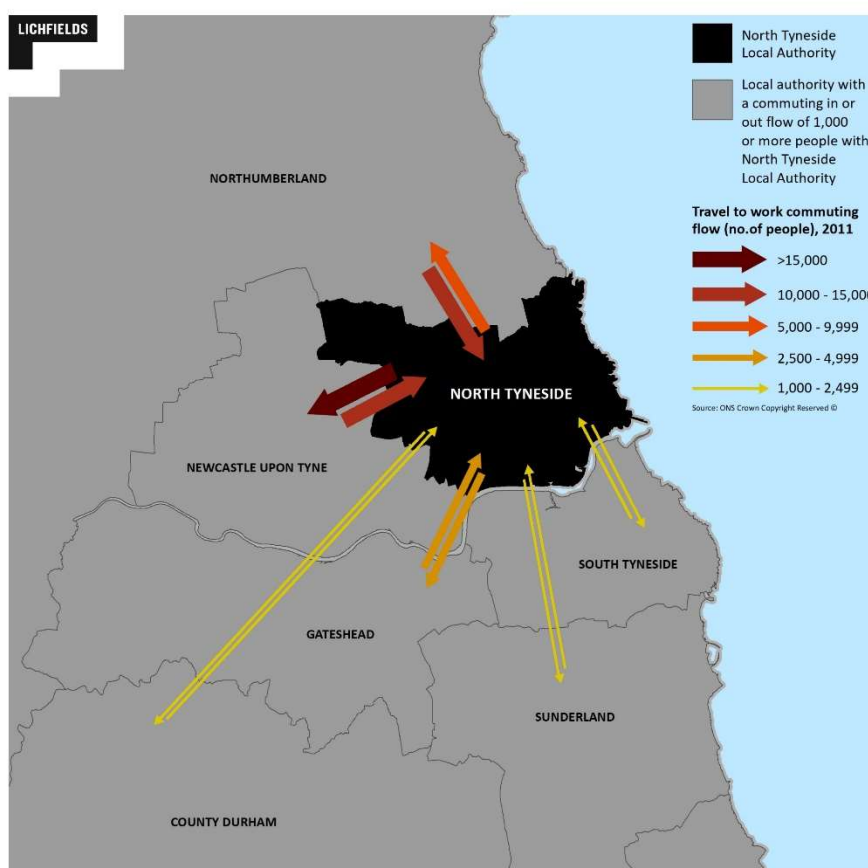
- 3.6 Examining commuting flows can help to define the Functional Economic Market Area (‘FEMA’) within which North Tyneside is located¹. Commuting flows can be assessed using the latest travel-to-work flow data from the 2011 Census.
- 3.7 The current criteria for defining Travel to Work Areas (‘TTWAs’) – which can be used as a starting point for identifying a FEMA - is that generally at least 75% of an area’s resident workforce are employed in the area and at least 75% of the people who work in the area also live in the area. The area must also have a working population of at least 3,500.
- 3.8 Census data indicates that the local authorities of North Tyneside, Newcastle-upon-Tyne and Northumberland fall within the TTWA for North Tyneside. These authorities comprise the workplace for 85.5% of the resident working population of North Tyneside (82,228), and the place of residence for 84.5% of workers in North Tyneside (71,588).
- 3.9 Analysis of worker flows for North Tyneside (Figure 3.3) indicates that in 2011:
- 82,230 North Tyneside residents were in employment. 39,150 of these residents had jobs based within the local authority area, giving rise to a self-containment rate of 47.6%;

¹ CLG, Functional Economic Market Areas: An Economic Note, 2010

- Approximately 43,080 (52.4%) of the working residents commuted out of the local authority for employment, with the largest flows to the adjoining authorities of Newcastle-upon-Tyne (24,932 residents; 30.3%) and Northumberland (6,256 residents; 7.6%); and
- Approximately 32,440 workers commuted into North Tyneside for work, primarily coming from the adjoining authorities of Newcastle-upon-Tyne (10,848 workers; 15.2%) and Northumberland (10,506 workers; 14.7%).

3.10 This indicates that worker inflows and outflows in North Tyneside are not in alignment, and that the Borough is a net exporter of labour.

Figure 3.3 Travel to Work Flows, North Tyneside (2011)



Source: Census / Lichfields analysis

Table 3.1 Change in Travel-to-Work Flows in North Tyneside, 2001-2011

	2001 Census	2011 Census	Change (2001-2011)
Out-Commuting Working Residents	41,119	43,079	1,960
In-Commuting Workers	25,055	32,439	7,384
Net In-Commuting Flow	-16,064	-10,640	5,424
Self-Containment Rate	50.5%	47.6%	-2.9%

Source: Census 2001 & 2011 / Lichfields analysis

- 3.11 Between 2001 and 2011, the inflow of workers to North Tyneside increased by approximately 7,400 workers as the number of residents commuting out of the local authority increased by roughly 2,000. As a result, net in-commuting increased by approximately 5,400.

Economic Conditions and Trends

- 3.12 Current economic conditions and trends in North Tyneside are summarised in the following paragraphs. Comparisons are made, where appropriate, to the regional and national averages. Data is drawn from published Office and National Statistics ('ONS') sources via Nomis or Experian unless indicated otherwise.

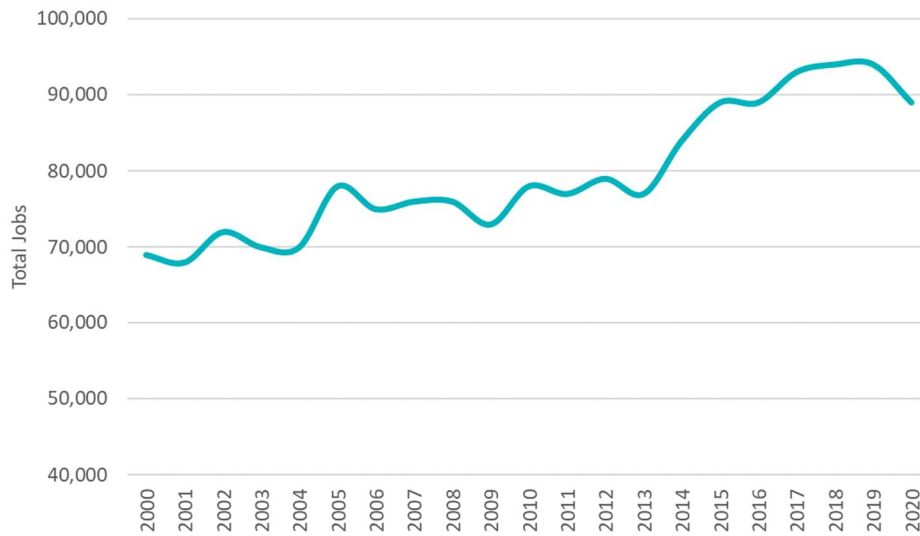
Population

- 3.13 The population of North Tyneside was estimated to be 208,871 in 2020, representing 7.8% of the total North East population. This represents a rise of 8,707 people (4.3%) since 2010. This is a higher rate of growth than that demonstrated across the North East (3.6%), but lower than the average across Great Britain (6.9%).
- 3.14 The proportion of working age residents (defined as people aged 16-64) stood at 128,563 in 2020 – 61.6% of North Tyneside's total population. This represents a 1,042 working age population decrease (-0.8%) since 2010, equal to the rate of change experienced across the North East. By way of comparison, Great Britain experienced a growth in the working age population of 2.9% over the same period.
- 3.15 The 2018-based population projections anticipate the population of North Tyneside will rise to 219,932 (a 5.3% increase) by 2032 (the end of the existing North Tyneside Local Plan period). In addition, the same data forecasts the working age population of North Tyneside to rise to 130,281 (1.3%) over the same period.

Employment

- 3.16 ONS Jobs Density data provides an overview of employment change in North Tyneside over the period 2000 to 2020. This highlights that the total number of jobs in the Borough increased from 69,000 to 89,000, representing an average annual increase of 1,000 jobs per annum. Over the period 2000 to 2019, the data shows that the total number of jobs in North Tyneside had increased by 25,000 (from 69,000 to 94,000) before falling back as a result of the labour market impacts of Covid-19.

Figure 3.4 Employment change over time (North Tyneside)

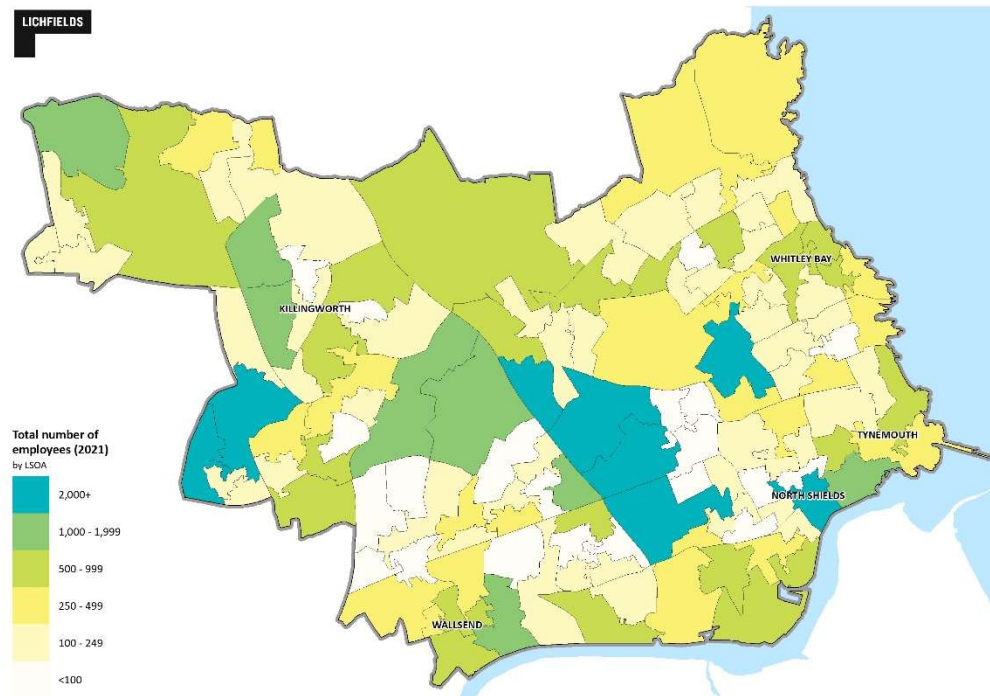


Source: ONS Jobs Density data / Lichfields analysis

3.17 It should be noted that comparable data from the North East and Great Britain is not available.

3.18 In geographic terms, Figure 3.5 uses data from the Business Register and Employment Survey (BRES) to illustrate the distribution of employment in North Tyneside. From this it can be seen that jobs are concentrated primarily around the Cobalt and Quorum Business Parks, as well as the Tyne Tunnel Trading Estate.

Figure 3.5 Spatial Distribution of Employment



Source: BRES / Lichfields analysis

Sector Profile

3.19 Table 3.2 provides a summary of employment change by sector. This is shown in proportionate terms to facilitate a comparison with regional and national performance. From this it can be seen that seven sectors in North Tyneside experienced stronger employment growth than the North East and Great Britain. These sectors represent the only sectors within the Borough to experience positive employment growth over the 6 year period. Indeed, four sectors experienced no employment growth and seven sectors experienced negative growth over the 6 year period.

Table 3.2 Employment change (2015-2020)

Sector	North Tyneside	North East	Great Britain
Mining, quarrying & utilities	50.0%	30.8%	5.6%
Accommodation & food services	40.0%	13.4%	1.4%
Business administration & support services	30.0%	4.9%	0.5%
Property	20.0%	-5.3%	9.0%
Motor trades	16.7%	-5.0%	-0.9%
Health	16.7%	5.3%	5.0%
Financial & insurance	11.1%	0.0%	0.7%
Agriculture, forestry & fishing	0.0%	18.2%	5.0%
Transport & storage	0.0%	18.2%	13.2%
Information & communication	0.0%	-3.0%	10.0%
Education	0.0%	1.0%	0.6%
Manufacturing	-12.5%	-11.0%	-2.0%
Retail	-12.5%	-4.6%	-3.4%
Wholesale	-14.3%	-14.3%	-3.8%
Arts, entertainment, recreation & other services	-14.3%	-12.5%	-4.6%
Professional, scientific & technical	-25.0%	-26.0%	5.8%
Public administration & defence	-25.0%	3.0%	6.2%
Construction	-40.0%	-14.8%	7.9%
Total	1.0%	-1.6%	2.4%

Source: BRES (2020) / Lichfields analysis

3.20 As a proportion of total employment, the largest sectors in North Tyneside in 2020 were:

- Health (17.2%);
- Business administration and support services (16.0%);
- Manufacturing (8.6%);
- Retail (8.6%); and
- Accommodation and food services (8.6%).

3.21 A location quotient (LQ) analysis quantifies how prominent (as a percentage share of the overall employment base) a particular employment sector is in an area compared to the sector's representation at the regional and national level. Figure 3.6 shows this spread of representation across all broad industrial groups, highlighting that North Tyneside has a

number of sectors that are over-represented compared to a regional and national level (Table 3.3):

Table 3.3 Over-represented sectors in North Tyneside (relative to both the North East and Great Britain)

Sector	LQ	Percentage of employment
Business administration and support services	1.9	16.0%
Information and communication	1.4	6.1%
Health	1.3	17.2%
Motor trades	1.2	2.1%

Source: BRES (2020) / Lichfields analysis

3.22

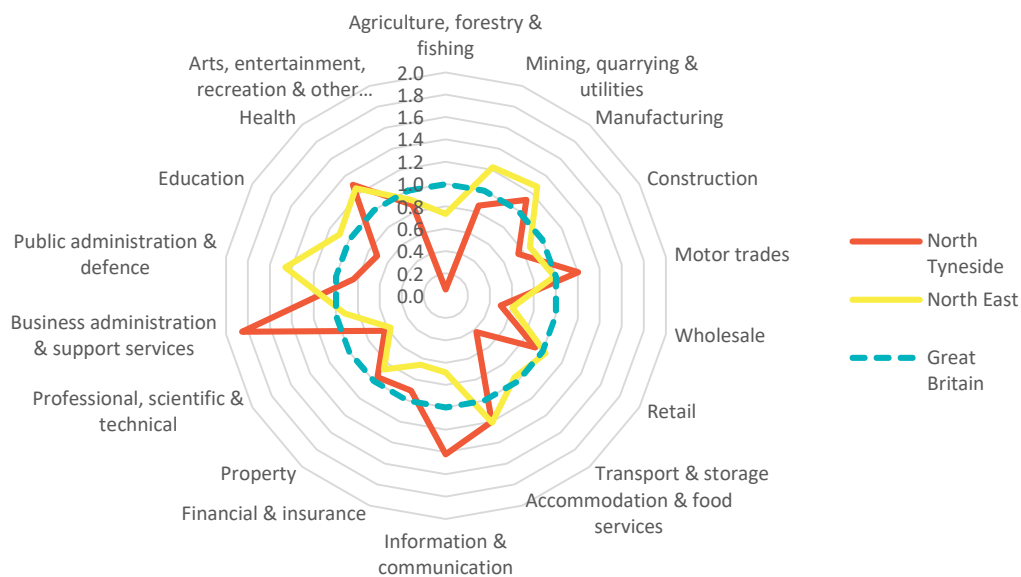
A number of sectors are also under-represented in North Tyneside, as shown in Table 3.4 below:

Table 3.4 Under-represented sectors in North Tyneside

Sector	LQ	Percentage of employment
Agriculture, forestry and fishing	0.1	0.1%
Transport and storage	0.4	2.1%
Wholesale	0.5	1.8%
Construction	0.7	3.7%
Education	0.7	6.1%
Public administration and defence	0.8	3.7%
Mining, quarrying & utilities	0.9	1.1%
Retail	0.9	8.6%
Arts, entertainment, recreation and other services	0.9	3.7%

Source: BRES (2020) / Lichfields analysis

Figure 3.6 North Tyneside Sector LQ



Source: BRES (2020) / Lichfields analysis

Business Profile

- 3.23 Analysis of ONS Business Count data in 2021 regarding the size of businesses in North Tyneside shows that the Borough’s business base is dominated by ‘micro’ firms comprising of 0-9 employees (88.4%). This is a slightly higher proportion than the North East average (87.9%) but slightly lower than the Great Britain average (89.7%). The proportion of large enterprises with over 250 employees in North Tyneside (0.5%) is equal to the average across the region, as well as broadly similar to the national average (0.4%).
- 3.24 The total number of active enterprises in North Tyneside (5,345) indicates there are 416 business per 10,000 working age residents. This is lower than the regional average (435) and considerably lower than the national average (661).
- 3.25 Between 2011 and 2021, the number of active enterprises in North Tyneside increased by 1,610 (equivalent to a 43.1% increase). This rate of growth is higher than the regional (32.4%) and national (33.6%) averages.
- 3.26 Growth in the local business base was driven by the following sectors of the economy. It should be noted that – in terms of percentage increases between 2011 and 2021 – each of the sectors listed outperformed the corresponding figures at the national and regional level:
 - Professional, scientific and technical: 310 additional enterprises (+52.5%);
 - Construction: 225 additional enterprises (+44.1%);
 - Information and communication: 195 additional enterprises (+102.6%);
 - Business administration and support services: 175 additional enterprises (+76.1%);

- Accommodation and food services: 155 additional enterprises (+45.6%); and
- Arts, entertainment, recreation and other services: 155 additional enterprises (+63.3%).

3.27 Self-employment in North Tyneside (4.7% of the working-age population) is lower than the regional (7.4%) and the national average (9.3%). These indicators point towards limited levels of entrepreneurship in the North Tyneside and the regional economy compared to other parts of the country. Strong growth in the business base (as discussed above) could suggest, however, that levels of entrepreneurship have begun to improve in recent years.

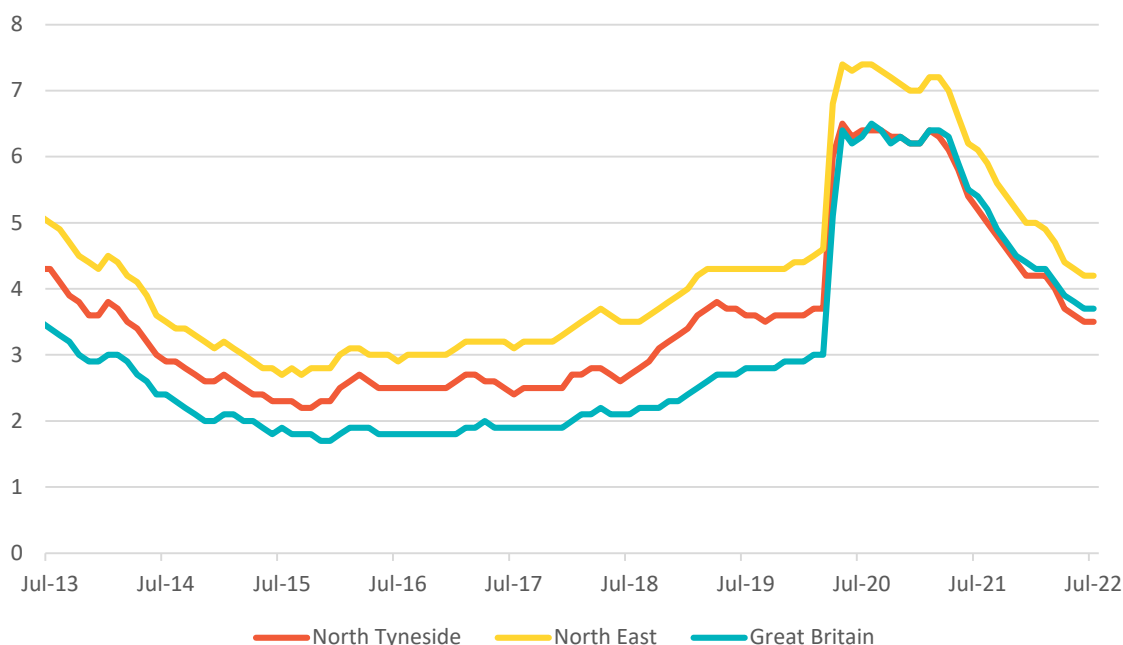
Labour Market Conditions

Unemployment

3.28 The economic activity rate (i.e. the share of working age population (16-64) either in or seeking employment) in North Tyneside (77.4%) is higher than the regional average (74.4%), but lower than the national average (78.5%)².

3.29 Model-based unemployment is demonstrated to be higher in North Tyneside (6.3%) than the North East (5.9%) and Great Britain (4.2%). In contrast, the claimant rate in North Tyneside (3.5%) is shown to be lower than the regional (4.2%) and national (3.7%) averages for the latest reported period (July 2022). Trends in the claimant count within North Tyneside over the past 11 years are broadly consistent with those demonstrated across the North East and nationally (Figure 3.7). This includes a sharp rise in the claimant rate in 2020 during periods of lockdown due to Covid-19.

Figure 3.7 Percentage of working age residents claiming out-of-work benefits



Source: ONS Claimant Count data (July 2022) / Lichfields analysis

² Annual Population Survey (2022)

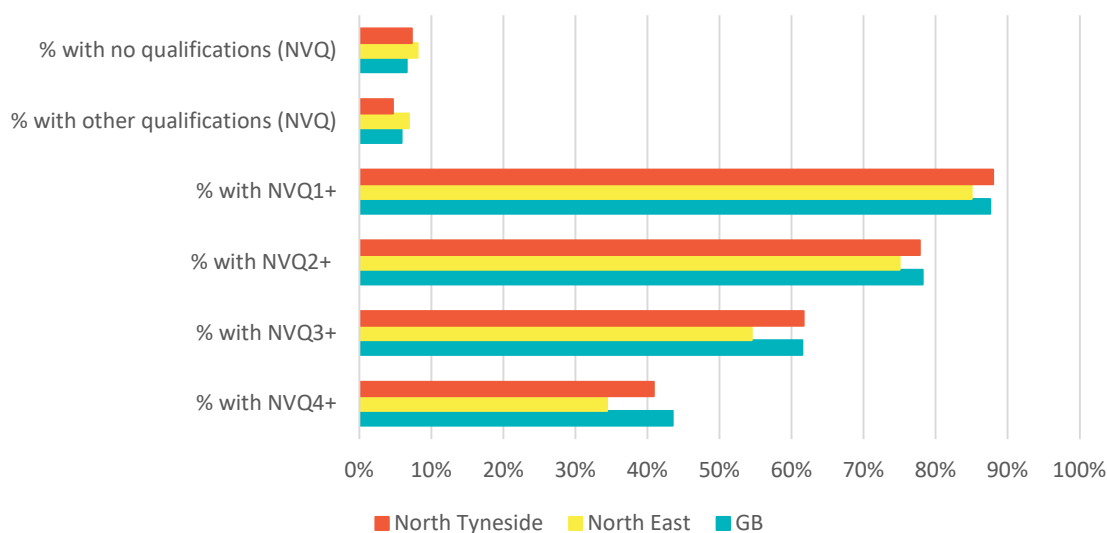
Skills

3.30 ONS Annual Population Survey data indicates that North Tyneside is characterised by:

- A higher proportion of residents with NVQ3+ qualifications (61.7%) compared to the regional average (54.5%) (and broadly in line with the national figure (61.5%));
- A higher proportion of residents with NVQ1+ qualifications (88.0%) compared to the regional average (85.0%) and (and marginally above the national level (87.6%)); and
- A lower proportion of residents with no qualifications (7.3%) compared to the regional average (8.1%), but a higher proportion relative to the national average (6.6%).

3.31 This is illustrated in Figure 3.8 below.

Figure 3.8 Proportion of working age residents with NVQ qualifications



Source: ONS Annual Population Survey (2021) / Lichfields analysis

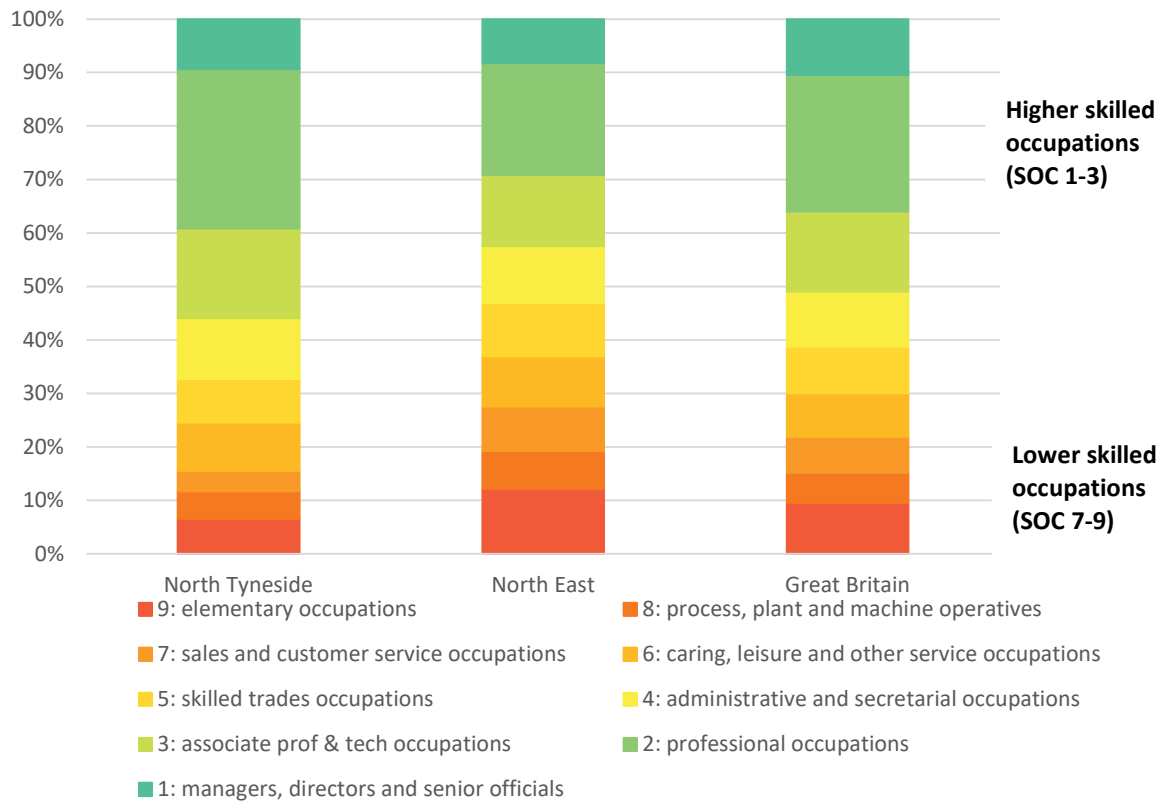
Occupations

3.32 The occupational profile of North Tyneside is characterised by:

- A considerably higher proportion of residents employed in managerial; professional and associate; and professional/technical occupations (SOC's³ 1-3) (55.7%) compared to the regional average (42.3%). This is also higher than the national average (50.8%); and
- A markedly lower proportion of residents in semi and lower skilled occupations (including: sales and customer service occupations; elementary occupations; and process, plant and machinery operatives (SOC's 7-9)) (15.4%) compared to the regional (27.4%) and national (21.8%) averages.

³ Standard Occupational Codes

Figure 3.9 Occupational breakdown of the resident population



Source: ONS Annual Population Survey (2022) / Lichfields analysis

Wages

3.33 Median weekly resident-based earnings in North Tyneside (£575.10) are higher than the regional average (£546.80), although only 93.8% of the national average (£613.10). Median workplace-based weekly earnings in North Tyneside (£535.00) are lower than both the regional (£538.70) and national (£612.80) averages.

Deprivation

3.34 North Tyneside ranked as the 111th most deprived local authority out of 326 in England, placing it within the 40% most deprived authorities nationally. Furthermore, analysis of IMD data at a local level indicates that 70 Lower Super Output Areas (‘LSOAs’) (53.4%) in North Tyneside rank within the 50% most deprived LSOAs nationally, including 12 (9.2%) that rank within the 10% most deprived. In contrast, 18 LSOAs (13.7%) rank within the 10% least deprived.

4.0 **Understanding Business Needs**

4.1 Planning Practice Guidance (PPG) on Housing and Economic Needs Assessment (December 2020) advises that “*strategic policy making authorities will need to develop an idea of future needs based on a range of data which is current and robust.*” The PPG goes on to suggest that this data should include consultation with relevant stakeholder organisations and an understanding of business trends.

4.2 In recognition of the above, this ELR has been underpinned by – and its conclusions informed by – extensive engagement with local stakeholders and businesses. This includes the following methods of consultation:

- 1 A bespoke business survey undertaken as part of the ELR process;
- 2 One-to-one interviews (conducted via MS Teams) with key economic stakeholders and business representation groups;
- 3 A stakeholder workshop; and
- 4 Telephone interviews with locally active property market agents/major landowners.

4.3 This section of the report provides a summary of the main findings emerging from items 1-3 listed above. It should be noted that discussions held with property market agents and key landowners were conducted by LSH to inform Sections 5.0 and 6.0 of the ELR. As such, the key messages are reported within these sections.

Business Survey

4.4 A business survey was developed by Lichfields and promoted to businesses during Autumn 2022. Invitations to participate in the survey were issued by North Tyneside Council’s Economic Development Team, drawing on contact details held by the authority. The survey was distributed electronically and adopted a multiple-choice format where possible to ensure that it was user friendly and quick to complete.

4.5 Despite being widely published by North Tyneside Council and the North Tyneside Business Forum through direct notifications and social media channels the survey did not generate sufficient responses to enable a statistical analysis of the feedback. Nevertheless, the responses that were received provide a useful qualitative insight.

4.6 With respect to the prevalence of remote working, four of the respondents indicated that fewer than a third of staff were home working or remotely working on a full-time or part-time basis. In addition, these businesses indicated that they had no plans to make any substantial changes to this.

4.7 Businesses were asked to identify those factors of most importance with respect to business premises. The factors which were seen to be of most importance included the quality of business premises, cost of premises, quality of ICT, on-site parking facilities and security. Businesses were invited to identify other factors, with two respondents highlighting the importance of being able to engage in short-term leases to support their growth.

4.8 In addition, respondents were asked to identify how well their current premises meet their business space requirements. Two participants indicated that their premises did not offer

enough space, highlighting that their business had experienced growth and that they have been unable to find suitable premises to relocate to in North Tyneside which would meet their requirements. Indeed, all five respondents indicated that they have previously experienced difficulties in finding suitable businesses premises in the Borough. Barriers faced included a lack of available premises and a lack of development land. Additionally, when asked to signpost any general barriers to business growth in North Tyneside, the key issues raised related to a lack of suitable premises and a shortage of affordable premises (as well as recruitment challenges linked to labour shortages).

Stakeholder Interviews

4.9 During September and October 2022, Lichfields held a series of interviews with key economic stakeholders. This included North Tyneside Council's Economic Development team, as well as external stakeholders such as the NELEP, North East England Chamber of Commerce and the North Tyneside Business Forum. A full list of participating organisations can be found at Appendix 1.

4.10 These sessions, which took the form of MS Teams calls, were used to explore a range of issues including:

- North Tyneside's current economic role (including key sector strengths and economic assets);
- The opportunities and threats facing the local economy; and
- The adequacy of the Borough's current portfolio of sites and premises.

The Role and Function of the North Tyneside Economy

- Given the Borough's position as a net exporter of labour, stakeholders view North Tyneside as playing an important role in providing workers for the wider regional/sub-regional economy. Stakeholders also highlighted a perception, however, that recent growth in jobs had led to a reduction in the number of workers commuting out of the authority.
- Stakeholders highlighted North Tyneside's inward investment performance as a particular strength. It was suggested that levels of inward investment attracted by the Borough compare favourably with other parts of the region, with demand considered to be particularly strong in the River Tyne corridor.
- A variety of sectors were identified as current/emerging strengths of the Borough, including:
 - (a) Energy Sector: within North Tyneside the sector is focussed principally on the supply chain for offshore wind. A number of existing businesses in the Borough are active in the offshore wind and renewables sector, with the area's industrial heritage and skills base viewed as key strengths. The sector typically favours employment sites located along the riverside towards the south east of the Borough, as this provides the best access to the North Sea.
 - (b) Advanced Manufacturing: advanced manufacturing was identified by consultees as an existing strength of the Borough, supporting high-quality jobs and strong levels of productivity. Despite a decline in overall manufacturing employment,

stakeholders suggested that this was likely to reflect a re-structuring – rather than a decline – of the industry. As a result, it was considered that the Council should plan to ensure the availability of suitable employment land to support the growth of advanced manufacturing businesses. In the short-term, however, consultees expressed some concerns that the growth of the sector could be constrained by energy costs and the availability of suitable development opportunities.

- (c) Health: the research and manufacturing of pharmaceuticals is considered as a key strength of the Borough and a number of global businesses (including Proctor and Gamble) already have a base in North Tyneside. Proximity to – and relationships with – local universities, as well as a highly-skilled workforce, were considered by stakeholders as key to the area’s attractiveness.
- (d) Office uses (including fintech): North Tyneside is widely considered by stakeholders as an attractive location for office occupiers. Fintech in particular was viewed by consultees as a particular strength in North Tyneside (relative to the other North East authorities) with occupiers including Sage, Accenture, Santander, Tesco Bank and Newcastle Building Society.

Employment Premises

- The importance of sites located along the River Tyne was raised by stakeholders, in recognition of their locational benefits for businesses active in the offshore and subsea sectors (including oil, gas, wind, other renewables, and supply chain manufacturing). Stakeholders also highlighted that a number of the sites in the River Tyne corridor were subject to constraints which could impact upon their immediate availability.
- North Tyneside’s stock of office space was considered by consultees to be strong and has historically been matched by high levels of demand (including a large number of inward investments). The Cobalt and Quorum Business Parks were identified as key office locations, as well as the smaller scale office space across the wider A19 corridor.

Key growth opportunities

- Stakeholders anticipate that the growing importance of climate change and the shift to net zero will drive activity in the clean energy/low carbon sectors. As this continues to increase in importance at a national level, North Tyneside will be well placed to benefit, having already established a supply chain base for this sector.
- There was a consensus view among stakeholders that the Borough benefits from strong accessibility to the wider region via the road and metro network. This helps to support the attractiveness of sites from both an employer and employee perspective, providing access to workers from the wider region. When combined with the area’s strong skills base (relative to the North East average) stakeholders felt that this could provide a platform for future growth in high-quality jobs, which could support further demand for office space.

Stakeholder Workshop

4.11

A workshop, facilitated by Lichfields and LSH, was held on 8th November 2022 at North Tyneside Council’s offices. The event comprised of a presentation by the consultancy team

and two structured discussion sessions. The purpose of the workshop was to test the emerging findings of the ELR with Council officers, key economic development stakeholders and locally active developers/commercial property agents. The material presented to provide a platform for discussion included:

- A summary of local economic conditions;
- An overview of key commercial market indicators; and
- Draft forecasting scenarios (including the underlying employment growth assumptions and resultant land requirements broken down by use class).

4.12

A copy of the presentation delivered by Lichfields and LSH as part of this event can be found at Appendix 8. The following paragraphs provide a summary of the key messages that emerged during the discussion sessions:

Growth Opportunities

- Stakeholders consider the renewable energy/offshore wind sector as a key economic opportunity for North Tyneside. The UK Government’s commitment (in the September 2022 Growth Plan) to accelerate infrastructure investment in 5 oil and gas projects⁴ is expected to benefit local supply chain businesses. In addition, workshop attendees anticipate a “*tsunami of investment*” in renewables projects from 2025/26 and emphasised the importance of ensuring that the Tyne Corridor is well placed to capitalise on this.
- The River Tyne and the Port of Tyne were identified as major assets for the Borough in competing for investment in renewables/offshore wind. Indeed, it was suggested that there are only six ports in the UK capable of meeting offshore wind requirements (generally characterised by large sites with river access) including Port of Tyne. Furthermore, whilst a number of sites in the Borough have legacy issues to resolve, stakeholders indicated that the barriers to delivery in North Tyneside are modest in comparison with many competitor locations.
- The consensus view amongst attendees was that manufacturing will remain an important part of the local economy and that new land and premises must be made available to support the sector’s growth. Stakeholders acknowledged that the econometric forecasts presented anticipate a decline in manufacturing jobs. However, it was felt that this was more likely to reflect the restructuring and automisation of industrial occupiers, rather than their decline – and that this restructuring could drive demand for new space.
- In addition to the above, some stakeholders highlighted that the distribution and logistics sector is expected to continue to grow at a national/regional level and that this could present opportunities for North Tyneside over the period to 2040. It was felt, however, that the Borough does not currently have a lot of premises to offer to prospective occupiers from the sector.

⁴ <https://www.offshore-energy.biz/uk-govt-to-speed-up-new-energy-projects-including-five-oil-gas-developments/#:~:text=Infrastructure%20projects%20from%20the%20oil,redevelopment%2C%20and%20Victory%20field%20development.>

Barriers to Growth

- The availability of appropriately skilled labour was identified as a potential barrier to the growth of the renewable energy and offshore sectors. Whilst Tyne and Wear has historically had a good supply of skilled workers, stakeholders reported an increasing trend of staff 'leaking out' to pursue higher paid opportunities in Scotland, Northumberland and Tees Valley;
- Stakeholders identified Teesworks, in Redcar, as being in direct competition with the River Tyne Corridor for investment in renewable energy and offshore. Within this context, the financial incentives on offer to occupiers at Teesworks (which benefits from both Enterprise Zone and Freeport status) were highlighted as a potential barrier to growth; and
- The Council's Economic Development team identified a need to identify more large industrial sites in the Borough to avoid constraining future growth. Officers raised concerns that the local property offer for major investment would be limited once Indigo Park is developed out.

Future Land Requirements

- There was a consensus view amongst stakeholders that the employment land requirements generated by the Baseline Labour Demand scenarios (i.e. Scenarios 1 and 2) were too low and would limit the economic potential of the Borough to 2040;
- Stakeholders expect demand for B2 industrial floorspace to be positive over the study period. This contrasts with all modelled scenarios, which each forecast a decline in B2 floorspace. It was suggested, by attendees, that planning for a decline in demand was at odds with the NPPF requirement for Local Plans to "*provide a positive vision for the future*" and be "*prepared positively, in a way that is aspirational but deliverable*";
- Mindful of the current oversupply of office floorspace, attendees felt it unlikely that office development will take place at scale in North Tyneside within (at least) the next five years. As such, it was suggested that an alternative past take-up scenario should be considered, which moderates demand for E(g)(i)/(ii) floorspace accordingly; and
- In overall terms, the general view amongst stakeholders was that a requirement of at least 100ha was likely to be appropriate for the Borough on the basis that this broadly aligns with the past take-up scenario. However, it was felt that the distribution by use class that this generates was not an accurate reflection of the future profile of demand (for the reasons outlined above).

5.0 **The Market for Employment Premises**

5.1 North Tyneside is the second smallest, in land area, of the five metropolitan districts in Tyne and Wear. Its urban area is constrained by the coastline, the River Tyne and green belt. The local economy and property markets have particularly strong links with Newcastle and South East Northumberland, but also with the wider Tyneside area.

5.2 This section compares the market for offices and industrial premises in North Tyneside with other areas of Tyne and Wear. It also assesses the market for offices and industrial premises in North Tyneside through analysis of the stock, as well as levels of availability and demand.

5.3 In preparing this report LSH has relied upon various data sources. The Non-Domestic Rating Business Floorspace statistics are used to compare the stock of employment premises within North Tyneside with that of other local authority areas. This high level data, derived from Valuation Office Agency (VOA) data at March 2021, uses 'bulk' use classes and figures are rounded. Whilst appropriate for comparing the stock at local authority level, it is insufficiently fine grained to allow analysis of the stock of premises *within* a local authority. To carry out more detailed analysis of the stock by market sector and size band, and to bring it up to date, LSH has used Analyse software to collate and analyse current VOA data. Property availability and transactions have been sourced from EGi (a national commercial property database) whilst additional research by LSH has been used to supplement this data. This more detailed analysis provides a snapshot of the market in September 2022.

The Market for Employment Premises in Tyne and Wear

Office Market

5.4 Data from the VOA allows for a comparison of the stock of employment premises within the five Tyne and Wear authorities. The VOA collates data on business floorspace for non-domestic rating purposes, which it consolidates into broadly defined 'bulk classes'. Table 5.1 compares office units and floorspace in the five Tyne and Wear local authority areas as at 31st March 2021.

5.5 North Tyneside has 15% of the office stock by number of units and 20% by floor area. Compared to the other Tyne and Wear authorities the office stock ranks fourth by number of units but second by floorspace. As a result, the average office size of 296sq.m is higher than all other local authority areas in Tyne and Wear, reflecting the high proportion of office park accommodation providing large floorplates.

5.6 Figure 5.1 illustrates changes in office floorspace in Tyne and Wear between 2001 and 2022. Over the first eleven years of this period the amount of office floorspace increased by 18.3%, but over the subsequent eleven years it decreased by 4.3%. Conversely, in North Tyneside office floorspace nearly doubled (a 99.5% increase) over the first half of this period and increased by a more modest 7.7% in the second half.

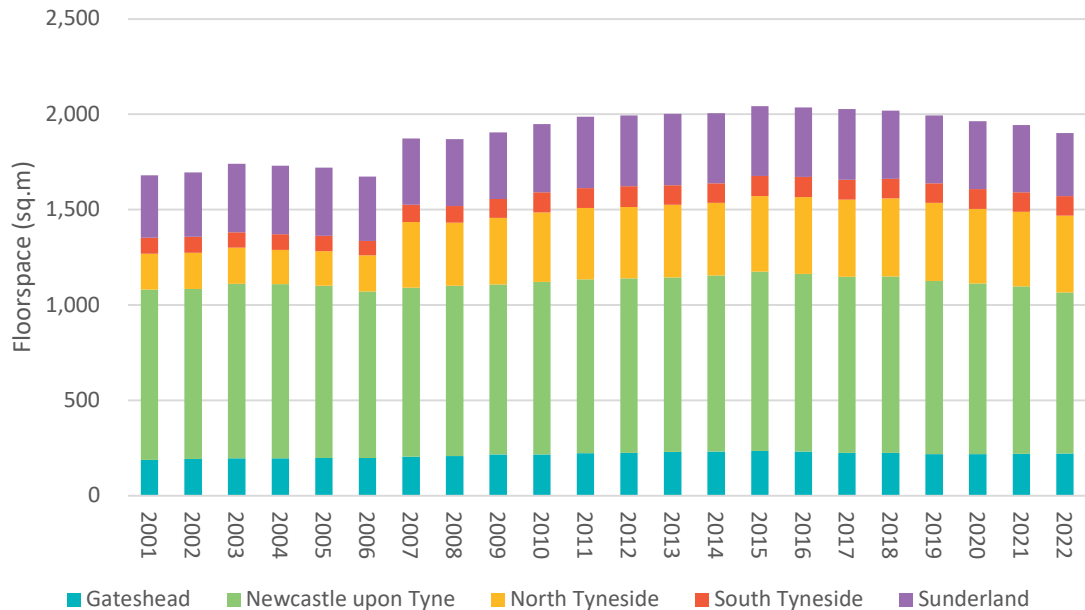
Table 5.1 Office Units and Floorspace in Tyne & Wear, March 2021

Area	Units	Floorspace (sq.m)	Average Unit Size (sq.m)
Gateshead	1,580	220,000	139
Newcastle upon Tyne	3,910	877,000	224
North Tyneside	1,320	391,000	296
South Tyneside	660	103,000	156
Sunderland	1,590	352,000	221
Tyne & Wear	9,060	1,943,000	214

Source: VOA / LSH analysis

- 5.7 Figure 5.1 uses data from VOA records which only record floorspace when it enters the Rating List. The sudden step up in 2007 coincides with the end of the Tyne Riverside Enterprise Zone when 153,000sq.m of office floorspace (1.6 million sq ft) entered the Rating List for the first time. The chart suggests that office floorspace steadily increased after this point, to a peak in 2019 of 410,000sq.m (4.4 m sq.ft). In reality, there was a huge amount of office construction at Cobalt and Quorum between 2007 and 2011 spurred on by the capital allowance incentives of golden contracts. Because the UK was in recession without any immediate demand from occupiers, however, the properties were kept out of the Rating List for as long as possible and have come into the floorspace statistics as they have been occupied. As some floorspace constructed at that time has not yet been occupied the 2022 total is slightly underestimated. Similarly, two of the three data centres built at Cobalt around the same time have not been occupied.
- 5.8 Although the data suggests that North Tyneside was the only one of the five Tyne and Wear authorities to record an increase in office floorspace since 2011, this increase is attributed to Enterprise Zone stock being recorded when first occupied. In reality there has been no new office floorspace constructed in the Borough since 2012.

Figure 5.1 Office Floorspace in Tyne & Wear, 2001-2022 ('000sq.m)



Source: VOA / LSH analysis

Town Centre Office Market

- 5.9 Within Tyne and Wear and the wider North East, Newcastle is the dominant office location, with 877,000sq.m (9.4 million sq.ft) of floorspace. This represents 45% of Tyne and Wear’s office floorspace. Within Newcastle city centre, rents are high enough to enable the viable development of offices on brownfield sites when market conditions are favourable, though typically public sector funding of site remediation and preparation is required (e.g. East Quayside and the Helix). The huge scale of office development in the Tyne Riverside Enterprise Zone up to 2011 served to depress development activity in Newcastle city centre for nearly a decade, but now there is a renewed focus on city centre development opportunities.
- 5.10 Over the last 25 years the city centre’s office core has steadily expanded to encompass East Quayside, St James Boulevard, the area to the south of Central Station and the Helix. Future development is expected to consolidate these areas as office locations; new offices are under construction at the Helix and Pilgrim Street. With a wide range of development opportunities in Newcastle City Centre, further expansion of the office core seems unlikely in the foreseeable future.
- 5.11 On Wearside the development of Washington New Town and then the impact of Enterprise Zones shifted the focus of office development activity away from Sunderland city centre for the best part of forty years, leaving a legacy of dated and poor quality stock. Attempts to address this through the regeneration of the Riverside stalled for a couple of decades before a Council joint venture enabled the development of The Beam office block in 2019. Sunderland Council has been an active partner in subsequent development – including a new City Hall for Sunderland City Council and two new speculative office blocks, Faber and Maker, funded by Legal & General.

- 5.12 Other town centres on Tyneside such as South Shields and Gateshead continue to have an administrative function and provide a focus for local professional services, but demand is thin and rents are generally too low to allow speculative office development.

Out-of-Town Office Market

- 5.13 Around the start of the millennium, flexible planning policies and the designation of Enterprise Zones (EZ) encouraged the development of out-of-town business parks. Here, lower abnormal costs and a comprehensive package of fiscal and financial incentives to attract developers, investors and occupiers enabled viable office development. The last of this round of EZs were Tyne Riverside (which expired in October 2006) and East Durham (which expired in November 2005). Although the Tyne Riverside Enterprise Zone designated land on either side of the river, the overwhelming majority was in North Tyneside.
- 5.14 Through so called 'golden contracts' capital allowances for EZ development continued for a further five years beyond the expiry of the zones. These golden contracts ensured that even during the recession – when a scarcity of finance, shrinking demand and falling rents halted office development elsewhere in the region – development continued at Cobalt and Quorum (generally regarded as the prime office parks on Tyneside). LSH advise that the legacy of this development activity during the economic downturn has been a substantial oversupply of new out-of-town office floorspace and falling rents. The market struggled to absorb this glut of new space and then the market stalled as uncertainty in the run-up to Brexit led to transactions being delayed. After Brexit the market for out-of-town offices briefly recovered and then the Covid-19 pandemic forced a change in working practices (see below) – the long-term effects of which are currently unclear. As a consequence, good quality office stock has come back on to the market, particularly at Cobalt Park, causing a renewed downward pressure on rents. Asking rents of £16.50 psf have been undercut by second-hand space coming onto the market at £15.50 psf. Over the past decade, construction costs have risen by more than 50%, but values have not kept pace, undermining the viability of out-of-town office development. LSH advise that there seems little prospect of further development of out-of-town office parks at scale without the benefit of public sector support or investment. The focus of office development activity has switched to city centres where Councils are providing financial incentives through lease wraps and other mechanisms to enable physical regeneration and increased vitality of centres. Despite rising construction costs making the viability of development challenging, the better balance between demand and supply has enabled rental growth for new city centre offices, reducing the viability gap.

Development Viability

- 5.15 In the period up to 2008, sustained economic growth led to rising demand for offices and rents rose to a level that enabled the speculative development of business parks on greenfield sites without the need for reliance on incentives, gap funding or other subsidy. In addition to office development within the Enterprise Zones (Cobalt, Quorum and Royal Quays) speculative office development occurred on serviced plots elsewhere in North Tyneside, notably at Balliol and Gosforth Business Parks and at Tyne Tunnel Trading Estate.

- 5.16 During the subsequent recession and faltering economic recovery, rising costs of construction and stagnant or falling rents undermined the viability of office development. During this time local authorities played a pivotal role in supporting office development by entering joint ventures with developers to reduce risk and enable schemes to proceed.
- 5.17 More recently, the office market has been impacted by the Covid-19 epidemic when working from home became the norm in the service sector. This has been followed by hybrid working, which has led to reduced requirements for office floorspace. Lower occupancy in the office sector may be largely hidden at the moment, but as lease breaks and expiries occur, LSH advise that businesses can be expected to reduce their floorspace requirements in some instance – potentially causing an increase in available office floorspace.
- 5.18 As in other parts of the North East, office development in current market circumstances requires not only public sector funding to cover the gap between construction costs and end values, but also public sector covenants to de-risk speculative development. LSH anticipate a return to steady economic growth would allow development activity to resume, initially in locations with an established critical mass of office occupiers where demand is strongest. Forecasts of weak economic growth and construction cost inflation suggest that such conditions are unlikely in the short term. In the meantime, speculative office development is reliant on public / private partnerships for investment finance. In Newcastle City Centre this is allowing office development at the Matrix; and in Sunderland, the Council's joint venture with Legal & General is delivering offices at the Riverside.

Industrial Market

- 5.19 Data from the VOA allows comparison of the stock of employment premises within the five Tyne and Wear authorities. Table 5.2 compares industrial units and floorspace in the five Tyne and Wear local authority areas as at 31st March 2021. The VOA adopts a categorisation of premises that is common in the surveying profession; this includes general industrial (B2) and storage & distribution (B8) premises.

Table 5.2 Industrial Units and Floorspace in Tyne & Wear, March 2021

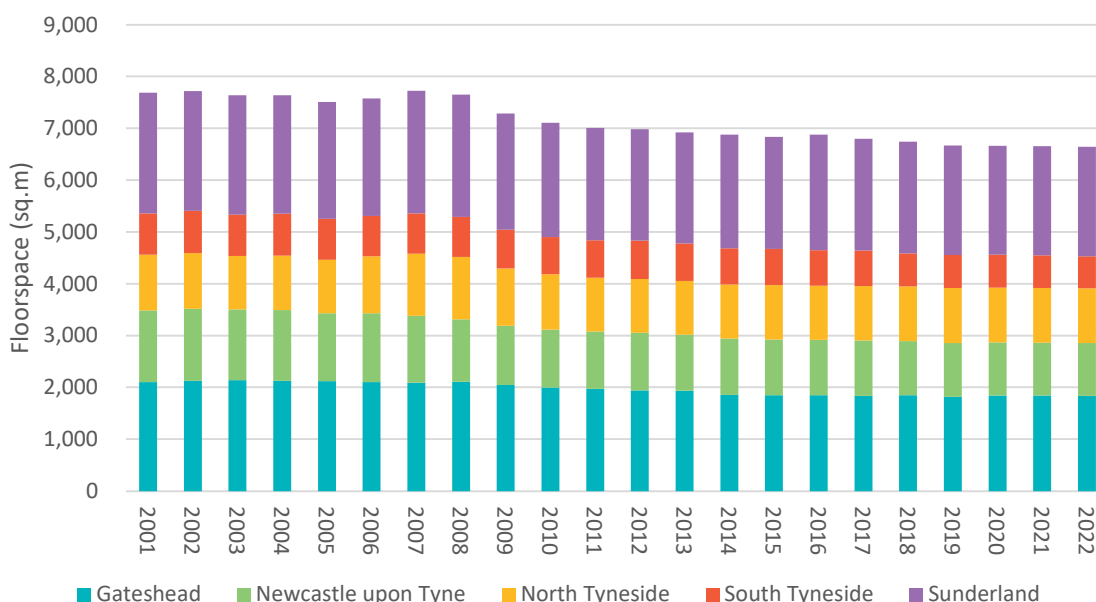
Area	Units	Floorspace (sq.m)	Average Unit Size (sq.m)
Gateshead	2,200	1,840,000	836
Newcastle upon Tyne	1,980	1,023,000	517
North Tyneside	1,760	1,054,000	599
South Tyneside	1,000	633,000	633
Sunderland	2,490	2,103,000	845
Tyne & Wear	9,430	6,653,000	706

Source: VOA / LSH analysis

- 5.20 North Tyneside has 19% of industrial units and 16% of floorspace. This is the second lowest level of stock in terms of units (1,760), and third lowest in terms of floorspace. Sunderland and Gateshead both have more industrial units and floorspace than North Tyneside.

5.21 Figure 5.2 summarises the changes in industrial floorspace in Tyne and Wear between 2001 and 2022. Over the first eleven years of this period the amount of industrial floorspace in Tyne and Wear fell by 8.7%, however, over the subsequent eleven years the decrease slowed to 5.2%. In North Tyneside a decline of 2.7% in the first half of the period was followed by a 1.2% increase over the second half. LSH advise that North Tyneside’s increasing share of Tyne and Wear’s industrial floorspace is the result of various factors. Over this period there were relatively higher levels of clearance of old stock to the south of the Tyne; whereas the Tyne & Wear Development Corporation had cleared large amounts of redundant stock to the north of the Tyne in the previous decade. And although market demand for industrial premises is stronger to the south of the Tyne, the tightening supply of land in the market hotspots of Team Valley, Washington and Follingsby has been constraining development activity, whereas North Tyneside is still able to offer a good range of serviced sites.

Figure 5.2 Industrial Floorspace in Tyne & Wear, 2001-2022 ('000sq.m)



Source: VOA / LSH analysis

5.22 Furthermore, businesses’ perceptions of the Borough may be changing. Recent improvements to the A19 (removal of the toll gates and the construction of grade separated junctions at Testo’s roundabout and at the Coast Road) have reduced cross-Tyne congestion and improved drive times.

5.23 As noted earlier in the report, VOA data records floorspace when it first enters the Rating List. The increase in floorspace in North Tyneside in 2006-07 coincides with the end of the Enterprise Zone when industrial floorspace built in the EZ over the previous ten years is captured for the first time. Over the next five years industrial floorspace declined slightly. There was some clearance of older stock such as at Howdon Green (which was no longer viable as an industrial investment) and some clearance of new stock (as the closing window to benefit from EZ incentives accelerated the demolition of Atmel’s semi-conductor factory to make way for data centre and office development at Cobalt).

5.24 Since 2013 North Tyneside’s industrial stock has increased slightly with small developments in the A19 corridor as market conditions improved. There is currently

around 1.06 million sq.m (11.4 million sq.ft) of floorspace in the Borough. Unlike some other local authority areas, the floorspace data does not show a spike in 2021, when the impact of Covid-19 on the demand for logistics premises fed through into greater development activity.

- 5.25 Across various measures, 2021 was a year of record-breaking achievements for the UK industrial and logistics market. While some sectors were subject to restrictions during Covid-19 lockdowns, industrial and logistics remained in operation and benefitted from the effects of the pandemic. Logistics performed a crucial role, keeping the nation supplied amid public fears around Covid-19 and demands of social distancing.
- 5.26 The impact of the pandemic served to accelerate structural change which, combined with a more general recovery in the wider UK economy, stimulated appetite from occupiers and investors alike. Take-up of premises across the UK hit a new record high of 78 million sq.ft in 2021. All segments of the market and most regions of the UK played their part, and, whilst Amazon accounted for an extraordinary 20% of activity, 2021 would have been a record year even without this development. Other types of occupier also made a big impression in 2021, with major deals to data centre providers and battery manufacturers. Whilst the sense of urgency in occupier requirements eased in 2022, levels of demand have remained high. However, with supply appearing to be the main obstacle to activity, take-up in 2022 is not expected to exceed the high observed in 2021.
- 5.27 In the North East, take-up of premises hit 4.9m sq.ft in 2021, up 65% on 2020 and the second strongest outturn on record. However, take-up was skewed by two major build-to-suit deals which together accounted for 3.56 million sq.ft of take-up. These were Amazon's 2 million sq.ft freehold acquisition at Wynyard Business Park, Stockton, which was the region's largest ever deal, and Britishvolt's commitment to build a 1.56 million sq.ft 'gigaplant' at the former Blyth power station site in Northumberland. The latter, a start-up company, went into administration in January 2023 but the purchaser, an Australian start-up company called Recharge, is similarly proposing battery manufacturing at the site.
- 5.28 Against this background of tight supply and increasing demand, the North East – for the first time in over a decade – saw speculative development at scale. At the end of 2021 there were five units totalling 338,000 sq.ft under construction across two separate schemes in Washington: Hillthorn Park and Turbine Business Park, with further speculative floorspace to follow.
- 5.29 Access to markets is a key determinant of the location of industrial development. In the 19th Century the riversides and railways were the transport networks that formed the focus for industrial development. Though the importance of these networks has declined, there remain substantial industrial areas alongside the Tyne. LSH advise that drive times and accessibility to motorways and dual carriageways are now key criteria for industrial and distribution businesses. In some cases, the importance of old industrial areas has been sustained through good access to the strategic road network; but those inner area industrial locations with poor road connections have generally declined in importance.
- 5.30 Within Tyne and Wear the A1(M) and A19 are the key north-south dual-carriageway links. LSH advise that Tyne and Wear's prime industrial and logistics locations continue to be on the southern periphery of the conurbation where there is easy access to the strategic road network to the south (e.g. Team Valley, Follingsby and the Washington estates). Here, rents

have been sufficient to allow speculative industrial development in good market conditions. Congestion and delays in crossing the Tyne has meant that North Tyneside's industrial market has historically been regarded as secondary. The opening of the second Tyne Tunnel, the removal of the toll gates, and the provision of grade separated junctions at the Coast Road and Testo's roundabout junctions have all helped to reduce drive times along the A19. This has improved the profile of the employment areas alongside the A19 as it passes through North Tyneside, although tolls continue to be an additional cost on businesses

5.31 For the purposes of this ELR, the strategic highway network within North Tyneside is defined as dual carriageways on which the national speed limit applies. This includes the A19 from the Tyne Tunnel to Seaton Burn where it joins the A1(M), the A189 between Moor Farm roundabout and Sandy Lane and the A1058 Coast Road between Benfield Road and the A19.

5.32 In locations that are more distant from strategic highway junctions, rents are lower and speculative private sector industrial development has been reliant on public sector gap funding or EZ incentives. Against a backdrop of manufacturing decline, some weaker inner urban industrial areas have come under pressure from proposals for redevelopment for alternative uses. Where manufacturing sectors have growth potential, LSH advise that locations which meet their requirements should be protected. The resurgence of the Port of Tyne and the growth of marine and offshore sectors, spurred in particular by the growth in offshore wind generation, have combined to sustain demand for riverside sites. Opportunities are available on both banks of the Tyne (notably at Wallsend and Jarrow).

The Market for Employment Premises in North Tyneside

Offices

5.33 There are 1,352 office units in North Tyneside totalling 411,267 sq.m (4,426,841 sq.ft). Table 5.3 uses postcode districts to assess their distribution within North Tyneside. This stock ranges from modern office parks of regional importance to traditional town centre premises accommodating local professional services. LSH advise that there is also a good stock of serviced office accommodation both in town centres and within employment areas.

Table 5.3 Distribution of Office Units in North Tyneside

Postcode District	Town	Units	Percentage
NE12, NE3 & NE7	Longbenton, Benton & Killingworth	354	26.2%
NE13 & NE23	Wideopen, Seaton Burn & Dudley	41	2.7%
NE25 & NE26	Whitley Bay & Monkseaton	89	6.6%
NE27	Backworth, Shiremoor & Holystone	96	7.1%
NE28	Wallsend & Howdon	377	27.8%
NE29	New York, Chirton & Royal Quays	194	14.4%
NE30	Tynemouth & North Shields	201	14.9%
Total		1,352	100%

Source: VOA / LSH analysis

- 5.34 Office development within the Enterprise Zone led to an overall improvement in the quality of North Tyneside's office stock. Not only has new development been of higher specification, but the volume of new office stock also precipitated the clearance or conversion of older office stock. Norgas House and Stephenson House at Killingworth have been redeveloped for housing and the Council's offices in North Shields have either been converted to residential use or demolished with a view to redevelopment for housing.
- 5.35 The location of office floorspace has also changed dramatically with a much higher proportion on office parks and business parks and a reduction of office floorspace in town centres.
- 5.36 Table 5.4 identifies the number of office units in each size band. This illustrates that there is a good spread of sizes capable of meeting a wide range of requirements. Smaller units are an important component of supply. Nearly half of the units (47.4%) are less than 50sq.m and another 19% are between 50 and 100sq.m. 135 units, some 10% of the stock, are greater than 500sq.m. In comparison, only 5% of South Tyneside's office stock is in units of greater than 500sq.m.

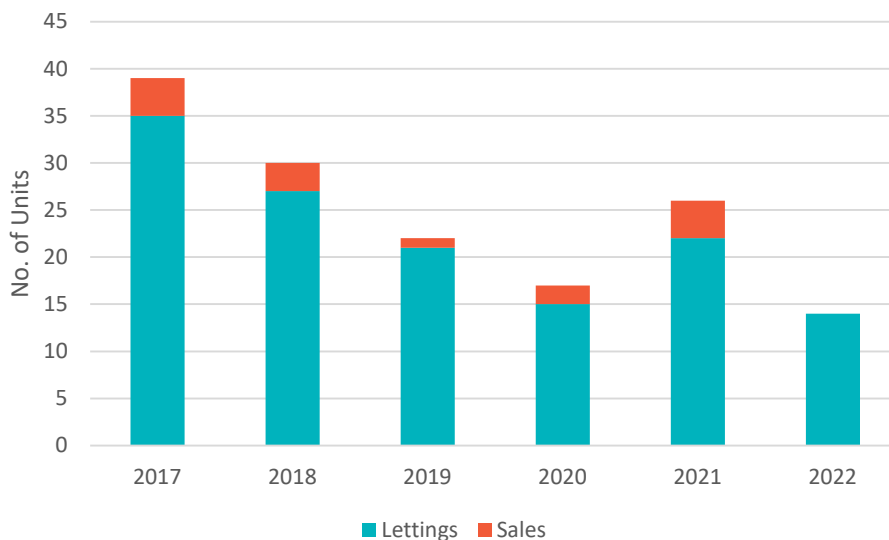
Table 5.4 Size of Office Units in North Tyneside

	Size (sq.m)								Total
	<50	50 - 100	100 - 250	250 - 500	500 - 1,000	1,000 - 2,000	2,000 - 5,000	>5,000	
Stock of office units	640	256	239	81	65	33	25	12	1,351
Proportion of all office units	47.4%	18.9%	17.7%	6.0%	4.8%	2.0%	1.9%	0.9%	100%

Source: VOA / LSH analysis

5.37 LSH has sourced data on office transactions from Co-Star and EGI. Since the start of 2017, there have been 134 lettings of offices in North Tyneside and a further 14 sales for occupation (rather than investment). This corresponds to an average of 26 transactions per annum. However, as Figure 5.3 shows, the number of transactions has ranged from 39 in 2017 to just 17 in 2020 (when property market activity was stalled by Covid-19). The 2022 figure relates to 9 months’ worth of data. LSH is aware of anecdotal evidence which suggests that the take-up of office space has improved in the last quarter of 2022 (during the preparation of this ELR).

Figure 5.3 Transactions of Office Units in North Tyneside (2017-2022)

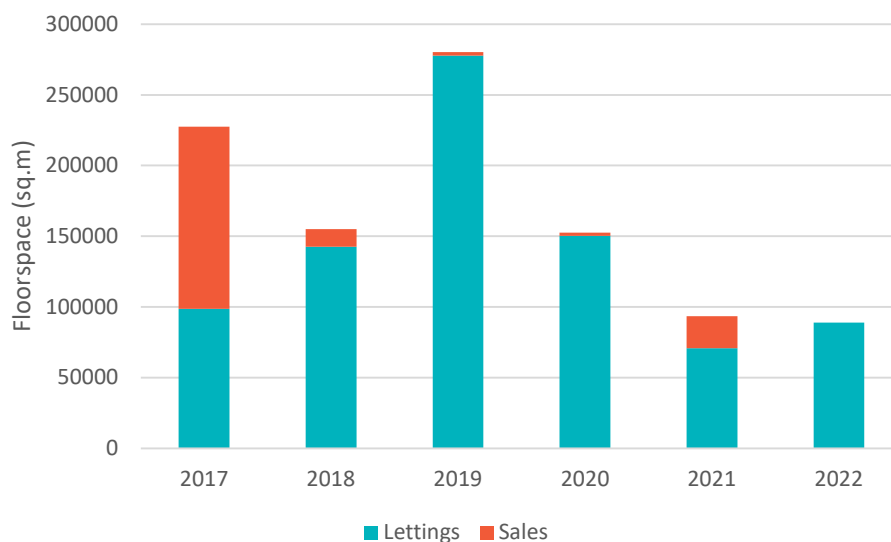


Source: CoStar / Egi / LSH analysis

5.38 When analysed in terms of floorspace, annual office transactions have been similarly volatile, averaging 173,468sq.m per annum but ranging between 95,000 in 2021 and 282,000 in 2019. Notwithstanding the fact that the 2022 figure represents only 9 months data, it does appear that take-up of floorspace is at a lower rate than pre-pandemic,

reflecting the trend amongst some businesses to downsize as hybrid working patterns become more common.

Figure 5.4 Transactions of Office Floorspace in North Tyneside (2017-2022)



Source: CoStar / Egi / LSH analysis

5.39 Comprehensive data on the amount of office floorspace currently on the market is not readily available. The principal commercial databases of Egi and Co-Star collate data from the larger commercial agents, but do not capture vacancies within serviced office complexes. LSH's research has therefore used a variety of sources to assess demand for office space on the Borough's office parks, its town centres and in managed workspace facilities.

Office Parks

5.40 Of particular relevance to this ELR is the vacancy rate amongst modern accommodation on office parks that have capacity for further development. This will inform whether further office development is likely over the early years of the study period. The findings of LSH's research, in September 2022, for a sample of three office parks are summarised in Table 5.5. Vacant buildings or suites are included in the calculation, but premises that are underused are not, even though they too could act as a drag on office development activity.

Table 5.5 Office Vacancy Rates by Location

Office Park	Stock (sq.m)	Available (sq.m)	Vacancy Rate
Cobalt Park ⁵	125,700	52,014	41.3%
Quorum Business Park	67,442	16,457	24.4%
Gosforth Business Park	24,601	2,764	11.2%

Source: LSH analysis

⁵ The serviced offices at Cobalt Exchange and the data centres are excluded from the analysis of Cobalt Park

- 5.41 The high vacancy rates suggest that none of these office parks has a constrained supply of floorspace that would signify market pressures to build further space. LSH advise that subsequent anecdotal evidence of letting activity (over the fourth quarter of 2022) suggests that these vacancy rates may have eased. But the uncertain economic outlook, changes in office use and employment densities brought on by hybrid working, the relative costs and benefits of city centre versus out-of-town office parks etc, all make it difficult to predict when and if market demand might stimulate new office development activity on North Tyneside's office parks.
- 5.42 Vacancy rates are highest at Cobalt Park. Here, LSH advise that the switch to hybrid working in response to the Covid-19 pandemic coincided with lease events (renewals or break options) that allowed tenants to reduce their floorspace requirements. This has resulted in large amounts of floorspace coming onto the market but has also stimulated investment in the refurbishment of retained space, which demonstrates a commitment to this location by these occupiers. LSH advise that comparing the amount of vacant floorspace (52,014sq.m) with the amount of floorspace let over the five-year period 2017-2021 (31,946sq.m) suggests that vacant stock represents approximately eight years of supply. With 41% of the office floorspace currently vacant, LSH would expect little appetite for further development on the remaining available plots within the park. Although predominantly an office park, Cobalt already has a wider mix of uses with a hotel and hospital at the northern end, car showrooms at the southern end and an office building converted to a Travelodge hotel at the eastern entrance to the park. Highbridge has advised – during discussions with LSH – that they are unlikely to carry out further speculative development at Cobalt and future development activity is more likely to be through sale of vacant plots to third parties.
- 5.43 At Quorum, the vacancy rate of 24.4% represents approximately three years of supply. Although Quorum is now largely built out, farmland to the north and east is allocated as employment land and could allow expansion. LSH is advised by the owners, Shelborn Asset Management, that they have plans to expand onto the western part of the site, but not onto Firtree Farm to the east. Major infrastructure provision would be required to unlock the remaining land before further development could take place. Shelborn have ambitions to meet the growing demand for office accommodation that enables occupiers to meet their net zero targets. With active enquiries in the market, Shelborn has an appetite for development of an office park with high sustainability credentials including on-site renewable energy generation.
- 5.44 At Gosforth Business Park there has been no new development since 2006 and serviced sites provide ample development opportunities. In addition to the vacant buildings, Phase 4 is being actively marketed, with units to be constructed on a forward sale basis.
- 5.45 The North Tyneside Local Plan allocates part of the Killingworth Moor mixed-use development site for B1 uses. Synergy Park, which is being marketed by Northumberland Estates could be developed for offices, research and development and light industrial uses, which would effectively provide a buffer between the A19 and new housing.

Town Centre Offices

- 5.46 North Tyneside has four town centres: Killingworth, North Shields, Wallsend and Whitley Bay. Of these North Shields has the largest office provision. In Killingworth the majority of

the office stock is on industrial estates. In Whitley Bay the office stock is spread across the town centre, accommodating local professional services and other businesses, but there is no clear office quarter nor a dominant office building. In Wallsend the office stock is split between the riverside industrial areas and the town centre where much of the stock is in business centres, notably Town Hall Chambers, which was converted after the Council vacated in 2008.

- 5.47 North Tyneside Council relocated from various locations in the Borough, including North Shields town centre to Cobalt Park in 2008. With little demand for large offices in the town centre and strong competition from new Grade A provision within the Enterprise Zone, there was no real prospect of the former Council buildings in North Shields attracting office occupiers and they have instead been converted to residential use. There remains market demand for smaller offices within North Shields and the Council owns over 100 individual office suites in the Howard Street and Fish Quay areas. Most of these units are less than 100sq.m and cater to SME's. The majority are in multi-let buildings, with shared entrances and services, although on Howard Street there are self-contained offices with independent access. Most of this accommodation has been refurbished and remains popular and there are examples of tenants moving on to bigger suites in the Council's portfolio or the wider North Shields area.

Managed Workspace

- 5.48 In North Shields town centre, the Council lets office suites in three principal buildings - North Tyneside Business Centre, Howard House and Saville Exchange – on an 'easy-in, easy-out' basis at rents of around £95 per sqm (£8.80 per sq ft). These rents have not grown for a number of years. Using VOA records and the Council's vacant property schedule LSH has calculated the vacancy rates shown in Table 5.6.

Table 5.6 Managed Workspace Vacancy Rates

Property	Office Units	Vacant Offices	Vacancy Rate
Howard House Commercial Centre, Howard St	20	4	20%
North Tyneside Business Centre, 54A Saville St	29	7	24%
Saville Exchange, Howard St	14	1	7%
Quay View, Fish Quay	12	6	50%
Vita House, Fish Quay	6	0	0%

Source: LSH analysis

- 5.49 A study commissioned by the Council in 2017 looked at office occupancy at a sample of managed workspaces to assess demand for additional refurbished offices at Swans Centre for Innovation, Wallsend. Office vacancy rates amongst four centres at Wallsend were:
- Swan CFI, Wallsend 10%
 - Town Hall Chambers, Wallsend 10% (falling to 0% in January 2018)

- CBX, Cobalt Park Way, Wallsend 5%
- Segedunum Business Centre 5%

5.50 Lettings of managed workspace are typically on an ‘easy-in, easy-out’ basis and full occupancy is unlikely to be sustained. LSH advise that a vacancy rate of 10% or less indicates strong demand for such premises and the Council-commissioned study concluded that additional office space should be provided at Swan CFI. However, since the completion of the refurbishment in 2020 there has been limited interest in the additional office suites. Using VOA records and the Council’s vacant property schedule LSH has calculated that although the Segedunum Business Centre is fully occupied, Swan CFI has a 60% vacancy rate and Salisbury House 40%. LSH has also been advised that at CBX the current vacancy rate is around 20%. The increase in vacant offices indicates a weakening of the market but may be compounded by property-specific issues. At Swan CFI the negative impact of the derelict office block next door (since demolished) and weaker than anticipated growth in the target sector of specialist subsea businesses have been cited (during consultation) as possible reasons for poorer demand.

5.51 The vacancy rates in Wallsend and North Shields town centres suggest that there is currently little market demand for additional SME office space.

5.52 Whilst this is not a comprehensive assessment of current vacancies across North Tyneside’s office stock, it does point to substantial oversupply amongst good quality modern office floorspace against which new supply would be directly competing. With the high volume of vacant floorspace at Cobalt Park, there is evidence of price competition with agents quoting lower rents to try and secure lettings. Falling rents, at a time when costs of construction are increasing sharply, further undermine the viability of new office development.

Industrial

5.53 VOA data distinguishes between various types of industrial premises. LSH’s analysis includes these descriptions and use codes for reference but, to a large extent, the market does not make such distinctions. Buildings can accommodate a range of uses, and what was originally designed for one use may be subsequently used for another. Even broad groupings such as factories and warehouses are typically indistinguishable. Whilst large purpose-built high bay warehouses with multiple loading bays can be distinguished, these are too few to allow meaningful analysis.

5.54 From VOA data complemented by LSH research, it is estimated that there are some 1,442 industrial premises in North Tyneside. This figure is smaller than the “bulk class” data that was used in the Rating data cited earlier. The reason for this difference is the exclusion of nearly 300 shipping containers that can provide secure storage but are not buildings fixed to the land. The industrial premises are predominantly situated on industrial estates and within other established industrial areas. Premises defined as land used for storage or storage depots are included within this part of the analysis. Table 5.7 categorises these by type.

Table 5.7 Stock of Industrial Premises in North Tyneside

Description	PSD Code	Number of Units
Vehicle Repair Workshop and Premises	CG1	85
Garage and Premises	Cg2	5
Warehouse and Premises	CW	321
Land Used for Storage and Premises	CW1	62
Storage Depot and Premises	CW2	2
Store and Premises	CW3	134
Factory and Premises	IF	140
Workshop and Premises	IF3	691
Other Industrial	IX	2
Total		1,442

Source: VOA / LSH analysis

5.55 The descriptions and categorisation used by the VOA suggest that nearly two thirds (64%) of industrial premises are used for manufacturing and around one-third (36%) for storage or distribution. This is consistent with data on employment within different industrial sectors.

5.56 The location of industrial units within the Borough is shown in Table 5.8. This analysis uses postcode districts and settlement names but mapping more clearly demonstrates the concentrations of stock in the estates alongside the A19, the A189 Spine Road, the A191 Whitley Road and along the north bank of the Tyne.

Table 5.8 Distribution of Industrial Units in North Tyneside

Postcode District	Town	Units	Percentage
NE12, NE3 & NE7	Longbenton, Benton & Killingworth	437	30.3%
NE13 & NE23	Wideopen, Seaton Burn & Dudley	52	3.6%
NE25 & NE26	Whitley Bay & Monkseaton	76	5.3%
NE27	Backworth, Shiremoor & Holystone	101	7.0%
NE28	Wallsend & Howdon	195	13.5%
NE29	New York, Chirton & Royal Quays	446	30.9%
NE30	Tynemouth & North Shields	135	9.4%
Total		1,442	100%

Source: VOA / LSH analysis

5.57 Table 5.9 categorises industrial premises by unit size. For this analysis LSH has excluded land used for storage (63 premises totalling 31.6 hectares) to ensure that the analysis is not distorted by the inclusion of large areas of land. There are 1,380 industrial units totalling 1,047,278sq.m (11.27 million sq.ft). Half of these are described as workshops and another 10% as factories, emphasising the importance of manufacturing to the local economy. Some 23% are described as warehouses. The split between manufacturing and warehousing is broadly consistent with that in Sunderland and South Tyneside where Lichfields and LSH have previously produced ELRs.

5.58 It can be seen from the table that smaller units are an important component of supply. Indeed, some 55% of units are less than 250sq.m. At the other end of the spectrum, 13% of units are greater than 1,000sq.m, with similar amounts of warehouse and factory premises.

Table 5.9 Size of Industrial Units in North Tyneside

	Size (sq.m)								Total
	<50	50 - 100	100 - 250	250 - 500	500 - 1,000	1,000 - 2,000	2,000 - 5,000	>5,000	
Vehicle Repair Workshop	4	11	34	25	5	5	1	0	85
Garage & Premises	0	1	1	2	1	0	0	0	5
Warehouse & Premises	3	41	51	96	56	46	20	8	321
Storage Depot & Premises	0	0	2	0	0	0	0	0	2
Store & Premises	69	28	26	7	3	1	0	0	134
Factory & Premises	1	5	28	19	14	23	30	20	140
Workshop & Premises	78	165	212	141	41	40	11	3	691
Other Industrial	0	0	0	0	0	1	1	0	2
Total	155	251	354	290	120	116	63	32	1,380

Source: VOA / LSH analysis

Availability

5.59 LSH has sourced data on currently available industrial premises from EGi, as well as their own enquiries. LSH advise that it is not unusual for smaller properties to go beneath the radar of the national commercial property databases; however, checking against schedules of available properties managed by Mileway, Whittle Jones and the Council has confirmed that the supply of small workshops (<500 sq.m) is tight, with very few vacancies on local industrial estates. This work identified a small number of vacant premises that are not on the market because they have reached the end of their economically useful life, for example a factory at Point Pleasant Industrial Estate.

5.60 Table 5.10 compares the stock and availability of industrial units across different size bands. This reveals that vacancy rates are low amongst units of less than 500sq.m, but generally higher amongst larger premises. Although the availability of very small units can be under-reported, LSH advise that this analysis suggests a shortage of accommodation amongst the four smallest size bands.

Table 5.10 Vacancy Rates of Industrial Units in North Tyneside

	Size (sq.m)								Total
	<50	50 - 100	100 - 250	250 - 500	500 - 1,000	1,000 - 2,000	2,000 - 5,000	>5,000	
Stock of units	155	251	369	290	120	116	63	32	1,396
Vacant units	0	0	11	8	9	9	7	2	46
Vacancy rate	0.0%	0.0%	3.0%	2.8%	7.5%	7.8%	11.1%	6.3%	3.3%

Source: EGi / LSH analysis

5.61 There are 46 premises on the market equating to 57,670sq.m; the overall vacancy rate equates to 3.3% of units and 5.5% of floorspace. In a healthy property market, LSH advise that a vacancy rate of 5% to 10% allows for market churn to accommodate the changing floorspace requirements of businesses, but does not leave high volumes of floorspace on the market for prolonged periods. A vacancy rate of 3.3% is therefore considered to indicate a tight market where a shortage of available units could constrain businesses.

5.62 Supply is tightest amongst smaller unit sizes and developers have brought forward schemes to address this need. In 2014 Hellens developed Larch Court, 17 small industrial units of between 140 and 276sq.m at West Chirton North Industrial Estate; these were all occupied within 18 months of completion. Mandale is currently constructing small workshops at Wallsend Road, North Shields and Northern Trust is refurbishing workshops at West Chirton South.

5.63 The speculative development of small units for SMEs, which can be eligible for grant funding, contrasts with the more cautious approach to the development of larger units,

which are more likely to be marketed on a design and build basis, so that pre-lets or forward sales can be agreed prior to construction. The following schemes which are currently on the market provide examples:

- UK Land Estates recently completed unit L6 on its Intersect 19 scheme at Tyne Tunnel Estate. The scheme's final unit, L7, has planning consent. The asking rent for the 8,190sq.m unit (88,125sq.ft) is £553,700 per annum (£6.28 psf);
- Northumberland Estates are marketing Venus Park on Tyne Tunnel Estate. The masterplan shows a scheme of seven units ranging from 1,087 to 10,219sq.m, but with flexibility to build units to a tenant's size and specification;
- Northumberland Estates are also promoting Synergy Park, the commercial element of the mixed-use development at Killingworth Moor, which can accommodate 100,000sq.m of floorspace and is allocated in the Local Plan for offices, research and development and light industrial uses; and
- Highbridge Properties are promoting Indigo Park for bespoke design and build manufacturing or warehouse accommodation from 3,716 to 140,000sq.m.

5.64 Because of the marginal viability of industrial development in the North East, developers are resistant to speculative development and all these schemes are being promoted on a design and build basis.

5.65 In addition to these developments on allocated employment sites Naylor's Gavin Black is marketing 5.65 hectares of land in the Green Belt at Seaton Burn for up to 28,000sq.m of bespoke manufacturing or warehouse accommodation. However, given its green belt location and absence of any permission in place for employment related development this site is not considered a part of the current available supply of employment land in North Tyneside.

6.0 Supply of Employment Land in North Tyneside

6.1 This section of the report summarises the current availability and past take-up of employment land in North Tyneside, to inform the assessments of demand and supply, and individual judgements on sites. This analysis of demand using past take-up complements the econometric forecasts in Section 7.0 which estimate the requirement for land over the nineteen-year study period (2021 to 2040).

Context

6.2 The market for employment land within the North East is regularly considered by ELRs and at planning inquiries. It is well established that the market functions across local authority boundaries, and given the mobility of employees, providing some assessment of provision within a wider area is helpful. This is of relevance to North Tyneside, which has close market ties to Newcastle and South East Northumberland, and improved links to South Tyneside through investment in upgrades to the A19 and Tyne Tunnel.

6.3 An accepted methodology for the quantitative analysis of employment land is to divide the amount of land currently available for economic development by past take-up rates to arrive at a number of years' supply. In determining appropriate levels of allocation planning inspectors have typically sought to ensure supply is adequate for the plan period. The National Planning Practice Framework (NPPF) states that "*Strategic policies should look ahead over a minimum 15 year period from adoption*".⁶ LSH advise that planning inspectors have regarded 15 years supply as a robust level of allocation.

6.4 Recognising that recycled employment sites can play an important role in replenishing supply, some local authorities adopt a 'monitor and manage' approach by ensuring a five year supply of readily available sites and a further five year reservoir of sites that can be made readily available to replenish this supply.

6.5 NPPF emphasises allocating sites of appropriate quality and quantity. "*Strategic policies should provide a clear strategy for bringing sufficient land forward, and at a sufficient rate, to address objectively assessed needs over the plan period, in line with the presumption in favour of sustainable development.*"⁷ "*The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals.*"⁸ "*Policies in local plans and spatial development strategies should be reviewed to assess whether they need updating at least once every five years and should then be updated as necessary.*"⁹

6.6 Past take-up of employment land is affected by prevailing economic conditions and policy initiatives. Planning, regeneration, fiscal and financial policies can all impact upon the scale and location of take-up, for better or worse, intentionally or unintentionally. By

⁶ Paragraph 22, National Planning Policy Framework, MHCLG, 2021.

⁷ Paragraph 23, NPPF, MHCLG, 2021.

⁸ Paragraph 31, *ibid*

⁹ Paragraph 33, *ibid*.

considering take-up over both short and longer periods the effects of economic cycles and policy changes can be better understood, and short-term trends can be identified.

6.7 A variety of factors mean that quantitative analysis of implied supply is often an inexact science. On the supply side of the equation, LSH advise that the total amount of land available at any given point in time is indeterminate. The exact amount available depends upon:

- The size of private reserves (i.e. industrial land held with existing buildings for expansion). These are normally excluded from the analysis as they are not generally available for development; but LSH consider the likelihood of businesses disposing of expansion land later in this section;
- The number of windfall sites arising which are not presently allocated for employment uses but which may become available for such uses;
- The number of further sites becoming available through the recycling of land currently in industrial use; and
- On the demand side it is assumed, by LSH, that all existing industrial allocations will remain in such use when in reality some of the land is likely to be taken up for other uses.

6.8 It is LSH's view that the conservative estimate of the total supply of land on the one hand, and the under-estimate of total consumption on the other will, to some degree, cancel each other out.

6.9 A glossary of terms used by LSH in their appraisal of the industrial land supply and take-up is attached at Appendix 2.

Tyne and Wear

6.10 The employment land market often looks at the conurbation as a whole and is not constrained by local authority boundaries. There is a degree of inter-dependence between the five Tyne and Wear authorities' economies, characterised by substantial numbers of residents living in one area and travelling to work in another.

6.11 Market demand for industrial premises is strongest in those locations which have the advantage of shorter drive times; congestion on cross-Tyne routes mean that sites on the southern edge of the conurbation and with easy access to the strategic highway network are favoured. The area around Washington is a particular hot spot, here speculative schemes are underway at Turbine Business Park and at Hillthorn Park; but the land supply is becoming depleted and there is opposition to Green Belt releases to provide future development opportunities.

6.12 By contrast, North Tyneside has a more generous supply of development opportunities and recent upgrades to the A19 have reduced cross-Tyne congestion on the eastern side of the Borough. These factors could allow North Tyneside to accommodate a greater share of demand for employment land than previously.

North Tyneside

- 6.13 Within North Tyneside there is a wide variety of employment areas, reflecting the economic history of the Borough. Using the Local Plan proposals map to identify employment areas, LSH has inspected each to assess the attributes of the estates, and to identify available land and recent development. Data from the site inspections has been complemented by desk based research and analysis.
- 6.14 Some of the Borough's older industrial estates have been allocated by the Council as mixed-use areas, reflecting reduced demand for employment and interest from housebuilders for well-located sites where development for alternative uses is unlikely to be viable due to low values and high abnormal costs of demolition and remediation. LSH's assessment considers available land within mixed use areas using the same site assessment criteria.
- 6.15 Where land is allocated for specific sectors, it can be helpful to assess it separately. The River Tyne North Bank area is shown on the proposals map as extending along 5.5km of the riverbank from the boundary with Newcastle at Walker to the ferry terminal at Royal Quays; it includes the Port of Tyne's estate at its eastern end. A strategic development framework published in 2009, provides the basis for regeneration and investment in this area. The Local Plan supports proposals for all forms of employment development "*to enable economic growth, investment and regeneration of the area where they do not restrict riverside access that could compromise the capacity of the River Tyne North Bank to support marine and off-shore related industry.*"¹⁰ LSH's assessment allows separate consideration of the land within the River Tyne North Bank area as defined by the Council. Two small sites that adjoin this area, which are not allocated for any specific use are also included within the assessment (These are the site of the former hotel on Hadrian Road, and the former Soccer Dome adjoining the Tyne Car Import Terminal at Royal Quays).
- 6.16 Available employment land can include:
- a vacant sites currently allocated for employment use;
 - b vacant sites formerly in employment use;
 - c vacant land in areas identified by the Council for mixed-use development that could include an employment component;
 - d employment premises that are at, or nearing, functional obsolescence;
 - e expansion land held by businesses (see 6.7 above); and
 - f land and buildings in alternative uses that may have potential for economic development.
- 6.17 LSH has inspected all employment areas and assessed available employment sites within these areas, according to a range of market and sustainability criteria. LSH has noted where sites have been redeveloped or reoccupied for employment purposes and are therefore no longer available. During these site inspections, LSH noted land at the junction of the A19 and A1 at Seaton Burn that is being marketed for design and build industrial warehouses. This 6.9 hectares (17 acre) site which adjoins Brenkley Business Park is neither an established nor an allocated employment area. It is in the Green Belt and does not have

¹⁰ Policy AS2.5, North Tyneside Adopted Local Plan 2017. LSH emphasis.

outline or full planning consent for the uses being promoted. For these reasons LSH has not regarded the site as available for the purposes of this ELR.

- 6.18 In accordance with Planning Practice Guidance, LSH has applied a size threshold of 0.25 ha.¹¹ Sites smaller than this have been assessed but are not included within the calculation of the amount of available employment land. LSH has also excluded from the assessment unoccupied storage compounds that, in the view of LSH, are more likely to be reoccupied as compounds than developed for employment use. In some cases, these compounds can also be discounted because they are less than 0.25 ha.
- 6.19 The assessment matrix at Appendix 3 identifies the gross area of each site and, by applying a gross to net ratio to larger sites (to reflect likely losses for infrastructure, landscaping etc.) estimated net developable areas. Guides to the ratios used in different circumstances are set out in Appendix 4 and the application of the qualitative assessment criteria are set out at Appendix 5. The matrix uses numbers from 1 to 5 to rank various qualities of the sites. It should be noted that this numbering does not imply that the various criteria are of equal weight; nor, in allocating employment sites, should the Council solely rely on this assessment; other factors, notably the relative need for different land uses, may also be taken into account.
- 6.20 In considering the supply of and demand for employment land within North Tyneside, LSH has used a staged approach:
- First LSH consider the amount of land currently available for employment development (categories a, b, c and d above) and compare this against past take-up rates to arrive at a notional number of years supply within the Borough. This allows an assessment as to whether current allocations and other available employment sites are sufficient for the plan period¹².
 - The second stage is to consider the market attractiveness of these sites using an analysis of the location of past take-up to help understand whether they should be retained within the supply.
 - Thirdly, LSH consider whether growth sectors are likely to increase demand for specialist sites.
 - The fourth stage is to consider whether sites are readily available or require preparation and thus their ability to meet demand in the short term.
 - The fifth stage is to identify the impact that vacant office and industrial buildings have on the market for development sites, within the context of economic and property development cycles.
 - The sixth stage is to identify the prospects for supply to be supplemented by releases of expansion land (category e above).

¹¹ Paragraph 010, Reference ID: 3-010-20140306, Planning Practice Guidance

¹² It should be noted that this judgement is based upon an analysis of implied supply only and does not have regard to the demand forecasting presented in Section 7.0

Stage 1: The Number of Years Supply of Available Employment Land

Currently Available Employment Sites

- 6.21 LSH has identified and assessed 38 general employment sites, 15 specialist sites within the River Tyne North Bank area and 8 mixed-use sites. Five of the 38 general employment sites and four of the 8 mixed use sites are below the minimum size threshold. These have therefore been disregarded. Sites allocated for mixed use include some older industrial estates where there has been very little development over a long period, including some which have seen recent housing development on peripheral plots.
- 6.22 The available sites range from 0.25ha to 32.5ha and the amount of land by allocation is summarised in Table 6.1. For the purposes of this ELR it is useful to distinguish between office parks and other general employment sites where a broader mix of uses can be expected. Office parks with available land are Gosforth Business Park, Cobalt Park, Quorum and Synergy Park.

Table 6.1 Available Employment Land by Allocation

Allocation	No. of Sites	Gross Area (ha)	Estimated Net Area (ha)
General Employment Land	20	85.95	71.00
General Employment – Office Park	13	32.11	25.86
Specialist – River Tyne North Bank	15	47.65	42.76
Mixed-Use	4	7.30	6.63
Total	52	172.71	146.25

Source: LSH analysis

- 6.23 Within some of the mixed-use areas, there are development plots that are immediately available (e.g. at Backworth Business Park) whilst in others LSH anticipate that availability will be delayed by the requirement for site assembly, remediation and/or infrastructure provision.

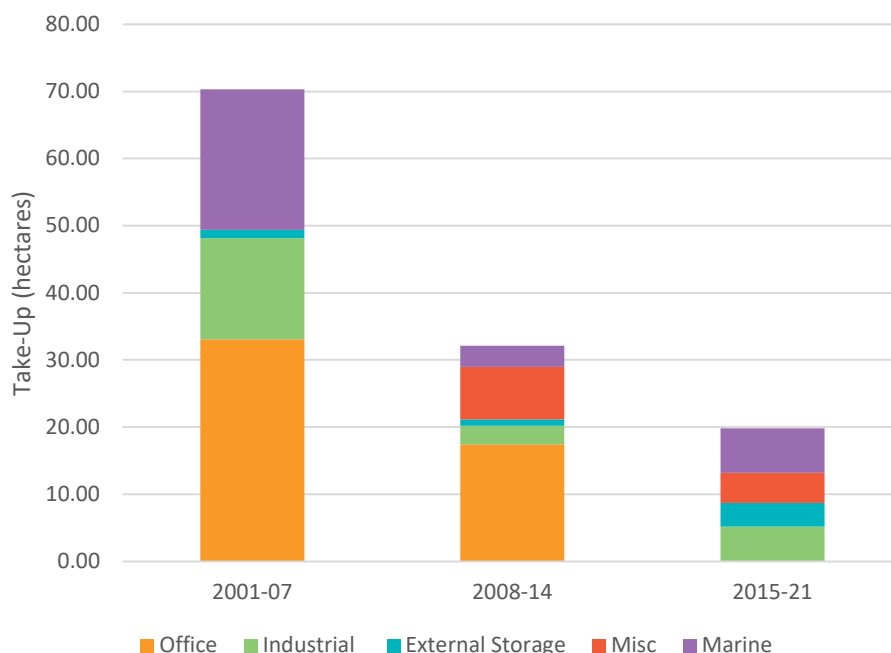
Take-Up of Employment Land

- 6.24 LSH has identified take-up of employment land on a site-by-site basis over the period 2001-2021 (see Appendix 6). Using aerial imagery, LSH has checked the boundaries of sites when development has been completed to improve measurement accuracy.
- 6.25 In assessing take-up, LSH adopts an approach that is consistent with its approach to measuring availability: take-up for specialist uses is stated separately.
- 6.26 The exact year that development commences cannot always be identified through aerial imagery that is produced on an irregular basis. However, the frequency of aerial imagery of North Tyneside does allow LSH to track the scale of take-up and use types over time. Analysis with the previous ELR identified over the period 2004-2013 annual take up averaged 10.43ha per year. For this ELR, LSH has subdivided the 21-year period 2001-2021

into three seven year blocks. Over the full 21-year period some 122.25 hectares of land have been taken up for employment purposes, which equates to **5.82 hectares per annum**. But the scale of take-up has varied hugely over this period as shown in Figure 6.1.

6.27 Over the first seven years take-up totalled 70.34 hectares (an average of around 10 hectares per annum). This then declined to 32.11 hectares between 2008 and 2014 (an average of 4.59 hectares per annum). Over the last seven years 2015 – 2021 take-up decreased again to 19.80 hectares (2.83 hectares per annum).

Figure 6.1 Past Take-Up of Employment Land in North Tyneside



Source: LSH analysis

6.28 These stark differences reflect the changing economic and fiscal environment over this period. At the start of the millennium the UK enjoyed an unusually prolonged period of economic growth when there was ready access to development finance and rising rents, improving the viability of development. In North Tyneside, the favourable economic conditions were supplemented by Enterprise Zones which provided a comprehensive package of financial incentives targeting developers, investors and occupiers. Although there was some industrial development, the EZs primarily delivered office development. Since 2001, 33 hectares have been taken-up for office development.

6.29 The strength of the economy and EZ benefits also prompted industrial development, notably at Tyne Tunnel Estate where warehouses, workshops, hybrid and trade units were all developed. At Port of Tyne the car import terminal took 19 hectares of land.

6.30 In September 2007, the run on Northern Rock signalled the credit crunch and the recession of 2008-09. Across the UK, finance for development was withdrawn, development activity ceased and property values fell. The recession was followed by ‘austerity’, several years of weak economic growth, when demand for property was weak and values were stagnant. Construction costs continued to increase, and the viability of property development worsened. The exception was North Tyneside’s Enterprise Zones where ‘golden contract’

capital allowances and additional land from the clearance of the failed ViaSystems and Atmel factories enabled office schemes to progress for five years after the expiry of the Zone in October 2006. Between 2008 and 2014, more than half of take-up (54%) in North Tyneside was for office development and the majority of this took place at Cobalt and Quorum (the exception was Northumbria Police at Middle Engine Lane). Also of note was the development of three data centres at Cobalt which collectively took 7.43 hectares of land.

- 6.31 Although property markets started to recover from 2015, overall take-up over the last seven years has been modest, with 19.80 hectares in total equating to 2.83 hectares per annum. There has been no office development since 2012 as the market has struggled to absorb the glut of space at Cobalt and Quorum. As noted in Section 5.0, LSH expect high vacancy rates at both locations to stifle office development for the foreseeable future. The Covid-19 pandemic resulted in negligible take-up in 2020, but bolstered demand for logistics premises as the shift to online shopping accelerated. This has included some further development at Tyne Tunnel and Port of Tyne.
- 6.32 The impact of the Enterprise Zones, which initially accelerated development activity but are now frustrating it through high levels of oversupply, makes forecasting of future development activity challenging. Looking forward, LSH advise that achieving the long term average of 5.82 hectares per annum take-up appears ambitious given that nearly 40% of take-up over the past 21 years was in Enterprise Zones where a comprehensive package of EZ incentives was on offer. It is very unlikely that such a package of incentives will be available for the development of employment premises over the period to 2040. In addition, office development is unlikely in the first five years of the plan period, because of the high volume of available floorspace at Cobalt and Quorum. Thereafter the scale of office development is uncertain and will depend on the strength of the economy, government policies and the availability of finance.
- 6.33 Over the past 21 years take-up for office development averaged 2.40 hectares per annum, LSH expect a lower rate of take-up of land for office development going forward. Take up of land for industrial development or external storage has been averaging 1.75 ha per annum but with a shortage of sites in other local authority areas and good supply in North Tyneside LSH advise that there may be scope for this to increase. Take-up of land for industrial development or external storage within the River Tyne North Bank area has averaged 1.46 ha per annum; the growth of the offshore wind energy and demand from other sectors is expected to at least maintain this level of take-up. Some demand for employment sites from miscellaneous uses can also be expected to continue.

Implied Supply

- 6.34 In Table 6.2, land currently available for employment development is measured against average annual take-up calculated over the last 21 years (5.82 hectares per annum). This is around twice the take-up rate achieved over the last seven years. The table distinguishes between availability and take-up on different types of estates.
- 6.35 On the basis of this estimate of take-up the amount of available general employment land in North Tyneside is more than required for the period to 2040. As the site assessment matrix identifies, some of this land would be expensive to redevelop for employment uses and has stood vacant for many years. As a result, LSH advise that some of these former

employment sites could be allocated for alternative or mixed use. The site assessment matrix also identifies some plots which could be identified as open space or landscaping.

6.36 The amount of available specialist land at River Tyne North Bank is the equivalent of 29 years supply based on past take up. The prospects for growth in offshore industries and at the Port are reviewed at Appendix 7 and summarised in the Stage 3 analysis outlined later in this Section.

6.37 Although the analysis in Table 6.2 suggests that implied supply of land on office parks is relatively low, office development can take place elsewhere, e.g. on business parks, industrial estates and in town centres. The fact that the vast majority of North Tyneside's office development has occurred on office parks is largely down to the pull of Enterprise Zone designations.

Table 6.2 Employment Land Demand by Sub-Area

	Available (ha)	Annual Take- Up (ha)	Implied Supply (years)
Ind. Estates & Bus. Parks	71.00	1.75	40
Office Parks ¹³	25.86	2.49 ¹⁴	10
Specialist – River Tyne N. Bank	42.76	1.46	29
Mixed Use	6.63	0.11	60
Total	146.25	5.82	25

Source: LSH analysis

Stage 2: The Market Attractiveness of the Available Employment Land

6.38 For the effective stimulation of economic development, the supply of land needs to match market demand. Analysis of demand within sub-areas of the Borough provides a better understanding of how well they are matched against the crucial property market criterion of location. This analysis uses site specific take-up data from the 21-year period, 2001-21. LSH has identified four principal sub-areas which accommodate the vast majority of all employment land take-up.

¹³ Cobalt Park, Quorum, Gosforth Business Park and Synergy Park

¹⁴ Take-up of land for office development has averaged 2.40 hectares per annum. This figure of 2.49 hectares per annum includes land for the development of data centres at Cobalt Park

Table 6.3 Employment Land Demand by Sub-Area

Sub Area	Available Land (ha)	Take-Up (2002-21) (ha)	Take-Up (ha p.a.)	Implied Supply (years)
Spine Rd / Benton Lane Corridor	59.75	21.26	1.01	59
Whitley Rd estates	0.59	1.66	0.08	7
A19 Corridor	43.15	67.40	3.21	13
River Tyne N. Bank	42.76	30.70	1.46	29
Other areas	0.00	1.23	0.06	0
Total	146.25	122.25	5.82	25

Source: LSH analysis

- 6.39 This analysis is not necessarily indicative of how future take up may play out, but it emphasises the importance of the A19 corridor where more than half of all take-up has occurred. This activity has been spurred on by the Enterprise Zone designation at Cobalt Park and improvements to the strategic road network which are helping to sustain demand for industrial development. If past take-up rates can be sustained, this sub-area has 13 years of available land.
- 6.40 Within the A189 Spine Road / Benton Lane Corridor, past take-up rates were buoyed by the development of Quorum. This area benefits from good links to the strategic road network and proximity to Newcastle. However, large allocations at Indigo and to the north of Quorum, both of which require site infrastructure, result in an implied supply of 59 years (based on a continuation of past take-up).
- 6.41 The Whitley Road estates are largely built out and have provided few opportunities for development over the last couple of decades. Whilst part of Benton Square Industrial Estate has been redeveloped for housing the remaining employment sites are well occupied.
- 6.42 As noted above, the implied supply in the River Tyne North Bank is more than required for the study period. However, reflecting the specialist nature of employment uses in this area, prospects for growth in demand within this location are considered as part of Stage 3 (below).

Stage 3: Demand for Sites with River Access over the Plan Period

- 6.43 As noted earlier, manufacturing is an important part of the local economy and North Tyneside has specialisms in metal fabrication, specialised construction activities and technical testing/analysis in the engineering sub-sector. These specialisms reflect an established cluster centred on riverside industrial areas. When assessed against past take-up, the quantity of available employment land within the River Tyne North Bank sub-area appears to be more than required for the study period. However, looking forward, LSH expect growth in certain sectors to increase demand for land in this riverside area.

- 6.44 Climate change and CO₂ reduction targets are driving investment in renewables and technological advances in offshore wind generation have seen the unit price of energy generation fall – creating the impetus for rapid expansion. Prototypes for wave and tidal energy generation are also being developed, but with the government focussed on the cost to consumers, the relatively high costs of wave and tidal energy are restricting further funding. Investment in North Sea oil and gas is dependent on oil and gas prices, and whilst major expansion of this sector is less likely, existing businesses on the Tyne which serve global markets (such as SMD) are not overly dependent on North Sea production and also serve the renewables sector. As North Sea oil and gas fields are depleted, there has been growth in opportunities to decommission offshore infrastructure. These patterns of sectoral growth and decline create opportunities for maritime fabrication as vessels are modified, repaired and maintained. At the same time, the National Shipbuilding Strategy has changed the approach to procuring naval vessels and has increased opportunities for fabrication on the Tyne. The review at Appendix 7 considers in more detail those sectors with requirements for sites with river access.
- 6.45 Overall, the emerging opportunities in growth sectors can be expected to outweigh contractions in other sectors leading to an increased demand for sites, premises and skills. Whilst not all requirements will be for riverside land, much of the demand, particularly for larger sites, will require access to deep water. Some of this additional demand will be accommodated by more intensive use of land that is currently in operational use. However, sites being brought forward to meet this growing demand are competing with other east coast locations including the Humber, Tees and Blyth. As some of these locations benefit from Freeport status, stakeholders to this ELR have raised concerns that the Tyne could be at a competitive disadvantage. There is anecdotal evidence that the more comprehensive financial support in competing locations is having the effect of drawing skills away from the Tyne, as funding enables better salaries elsewhere.
- 6.46 Through the government’s Offshore Wind Sector Deal there is now a commitment to funding investment in infrastructure to maximise the impact of regional clusters. There is a logic to direct such funding to those sites which can meet a broad demand profile. This is likely to be larger riverside sites.
- 6.47 In summary, although the river is no longer the centre of economic activity that it was in its heyday, there is still an important cluster of marine and offshore industry on both banks of the Tyne. In North Tyneside, operational sites such as the Port, Northumbrian Roads, Smulders and WD Close & Sons, are mixed with sites that have been unused or underused for many years, such as the former Esso site, Swans Energy Park and the Davy Bank industrial area. Despite the long history of decline in the importance of riverside employment areas, there is currently increased demand for sites driven by the rapid growth of the offshore wind energy sector as well as an improved outlook in other sectors. The high voltage electricity cables that cross the river from Jarrow Slake to East Howdon currently restrict operations that require high air drafts from using sites upstream, but the Council advise that there are proposals to reroute these cables beneath the river.
- 6.48 The Port of Tyne has land on both banks of the river. The estate has expanded with the purchase of adjoining land and the Port has invested in site preparation to meet current and emerging requirements. Some sites such as the Tyne Dock Enterprise Park, in South Tyneside, are market ready and attracting interest, whilst site preparation work on other

land has been delayed because lower revenues during the pandemic have reduced finance for capital investment. The Port currently has 25.38 hectares of land available on the south bank of the river and 23.67 hectares on the north bank.¹⁵ Over the long term take-up has averaged 1.28 ha p.a. on the south bank and 1.21 ha p.a. on the north bank, which implies a 21 year supply. Occupier demand is generally stronger for land at Tyne Dock, which might suggest that plots at Tyne Dock will be prioritised. But take-up is erratic and every so often there is a major requirement which can only be accommodated on the north bank. An example is the 19 hectare car import terminal at Coble Dene which accounts for 75% of take-up within the Port's estate on the north bank. With high levels of enquiries and strong interest for some sites, the Port has informed LSH that it expects improved take-up over the next few years.

- 6.49 It is inarguable that there is a finite stock of riverside land and once lost from employment use, sites are unlikely to revert. Whilst it is apparent that there are some sites within the River Tyne North Bank area that could potentially only be brought into beneficial use with substantial investment, the area on the whole provides a unique opportunity for growth in sectors that could only be accommodated in a few locations across the country. A strategy that recognises the specific characteristics of the River Tyne North Bank area and considers this supply as distinct from the wider general employment land requirements of the Borough is therefore appropriate.

Stage 4: Readily Available Employment Sites

- 6.50 When assessed in purely quantitative terms, the supply of employment land in North Tyneside is more than sufficient for the study period. However, part of this land supply is not immediately available and will only come forward for development as part of regeneration schemes, or following land assembly, remediation and infrastructure provision which could delay the release of land for development.
- 6.51 For sites to meet demand they must not only be in a location that is attractive to the market, but also be capable of development. LSH advise that some of the available employment sites require substantial expenditure on site assembly, clearance, remediation, or infrastructure provision before development can take place. The time it takes to bring forward such sites is dependent more on the availability and prioritisation of funding than on the time taken to carry out the necessary physical works. Once a site has been assembled, only sites requiring *major* remediation or infrastructure provision will take more than a year to bring forward. In North East England, the weak viability of development means that private sector development depends upon public sector financing of site preparation works to provide serviced and remediated plots
- 6.52 Employment sites that LSH consider to be readily available are listed below and total 36.5 hectares. In compiling this list, sites which are unlikely to support delivery of employment premises (as noted in the final column of the site assessment matrix at Appendix 3) are excluded. Of this, 5.28 hectares of land is designated as mixed use within the current Local Plan with the remaining 31.22 hectares protected for employment purposes. When measured against take-up of 5.82 hectares per annum, these readily available sites represent six years' supply. However, when considered by type, the supply of readily

¹⁵ This figure excludes the former Soccer Dome at Coble Dene (3.46ha) which the Port bought as an option for expansion but is now selling.

available general employment land of 2.16 ha represents less than two years supply assessed against past take-up of 1.75 hectares per annum. LSH therefore recommend that the Council considers ways in which to support infrastructure provision to bring forward general employment land.

Table 6.4 Readily Available Employment Land

Site	Estate	Net Site Area (ha)
General Employment Land		
Bellingham Drive, (E016)	North Tyne Ind Est	0.27
Chollerton Drive (E016)	North Tyne Ind Est	0.32
East of High Flatworth (E029)	Tyne Tunnel Estate	1.57
		2.16
General Employment – Office Park		
NW of Gosforth Park Way (E008)	Gosforth Business Park	1.77
W of Gosforth Park Way (E008)	Gosforth Business Park	2.74
E of Gosforth Park Way (E008)	Gosforth Business Park	2.49
S of bus link (E008)	Gosforth Business Park	0.85
North of data centre (plot 29) (E021)	Cobalt South	1.07
W of Cobalt Park Way (plot 27) (E021)	Cobalt South	1.17
E of The Silverlink North (Plot 11) (E021)	Cobalt North	1.48
		11.57
River Tyne North Bank		
Howdon Yard (east) (E046)	Tyne View Terrace Ind Area	3.23
Howdon Yard (north) (E046)	Tyne View Terrace Ind Area	0.83
Compound adj Northumbrian Roads (E052)	Whitehill Point	1.10
Stephenson Street (E043)	Willington Quay Ind Area	0.30
South of main estate road (E034)	Swan Hunters	9.00
North of main estate road (E034)	Swan Hunters	1.82
South of Hadrian Road E034)	Swan Hunters	0.85
South of cycle way (E034)	Swan Hunters	0.36
		17.49
Mixed Use		
Harvey Combe SW (S4.3 Site 6)	Station Road	0.34
Harvey Combe SE (S4.3 Site 7)	Station Road	0.25
Whole estate (S4.3 Site 29)	Backworth Business Park	4.69
		5.28
Total		36.5

Source: LSH analysis

Stage 5: The Impact of Vacant Premises on the Market for Employment Land

- 6.53 Property markets need a modest proportion of vacant premises to accommodate business growth and decline. LSH advise that vacancy rates of 5% to 10% of stock would generally be sufficient to provide this. In markets where there are large volumes of unoccupied floorspace, development activity can be constrained, particularly where vacant premises are of similar specification to new accommodation.
- 6.54 The strength of market demand for industrial premises over the past few years and limited new supply has resulted in industrial vacancy rates in North Tyneside contracting to 3.3%.

New industrial development is of marginal viability, particularly where there are abnormal costs of site preparation. As noted above there is limited land that is immediately available for industrial development, and this could constrain future development activity.

6.55 The office market has the opposite problem, with LSH expecting high volumes of vacant floorspace at Cobalt and Quorum to act as a drag on new development activity and downward pressure on rents serving to undermine viability.

6.56 These factors could constrain take-up of land for the development of industrial and office space, at least in the early part of the study period.

Stage 6: Expansion Land

6.57 Some larger businesses have land adjoining their premises which is reserved for their future expansion. It is normal for an analysis of employment land to exclude this from the stock of available sites as it is not available to the wider market. However, if expansion land becomes surplus to requirements it may be released onto the market and thus supplement the stock of available sites. The following are examples of land currently held for expansion that have been identified by the site inspections and research undertaken by LSH.

- Proctor and Gamble
- Formica, West Chirton
- Greggs, Balliol West
- Ringtons, Balliol West

6.58 None of these businesses are releasing expansion land onto the market. In some cases, the land not only enables future expansion but also acts as a buffer against current or future incompatible uses such as housing. Greggs have expanded their operations onto land within their ownership but still retain a small area for future expansion. Overall, levels of expansion land in North Tyneside are relatively modest; and releases of expansion land are unlikely to have a major impact on the market over the study period.

Summary

6.59 Estimating future rates of take-up in North Tyneside is challenging. On the one hand, the impact of Enterprise Zone designations on past take-up suggests that the long-term average might not be achievable without a similar set of incentives; and that it would be unrealistic to expect that future take-up of land for office development to match past rates. On the other hand, there are reasons for optimism in the industrial market. The tightening of supply in other parts of Tyne and Wear, the upgrading of the strategic highway network which has reduced cross-Tyne congestion, and the growth in offshore industry sectors could all serve to increase rates of take-up from levels recorded in recent years.

6.60 Viability issues continue to constrain development. The allocation of sites for employment use is, by itself, insufficient to stimulate speculative industrial development activity. Though there is funding available for the provision of small units for SMEs, development of larger units is generally reliant on pre-lets, which deters some occupiers. Although the viability of industrial development is heavily dependent on macro-economic forces and

grant regimes, the allocation of land for employment uses provides opportunities for economic growth when conditions are favourable.

- 6.61 North Tyneside has a plentiful supply of allocated employment land, much of which has easy access to the strategic highway network. Although some are brownfield sites with high costs of site preparation there is also a generous stock of greenfield sites. However, our analysis has established that there is little land that is immediately available for development. Many of those sites that are allocated for, and capable of delivery, of employment premises require investment in infrastructure to create serviced plots.
- 6.62 The industrial area along the north bank of the River Tyne has pockets of redundant premises and sites with high abnormal development costs. Here investment in improving sites and removing constraints would improve the chances of capturing some of the increased demand in the marine and offshore sectors.

7.0 Future Requirements for Employment Space

7.1 This section considers the future employment space needs of North Tyneside. The approach adopted by Lichfields draws on a range of analytical techniques which reflect Planning Practice Guidance (PPG) and align with the National Planning Policy Framework (NPPF). The various scenarios considered are used to inform an assessment of future needs for office, industrial and distribution uses in the Borough over the period 2021 to 2040.

Methodology

7.2 The NPPF (July 2021) requires local authorities to “*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*” (Paragraph 82.a).

7.3 In addition, the PPG on Housing and Economic Needs Assessment (December 2020) advises that “*strategic policy making authorities will need to develop an idea of future needs based on a range of data which is current and robust.*” The PPG also suggests that this range of data could include analysis based on labour demand and labour supply techniques, as well as past take-up and consultation with key stakeholders and businesses.

7.4 In the context of the above, the following scenarios have been considered by Lichfields:

- **Scenario 1 (Baseline Labour Demand):** forecast of employment growth within the main office and industrial sectors derived from the latest¹⁶ policy neutral economic forecast produced by Experian (March 2022);
- **Scenario 2 (Past Trends Labour Demand):** estimate of employment growth based upon a continuation of historic trends observed in North Tyneside (+1,000 jobs per annum – on average – between 2000 and 2020);
- **Scenario 3 (Labour Supply):** estimates of the growth in local labour supply (and the increase in jobs needed to support this) associated with North Tyneside’s Standard Method local housing need figure (800 dwellings per annum (dpa)); and
- **Scenario 4 (Past Take-Up):** consideration of past (net) take-up rates of employment space observed in North Tyneside in recent years. The analysis draws upon data on take-up and losses collected by LSH.

7.5 Each of the approaches listed above has its own strengths and limitations. As such, consideration needs to be given – in the context of the expected future economic circumstances of North Tyneside – to the suitability of each.

7.6 It should be noted that the final decision regarding the level of need that NTC should plan for is not purely quantitative. There are various qualitative factors (as set out in the preceding sections of this report) that should be taken into account alongside the modelled scenarios. These factors have been identified through an analysis of economic and commercial market conditions – as well as consultation with economic stakeholders,

¹⁶ Latest forecasts available at the time demand forecasting work was undertaken (October 2022)

property agents and local businesses. Consideration of such issues will influence the employment space requirements that need to be planned for across the Borough.

Baseline Labour Demand Forecasts

- 7.7 Employment growth forecasts for North Tyneside covering the period 2021 to 2040 were obtained from Experian's Regional Planning Service. Experian's forecasts take into account regional and national macroeconomic trends/outlook to estimate future economic growth at the local authority level.
- 7.8 Employment forecasts of this type are recognised as a valuable input to the ELR process, providing an indication of the broad scale and direction of future employment change by sector. This helps to assess the future land requirements of a local economy. It should also be noted, however, that there are limitations to the use of economic forecasts of this type, particularly during a period of economic uncertainty:
- National macroeconomic assumptions are taken as a starting point and then disaggregated down to the regional and local levels, having regard to the existing sectoral mix and recent economic performance of an area. Local authority data is, therefore, less reliable than at the national and regional levels; and
 - The top-down nature of the forecasts means that they are unable to take account of specific policy priorities or interventions which could influence future employment change at the local level.

Scenario 1: Baseline Labour Demand (Latest Data)

- 7.9 Employment growth forecasts for the period 2021 to 2040 were also obtained from Experian's March 2022 release. This represents the most up-to-date forecasting available at the time that North Tyneside's future employment space needs were modelled (October 2022). The local level employment forecasts are consistent with Experian's February 2022 UK macro forecast and take account of the economic impacts of the Covid-19 pandemic. Further detail on the key assumptions underpinning the work is provided overleaf.

Despite a slight downturn in the last month of 2021, the economy grew by 7.5% in 2021 over 2020, rebounding from its historic 9.4% plunge in 2020 when pandemic restrictions stifled activity. This is a modest bounce-back despite the spread of new variants and re-introduction of restrictions throughout the year weighing down on economy recovery.

As the UK economy continues to navigate the course correction of the pandemic, growing headwinds in the form of the Ukraine war which will exacerbate the cost-of-living crisis and the continued inflationary pressures darken the outlook across the UK this year. While growth will remain positive this year, there has been a downgrade relative to the previous release.

The latest Labour Force Survey shows a continued recovery in the labour market. UK unemployment dropped from 4.1% to 3.9%, its lowest level since the three months to January 2020, while 275,000 jobs were added to the UK economy in February...Meanwhile, the number of job vacancies hit a fresh record high of 1.318 million in the three months to February, a 105,000 jump from the previous quarter, underscoring the labour shortage facing many employers and this could well temper growth potential.

It is recognised that, since the production of the March 2022 forecasts, the UK has entered another period of economic volatility due to high inflation, a cost-of-living crisis and the devaluation of sterling as markets reacted to the Liz Truss' and Kwasi Kwarteng's mini-budget (announced September 2022). Reflecting the greater degree of uncertainty and variability associated with the current economic outlook, there may be some merit in North Tyneside commissioning further forecasting work in future to monitor the impact of changing economic sentiment.

Forecast Employment Change

- 7.10 A summary of the employment change anticipated by the March 2022 Experian forecasts is provided in Table 7.1. The data is broken down by office, (light and general) industrial and distribution uses. Total employment change over the study period is also set out in the table. Appendix 9 provides an overview of how sectors included within the Experian forecasts have been assigned to employment use classes.
- 7.11 Total workforce jobs in North Tyneside are expected to increase to just over 100,000 by 2040 under Scenario 2. This corresponds to a net increase of 9,100 jobs. More than a third (35%) of this job growth is forecast to occur within those sectors that typically use employment space. This is driven by an increase in office-based sectors (4,165 additional jobs) and – to a much lesser extent – light industrial (550 additional jobs) and distribution (175 additional jobs) uses. In contrast, a decline in employment is anticipated with respect to general industrial uses (1,665 fewer jobs).

Table 7.1 Forecast Employment Change in North Tyneside, 2021-2040

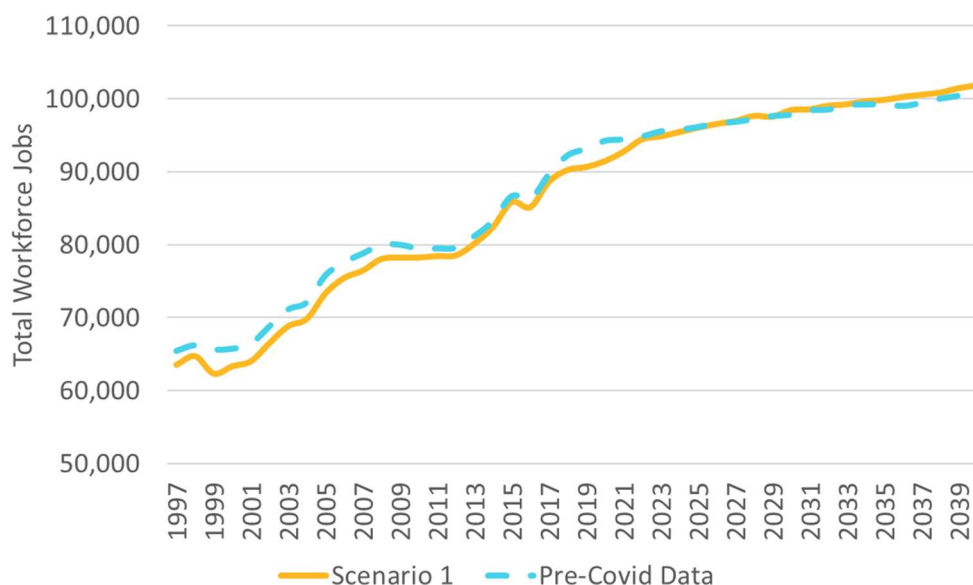
Type of Space/Use Class	Number of Workforce Jobs		
	2021	2040	Change (2021-2040)
Office E(g)(i)/(ii)	26,635	30,800	+4,165
Light Industrial E(g)(iii)	4,505	5,055	+550
General Industrial B2	6,080	4,415	-1,665
Distribution B8	2,885	3,060	+175
Total (Employment Uses)	40,105	43,330	+3,225
Total (Workforce Jobs)	92,800¹⁷	101,900	+9,100

Source: Experian (March 2022) / Lichfields analysis

7.12

The trajectory of total workforce jobs in North Tyneside – as anticipated by the March 2022 Experian forecasts – is shown in Figure 7.1. Data relating to a Pre-Covid scenario (March 2019) has also been obtained from Experian and is presented to provide an understanding of North Tyneside’s assumed growth trajectory prior to the impact of the pandemic. This illustrates that – relative to the Pre-Covid data – Scenario 1 assumes a period of slower growth in 2019 and 2020 (presumably accounting for the impacts of Covid) before accelerating as the economy begins to recover in 2021 and 2022. Over the period 2023 to 2040, the two trajectories appear to be broadly in alignment.

Figure 7.1 Employment Growth Trajectory (Total Workforce Jobs) in North Tyneside



Source: Experian / Lichfields analysis

¹⁷ Total workforce jobs in 2021 vary between Scenario 1 and Scenario 2. This reflects the fact that the two forecasts were produced at different points in time, with Scenario 2 drawing upon more up-to-date baseline data

- 7.13 Table 7.2 provides a summary of those sectors forecast to experience the largest absolute increases and decreases in employment over the study period. This demonstrates that some of those sectors forecast to experience the greatest growth would typically occupy space that falls within the employment use classes. This includes: professional services; computing & information services; and (to a lesser extent) administrative & support services and specialised construction activities.
- 7.14 The data also suggests that wider sectors such as accommodation & food services, health and education – which are less likely to generate any demand for employment space – will play an important role in driving local job growth between 2021 and 2040.
- 7.15 In addition, it can be seen from Table 7.2 that the fastest declining sectors are dominated by manufacturing activities, whilst utilities is also forecast to contract. These sectors would typically be expected to influence the future demand for employment space in the Borough (albeit only parts of the utilities sector).

Table 7.2 Fastest Growing and Declining Sectors in North Tyneside (2021-2039)

Sector	Forecast Change in Workforce Jobs (2021 to 2040)	
	Number	%
Fastest Growing Sectors		
Admin & Support Services	+2,000	+16%
Accommodation & Food Services	+1,600	+22%
Professional Services	+1,400	+24%
Health	+1,400	+13%
Education	+1,100	+19%
Computing and Information Services	+800	+25%
Specialised Construction Activities	+800	+21%
Fastest Declining Sectors		
Food, Drink & Tobacco (manufacture of)	-300	-23%
Non-Metallic Products (manufacture of)	-300	-25%
Metal Products (manufacture of)	-300	-27%
Computer & Electronic Products (manufacture of)	-300	-50%
Utilities	-500	-56%

Source: Experian (March 2022) / Lichfields analysis

Converting to Employment Space Requirements

- 7.16 The office, industrial and distribution components of these employment growth forecasts have been converted to future floorspace requirements, with the following average density figures applied:
- **Offices (E(g)(i)/(ii)):** 1 workforce job per 12.5sq.m;
 - **Light industrial (E(g)(iii)):** 1 workforce job per 54sq.m;
 - **General industrial (B2):** 1 workforce job per 38sq.m; and
 - **Distribution (B8):** 1 workforce job per 65sq.m for smaller scale distribution premises, 1 workforce job per 71sq.m for medium scale, lower density uses and 1 job per 87.5sq.m for 'big box' distribution units.
- Lichfields has been advised, by LSH that the overwhelming majority of B8 premises in North Tyneside currently fall within 'smaller scale' size bands and that this is not expected to change moving forwards. As such, it has been assumed that 95% of future demand will be for smaller scale units, with the remaining 5% split equally between medium scale and 'big box' units.
- 7.17 These employment density assumptions are based on the latest Homes & Communities Agency (HCA) guidance, published in 2015. The guidance takes account of recent trends regarding the changing utilisation of floorspace, including more efficient use of office floorspace due to a higher frequency of flexible working and hot-desking. All the floorspace figures cited above correspond to Gross External Areas (GEA).
- 7.18 An allowance of 8% has been added to all positive floorspace requirements, to reflect ideal levels of vacancy in commercial property markets. Where a reduction in jobs is forecast, the associated negative floorspace figure has been halved. This reflects the fact that, whilst there may be some ongoing job losses in a sector, it does not necessarily and automatically follow that all the associated existing floorspace will be lost. This is particularly relevant where job losses are linked to the adoption of more efficient production techniques etc. Such an approach is considered reasonable having regard to the following:
- Historic employment data from Experian indicates that employment in the light industrial and general industrial (E(g)(iii) and B2) use classes fell by 2,380 workforce jobs between 2001 and 2021. During the same period, take-up data collected by LSH suggests that more than 70 hectares of employment land (gross) was taken up for industrial uses. Whilst the take-up data includes distribution uses (which experienced a modest increase in employment) it would nevertheless appear to suggest that – within North Tyneside – the relationship between employment and land take with respect to E(g)(iii) and B2 is not linear; and
 - Historic Gross Value Added data from Experian indicates that the economic output generated by businesses in use classes E(g)(iii) and B2 rose by £83 million (from £277 million to £360 million, with both figures expressed in terms of 2016 prices¹⁸) during the same period. This would perhaps suggest that some of the employment losses observed from 2001 to 2021 were as a result of the sectors automating and moving up the value chain – rather than simply being in decline.

¹⁸ As a result of presenting all data in 2016 prices, the impact of inflation is removed from the figures

- 7.19 The net floorspace requirements generated by applying the above assumptions to the forecast level of employment change by sector are summarised in Table 7.3.

Table 7.3 Net Employment Floorspace Requirements in North Tyneside, 2021-2040

Type of Space / Use Class	Net Requirement (sq.m)
Office E(g)(i)/(ii)	+56,215
Light Industrial E(g)(iii)	+32,135
General Industrial B2	-31,475
Distribution B8	+12,460
Total	+69,330

Source: Experian (March 2022) / Lichfields analysis

Past Trends Labour Demand Forecast

- 7.20 In addition to the econometric forecasts underpinning Scenario 1, it is also helpful to consider past trends in employment change. Such data reflects the scale of growth that has previously been achieved in the local area. As such, where a reasonable time series of data is available (to smooth out any peaks and troughs in an economic cycle) it should – all things being equal – represent a good yardstick for potential performance over the study period.
- 7.21 It is recognised, however, that such an approach does not take account of the current economic outlook (or wider qualitative considerations) which could influence the likelihood of past performance being replicated into the future. In addition, the data used to analyse past employment change is not disaggregated by sectors. As such, the approach does not provide any steer regarding the sectors likely to drive future growth. This has been addressed by using the structural shifts embedded in the Experian modelling (Scenario 1) as the basis for a top-down disaggregation of the headline jobs growth data.

Scenario 2: Continuation of Historic Job Growth

- 7.22 As set out in Section 3.0, an analysis of ONS Jobs Density data for the period 2000 to 2020 shows that the number of jobs in the Borough increased by 20,000 (from 69,000 to 89,000). This represents an average increase of 1,000 jobs per annum. Disregarding the impact of Covid-19 suggests that employment increased by 25,000 between 2000 and 2019 – representing an average increase of 1,315 jobs per annum.
- 7.23 Clearly, therefore, the rate of employment growth achieved in North Tyneside over the past two decades has significantly outstripped the level of growth anticipated under the Experian forecasts. As a result, it is considered helpful to test the land use implications of maintaining past performance.
- 7.24 It should be noted that past trend data is also available from the Experian forecasts commissioned to inform Scenario 1 (and the employment growth comparisons presented later in this section). For the purposes of developing a scenario underpinned by past trends

in employment, however, the ONS Jobs Density data has been selected for the following reasons:

- ONS Job Density data generates a lower estimate of historic annual employment change (when compared to Experian data). Given the current uncertainty regarding future economic performance, this was considered to represent a conservative approach that would avoid unduly overstating future job growth potential (whilst relying upon a robust and credible dataset); and
- ONS Job Density data provides total job change only, with no sectoral breakdown. In constructing the Scenario 2 forecast, therefore, this headline job change was disaggregated by sector/use class using the anticipated structure of the North Tyneside economy in 2040 (based on the Baseline Labour Demand scenario). This was considered preferable to projecting forward past trend data from Experian, which is broken down by sector and therefore is arguably more likely to perpetuate historic structural trends.

Projected Employment Change

7.25 Given the severity of the economic downturn caused by Covid-19, and the likelihood of this being replicated over the period to 2040, a case could be made to support planning for employment growth of 1,315 jobs per annum. Particularly when one considers that:

- Data for the period 2000-2019 already takes account of the impacts of the recession of 2008/09 and therefore reflects the peaks and troughs of a typical economic cycle; and
- An alternative dataset (the Business Register and Employment Survey) which offers more recent data (albeit over a shorter timeseries) indicates that the Borough has rebounded well from the impacts of Covid-19. Data is only available from 2015 to 2021, but indicates that jobs in North Tyneside increased by 8,000 over this six-year period. This corresponds to an average growth of 1,335 jobs per annum – broadly in alignment with the higher figure referenced above.

7.26 It is clear, therefore, that the Borough's recent growth performance has outstripped the level of employment change assumed within the Local Plan. Adopted in 2017, Council officers have advised that the Local Plan assumes that a portfolio of 150 hectares of employment land could support employment growth of approximately 705 jobs per annum. It is understood that this is based on analysis of past trends which fed into the Plan-making process and indicated that the Borough had delivered job growth of 690 jobs per annum and that this had corresponded to take-up of approximately 10 hectares a year.

7.27 Lichfields has adopted the more conservative figure (of the three past trend figures derived above) of 1,000 jobs per annum in modelling floorspace needs under Scenario 2. This is considered to strike a more appropriate balance between past trends and Experian's more muted future forecasts (which reflect wider macroeconomic uncertainty). Applying this over a 19-year study period (2021 to 2040) it is estimated that a continuation of past employment growth performance could see the total number of workforce jobs in the Borough increase by 19,000 (to 111,800).

7.28 This is summarised in Table 7.4, which also shows the anticipated breakdown of jobs by use class. The latter has been derived by applying the structural shifts embedded within the

Experian modelling (Scenario 1) to the headline employment figures for 2021 and 2040. The table shows that job growth in those sectors that typically demand employment space is likely to be in the order of 7,465. This is expected to be driven primarily by an increase in office-based sectors (+7,020) with growth also anticipated in light industrial (+1,065) and distribution (+485) uses.

Table 7.4 Projected Employment Change in North Tyneside, 2021-2040

Type of Space/Use Class	Number of Workforce Jobs		
	2021	2040	Change (2021-2040)
Office E(g)(i)/(ii)	26,635	33,655	+7,020
Light Industrial E(g)(iii)	4,505	5,565	+1,065
General Industrial B2	6,080	4,975	-1,105
Distribution B8	2,885	3,370	+485
Total (Employment Uses)	40,105	47,565	+7,465
Total (Workforce Jobs)	92,800	111,800	+19,000

Source: Lichfields analysis

Converting to Employment Space Requirements

7.29

The projected employment change derived in the preceding paragraphs has been translated into a future employment space requirement. This process has been underpinned by the same approach detailed in relation to Scenario 1. The resultant net floorspace figures are summarised in Table 7.5.

Table 7.5 Net Employment Floorspace Requirements in North Tyneside, 2021-2040

Type of Space / Use Class	Net Requirement (sq.m)
Office E(g)(i)/(ii)	+94,770
Light Industrial E(g)(iii)	+62,045
General Industrial B2	-20,925
Distribution B8	+34,490
Total	+170,385

Source: Lichfields analysis

Labour Supply Forecast

7.30 Alongside the labour demand scenarios, it is instructive to also consider how many jobs – and therefore how much employment space – might be needed to match anticipated growth in North Tyneside’s resident workforce over the period 2021 to 2040. In contrast with Scenarios 1 and 2, this approach projects forward the supply of labour (based upon planned housing delivery) to estimate the number of jobs needed to provide employment opportunities for the likely growth in resident workers.

Scenario 3: Labour Supply (800 dpa – Standard Method)

7.31 At the request of North Tyneside Council officers, the Labour Supply scenario presented below is predicated on the delivery of 800 new homes per annum. Council officers have advised that this aligns with the level of housing need identified via the Standard Method.

7.32 It should be noted that the current North Tyneside Local Plan (adopted in 2017) is based on an average annual housing requirement of 790 dwellings per annum. This is a ‘stepped requirement’, however, with a current figure of 938 dwellings per annum, falling to 908 dwellings per annum for the final six years of the Plan (to 2031/32).

7.33 The job growth and employment space implications of the Local Plan figures have not been formally modelled and tested as part of this ELR. In broad terms, however, the annual Local Plan housing requirements for the period 2022 to 2031/32 exceed the 800 dwelling per annum assumed within the Labour Supply scenario presented above. As such, it could reasonably be assumed that the Local Plan housing requirements (if modelled in the same way) would result in a higher level of employment growth. On balance – and having regard to historic job growth and the current macroeconomic uncertainty – the scenario presented in the following paragraphs is considered to be more reasonable/realistic.

7.34 The approach adopted by Lichfields in estimating the net employment change and associated net employment space requirements arising from a housing need figure of 800 dpa is summarised below:

- A trajectory of population change over the study period was constructed, drawing on the 2014-based Sub National Population Projections (SNPP) and equivalent Sub National Housing Projections (SNHP). The key data sources were selected to ensure

consistency with the basis of the Standard Method for calculating local housing need (as set out in the PPG).

- Economic activity rates for males and females over the age of 16 were estimated using the ONS' Annual Population Survey (APS) and Midyear Population Estimates (MYE) and anticipated future changes modelled using the projected rates published by the Officer for Budget Responsibility (OBR).
- Average unemployment rates were taken from the ONS APS model-based unemployment rate, with an assumption that by 2040 there will be a modest readjustment to the long-term (2004-2019) average of 6.7%.
- A Jobs:Labour Force (LF) ratio was calculated by dividing the number of economically active residents (less those unemployed) by the number of jobs in North Tyneside (using the Experian data underpinning Scenario 1). The resultant LF ratio equated to 1.17 (the average for the Borough over the period 2004 to 2019). This ratio reflects the fact that there were fewer jobs in North Tyneside than economically active residents, resulting in a net outflow of commuters. The LF ratio is held constant in the modelling over the period 2021 to 2040.

7.35 The 2014 SNPPs indicate that the number of residents living in North Tyneside will increase by 13,585 between 2021 and 2040 (from 209,315 to 222,900). Over the same period, the number of residents over the age of 16 is projected to grow by 14,715 (from 172,145 to 186,860). Adjusting for economic activity rates and unemployment and applying the LF ratio indicates that jobs in North Tyneside could be expected to increase from 80,065 in 2021 to 83,850 in 2040. This represents an uplift of 3,785 jobs.

7.36 The SNPP population change for North Tyneside has been uplifted to reflect the extent to which the level of housing growth anticipated under the Standard Method diverges from the 2014-based SNHP baseline. This analysis indicates that, over the period 2021 to 2040, housing delivery is expected to be 23.1% higher under the Standard Method. This rate of uplift has been applied, by Lichfields, to the population growth over the Plan period. The increase has been applied to each age/gender cohort and evenly across the study period, with all other inputs held constant.

7.37 This assumption is applied on the basis that the additional houses will support an increased local population. Whilst some of the houses may be occupied by existing residents that are presently in concealed households (and therefore within the local labour force already) the Standard Method uplift is also intended to improve affordability which could help to retain working-age people within the Borough. The application of this uplift indicates that, in 2040, the total number of jobs needed to meet projected population growth (based on the Standard Method OAN of 800 dpa) would be 23,190 higher in 2040 when compared to 2021.

7.38 This headline estimate of employment change has been disaggregated by use class having regard to the existing and forecast structure of employment assumed in the Experian data underpinning Scenario 1. Table 7.6 provides a summary of the breakdown by use class, as well as the associated floorspace requirements. The latter have been derived applying the same approach and employment densities detailed earlier in this Section.

Table 7.6 Net Employment Change and Floorspace Requirements from Labour Supply Growth (Standard Method: 800 dpa)

Type of Space/Use Class	Change (2021 to 2040)	
	Employment (workforce jobs)	Employment Floorspace (GEA sq.m)
Office E(g)(i)/(ii)	+8,230	+111,080
Light Industrial E(g)(iii)	+1,235	+72,090
General Industrial B2	-770	-14,595
Distribution B8	+610	+43,425
Total (Employment Uses)	+9,305	+212,005
Total (All Jobs)	+23,190	+212,005

Source: Lichfields analysis

NB: Figures may not sum due to rounding

Past Take-Up

- 7.39 Because they reflect development patterns ‘on the ground,’ long-term take-up rates can – in some instances – provide a reasonable basis for estimating future land needs. Completions data spanning a period of approximately 10 years or more should help to even out demand fluctuations attributable to different stages of an economic cycle. As such, they would ordinarily provide a reasonable starting point for estimating future needs in the event that supply has not been unduly constrained during this time.
- 7.40 Section 6.0 includes an analysis of past (gross) take-up within North Tyneside. This is based upon work undertaken by LSH and considers data over a 21-year period, broken down into three separate increments of seven years. This data – and the accompanying market commentary from LSH – highlights that:
- Take-up has declined over time (from 10.05 hectares per annum between 2001 and 2007, to 2.83 hectares per annum between 2015 and 2021);
 - The decline in take-up was more pronounced with respect to land for office development. The end of Enterprise Zones in North Tyneside and the significant overhang of vacant space is considered to make new development at scale unlikely in the short-term
 - Within the industrial market, take-up has fallen over time (albeit to a much lesser extent). However, the supply of vacant space has tightened considerably in recent years – perhaps indicating that demand has simply been met through the occupation of existing space, rather than new development. Current vacancy rates in the industrial market mean that this is unlikely to continue.
- 7.41 Taking the above factors into account, attendees at the Stakeholder Workshop (see Section 4.0) expressed a view that any assessment of future needs based upon past take-up rates should:

- Be underpinned by long-term take-up rates. It was considered that this data provides a better indication of the economic potential of North Tyneside over the study period – which is likely to include periods of economic buoyancy and recession. In addition, stakeholders felt that such an approach would better reflect the growth potential of the industrial use classes; but
- Seek to moderate the level of growth/demand assumed with respect to the office market (cognisant of the factors highlighted above). Analysis by LSH suggests that the level of vacant floorspace at Cobalt and Quorum is likely to be sufficient to meet demand for a period of five years. As such, the past take-up scenario presented below assumes, for the purposes of this scenario, that no new office floorspace is delivered during the first five years of the study period (i.e. annualised office take-up is projected forward over 14, rather than 19, years).

Scenario 4: Past (Net) Completions – Moderated Office Demand

- 7.42 As outlined above, analysis undertaken by LSH indicates that 122.25 hectares of land in North Tyneside was developed for employment uses over the 21-year period 2001 to 2021 (inclusive). It should be noted, however, that these figures refer to gross rates of development (i.e. they include all instances of employment space delivery, without offsetting this against any redevelopment or recycling of employment sites for other uses). In contrast, the labour demand and labour supply approaches considered elsewhere in this ELR (see Scenarios 1 to 3) express future growth in net terms.
- 7.43 To ensure that all scenarios are presented on a consistent basis – and provide a ‘truer’ measure of demand – Lichfields has removed any losses of employment land to assess the net take-up of employment space in North Tyneside. LSH’s analysis of historic development activity suggests that 33.86 hectares of employment land was lost to non-employment uses over the 21-year period 2001 to 2021 (inclusive). This indicates that net take-up of employment space stood at 88.39 hectares (an average of 4.21 hectares per annum).
- 7.44 All data regarding take-up and losses was provided to Lichfields on the basis of land take. Figures have therefore been converted into floorspace (shown in Table 7.7) by applying the same plot ratio assumptions outlined later in this section. This conversion exercise has been undertaken simply to ensure that the employment space estimates generated under Scenario 4 are directly comparable with those derived using the labour demand and labour supply techniques presented elsewhere in this section. They are unlikely, therefore, to align exactly with actual net floorspace delivery figures for the Borough over the same period.
- 7.45 It can be seen from the table that completions data has been presented for office and industrial uses only. This is due to the difficulties experienced by LSH in accurately distinguishing between losses of land from (and – to a lesser extent – take-up by) use classes E(g)(iii), B2 and B8. As a result, aggregate figures for industrial have been presented in an effort to avoid any over/under-estimates of demand by floorspace type.

Table 7.7 Annual Completions Data (Gross and Net) for North Tyneside (2001-2021)

Type of Space/Use Class	Gross Annual Completions (sq.m)	Net Annual Completions (sq.m)
Office E(g)(i)/(ii)	13,460	12,180
Light Industrial E(g)(iii)	13,670	8,135
General Industrial B2		
Distribution B8		
Total	27,130	20,315

Source: LSH / Lichfields analysis

7.46 One view of future growth needs in North Tyneside could be to assume that these past development trends continue into the future. As discussed previously, however, a decision has been taken to moderate future levels of office demand by assuming that no development activity takes place for the first five years of the nineteen-year study period. For industrial uses, the above net completions figure has been projected forward over nineteen years.

7.47 The impact of this approach can be seen in Table 7.8. This illustrates that – over the period 2021 to 2040 – demand under this scenario could equate to 325,075sq.m of floorspace. The breakdown by use is also summarised in the table.

Table 7.8 Net Employment Space Requirements, Past Take-Up Rates (2022 to 2040)

Type of Space/Use Class	Net Annual Completions (sq.m)	Net Requirement, 2021 to 2040 (sq.m)
Office E(g)(i)/(ii)	12,180	170,510 ¹⁹
Light Industrial E(g)(iii)	8,135	154,565
General Industrial B2		
Distribution B8		
Total	20,315	325,075

Source: Lichfields analysis

Net to Gross Employment Space Requirements

Floorspace Requirements

7.48 Table 7.9 provides a summary of anticipated net employment floorspace requirements in North Tyneside over the period 2021 to 2040. The table draws together the results of the various forecasting techniques and future scenarios considered in the preceding paragraphs.

¹⁹ Based upon 14 years of demand (rather than 19 years)

7.49 From this, it can be seen that the estimated floorspace requirements range from 69,330sq.m on the basis of the baseline job growth forecasts, rising to 325,075sq.m on the basis of past take-up (albeit with office demand moderated as discussed above).

Table 7.9 Net Employment Floorspace Requirements in North Tyneside, 2021 to 2040 (GEA sq.m)

Type of Space/Use Class	Scenario 1: Baseline LD	Scenario 2: LD (Past Trends)	Scenario 3: LS (800 dpa – Standard Method)	Scenario 4: Past (Net) Completions
Office E(g)(i)/(ii)	56,215	94,770	111,080	170,510
Light Industrial E(g)(iii)	32,135	62,045	72,090	154,565
General Industrial B2	-31,475	-20,925	-14,595	
Distribution B8	12,460	34,490	43,425	
Total	69,330	170,385	212,005	325,075

Source: Lichfields analysis

Land Requirements

7.50 Table 7.10 translates the net floorspace requirements from Table 7.9 into net land requirements (by use class). Land requirements have been calculated by applying the following plot ratio assumptions:

- Industrial (E(g)(iii)/B2/B8): a plot ratio of 0.4 was applied, so that a 1 hectare site would be needed to accommodate 4,000sq.m of employment floorspace; and
- Office (E(g)(i)/(ii)): it was assumed, based upon advice from LSH, that 10% of new floorspace would be provided in higher density developments with an average plot ratio of 2.0²⁰. The remaining 90% of space, it was assumed, would be provided on lower density developments with an average plot ratio of 0.4 (as typically observed in business park environments).

²⁰ Taken from the Employment Land Reviews: Guidance Note 'brown book' in the absence of any data to develop a locally-specific town centre plot ratio

Table 7.10 Net Employment Land Requirements in North Tyneside, 2021 to 2040 (hectares)

Type of Space/Use Class	Scenario 1: Baseline LD	Scenario 2: LD (Past Trends)	Scenario 3: LS (800 dpa – Standard Method)	Scenario 4: Past (Net) Completions
Office E(g)(i)/(ii)	12.9	21.8	25.6	39.2
Light Industrial E(g)(iii)	8.0	15.5	18.0	38.3
General Industrial B2	-7.9	-5.2	-3.7	
Distribution B8	3.1	8.6	10.9	
Total	16.2	40.7	50.8	77.5

Source: Lichfields analysis

Safety Margin

- 7-51 To estimate the overall employment land requirement that should be planned for in allocating sites, it is common practice to add an allowance – to the net land requirements – to serve as a safety margin. This margin is a contingency factor, designed to provide an additional land buffer to allow for:
- Delays in development coming forward;
 - Potential uncertainties in the forecasting process; and
 - The need to allow developers and occupiers a reasonable choice of sites.
- 7-52 It is usually acceptable to use two years of net take-up as the basis for quantifying a safety margin. Based upon a 19-year study period, a two-year margin would correspond to an allowance of 10.5%.
- 7-53 Table 7.11 provides a summary of the safety margins applied in estimating future land needs across North Tyneside. This shows that the approach increases the level of employment to be planned for in the Borough by 8.2ha.
- 7-54 As set out in the preceding paragraphs, net take-up data has been presented on the basis of office and industrial uses only (i.e. industrial take-up has not been disaggregated to the individual use classes of E(g)(iii), B2 and B8). In populating Table 7.11, therefore, the headline margin for industrial has been apportioned equally across the three use classes.

Table 7.11 Safety Margin Allowances

Type of Space/Use Class	Annual Completions (sq.m)	Safety Margin (sq.m) i.e. 2 years of completions	Safety Margin (hectares)
Office E(g)(i)/(ii) ²¹	8,975	17,950	4.1
Light Industrial E(g)(iii)	2,710	5,425	1.4
General Industrial B2	2,710	5,425	1.4
Distribution B8	2,710	5,425	1.4
Total	17,110	34,220	8.2

Source: LSH/Lichfields analysis

7-55

Table 7.12 provides an illustration of the indicative gross land requirements for each scenario, following the application of a 2-year safety margin. From this, it can be seen that forecast land requirements range from 24.4 hectares to 85.7 hectares.

Table 7.12 Indicative Gross Land Requirements in North Tyneside (Safety Margin Only) 2021 to 2040 (hectares)

Type of Space/Use Class	Scenario 1: Baseline LD	Scenario 2: LD (Past Trends)	Scenario 3: LS (800 dpa – Standard Method)	Scenario 4: Past (Net) Completions
Office E(g)(i)/(ii)	17.1	25.9	29.7	43.3
Light Industrial E(g)(iii)	9.4	16.9	19.4	42.4
General Industrial B2	-6.5	-3.9	-2.3	
Distribution B8	4.5	10.0	12.2	
Total	24.4	48.9	59.0	85.7

Source: Lichfields analysis

Loss Replacement/Churn

7-56

In calculating a gross requirement (i.e. the amount of employment space to be allocated/planned for) local authorities often choose to make an allowance for **loss replacement**. This is intended to ensure that sufficient space is re-provided to account for employment space that is anticipated to be lost (to non-employment uses) in the future and to provide some protection against the erosion of employment space in North Tyneside.

7-57

There are three approaches that can be adopted to calculate an allowance for losses:

²¹ Calculated by dividing the moderated office requirement (which excludes growth in the first five years) by 19 to calculate an adjusted, annual completions figure

- Forecast the quantity of floorspace that might be lost in future and the extent to which this will need to be replaced. Such an approach requires an authority to look carefully at past losses and use local knowledge to make a judgement regarding the extent to which past trends might be a reasonable indicator of future activity;
- Monitor the loss of employment space through regular reviews of the Local Plan. This would enable to the Council to respond, on the basis of recent evidence, to the scale of observed losses – potentially adjusting loss replacement allowances up/down to reflect changes in circumstances. However, any Local Plan review to reflect the monitoring findings would take some time to come forward; and
- Identify (often through the Plan-making process) those existing employment sites or areas that the Council considers could/should be lost to non-employment uses in future. This could either be because they are no longer suitable/available for employment, or because there is a greater need for them to be used for an alternative land use (such as residential). Such an assessment would be informed by the qualitative assessment of sites set out in this ELR and associated appendices, but would need to be considered by Council officers in the context of other evidence-base documents.

7.58 Clearly, it is not possible to advise regarding the allowances generated by the second and third approaches outlined above. This is because further work is required by North Tyneside Council before the appropriate adjustments could be quantified. It is possible, however, to provide an initial view on the land needs associated with the first approach.

7.59 LSH estimate that 33.86 hectares of employment land in North Tyneside was lost to non-employment uses over the 21-year period 2001 to 2021 (inclusive). This corresponds to an average loss of 1.61 hectares per annum.

7.60 It must be acknowledged, however, that not *all* losses need necessarily be replaced. Some losses, for instance, will reflect an element of restructuring in the local economy. In addition, some losses will reflect the continued evolution of business parks and industrial estates, with the provision of some complementary facilities (such as gyms, creches, hotels, pubs/restaurants and retail units) of an appropriate scale potentially helping to enhance the appeal of estates. It is estimated, based upon the data collated by LSH, that development of this type accounts for 5% of historic losses in North Tyneside.

7.61 Should Council officers wish to include an allowance for the replacement of losses, it is suggested that a replacement rate of 50% might be appropriate. This represents a moderate level of replacement and is suggested having regard to the following factors:

- LSH has analysed losses over three separate time periods (2001-2007, 2008-2014 and 2015-2021). Average annual losses from 2008 onwards (2.24 hectares per annum) are higher than the 21-year trend (1.61 hectares per annum) perhaps suggesting that the rate at which losses occur is unlikely to decline in the short-term at least;
- In addition, LSH advise that the Council has already reallocated some older industrial estates to mixed-use to enable a process of redevelopment. This includes estates such as Stephenson, Station Road, Backworth, Foxhunters and West Chirton South, whilst other older industrial estates exist that could be candidates for similar policy flexibility

should they become available. LSH anticipate that these factors will also help to maintain losses at long-term historic trends; and

- Based upon the above, some of the losses likely to take place in future are essentially being planned for by the Local Authority, which arguably reduces the need to allow for their replacement.

7.62 As outlined above, losses in North Tyneside have averaged 1.61 hectares per annum over a 21-year period. Including an allowance for the replacement of losses at 50% of past trends (should Council officers decide to do so) would therefore correspond to 0.80 hectares per annum. This would correspond to a need to plan for an additional 15.30 hectares of employment land over the period 2021 to 2040, broken down by use in Table 7.13.

Table 7.13 Potential Loss Replacement Allowances (2021-2040)

Type of Space/Use Class	Loss Replacement Allowance (ha)
Office E(g)(i)/(ii)	2.00
Light Industrial E(g)(iii)	13.30
General Industrial B2	
Distribution B8	
Total	15.30

Source: LSH/Lichfields analysis

7.63 The application of this loss replacement allowance would see the gross requirements identified in Table 7.12 increase from up to 85.7 hectares to up to 101.00 hectares.

7.64 An alternative to planning for loss replacement explicitly would be to consider the impact of applying an allowance for **churn** in the local property market. This has previously been used as a sensitivity test by Lichfields but is recognised as a valid approach in its own right²². The purpose of applying a churn allowance is to build into land requirements a mechanism to ensure the replacement of properties lost to the market through dilapidation.

7.65 A review of previous studies²³ indicates that a churn allowance equivalent to 1% of floorspace per annum is typically applied. This would allow for all premises within a local authority area to be replaced within a 100-year period.

7.66 Development appraisals on new buildings within the property sector typically consider a 25 to 35-year time horizon, which provides a starting point for considering when a building might be considered to reach the end of its useful life. The replacement of all buildings after 30 years would imply the need for a churn allowance equivalent to 3.3% of all floorspace per annum. Clearly, however, there are many examples of properties built in the late 1980's/early 1990's (or before) which continue to be occupied. This demonstrates that the useful lifespan of some stock can extend beyond the 35-year development appraisal

²² Studies which have adopted the approach are understood to include: Middlesbrough ELR; Greater Exeter EDNA; Dartmoor National Park ELR; Lichfield District ELR; and work to inform the West of England Joint Spatial Plan.

²³ See above

period. The industry ‘rule of thumb’ of 1% per annum is an attempt to strike a balance between the two positions.

7.67 Table 7.14 sets out the implications for North Tyneside of making an allowance for churn at 1% of stock per annum. This identifies allowances of:

- 17.1 hectares over the study period (2021-2040) to replace office premises; and
- 50.1 hectares over the study period to replace industrial premises.

7.68 Taken together, this represents an allowance of 67.2 hectares. In the event that Council officers take a decision to include such an allowance in planning for future employment space needs, this would increase the gross land requirements shown in Table 7.12 from up to 85.7 hectares, to up to 152.9 hectares.

Table 7.14 Churn Allowance (1% of Stock)

Type of Space	Current Stock (sq.m)	1% of Stock (sq.m)	19-Year Allowance	
			(sq.m)	(ha)
Offices	391,000	3,910	74,290	17.1
Light industrial, industrial and distribution	1,054,000	10,540	200,260	50.1

Source: VOA/Lichfields analysis

7.69 Within the context of the indicative gross land requirements summarised in Table 7.12, an allowance of 67.2 hectares is considered to be disproportionate. Should the Council wish to apply a more modest churn allowance of 0.5% per annum, therefore, this would reduce the allowance the allowance from 67.2 hectares (as shown in the table) to 33.6 hectares. A 0.5% allowance would provide for the replacement of all stock over a period of 200 years.

7.70 It is important to note that this ELR is an evidence-based document, and it is for Council officers to translate this evidence into planning policy (where relevant). The decision regarding whether to include an allowance for loss replacement or churn represents a policy choice and, as such, is a matter to be considered further by the authority.

Identifying a Preferred Scenario

7.71 The preceding paragraphs present a number of alternative demand figures, to assist Council officers in identifying the level of employment land to plan for over the period to 2040. In arriving at a preferred scenario(s) to use as the basis for planning for future needs, it is suggested that Council officers have regard to:

- The NPPF requirement for Local Plans to “*provide a positive vision for the future*” and be “*prepared positively, in a way that is aspirational but deliverable*”; and
- Feedback from the Stakeholder Workshop, which highlighted a consensus view that the employment land requirements associated with the Baseline Labour Demand scenario (i.e. Scenario 1) were too low and would limit the economic potential of the Borough to 2040.

7.72 It is also important, given the range of potential requirements generated by the different scenarios presented, to consider how reasonable each scenario appears to be. The following paragraphs consider this in further detail, to assist Council officers in identifying a preferred scenario(s). This is considered via an assessment of:

- A comparison of the employment growth assumed under each scenario, benchmarked against historic employment growth; and
- The scale of gross floorspace identified under each scenario, relative to the total stock of floorspace in North Tyneside.

Employment Growth Comparisons

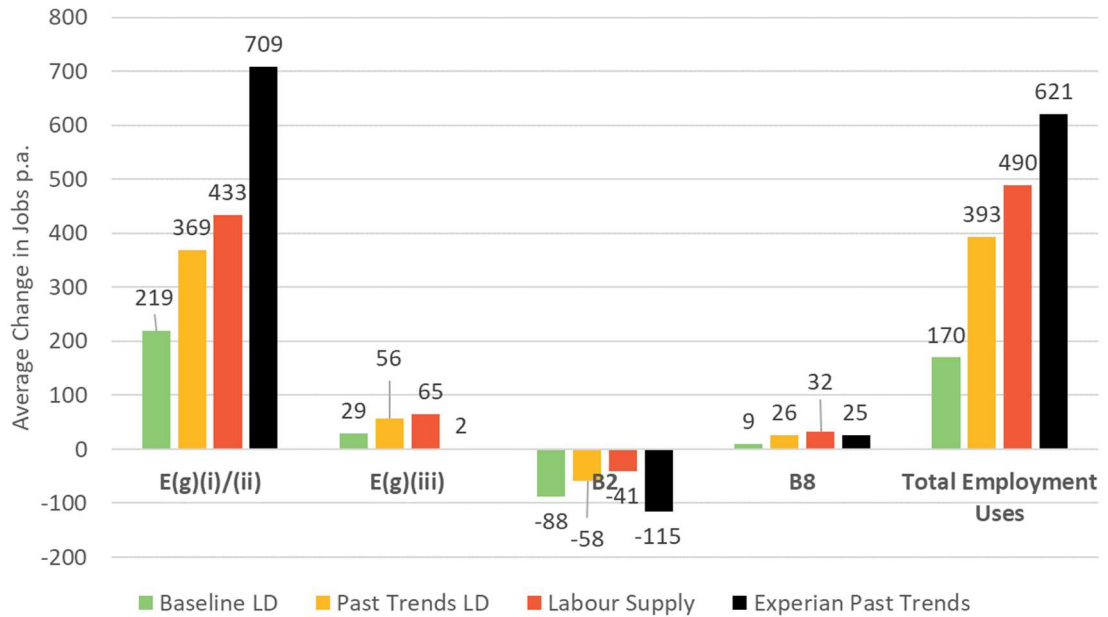
7.73 As outlined above, an analysis of annual employment growth assumed under each scenario can help Council officers in identifying a preferred requirement (or range of requirements). Indeed, benchmarking growth against past trends is an important step in understanding how realistic and achievable each scenario is.

7.74 Past trends have been assessed using historic data from Experian for the period 2001 to 2020²⁴. This indicates the total number of jobs in the employment use sectors increased by 11,800, corresponding to an average of 620 jobs per annum over 19 years. This growth was driven almost entirely by an increase of 13,470 jobs (an average of 709 per annum) in office-based sectors (E(g)(i)/(ii)). A far smaller level of job growth (480 or 25 jobs per annum) was observed with respect to distribution (B8) uses.

7.75 In contrast, general manufacturing (B2) jobs fell by 2,180 jobs (an average decline of 115 jobs per annum). It should be noted, however, that analysing the data year-on-year indicates that the sector contracted between 2001 and 2012, before experiencing a modest growth in jobs from 2013 onwards. It is clear, therefore, that the performance of the sector – in employment terms – improved markedly in the second half of the period.

²⁴ Time period selected to reflect 19-year period applied to forecasting scenarios (2021-2040)

Figure 7.2 Annual Job Change (Employment Use Sectors) by Scenario vs Experian Past Trends



Source: Experian/Lichfields analysis

7.76 Figure 7.2 provides a summary of the past trends in employment within North Tyneside, as described above. This data (denoted using the black bar) is also plotted against the projected employment change figures used to assess future employment space needs in the Borough under Scenarios 1 to 3. Scenario 4 (Past Take Up) is not reflected here as it is based on floorspace and land take up only – there is no accompanying workforce data as part of this scenario.

7.77 From the chart it can be seen that past growth in the employment use sectors exceeds future projections under all of the scenarios modelled by Lichfields. Those scenarios that most closely align with past levels of headline growth are Scenario 2 (Labour Demand (Past Trends)) and Scenario 3 (Labour Supply).

7.78 Those use classes which exert the greatest influence on the overall level of growth would appear to be the office-based sectors (E(g)(i)/(ii)) and general industrial sectors (B2). Analysing these particular use classes in greater detail, it can be seen that:

- All the scenarios modelled as part of this ELR anticipate that future growth in office-based employment will be lower than the Experian past trend data. This seems sensible, having regard to the commercial market indicators considered in Sections 5.0 and 6.0. Those scenarios that come closest to matching the historic Experian data are Scenario 3 (Labour Supply) and Scenario 4 (Labour Demand (Past Trends)) which correspond to 61% and 52% respectively when benchmarked against Experian past trends; and
- The Baseline Labour Demand scenario (Scenario 1) aligns more closely than the others with the contraction in general industrial (B2) jobs included within the Experian past trends data. Smaller contractions in employment within the sector are projected to occur under Scenarios 2 and 3 (Labour Demand (Past Trends) and Labour Supply). It

could be argued, however, that this lower level of contraction represents a better basis for forward planning, for the following reasons:

- (a) Despite a significant contraction from 2001 to 2012, manufacturing jobs in North Tyneside stabilised and began to increase after this period. This could indicate that failing to make adequate allowance for industrial sectors in the period to 2040 risks under-estimating future demand;
- (b) Stakeholder consultation identified both advanced manufacturing and renewable energy as key sectoral strengths of North Tyneside. Furthermore, consultees anticipate the former will remain important to the local economy, whilst the latter was highlighted as a key growth opportunity for the Borough;
- (c) Attendees at the Stakeholder Workshop expressed a clear view that the Council should look to plan for future growth in the manufacturing sector. Whilst Scenarios 2 and 3 do not project a growth in general industrial employment, they do represent a less pessimistic outlook relative to Scenario 1, as well as Experian past trends; and
- (d) Scenario 4 identifies that past annual delivery equivalent to 4.2ha per year has been required to sustain the jobs growth (reflected through Scenario 3 and Experian's Past Trends) that has been achieved over the same timeframe. This would indicate that North Tyneside's land requirements have been greater than those implied by translating employment densities and plot ratios to past rates of employment change.

Scale of Floorspace Demand

- 7.79 As set out in Section 5.0, North Tyneside contains an estimated 1,445,000sq.m of employment floorspace. This is comprised of:
- 391,000sq.m of office space; and
 - 1,054,000sq.m of industrial space.
- 7.80 These figures provide a useful benchmark for assessing the scale of floorspace change implied by each of the scenarios considered earlier in this section. This analysis is summarised in Table 7.15 and is based on gross floorspace need figures, which include a safety margin – but exclude any allowance for loss replacement or churn.
- 7.81 It can be seen from the table that the Past (Net) Take-Up scenario (Scenario 4) results in the highest gross floorspace requirement, at 359,300sq.m. Relative to the Borough's current stock of space, this corresponds to an increase of 25% over the period 2021 to 2040.

Table 7.15 Scale of Change (Including Safety Margin) by Scenario

	Office			Industrial			Overall % Increase
	Current Stock (sq.m)	Projected Demand (sq.m)	% Increase	Current Stock (sq.m)	Projected Demand (sq.m)	% Increase	
Scenario 1: LD Baseline (Pre-Covid)	391,000	70,260	18%	1,054,000	-17,090	-2%	4%
Scenario 2: LD Baseline (Latest Data)		74,165	19%		29,395	3%	7%
Scenario 3:LD (Past Trends)		112,720	29%		91,885	9%	14%
Scenario 4: LS (Standard Method)		129,030	33%		117,195	11%	17%
Scenario 5: Past (Net) Completions		188,460	48%		170,840	16%	25%

Source: Lichfields analysis

7.82

In interpreting the above, it should be noted that VOA data indicates that total employment floorspace (Office and Industrial) in North Tyneside increased from 1,262,000sq.m in 2001/02 to 1,445,000sq.m in 2020/21. This translates to an increase of 13% (or approximately 9,150sqm per year) during this period. The data includes a significant period (to 2012/13) where industrial floorspace continued to decline across the authority, albeit his trend has since been reversed, with a net increase of 2% observed.

8.0 Demand-Supply Balance

8.1 This section draws together the analysis of North Tyneside’s future employment land requirements with an assessment of the Borough’s current supply of sites. The analysis is presented to consider whether any surplus or shortfall in provision exists. It is important to note, however, that the section does not seek to identify a recommended portfolio of sites to be taken forward by North Tyneside, which is a matter for the Local Planning Authority. Rather, it forms part of the evidence base which will be used to inform such choices, highlighting any issues that may need to be balanced against other planning considerations.

Quantitative Balance

8.2 Analysis presented within Section 7.0 of this ELR considers four alternative scenarios in assessing future land requirements in North Tyneside. Some of the approaches have been developed to test the employment needs which flow from the Borough’s economic or housing growth potential, whilst others are underpinned by past trends in employment or employment space delivery.

8.3 As set out in Section 7.0, the scenarios modelled by Lichfields identify employment land requirements to 2040 which range from 24.4 hectares to 85.7 hectares. These figures could increase further, should Council officers take a decision to add an allowance for loss replacement or churn. Given that this is a policy matter to be determined by the Council, however, the implications of any such allowances are not included within the analysis presented in the following paragraphs.

8.4 Section 6.0 of this ELR provides a summary of the site assessments undertaken by LSH and the supply of land identified through this process. An initial list of 61 available sites has been identified, with a combined net developable area of 147.73 hectares. Nine of these sites (totalling 1.49 hectares) were smaller than the threshold size of 0.25 hectares and have therefore been excluded from the subsequent analysis. The remaining portfolio of sites comprises of 52 sites and 146.25 hectares of net developable land. It is broken down as follows:

- General Employment Land – Industrial Estates: 20 sites with an estimated net developable area of 71.00 hectares;
- General Employment Land – Office Parks: 13 sites with a total net developable area of 25.86 hectares;
- Specialist Land – River Tyne North Bank: 15 sites with a total net developable area of 42.76 hectares; and
- Mixed-Use Areas: 4 sites on established industrial estates with a total net developable area of 6.63 hectares.

Understanding the deliverability of existing supply

8.5 Subject to North Tyneside Council’s final view regarding the overall level of demand to be planned for (and whether any allowance for loss replacement or churn should be applied) the final amount of employment land required may change. However, it is useful to assess

what elements of the existing employment land portfolio may be unlikely to support additional development within the study period.

Mixed use sites

- 8.6 With up to 146ha of land available there is no compelling reason to retain for employment use those available sites that are identified in the Local Plan for mixed-use. The Council's established policy position already recognises this and does not include supply from mixed use sites as part of the Borough's employment land. Consequently, the available supply before any further analysis is undertaken of deliverability is reduced to 139.62 hectares.

Sites unlikely to support delivery of employment premises

- 8.7 Through a qualitative assessment of North Tyneside's land supply, LSH has identified a small number of sites that, whilst identified as available employment land, are unlikely to support delivery for employment uses at this time either because they are undevelopable, reserved land or otherwise clearly not available due to the intentions of the landowner. These sites amount to 20.08 hectares of the available employment land and include:
- Plot 17b, Cobalt Park (0.54 ha): Early versions of the masterplan for Cobalt Park showed a potential development site between the hospital and the hotel. The plot is a wooded area beside a pond with a disused mineshaft in the southern part. Highbridge now regard it as landscaping / open space.
 - Eastern corner of New York Industrial Estate (0.47ha): A triangle of land to the east of the industrial estate and to the north of the Shiremoor House Farm pub. A Land Registry search identifies that the land and pub are in the same ownership – Sir John Fitzgerald Limited. The site is expansion / buffer land for the pub and is not available for employment.
 - Brewers Lane / Wallsend Road, North Shields (two sites totalling 2.55 ha): These sites to the north and west of the Household Waste Recycling Centre are owned by the Council but held as expansion land for SUEZ and are therefore not available for general employment development.
 - Balliol Business Park East, Firtree Farm (9.47ha): This area of land east of Quorum Business Park could provide a crucial area of expansion land for Quorum. However, LSH are advised that the current landowner will not make the land available for employment development, whilst emerging proposals for the expansion of Quorum business park do not involve this area of land.
 - Soccer Dome, Coble Dene, Royal Quays (3.46 ha): This vacant building which adjoins the Port of Tyne's car import terminal, was bought by the Port to enable expansion of its estate. The Port's strategy has now changed, and it is surplus to requirements. This site is not allocated for employment use in the existing Local Plan, it forms part of the retail / commercial uses at Royal Quay's.
 - South of the Letch, Quorum (0.89 hectares): Land within the allocated employment area but peripheral to the office park; the site forms part of a strip of open space that acts as a buffer between the office park and housing to the south. The current arrangement of car parking makes access difficult. The owners of Quorum Park do not intend to develop this land.

- Edmund Road, Holystone (0.43 hectares): Fronting the A191 Holystone Way near its junction with the A19, there is a hotel and pub/restaurant to the east and housing to the south and west. The landowner has previously brought forward retail planning applications on the site and a non-employment related use appears the most likely long-term use of the land.
- Bittern Close, Silverlink Industrial Estate (0.59 hectares): Bittern Close is a no through road, with car showrooms to either side. The available plot is at the far end where it abuts the A19 embankment. Planning permission is in place for a car rental facility.
- Middle Engine Lane, Cobalt Park (0.71 hectares): At the southern end of Cobalt Park the site was formerly used as a car park by Siemens and Atmel but is now surplus to the needs of the Cobalt Business Exchange. To the east are Hyundai and Aston Martin car showrooms and Council officers have advised that the landowner has expressed an interest in further car sales development. A strip of woodland separates the site from Middle Engine Lane.
- South of Cobalt Central, Cobalt Park (0.64 hectares): Identified as a development plot in the Cobalt Park masterplan, this site is situated behind the retail units and management suite. Highbridge advise that it has previously been promoted for hotel use.
- South and East of Cobalt Hospital, Cobalt Park (0.33 hectares): Identified as a development plot at the northern tip of Cobalt Park, this site is more than 300 metres from the nearest office block; the adjoining site has been developed as a hospital.

Riverside related sites

- 8.8 As discussed throughout this report, the range of sites available at the riverside provide a unique resource for advanced manufacturing, off-shore and renewables sectors. These are all areas where potential opportunities for inward investment and development are a real prospect for the River Tyne North Bank over the study period to 2042 but are likely to materialise in an ad hoc manner, driven by government funding and international investment decisions. Where secured such investments could have immediate and large scale demands upon land availability in the River Tyne North Bank area and generate additional supply chain requirements that could generate further land requirements. The nature of these requirements are such that it is appropriate to consider land at the River Tyne, that is predominantly under the control of business involved in the marine/ off-shore sectors to be treated as a distinct resource within North Tyneside. The ad hoc nature of the potential investment in these locations is unlikely to be fully reflected in the Experian forecasts underpinning Scenario 1. Such activity should, however, be captured more fully in Scenarios 2 and 4 (which are underpinned by past trends in employment development activity respectively).
- 8.9 As a consequence, it is recommended that 39.3 hectares of land within the River Tyne corridor is specifically accounted for in this report as riverside related activities.

Conclusions regarding the available supply of general employment land

- 8.10 The quantitative effect of the above analysis on genuinely available employment land is that the Borough currently has a realisable supply of employment land available for general

development for office and industrial activities of some 80.24 hectares, as summarised in Table 8.1. This suggests that North Tyneside continues to have a sufficient supply of employment land for the study period to 2040.

Table 8.1 Adjustments to Employment Land Supply

Category	No. of Sites	Net Developable Area (ha)
Sites assessed	61	147.73
Below size threshold (0.25ha)	9	1.49
Sites to remain allocated for mixed-use	4	6.63
Sites unlikely to support delivery of employment	12	20.08
Functional employment land portfolio	36	119.53
Riverside related activities	14	39.3
General employment land portfolio	22	80.24

Source: LSH analysis

8.11 The above functional employment land portfolio is currently comprised of:

Riverside related activities

- 1 site over 15ha: Royal Quays Enterprise Park, 17.36ha
- 0 sites of between 10ha and 15ha: n/a
- 1 site of between 5ha and 10ha: Swans, 9ha
- 5 sites of between 1ha and 5ha: including Howdon Yard and additional land at Swans and Royal Quays.

General employment land portfolio

- 1 site over 15ha: Indigo Park, 26ha
- 1 site of between 10ha and 15ha: Synergy Park, Killingworth Moor, 11ha
- 1 site of between 5ha and 10ha: Gosforth Business Park, total of 7.85ha over four plots
- 11 sites of between 1ha and 5ha: including land at Cobalt Business Park, Tyne Tunnel and Weetlsade / Indigo Park.

Readily Available Sites

8.12 The above analysis identifies 40 available sites that are neither less than 0.25 hectares nor regarded as unlikely to support the future delivery of employment premises. Of these, 21 sites including those that are designated as mixed use (with a combined net site area of 36.5

hectares) are readily available. When mixed-use sites are discounted, the amount of readily available employment land is reduced to 18 sites with a combined net area of 31.22 hectares. This is the equivalent of five years' supply, when measured against past take up of 5.82 hectares per annum. When categorised by type, the supply of readily available general employment land of 2.16 hectares represents just one year's supply assessed against past take-up of 1.75 hectares per annum. This analysis suggest that the limited supply of land is a current constraint on delivery of new employment related development in North Tyneside. Despite a relatively large overall allocation of land, it is apparent that measures to support delivery will be crucial to ensure an adequate supply of land to meet anticipated needs.

Spatial Distribution

- 8.13 As the analysis undertaken by LSH identifies, the supply of employment land in North Tyneside falls into four primary centres, Spine Road and Benton Lane Corridor in the far north west of the Borough close to the border with Newcastle; Whitley Road estates along a corridor stretching from Holystone to Benton, the A19 corridor and the River Tyne North Bank. There is little or no available employment land elsewhere and a particular shortfall in the east. Past delivery has identified the A19 corridor and Whitley Road estates as among the most attractive locations for investment. However, there is a relatively limited supply in these locations. Looking to future delivery, if any substantial major investment in employment development is to occur, it is most likely to be focused on the Spine Road / Benton Lane corridor – and in particular with delivery at Indigo Park and Balliol Business Park East.

9.0 Conclusions

Overview of North Tyneside's Economy

- 9.1 There were an estimated 89,000 jobs based in North Tyneside in 2020, representing an increase of 20,000 on 2020 levels. Location quotient analysis identifies particular strengths in sectors including: business administration & support services; information & communication; and health. Consultation with stakeholders, however, identified the following key employment sectors/growth opportunities across the Borough: offshore wind/renewables; advanced manufacturing; health; and office-based uses including fintech.
- 9.2 The business base of North Tyneside is small relative to the size of the local population. Indeed, there are just 416 active businesses for every 10,000 working-age residents in the Borough. This compares with 435 at the regional level and 661 nationally. It should be noted, however, that the latest ONS Business Count data indicates that the number of active enterprises in North Tyneside increased by 43.1% from 2011 to 2021, suggesting a recent improvement in local levels of entrepreneurial activity.
- 9.3 Labour market indicators for North Tyneside are strong within the regional context. The Borough benefits from high levels of economic activity (77.4%) relative to the North East and a strong skills base, with higher proportions of residents qualified to NVQ levels 1-4+. In addition, the occupational profile of the Borough is characterised by strong representation of higher-skilled workers (SOC 1-3) whilst semi/low skilled workers (SOC 7-9) are under-represented.

Market Signals

- 9.4 North Tyneside contains an estimated 1,445,000sq.m of employment space. This is the second lowest of the Tyne and Wear authorities (ahead of South Tyneside).
- 9.5 The Borough has 391,000sq.m of office floorspace, accounting for 20% of provision in Tyne and Wear. Key office locations include Cobalt Business Park, Quorum Business Park and Gosforth Business Park. Across these three sites, recorded vacancy rates range from 11% to 41% as a result of the high volume of floorspace delivered in the Borough at designated Enterprise Zones. Whilst anecdotal evidence suggests that vacancies may have eased recently, the data points towards a significant overhang of space. This is expected to significantly reduce the probability of office development at scale in the short-term.
- 9.6 Industrial stock (comprising of industrial, light industrial and warehousing/distribution uses) accounts for 1,054,000sq.m of floorspace. This represents 16% of all stock in Tyne and Wear. Provision within North Tyneside is concentrated in estates along the A19, the A189 Spine Road, the A191 Whitley Road and the North Bank of the Tyne. Industrial vacancy rates currently stand at less than 4%, indicating that the supply of premises is tight and that a shortage of available units could act as a constraint to growth.

Meeting Future Requirements

- 9.7 In assessing the future need for employment land in North Tyneside, this ELR has considered five alternative scenarios. Some of the approaches have been developed to test the employment needs which flow from the Borough's economic or housing growth

potential, whilst others are underpinned by past trends in employment or employment space delivery.

- 9.8 The scenarios modelled by Lichfields identify employment land requirements to 2040 which range from 24.4 hectares to 85.7 hectares. It should be noted, however, that this range makes no allowance for loss replacement or churn. Whether to apply either of these allowances is a policy decision to be taken by North Tyneside Council. Introducing a loss replacement allowance of 50% would increase future demand by approximately 15.3 hectares. Alternatively, a churn allowance of 0.5% per annum would increase demand by 33.6 hectares (rising to 67.1 hectares for an allowance of 1% per annum albeit provision at this scale is considered disproportionate in the context of the indicative gross land requirements presented in table 7.12).
- 9.9 Within the context of the above, North Tyneside could require a supply of employment land of up to 119.3 hectares. This figure falls to 85.7 hectares should Council officers take a decision not to include an allowance for loss replacement **or** churn.

Demand-Supply Balance

- 9.10 The site assessment work undertaken by LSH as part of the ELR process identified an initial list of 61 available sites, with a combined net developable area of 147.73 hectares. Nine of these sites (totalling 1.49 hectares) were smaller than the threshold size of 0.25 hectares and have therefore been excluded from the subsequent analysis. A further 4 sites are allocated in the current Local Plan for mixed-use development under policy S4.3 Distribution of Housing Development Sites. Therefore, those sites are already recognised by the Council as not protected for employment activities. Meanwhile, there are considered to be 20 sites, amounting to some 20.08 hectares that LSH advise are unlikely to support employment delivery at this time. The remaining portfolio of sites comprises of:
- General Employment Land – Industrial Estates: 15 sites with an estimated net developable area of 68.67 hectares;
 - General Employment Land – Office Parks: 7 sites with a total net developable area of 11.57 hectares; and
 - Specialist Land – River Tyne North Bank: 14 sites with a total net developable area of 39.3 hectares.
- 9.11 This leaves a supply of 119.53 hectares of which, 80.24 hectares of land is available for general office and industrial needs and 39.3 hectares of land might be required for specialist marine and offshore related investment.
- 9.12 Against a potential employment land requirement that could be as high as 119.3 hectares this suggests that whilst there is a supply of employment land available in the Borough capable of providing a range and choice of locations for investment, there is not an oversupply of deliverable land (subject to the final level of demand that Council officers choose to plan for moving forwards). The existing range of employment land in North Tyneside may therefore be required to meet demand. The Council should continue to seek opportunities for funding and delivery of infrastructure to ensure the Borough is well placed to take advantage of future opportunities for growth.

9.14

Based upon the above, it is considered that the Council gives consideration to:

- Focuses upon defining opportunities to unlock investment in the marine and offshore sectors along the riverside. This is a defined opportunity corridor but the potential of the area is subject to ad-hoc investment decisions that are more likely to successfully fall to the Borough with clear and ongoing support from the Local Authority;
- Recognise that a flexible approach to decision making and future users may be appropriate in some locations such as older brownfield sites that do not provide any unique or specific investment opportunities – this would continue the approach outlined by existing Local Plan policy DM2.3 that provide a framework for assessing applications for other uses within employment areas; and
- Ensuring a supply of land for employment that provides choice to the market by maintaining a five-year reservoir of readily available employment land through programmed investment in site preparation and infrastructure provision.
- Safeguarding large sites for major requirements and continue to provide support and capacity to enable investment in infrastructure that could support deliverability of such sites.