



**Nathaniel Lichfield  
& Partners**

Planning. Design. Economics.

**Employment Land Review**

**Final Report**

Stockton-on-Tees Borough Council

14 October 2016

22954/HE/RL

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## Contents

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1.0	<b>Introduction</b>	<b>1</b>
	Scope of the Study.....	1
	Report Structure.....	2
2.0	<b>Policy Review</b>	<b>3</b>
	National Documents.....	3
	Sub-Regional Documents .....	6
	Local .....	10
3.0	<b>Economic Context</b>	<b>12</b>
	Geography and Connections.....	12
	Functional Economic Market Area.....	13
	Economic Conditions and Trends .....	15
	Labour Market Conditions .....	20
	SWOT Analysis.....	24
4.0	<b>Growth Sectors</b>	<b>26</b>
	Strategic Economic Plan: Priority Sectors .....	26
	Priority Sectors: Local Performance .....	26
5.0	<b>Understanding Business Needs</b>	<b>31</b>
	Business Survey .....	31
	Stakeholder Interviews.....	38
	Duty to Co-operate Workshop.....	42
6.0	<b>The Market for Employment Premises in Stockton</b>	<b>45</b>
	Tees Valley .....	45
	The Office Market .....	53
	The Industrial Market .....	59
7.0	<b>The Supply of Employment Land in Stockton</b>	<b>66</b>
	Context .....	66
	Sub-Region.....	69
	Stockton-on-Tees.....	71
8.0	<b>Future Requirements for B Class Employment Space</b>	<b>79</b>
	Methodology .....	79
	a. Baseline Employment Forecast.....	80
	b. Past Take-Up Rates.....	85
	c. Labour Supply Scenario .....	89
	Net Employment Space Requirements .....	92

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	Net to Gross Adjustments .....	92
	Gross Employment Space Requirements.....	93
	Sensitivity Testing .....	96
	Summary .....	98
9.0	<b>Non-B Class Sectors</b>	<b>101</b>
	Historic Demand .....	101
	Growth Potential by Sector.....	102
	Sector Drivers .....	104
10.0	<b>Demand Supply Balance</b>	<b>110</b>
	Quantitative Balance .....	110
	Rationalising the Future Supply of Land.....	111
	Qualitative Issues.....	116
	Specialist Use Sites .....	116
11.0	<b>Conclusions</b>	<b>120</b>
	Overview of Stockton's Economy .....	120
	Functional Economic Market Area.....	120
	Market Overview .....	121
	Meeting Future Needs.....	122

## 1.0 Introduction

1.1 Stockton-on-Tees Borough Council (SBC) appointed Nathaniel Lichfield & Partners (NLP) and Lambert Smith Hampton (LSH) to prepare an Employment Land Review (ELR) for the local authority area. The study is intended to provide SBC with an understanding of:

- The Borough’s current position with respect to employment land supply (in both qualitative and quantitative terms); and
- The anticipated future growth trajectory of the Borough’s economy and the implications of this with respect to demand for employment land over the period 2017 to 2032.

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

## Scope of the Study

1.3 The purpose of this ELR is to provide evidence in order to support the development of SBC’s Local Plan. It is not a policy or strategy document per se, but instead provides an evidence base input to specific planning or economic development policies being developed by the Council.

1.4 The principal role of the ELR is to provide SBC with an understanding of current and potential future requirements for employment land. This draws upon a range of scenarios underpinned by various alternative modelling techniques. For each scenario, the land and floorspace implications are specifically considered for the group of B class sectors outlined below:

- **B1 Business** (offices, research & development, light industry);
- **B2 General Industrial**; and
- **B8 Storage and Distribution** (wholesale warehouses and distribution centres).

1.5 Demand for B class employment land and floorspace is considered in this report and references to “employment space” are intended to relate to both. References to “industrial space” relate to both manufacturing and warehousing/distribution uses.

1.6 In addition to assessing future B class space needs, the ELR also considers future projections for growth in non-B class sectors, taking into account how the overall economy of the area could change in the future. It is important to note that the study does not specify the space implications associated with anticipated future change within each of these sectors, however. This is because individually they are – or should be – subject to separate, detailed reviews of future requirements and capacity planning through their own

regulatory/statutory bodies (i.e. Health Trusts/Education Authorities/Tourism Boards) and by applying different methodological approaches.

- 1.7 An important consideration for work of this type is that it is inevitably a point-in-time assessment. The study has, however, drawn upon the latest data and other evidence available at the time of preparation. The accuracy and sources of data derived from third part sources have not been checked by NLP or LSH.

## 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 the local level;
  - Economic Context (Section 3.0) – a review of current economic conditions and recent trends in Stockton and its economic strengths and weaknesses;
  - Growth Sectors (Section 4.0) – focuses on the opportunities presented by those key growth sectors identified within the Strategic Economic Plan for the Tees Valley;
  - Understanding Business Needs (Section 5.0) – a summary of key messages identified through consultation with local businesses, stakeholders and commercial agents;
  - The Market for Employment Premises in Stockton (Section 6.0) – analysis of the current stock and trends of employment space in Stockton and the wider Tees Valley;
  - The Supply of Employment Land in Stockton (Section 7.0) – a review of the current availability of employment land and the extent to which it is immediately available;
  - Future Requirements for B Class Employment Space (Section 8.0) – presents a range of alternative estimates of future B class employment space needs, derived by drawing upon a variety of forecasting techniques;
  - Non-B Class Sectors (Section 9.0) – high level review of historic demand and drivers of growth in non-B class uses including health facilities, education provision, leisure provision and hotels;
  - Demand/Supply Balance (Section 10.0) – assesses the balance between current land supply and future needs. This includes a comparison of forecast requirements against the availability of land, as well as an analysis of qualitative intelligence gathered through the ELR process; and
  - Conclusions (Section 11.0) – draws together the key findings from the preceding sections.
- 1.9 It should be noted that references to “Stockton” relate to the Borough as a whole, rather than the town of Stockton, unless otherwise stated.

## 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 the national level down to the local level – are set out below.

### National Documents

#### National Planning Policy Framework (March 2012)

2.2 The Framework sets out the Government's economic, environmental and social planning policies for England. It states [para 14] that the purpose of the planning system is to contribute to the achievement of sustainable development, which should be seen as a 'golden thread' running through both plan-making and decision taking.

2.3 The document states that there are three dimensions to sustainable development: economic, social and environmental. The economic role that the planning system must perform involves contributing to building a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation; and by identifying and co-ordinating development requirements, including the provision of infrastructure [para 7].

2.4 The Framework states that 'significant weight' should be placed on the need to support economic growth through the planning system [para 19]. To help achieve economic growth, Local Plans should [para 21]:

- Set out a clear economic vision and strategy for their area which positively and proactively encourages sustainable economic growth;
- Set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period;
- Support existing business sectors, taking account of whether they are expanding or contracting and, where possible, identify and plan for new or emerging sectors likely to locate in their area. Policies should be flexible enough to accommodate needs not anticipated in the plan and to allow a rapid response to changes in economic circumstances; and
- Plan positively for the location, promotion and expansion of clusters or networks of knowledge driven, creative or high technology industries.

2.5 The Framework [para 22] also highlights that allocated employment sites for which there is no reasonable prospect of development should not be protected in the long term. Proposals for alternative uses on such sites should be treated on their merits having regards to market signals and the relative need for different land uses to support sustainable local communities.

- 2.6 The Framework [para 23] 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 Local Plan:
- “They should require applications for main town centre uses to be located in town centres, then in edge of centre locations and only if suitable sites are not available should out of centre sites be considered. When considering edge of centre and out of centre proposals, preference should be given to accessible sites that are well connected to the town centre. Applicants and LPAs should demonstrate flexibility on issues such as format and scale.”* [para 24]
- 2.7 LPAs are required to ensure that the Local Plan is based on adequate, up-to-date and relevant evidence about the economic, social and environmental characteristics and prospects of the area. LPAs should ensure that their assessment of strategies for housing, employment and other uses are integrated, and that they take full account of relevant market and economic signals. [para 158]
- 2.8 The Framework [para 160] advises that LPAs should have a clear understanding of business needs within the economic markets operating in and across their area. To achieve this, they should:
- 1 Work together with county and neighbouring authorities and with Local Enterprise Partnerships (LEPs) to prepare and maintain a robust evidence base to understand both existing business needs and likely changes in the market; and
  - 2 Work closely with the business community to understand their changing needs and identify and address barriers to investment, including a lack of housing, infrastructure or viability.
- 2.9 The Framework [para 161] states that LPAs should use this evidence base to assess:
- 1 The need for land or floorspace for economic development, including both the quantitative and qualitative need for all foreseeable types of economic activity over the plan period; and
  - 2 The existing and future supply of land available for economic development and its sufficiency and suitability to meet the identified needs.
- 2.10 Public bodies have a duty to cooperate on planning issues that cross administrative boundaries [para 178]. The Framework requires local authorities to demonstrate evidence of having effectively cooperated to plan for issues with cross-boundary impacts when their local plans are submitted for examination [para 181]. It sets out where cooperation might be appropriate and what form it might assume. It concludes that *“cooperation should be a continuous process of engagement from initial thinking through to implementation”*.



## Planning Practice Guidance (2014)

- 2.11 CLG has produced on-line Planning Practice Guidance which includes guidance on the assessment of housing and economic development. This replaces the previous ODPM Employment Land Reviews: Guidance Note from 2004.
- 2.12 The Practice Guidance provides a methodology for assessing economic development needs. It states<sup>1</sup> that plan makers should liaise closely with the business community to understand their current and potential future requirements.
- 2.13 Plan makers should also consider:
- The recent pattern of employment land supply and loss to other uses;
  - Market intelligence (from local data and discussions with developers and property agents, recent surveys of business needs or engagement with business and economic forums);
  - Market signals such as levels and changes in rental values, and differentials between land values in different uses;
  - Public information on employment land and premises required;
  - Information held by other public sector bodies and utilities in relation to infrastructure constraints;
  - The existing stock of employment land (though it is important to recognise that this may not reflect the future needs of business);
  - The locational and premises requirements of particular types of business; and
  - Identification of oversupply and evidence of market failure.
- 2.14 When examining the recent take-up of employment land, the Practice Guidance<sup>2</sup> advises that it is important to consider projections (based on past trends) and forecasts (based on future scenarios) and identify occurrences where sites have been developed for specialist economic uses.
- 2.15 In terms of forecasting future trends the Practice Guidance<sup>3</sup> advises that:
- Plan makers should consider forecasts of quantitative and qualitative need, but also its particular characteristics;
  - Local authorities should develop an idea of future needs based on a range of data which is current and robust;
  - Emerging sectors that are well suited to the area being covered by the analysis should be encouraged where possible; and

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<sup>1</sup> 2a-030-20140306

<sup>2</sup> 2a-031-20140306

<sup>3</sup> 2a-032-20140306

- The available stock of land should be compared with the particular requirements of the area so that 'gaps' in local employment land provision can be identified.

- 2.16 The Practice Guidance<sup>4</sup> advises that plan makers should also consider:
- Sectoral and employment forecasts and projections (labour demand);
  - Demographically derived assessments of future employment needs (labour supply techniques);
  - Analysis based upon the past take-up of employment land and property and/or future property market requirements;
  - Consultation with relevant organisations, studies of business trends, and monitoring of business, economic and employment statistics.
- 2.17 In identifying the type of employment land needed the Practice Guidance<sup>5</sup> advises that:
- The need for rural employment should not be overlooked;
  - Underlying population projections can be purely demographic or tied to future housing stock which needs to be assessed separately; and
  - Plan makers should be careful to consider that national economic trends may not automatically translate to particular areas with a distinct employment base.
- 2.18 In order to derive employment land requirements, the Practice Guidance<sup>6</sup> states that when translating employment and output forecasts into land requirements there are four key relationships which need to be quantified:
- 1 Standard Industrial Classification sectors to use classes;
  - 2 Standard Industrial Classification sectors to type of property;
  - 3 Employment to floorspace (employment density); and
  - 4 Floorspace to site area (plot ratio based on industry proxies).

## Sub-Regional Documents

### **Tees Valley Unlimited (TVU) Strategic Economic Plan (SEP) (May 2014)**

- 2.19 The TVU Local Enterprise Partnership's (LEP) Strategic Economic Plan aims to drive economic growth across the Tees Valley, supporting the creation of 25,000 new jobs and £1 billion additional GVA into the economy over the next decade. The overall ambition is to close the gap between national employment rates and for the Tees Valley to become a high value, low-carbon, diverse and inclusive economy.

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<sup>4</sup> ibid

<sup>5</sup> 2a-033-20140306

<sup>6</sup> 2a-034-20140306

2.20

The SEP outlines that the target of delivering 25,000 new jobs is over and above the number of existing jobs that will need to be replaced over the next decade due to retirements, migration and natural change. Key sectors driving this growth are outlined as:

- **Advanced Manufacturing and Low Carbon:** Growth will be driven by the expertise of Tees Valley in the process and chemical, metals and oil and gas industries, plus growing expertise in defence, rail and automotive. In low carbon, Tees Valley can benefit from opportunities linked to offshore wind, a growing subsea cluster and move towards a bioeconomy. With opportunities for re-shoring and the increased exporting ability of SMEs, the target is for 6,700 new jobs in these industries;
- **Construction:** With a target of 4,000 new jobs, growth will be driven by continued investment in transport, infrastructure and housing activity;
- **Business & Professional Services:** As a key driver of national employment growth before the recession, these supporting industries, which span from business processing and contact centres through to design, legal and accountancy services, are expected to benefit from growth in other sectors to produce a 7,700 net employment rise;
- **Logistics:** This is anticipated to be a source of 2,400 jobs growth given the expansion of Tees Valley's existing assets, such as Teesport, DTVA and Wynyard Business Park, and the logistics operations which serve both the growing advanced manufacturing base and provide the large strategic distribution centres to supply Northern consumers;
- **Digital/Creative:** Growth is expected to be driven by start-up activity through assets such as Digital City, CCAD and new business centres, the expansion of high growth companies and national drives towards a more online economy. Expected job gains of 1,700;
- **Health:** Expected job gains of 3,900 due to the need for increased care provision for an ageing population, the harnessing of new assistive technologies, digital care and biologics and the potential to build upon Tees Valley's University expertise in this area; and
- **Other services (retail, tourism):** Expected job gains of 3,400 in supporting sectors, including retail, tourism and education as the Tees Valley economy grows.

2.21

In order to support growth in these sectors, the SEP seeks to capitalise on the area's key strengths and identifies the key following opportunities for growth:

- Critical mass of process activity and advanced manufacturing;
- Growing demand for advanced manufacturing products and services;
- Proximity to offshore developments through the Tees Estuary, as well as onshore and offshore Low Carbon opportunities;
- Land supply, including 12 Enterprise Zone sites;

- Continued development of global position in the process industries needs to be sustained;
- Growth of container traffic through Teesport, the fifth largest port in the UK, there needs to be further support to capitalise on this asset of national importance;
- Opportunities to build upon cluster of creative and digital media businesses; and
- Opportunities to build upon successful base of high value activities, including Financial/Business Professional Services.

2.22 For Stockton-on-Tees specifically, the SEP identifies opportunities relating to growth in the retail offer, boosting the office market, building on the success of Teesdale and Durham University's Queen's Campus, as well as increasing and expanding the arts and cultural offer. In addition, the duelling of Ingleby Way / Myton Way is considered crucial to the delivery of the Council's 5 year housing supply target for population growth.

2.23 However, the SEP also recognises that a number of factors may inhibit growth within Stockton-on-Tees, including:

- Significant congestion on links into Middlesbrough and Stockton town centres and key employment areas along the south side of the River Tees;
- Significant congestion on the A66 West of Stockton and Middlesbrough/Middlehaven, affecting access to key housing and business locations; and
- A large amount of vacant office space in our town centres and empty space in business parks, such as Teesdale Business Park in Stockton affecting viability and rental values.

2.24 Across the wider Tees Valley it is also recognised that increased international competition, reliance on large employers and a lack of high quality housing would act as barriers to growth. In employment land terms, the SEP also highlights the challenges presented by market failures in relation to commercial rental values and the oversupply of lower grade office and industrial accommodation which – if not addressed – may influence the scale of future growth.

### **Tees Valley Economic Assessment (2015/16)**

2.25 The Tees Valley Economic Assessment provides a robust evidence base of the current state, and future potential, of the Tees Valley economy. The principal aim of the Assessment is to inform Local Plans and other policy and strategy documents focussing upon how the local economy operates, its linkages, assets, growth and productivity areas and opportunities, as well as highlighting the barriers and issues that may prevent growth.

- 2.26 The assessment highlights that the Tees Valley has world-class expertise and a critical mass in key sectors vital to Northern growth; including process/chemical, energy, advanced manufacturing (particularly oil and gas, metals and automotive) and logistics. It also indicates that the Tees Valley has growing capability in new industries, such as biologics, subsea, digital/creative and the low-carbon economy.
- 2.27 However, key challenges identified within the Assessment include:
- An ageing population: (1 in 4 people will be aged 65+ in 2032) which is causing greater dependency on the working age population;
  - Skills shortages presented by an ageing workforce, particularly in key sectors with 127,000 jobs needing to be filled by 2022;
  - Lower than the national average performance for skills attainment, business stock, commercialisation, productivity and output; and
  - Low employment levels (just 278,300 of our 417,000 working age population are in employment, with the Tees Valley providing just 292,500 jobs).
- 2.28 The above factors demonstrate the need to attract and retain skilled workers to support stronger economic performance. Growth enablers aligned with this ambition are therefore identified as: robust transport and communications infrastructure, good educational establishments, high quality housing and a good cultural offer. In particular, the Assessment notes:
- Better intra-connectivity is required, including links to the A19 and East Coast and Transpennine rail routes and international gateways, such as Teesport and Durham Tees Valley Airport to unlock key employment and housing sites;
  - Superfast broadband is becoming increasingly important for business growth and more needs to be done to increase speeds and coverage; and
  - Improving the executive housing offer and the delivery of better quality housing will be essential in attracting and retaining skilled workers.

### **Tees Valley: Opportunity Unlimited**

- 2.29 In 2015, Lord Heseltine was appointed to support inward investment in the Tees Valley and to review the future of the SSI site in Redcar following its closure. In addition to the effects of business closures, the review highlights a number of challenges facing the Tees Valley, including an ageing workforce, low numbers of jobs, low skills attainment and high levels of unemployment.
- 2.30 In order to address these issues, the review sets out a number of recommendations. Those of most relevance to employment land requirements include the need to:
- Support the development of Industrial Carbon Capture Storage and heat network opportunities in the area;

- Understand the quality of services on offer in competing international locations, such as Germany;
- Work with Universities and local employers to address skills gaps and develop new apprenticeships;
- Investigate a new strategic road Tees Crossing to the existing A19 Norton-Wynyard widening scheme and the inclusion of the Northallerton to Teesport Electrification rail scheme as an extension to the existing rail proposals;
- Work with owners and operators of the Airport to agree a sustainable future for the site; and
- Support the development of the leisure and tourism industry throughout the Tees Valley; and
- Ensure an appropriate provision of affordable and starter homes to retain and attract working age residents.

## Local

### Adopted Core Strategy (2010)

- 2.31 The Adopted Core Strategy for Stockton-on-Tees sets out the Council's overarching policies for development up to 2026. The Council's vision for the future of the Borough is for Stockton-on-Tees to be: *"leading the way in economic regeneration"* and for residents to: *"have access to the very best in housing, education and training, health care, employment opportunities, sport, recreational and cultural facilities, which has created safe, healthy, prosperous, inclusive and sustainable communities, so providing a better quality of life for all."*
- 2.32 The Core Strategy highlights that a strong local economy, with more skilled, higher paid jobs, increased economic activity and reduced unemployment will improve the quality of life for residents and enable the Borough to contribute more to the national economy.
- 2.33 The Strategy set out that this will be achieved by a number of measures, including:
- Supporting the regeneration of Stockton Town Centre (now achieved);
  - Redeveloping and improving Billingham and Thornaby centres;
  - Exploiting the Borough's potential to generate and use renewable energy;
  - Establishing a Tees Valley Metro, implementing the Tees Valley Bus Network Improvement Scheme and introducing traffic demand management measures to improve congestion; and
  - Supporting improved regional and sub-regional interconnectivity by road, rail and air.

- 2.34 The Strategy also states that additional support will be given to:
- Suitable enterprises that require a rural location and which support the rural economy and contribute to rural diversification;
  - The establishment of new enterprises, particularly where related to existing industries, assisting them to evolve with advancing green technologies;
  - The expansion of research-based businesses associated with Durham University's Queen's Campus; and
  - Growth in sustainable tourism, particularly around the River Tees corridor, Preston Park, Saltholme Nature Reserve and industrial heritage.
- 2.35 The land allocations set out within Core Strategy Policy 4 (CS4) were in accordance with the now revoked Regional Spatial Strategy (RSS). This included a requirement for:
- 255ha for General Employment Land;
  - 70ha for Key Employment Locations; and
  - 445ha of land for Chemical and Steel Industries.
- 2.36 However, the removal of regional targets as set out within the former RSS, allows for greater flexibility in determining future land requirements at a local authority level.
- 2.37 The emerging Stockton-on-Tees Local Plan offers an opportunity to review these requirements, and establish specific site allocations. The revised plan is due for publication in Summer 2017.

### **Stockton Local Economic Assessment**

- 2.38 The Local Economic Assessment (LEA) for Stockton-on-Tees highlights that economic development and growth is a key priority for the Borough. In order to deliver this ambition, and to address pockets of high deprivation throughout the Borough, the LEA seeks to drive employment growth across a range of key sectors.
- 2.39 In particular, the LEA recognises that whilst manufacturing continues to decline, it remains important to the local economy and is supported by other specialisms in high technology, advanced manufacturing and knowledge-based industries. Other key sectors with a strong representation in Stockton-on-Tees include: chemicals and metals processing; life sciences, healthcare and biotech; transport, ports and logistics; and ICT and digital (as explored in more detail in Section 4.0).

## 3.0 **Economic Context**

3.1 This section establishes the economic baseline for the study by reviewing recent economic conditions and trends within Stockton-on-Tees, 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 Tees Valley, Stockton-on-Tees is a predominantly urban authority covering an area of 205 square kilometres and with a population of c.194,100<sup>7</sup>. The principal settlements within the local authority area are the town of Stockton, and the smaller outlying settlements of Billingham and Thornaby-on-Tees, including Ingleby Barwick, Yarm and Eaglescliffe.

3.3 Stockton-on-Tees is located on either side of the River Tees and is bounded by: County Durham to the north; Darlington to the west; Middlesbrough, Redcar & Cleveland and Hartlepool to the east; and Hambleton to the south.

3.4 The Borough forms part of the Tees Valley Combined Authority and benefits from good public transport infrastructure, with a network of bus routes providing frequent services connecting residents to destinations throughout the Tees Valley.

3.5 In terms of rail access, the town of Thornaby has a train station providing frequent links to Northallerton, Thirsk, York, Leeds and Manchester, as well as local links throughout the Tees Valley and County Durham. Stockton also has a train station, providing links to Nunthorpe, Middlesbrough and Carlisle via Newcastle upon Tyne, from where East Coast Mainline services can be accessed, as shown in Figure 3.1.

3.6 Key road connections within the Borough include:

- The A19 – a key strategic route connecting to the Tyne and Wear and Northumberland in the north and North Yorkshire in the south;
- The A66 – running east to west and connecting Stockton-on-Tees to Darlington and the A1; and
- The A67 – connecting to the A66 and A19.

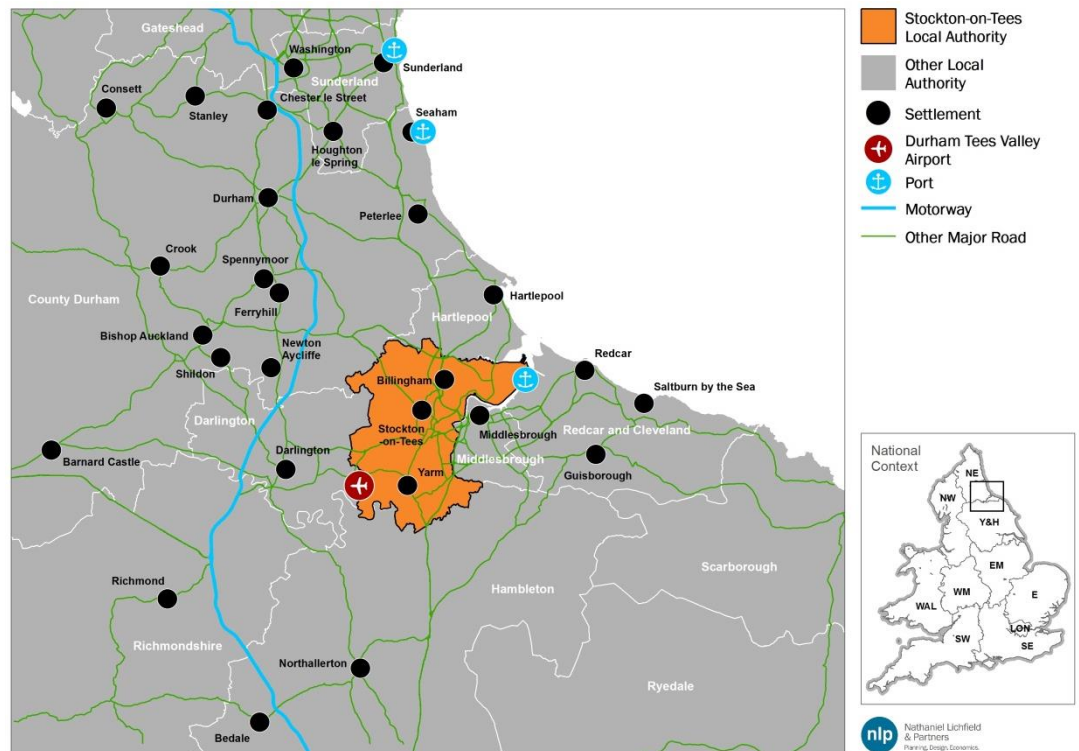
3.7 The Borough is also home to Durham Tees Valley Airport to the South East which straddles the local authorities of Stockton-on-Tees and Darlington. The airport provides international connections via 3 flights per day to Amsterdam Schiphol, as well as regular flights to Aberdeen.

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<sup>7</sup> Source: ONS Population estimates 2014



Figure 3.1 Spatial Context of Stockton-on-Tees



Source: NLP analysis

## Functional Economic Market Area

- 3.8 Examining commuting flows can help to define the functional economic market area (FEMA) within which Stockton-on-Tees is located.<sup>8</sup> Commuting flows can be assessed using the latest travel-to-work flow data from the 2011 Census.
- 3.9 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.
- 3.10 Analysis of this data at a national level, indicates that Stockton-on-Tees is included within the TTWA of 'Middlesbrough and Stockton', which includes the local authority areas of Middlesbrough, Stockton-on-Tees and Redcar & Cleveland, as demonstrated in Figure 3.2.

<sup>8</sup> CLG, Functional Economic Market Areas: An Economic Note, 2010

Figure 3.2 Travel to work area map



Source: ONS

3.11 For Stockton-on-Tees specifically, these authorities comprise the workplace for 82.3% of the resident working population of Stockton-on-Tees and the place of residence for 78.8% of workers in Stockton-on-Tees.

3.12 Analysis of worker flows for Stockton indicates that in 2011:

- Approximately 29,900 (34.2%) of the working residents commuted out of the local authority for employment, with the largest flows to Middlesbrough (10,780) and Redcar & Cleveland (3,650); and
- Approximately 30,020 workers commuted into Stockton-on-Tees for work, primarily coming from the adjoining authorities of Middlesbrough (8,890), Redcar & Cleveland (5,390), County Durham (4,175) and Hartlepool (3,865).

3.13 This indicates that worker inflows and outflows in Stockton-on-Tees are broadly in alignment, with a similar number of workers commuting in and out.

3.14 Between 2001 and 2011, the inflow of workers to Stockton-on-Tees increased by 3,005 workers as the number of residents commuting out of the local authority increased by just over 4,000. However, the self-containment rate for the area increased by only 0.2%, reflecting the fact that the number of people living and working within Stockton-on-Tees also increased over this period.

Table 3.1 Change in Travel-to-Work Flows in Stockton-on-Tees, 2001 - 2011

	2001 Census	2011 Census	Change (2001 - 2011)
Out-Commuting Working Residents	25,905	29,906	+ 4,001
In-Commuting Workers	27,013	30,018	+3,005
<b>Net In-Commuting Flow</b>	<b>1,108</b>	<b>112</b>	<b>-996</b>
<b>Self-Containment Rate</b>	<b>65.6%</b>	<b>65.8%</b>	<b>+0.2%</b>

Source: Census 2001 & 2011 / NLP analysis

## **Economic Conditions and Trends**

- 3.15 Current economic conditions and trends in Stockton-on-Tees are summarised below, with comparisons made, where appropriate, to regional and national averages. Data is drawn from published Office for National Statistics (ONS) sources via Nomis unless indicated otherwise.

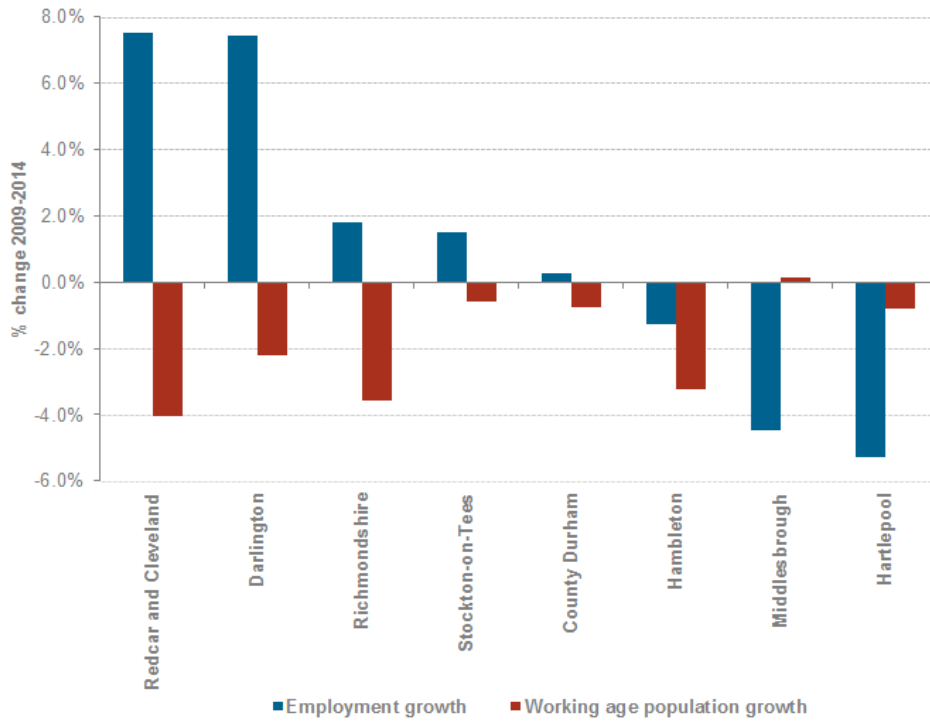
### **Population**

- 3.16 The population of Stockton-on-Tees is estimated to be in the order of 194,100, representing the largest local authority in the Tees Valley in population terms. Between 2004 and 2014 the number of residents increased by 8,430 residents, or 4.6%. This rate of growth is higher than the North East (3.1%), but lower than the UK (7.8%) average. The 2014-based Subnational Population Projections forecast that by 2032 the Borough's population will increase by a further 15,600 residents (or 8.0%) to 210,000.
- 3.17 However, as shown in Figure 3.3, the working age (16-64) population of Stockton-on-Tees has declined in recent years. In 2014, the number of working age residents within the Borough totalled just over 123,135, compared to 123,880 in 2009. This represents a decline of 745 working age residents, or 0.6%. This is broadly in alignment with the regional (-0.7%) average, but compares poorly with the national (+1.5%) rate of growth over the same period.

### **Employment**

- 3.18 Data from the Business Register and Employment Survey (BRES) indicates that in 2014, there were just under 80,670 employee jobs in Stockton-on-Tees, compared to almost 79,000 in 2009. This represents an increase of 1,670 jobs, or 2.1%, which is comparable to the rate of growth observed across the North East (2.1%), but lower than the UK (4.9%) average. Over the longer term, data from Experian suggests that the total number of jobs in the Borough increased by 8,500 during the period 1997 to 2016.
- 3.19 This trend of jobs growth during a period of working age population decline is similar to that experienced in the surrounding authorities of Redcar & Cleveland, Darlington, Ryedale, Richmondshire and County Durham, as shown in Figure 3.3.

Figure 3.3 Employment and working age population growth 2009-2014 in surrounding local authorities

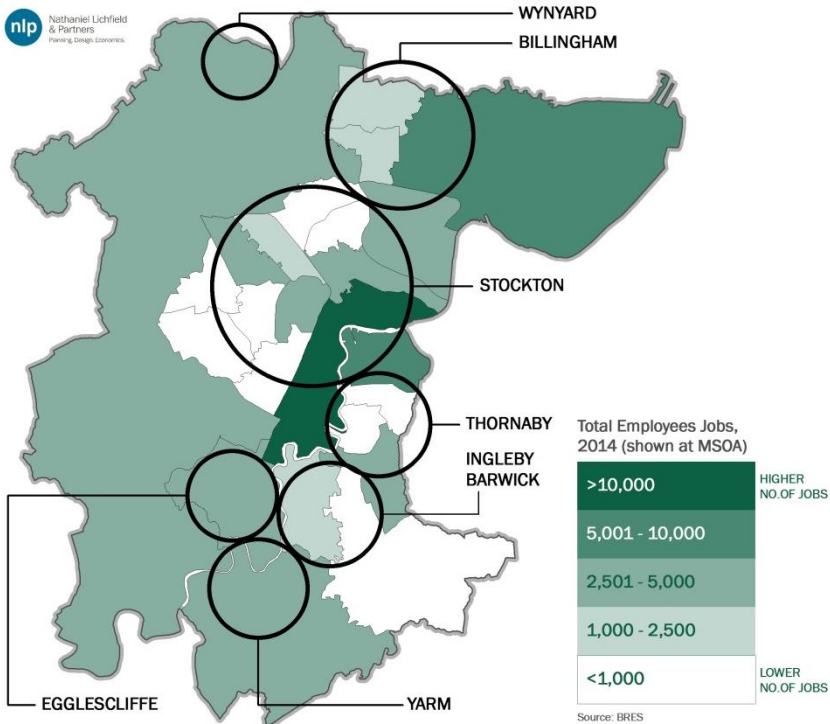


Source: ONS Mid-year population estimates / BRES / NLP analysis

3.20

In geographic terms, the distribution of jobs in 2014 is heavily skewed towards Stockton town centre and Billingham, as shown in Figure 3.4.

Figure 3.4 Distribution of Employment (2014)

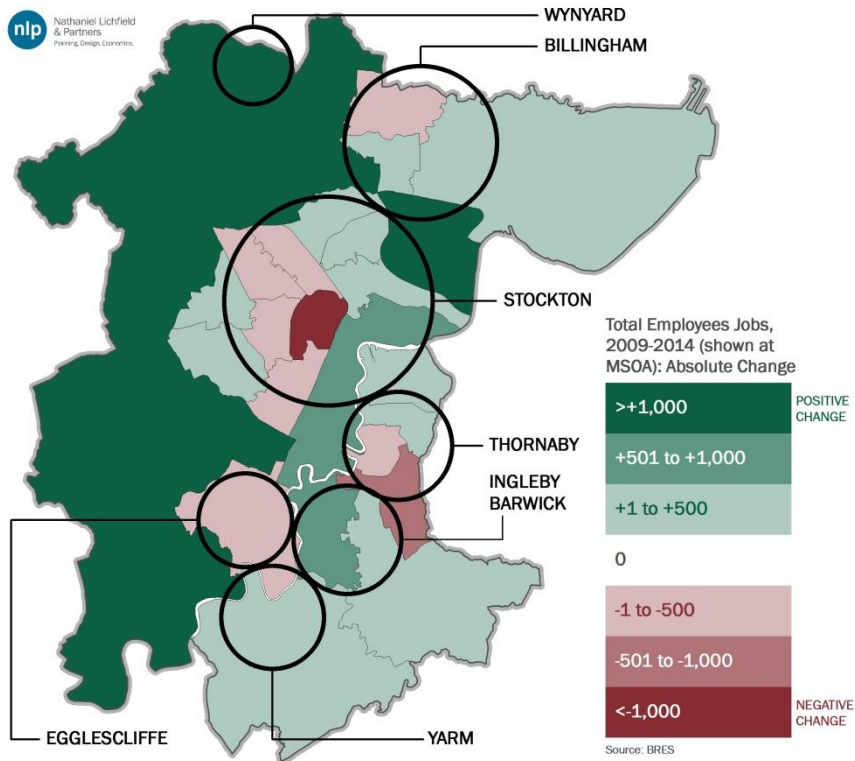


Source: BRES 2014 / NLP Analysis

3.21

Jobs growth over the period 2009-2014 has also been driven primarily by sites located to the east of Stockton town centre and Wynyard.

Figure 3.5 Employment growth by MSOA 2009-2014



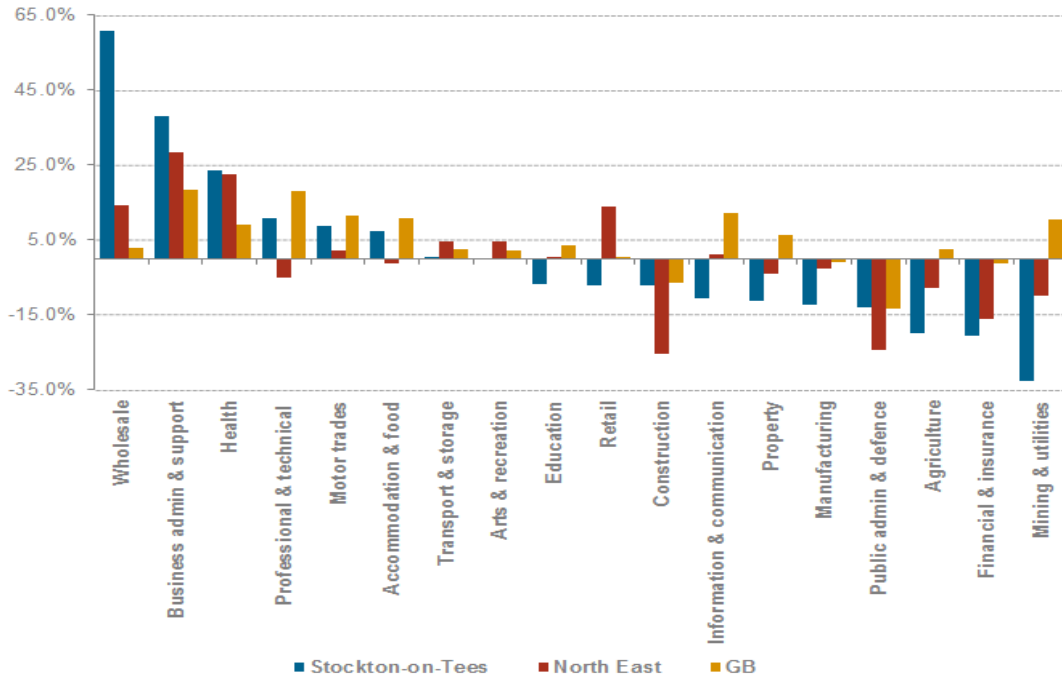
Source: BRES 2014 / NLP Analysis

### Sector profile

3.22

Figure 3.6 provides a summary of employment change by sector. This is shown in proportionate terms, in order to facilitate a comparison with national and regional performance. From this it can be seen that wholesale, business administration & support services and health experienced the largest percentage increases in employment. Indeed, growth within Stockton-on-Tees exceeded the regional and national level for all three sectors.

Figure 3.6 Employment Change (2009-2014)

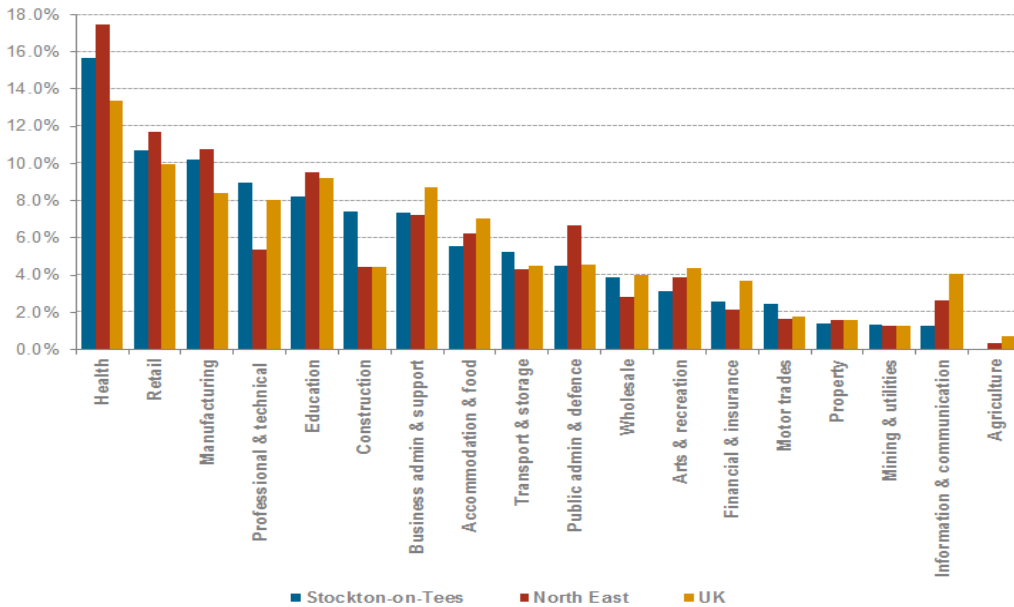


Source: BRES / NLP Analysis

3.23 An analysis of the absolute data also identifies health, business administration & support services and wholesale as the key drivers of growth within Stockton-on-Tees, generating a total of 5,215 new jobs during the 5 year period.

3.24 As a proportion of total employment, the largest sectors in Stockton-on-Tees in 2014 are health (15.6%), retail (10.7%), manufacturing (10.2%), professional & technical services (9.0%) and education (9.0%) (Figure 3.7).

Figure 3.7 Sectors as proportion of total employment base (2014)



Source: BRES / NLP Analysis

3.25 It can be seen from Figure 3.7 that, in comparison with both the regional and national average, the following sectors are over-represented in Stockton-on-Tees:

- Professional & technical services: accounting for 9.0% of total employment, compared to 5.3% in the North East and 8.1% nationally;
- Construction: accounting for 7.4% of employment, compared to 4.4% in the North East and 4.5% nationally;
- Transport & storage: accounting for 5.3% of total employment, compared to 4.3% in the North East and 4.5% nationally; and
- Motor trades: accounting for 2.5% of total employment, compared to 1.7% in the North East and 1.8% nationally.

3.26 A number of sectors are also under-represented in Stockton-on-Tees, including:

- Education: accounting for 8.2% of total employment, compared to 9.5% in the North East and 9.2% nationally;
- Arts & recreation: accounting for 3.1% of employment, compared to 3.9% in the North East and 4.4% nationally;
- Information & communication: accounting for 1.3% of employment, compared to 2.6% in the North East and 4.1% nationally; and
- Agriculture: accounting for 0.0% of employment, compared to 0.4% in the North East and 0.8% nationally.

3.27 At the sub-sector level, an analysis of Location Quotients (LQs) (which calculate the extent to which employment is more prevalent in a particular sector than nationally) undertaken within the Council's Local Economic Assessment reveals that Stockton-on-Tees has a number of nationally important industrial specialisms. Based on updated 2014 data, those that are large employers and also employ a higher share of employment in B-Class related sectors than the UK average include:

- Manufacture of chemicals and chemical products (employ 2,240 and 8.3 times more significant);
- Scientific research and development (employ 1,140 and 3.3 times more significant);
- Architectural and engineering activities, technical testing and analysis (employ 2,970 and 2.1 times more significant);
- Manufacturing of other transport activity (employ 760 and 2.1 times more significant);
- Specialised construction activities (employ 3,320 and 1.6 times more significant);
- Land transport and transport via pipelines (2,270 and 1.6 times more significant); and

- Construction of buildings (employ 1,670 and 1.4 times more significant).<sup>9</sup>

## Business Profile

- 3.28 An assessment of the size of businesses in Stockton-on-Tees shows that the Borough's business base is dominated by smaller firms comprising of 0-9 employees (87.5%). This is broadly in alignment with the regional (86.8%) and national average (88.7%). The proportion of large enterprises with over 250 staff (0.3%) is also broadly in alignment with the regional (0.4%) and national average (0.4%). However, the Borough's LEA indicates that the contribution of these firms is significant. Over half (52.6%) of all employment in Stockton-on-Tees is based in organisations with 1,000+ employees, compared to a national average of 47.4%.<sup>10</sup>
- 3.29 The total number of active enterprises in Stockton-on-Tees (5,705) indicates that there are 463 businesses per 10,000 residents. This is higher than the corresponding figure for the North East (413), but lower than the national (622) average.
- 3.30 Between 2009 and 2014 (the most recent data available from ONS), the number of active enterprises in Stockton-on-Tees increased by 15.6%. This rate of growth is significantly higher than the regional (8.0%) and national (8.9%) average over the same period. This level of growth has been supported by:
- Higher business birth rates over the same period in Stockton-on-Tees (63.1%) in comparison to the regional (45.7%) and national (48.5%) average; and
  - Falling business closure rates, reducing from 615 per annum in 2009 to 550 in 2014 (-10.6%). This rate of decline is higher than the regional (-6.4%) average and broadly in alignment with national (-11.4%) trends.
- 3.31 This indicates that a higher proportion of business start-ups in Stockton-on-Tees have been successful in comparison to the regional average. However, in relative population terms, annual business formation rates, equivalent to 73 new businesses per 10,000 working age residents – whilst higher than the North East average (58) – fall below the UK average (85).

## Labour Market Conditions

### Unemployment

- 3.32 The economic activity rate (i.e. the share of working-age residents either in or seeking employment) in Stockton-on-Tees, at 77.3%, is higher than the regional (74.9%) average and similar to the national (77.7%) average.<sup>11</sup>

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<sup>9</sup> NLP analysis of Business Register and Employment Survey Data (2014)

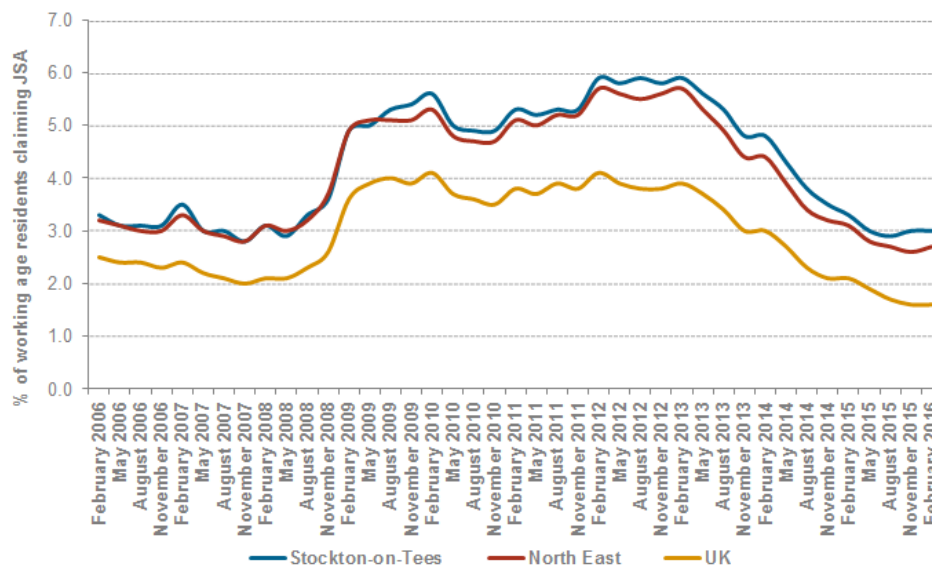
<sup>10</sup> Stockton-on-Tees Borough Council, (2014), Local Economic Assessment, p.33

<sup>11</sup> ONS Annual Population Survey (October 2015-September 2015)



- 3.33 In line with regional and national trends, claimant unemployment levels rose significantly in Stockton-on-Tees from August 2008 onwards, peaking at 5.9% in February 2013. From February 2013 onwards, the proportion of working age residents claiming JSA has generally been on a downward trajectory and now aligns with the pre-recession average.
- 3.34 The current rate of unemployment at 3.0% is comparable to the regional (2.7%) average, but significantly higher than the national (1.6%) average.<sup>12</sup>

Figure 3.8 Employment Change (2009-2014)



Source: ONS JSA Claimant Data / NLP Analysis

- 3.35 On the wider Annual Population Survey measure<sup>13</sup>, the unemployment rate in Stockton-on-Tees (7.0%) is lower than the regional average (7.6%) but higher than the UK average (5.4%).<sup>14</sup>
- 3.36 The proportion of working age residents claiming Employment and Support Allowance (ESA) and incapacity benefits provides another indicator of labour market participation. In Stockton-on-Tees this is equivalent to 7.3% of working age claimants, which is again lower than the regional average of 8.4% but above the national equivalent of 6.3%.<sup>15</sup>

## Skills

- 3.37 The skills base of the resident workforce of Stockton-on-Tees is higher than the regional average. The Borough contains a higher proportion of residents with graduate level (NVQ level 4+) qualifications (34.0%) than the North East

<sup>12</sup> ONS claimant count (January 2016)

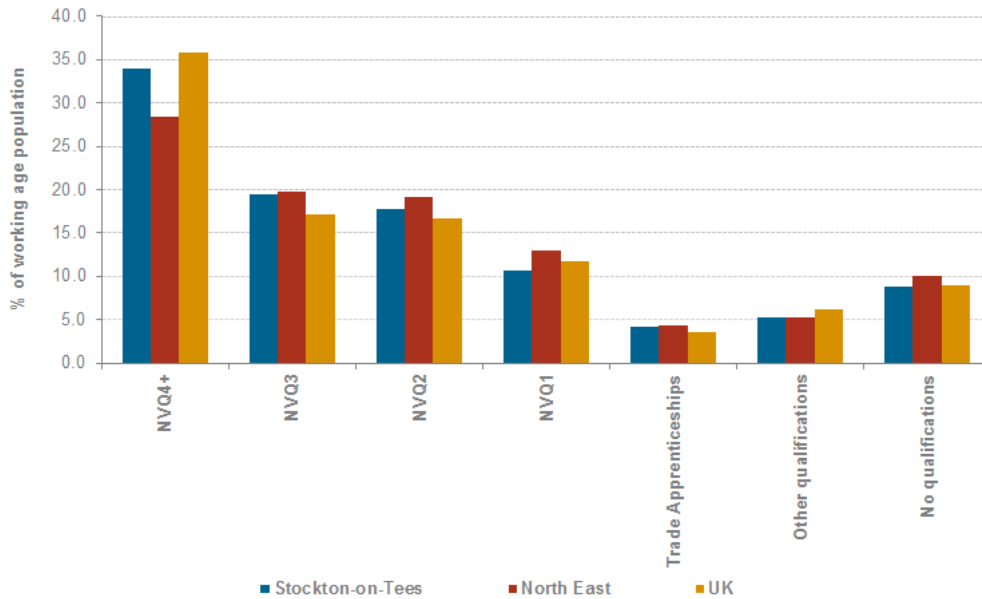
<sup>13</sup> This records all those searching for work but who are currently unemployed regardless of whether they are claiming jobseekers allowance or not

<sup>14</sup> ONS Annual Population Survey (October 2015-September 2015)

<sup>15</sup> DWP benefit claimants - working age client group (August 2015)

average (28.4%). The proportion of residents with no qualifications (8.8%) is also lower than both the regional (10.0%) and national (9.0%) average.

Figure 3.9 Highest qualification of working age residents



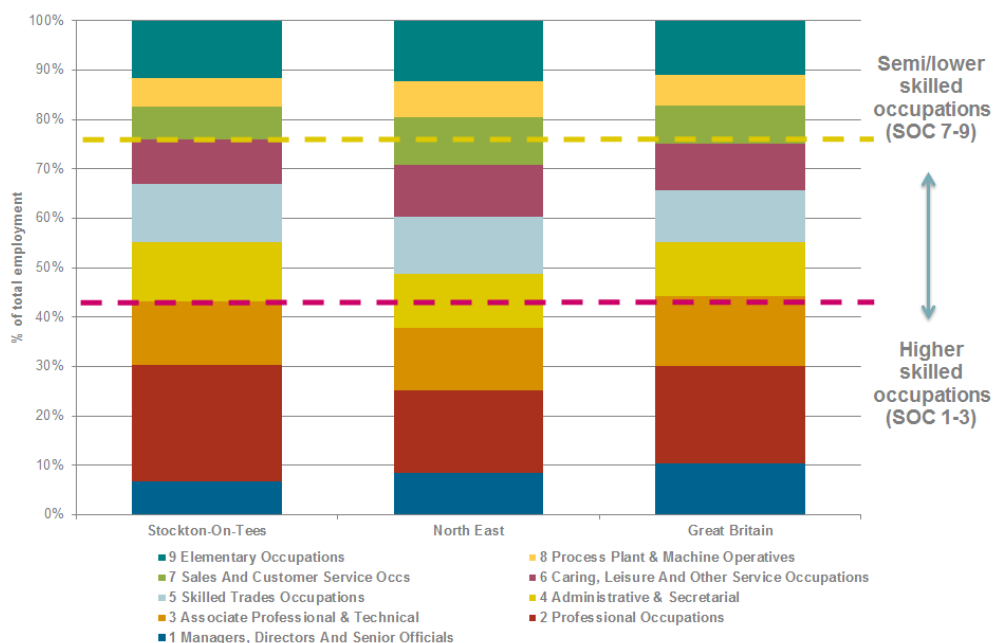
Source: Annual Population Survey Jan 2014-Dec 2014

### Occupational profile

3.38

The occupational profile of the Borough is broadly comparable with the national average, although both differ from the regional average. In comparison with the North East, Stockton-on-Tees is characterised by a higher proportion of residents in managerial, professional and associate professional/technical jobs (42.9%) than the regional average (37.5%). In contrast, the Borough has a lower concentration (23.8%) of semi and lower skilled workers (including: sales and customer service occupations; elementary occupations; and process, plant and machinery operatives) than the regional average (29.0%).

Figure 3.10 Occupational Breakdown of Resident Population (October 2014- September 2015)



Source: Annual Population Survey / NLP Analysis

3.39 In contrast, an analysis of the type of jobs required by claimant unemployed residents represents the reverse trend to that presented above. Semi and lower skilled occupations are the most commonly sought by those residents looking for work, including: sales and customer service occupations (54.9%); elementary occupations (18.5%); and process, plant and machinery operatives (4.5%), compared to a total of 7.2% of claimants seeking work in higher skilled occupations (SOC 1-3).

## Wages

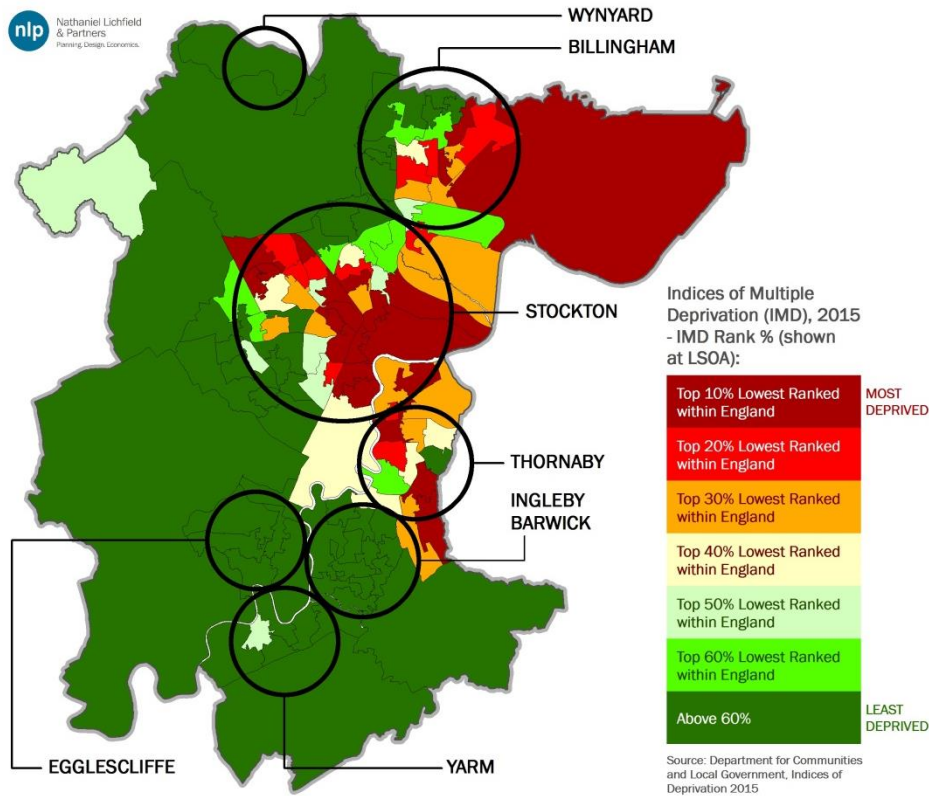
3.40 Resident wages in Stockton-on-Tees (£502.50 gross per week) stand at 95% of the national average (£529) and are higher than the North East average (£484.80). The wages of workers within Stockton-on-Tees are lower than resident earnings (£490.80 gross per week), but are broadly in alignment with the North East average (£488.70).

## Deprivation

3.41 Stockton-on-Tees is ranked as the 130<sup>th</sup> most deprived local authority out of 326 in England<sup>16</sup>, making it one of the 40% most deprived areas nationally. Analysing the data at a more localised level (Figure 3.11) shows that deprivation varies significantly across the Borough, with pockets of acute deprivation located in the towns of Stockton, Billingham and Thornaby.

<sup>16</sup> English Index of Multiple Deprivation (2015)

Figure 3.11 Deprivation



Source: English Indices of Deprivation 2015 / NLP Analysis

## SWOT Analysis

- 3.42 Table 3.2 provides a summary of the analysis contained within the preceding paragraphs.
- 3.43 The information is drawn together in order to identify the economic strengths and weaknesses of Stockton-on-Tees, as well as the key potential opportunities and threats. Clearly, all of the factors summarised in the table offer the potential to influence the Borough's ability to support the delivery of, and demand for, new employment space over the Plan period.

Table 3.2 SWOT Analysis of Stockton-on-Tees

Strengths	Weaknesses
	<p style="text-align: center;">Stockton, Billingham and Thornaby</p>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Strong links to Middlesbrough and wider Tees Valley employment opportunities</li> <li>• Jobs growth evident in the east of Stockton town centre and Wynyard</li> <li>• Health, business administration &amp; support services and wholesale biggest drivers of jobs growth in absolute terms</li> <li>• Economic activity rate of working age population slightly lower than national average- suggesting some capacity to expand on this</li> </ul>	<ul style="list-style-type: none"> <li>• Low working age population growth and an ageing population</li> <li>• Similar growth sectors targeted across the Tees Valley, presenting competition in retaining opportunities in Stockton</li> <li>• Long term viability of Durham Tees Valley Airport unclear</li> <li>• High proportion of residents seeking work in low skilled occupations in contrast to local employment profile</li> <li>• Worker wages lower than resident wages</li> </ul>

Source: NLP Analysis

## 4.0 **Growth Sectors**

4.1 This section seeks to provide an understanding of those employment sectors that could be expected to drive economic growth in Stockton over the Plan period. The analysis draws primarily upon research published by TVU and SBC.

### **Strategic Economic Plan: Priority Sectors**

4.2 The Strategic Economic Plan for the Tees Valley sets out a core ambition of generating 25,000 new jobs by building upon the area's competitive advantages. In order to achieve this, TVU identify the following emerging sectors with the strongest potential to drive economic growth:

- Oil and gas;
- Chemicals and process;
- Advanced manufacturing and engineering;
- Automotive and aerospace;
- Healthcare (life sciences, healthcare & biotec);
- Logistics;
- Digital;
- Professional business services; and
- Renewable energy.<sup>17</sup>

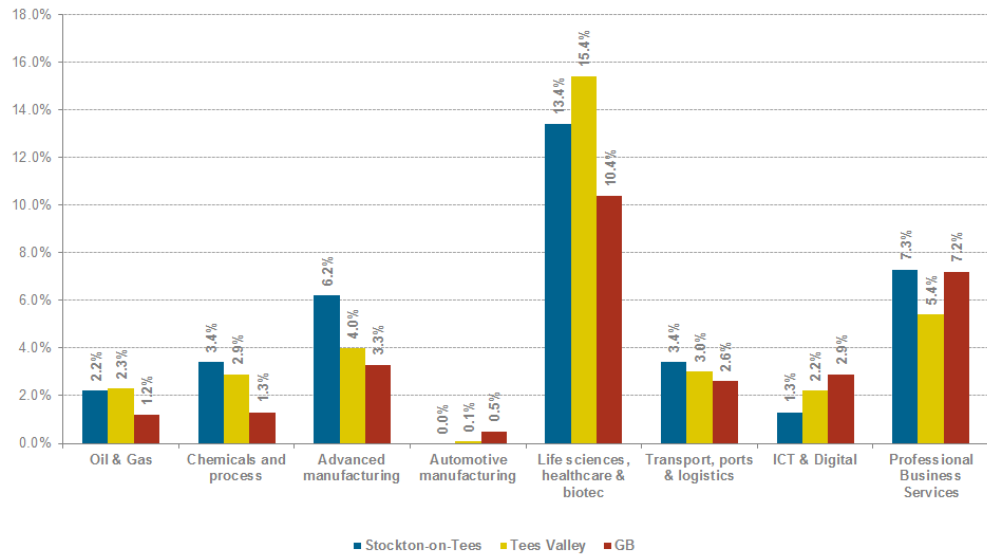
### **Priority Sectors: Local Performance**

4.3 An analysis of the representation of these sectors undertaken as part of the Stockton-on-Tees Local Economic Assessment (LEA) (with the addition of professional business services), indicates that 4 out of 8 of these sectors are over-represented relative to the Tees Valley average, and 6 out of 8 are over-represented relative to the national average.

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<sup>17</sup> <https://teesvalley-ca.gov.uk/business/key-sectors/>

Figure 4.1 TVU growth sector representation 2012



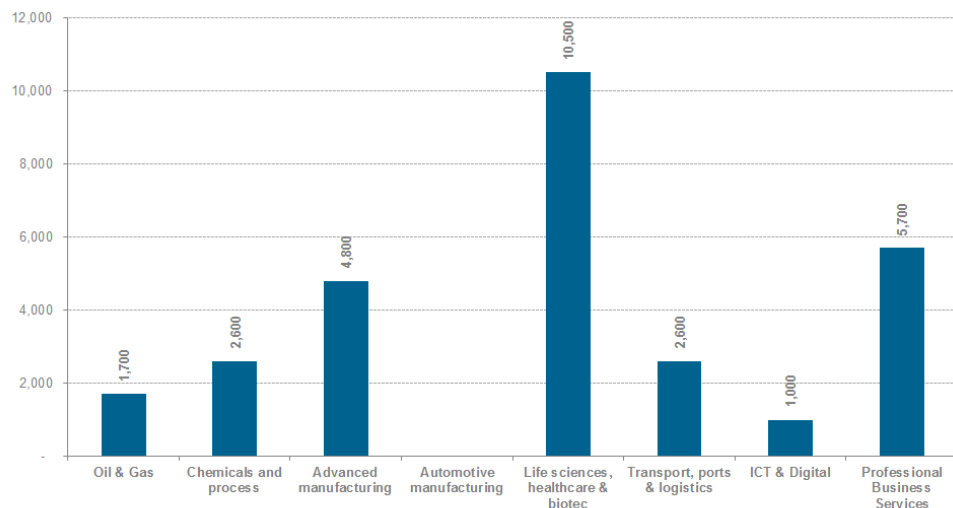
Source: Stockton-on-Tees Council, (2014), LEA / BRES / NLP analysis

**Note:** It is not possible to generate figures for renewable energy from the SIC definitions and it has therefore been excluded from this analysis. For the purposes of this analysis, Professional Business Services has been defined as SICs 68-74.

4.4

As demonstrated within Figure 4.2, life sciences, biotec and healthcare represents the largest growth sector employer in Stockton-on-Tees, accounting for 10,500 jobs. In addition to containing a higher representation of employment than the Tees Valley average, professional business services and advanced manufacturing also contain a high level of employment (with 5,800 and 4,800 employees respectively).

Figure 4.2 Total Growth Sector Employment 2012



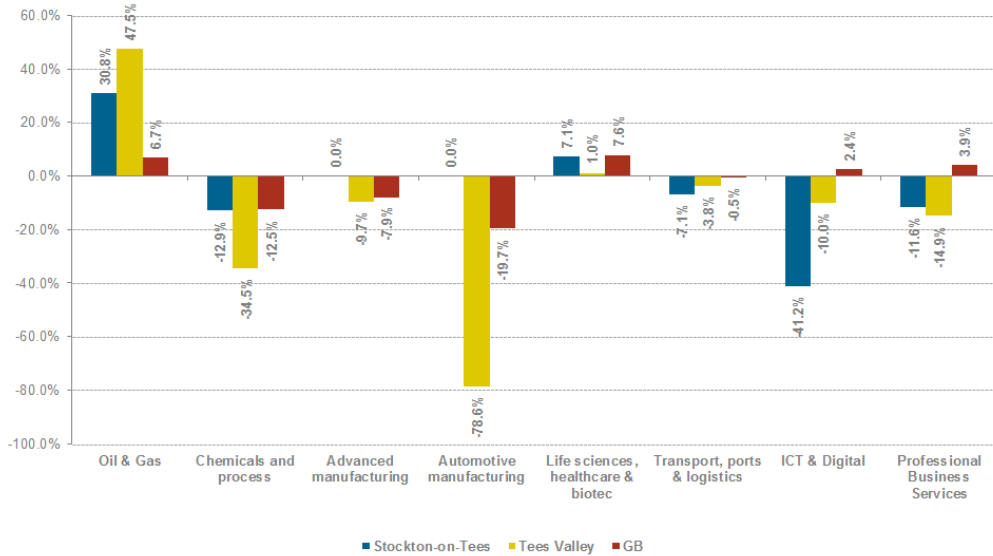
Source: Stockton-on-Tees Council, (2014), LEA / BRES / NLP analysis

4.5

Employment growth within these sectors over the period 2008-12, as detailed in Figure 4.3, has been strongest in the oil and gas sector (+30.8%). Life sciences, healthcare & biotec also experienced growth over this period

(+7.1%), during a time in which all other sectors experienced a contraction in employment at both the Stockton-on-Tees and Tees Valley level.

Figure 4.3 Employment growth 2008-2012

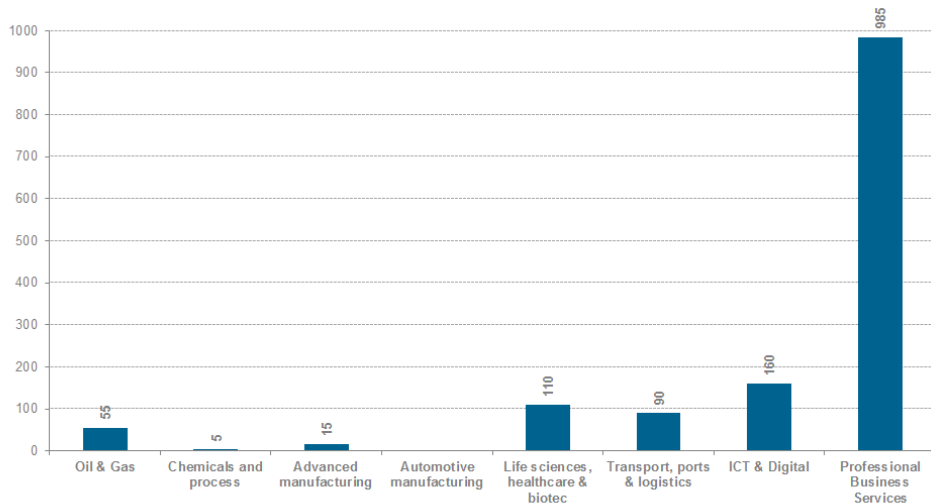


Source: Stockton-on-Tees Council, (2014), LEA / BRES / NLP analysis

4.6

Analysis by number of businesses indicates that the professional business services sector has the largest number of businesses of any growth sector in Stockton-on-Tees. ICT & digital forms the second largest with 160, followed by life sciences, healthcare & biotec, with 110. By contrast, chemicals and metals processing had only 5 businesses and advanced manufacturing 15, however, these sectors tend to be dominated by larger firms.

Figure 4.4 Growth sectors by number of businesses (2011)



Source: Stockton-on-Tees Council, (2014), LEA / ONS Business Counts / NLP analysis

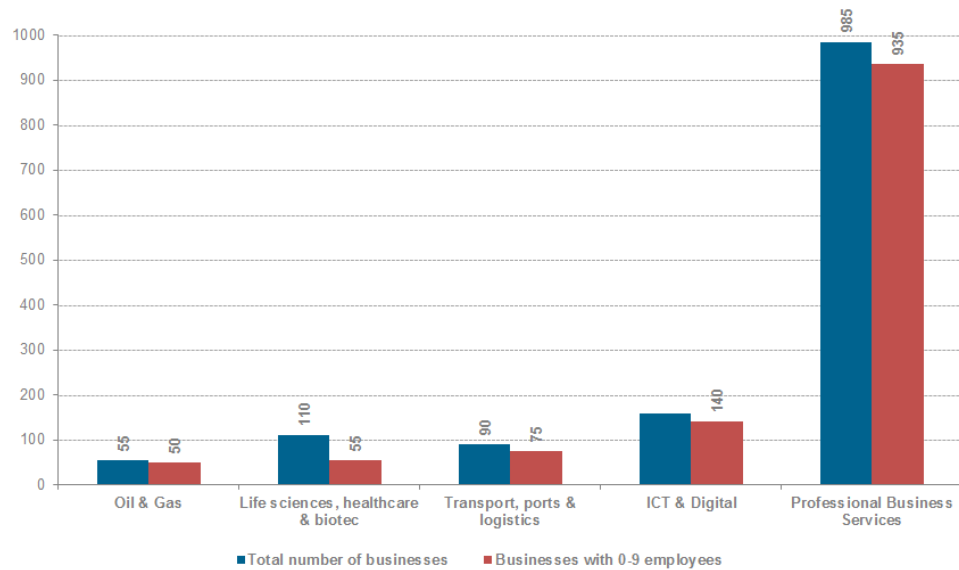
4.7

This is also reflected in an analysis of small enterprises, which reveals that over 90% of firms in the oil & gas and professional business services sectors have less than 10 employees. Given that business counts are rounded to the



nearest 5, it is recognised that the data may omit some significant growth sector enterprises, where there are fewer than 5.

Figure 4.5 Total number of businesses and small enterprises



Source: Stockton-on-Tees Council, (2014), LEA / ONS Business Counts / NLP analysis

4.8

In summary, Stockton-on-Tees demonstrates key strengths in relation to a number of the TVU growth sectors, including:

- **Chemicals and process** with a higher representation of employment than the Tees Valley average, concentrated within a small number of larger firms;
- **Advanced manufacturing** accounting for almost 5,000 jobs and with a stronger representation of employment than the Tees Valley average;
- **Life sciences, healthcare & biotec** accounting for over 10,000 jobs and with a higher level of growth than the Tees Valley average;
- **Transport & logistics** with a higher representation of employment than the Tees Valley average, concentrated within small enterprises; and
- **Professional business services** with a higher representation of employment than the Tees Valley average and over 900 small enterprises.

4.9

TVU's Key Sectors brochure also highlights a range of strengths which will support further development of these sectors within Stockton-on-Tees and the wider Tees Valley:

- **Chemicals and process:** home to the largest integrates chemical complex in the UK and the second largest in Western Europe in terms of manufacturing capacity providing established expertise and strong supply chain links. In Stockton-on-Tees, key concentrations of activity include Billingham and Seal Sands, which are home to a number of international companies such as CF Fertilisers and Johnson Matthey;

- **Advanced manufacturing:** with a large, successful cluster of advanced manufacturing and engineering businesses operating across the aerospace, automotive, renewable energy and chemicals sectors. In Stockton-on-Tees specifically, the chemicals cluster at Billingham provides the main focus of activity, with key companies including Esterline Darchem;
- **Transport & logistics:** with excellent road, rail, port and airport connections, the Tees Valley is highly accessible and provides an ideal location for logistics. Teesport also forms the largest exporting port in the UK and has experienced significant growth in recent years. Capitalising on these strengths, key logistics companies based within Stockton-on-Tees include Peel Group, Clipper Logistics and Prestons of Potto;
- **Professional business services:** strong transport connections, low operating costs and competitive wage rates create an attractive location for professional business services industries within the Tees Valley. In Stockton-on-Tees, a number of business centres located in and around the town centre, Wynyard and Billingham have supported the development of business services activities; and
- **Life sciences, healthcare & biotec:** building on the strengths of advanced manufacturing and research centres including the Centre for Process Innovation in Darlington and the South Tees Institute of Learning, Research and Innovation in Middlesbrough provide key strengths in research and development in the field of health. In Stockton-on-Tees, Durham University's Centre for Integrated Health Care Research also provides an academic interface for health care professionals, providing research training and mentoring to primary care professionals.

4.10

Overall, TVU consider that the Tees Valley is well placed to build on these strengths, capitalising on a skilled workforce, supply chains and existing infrastructure. The Council's LEA also highlights that over 5,000 residents of Stockton-on-Tees are employed as scientists, engineers and technology professionals and associate professionals, demonstrating the strengths and skills of the local workforce.

## 5.0 **Understanding Business Needs**

5.1 The Practice Guidance [paragraph 30] identifies the need to ensure that Local Plans are underpinned by an understanding of business needs. In particular, it highlights the need to consider market intelligence – gathered through a range of approaches including those outlined below – in determining future requirements for employment space:

- Discussions with developers and property agents;
- Surveys of business needs; and
- Engagement with business and economic forums.

5.2 This ELR has been underpinned by – and its conclusions informed by – extensive engagement with local stakeholders and businesses, including the following methods of consultation:

- 1 Discussions with commercial property agents active in the Stockton area;
- 2 Telephone interviews with key economic stakeholders and business groups;
- 3 A bespoke business survey undertaken as part of the ELR process; and
- 4 A stakeholder workshop.

5.3 This section of the report provides a summary of the main findings emerging from items 2-4 listed above. It should be noted that the discussions held with commercial property agents were undertaken to inform Sections 6.0 and 7.0 and the key messages identified are reported within these sections.

### **Business Survey**

5.4 A comprehensive business engagement exercise led by the TVCA was undertaken during summer 2015 (results were published in November 2015) and covered many of the issues that would ordinarily be explored as part of a bespoke ELR business survey. Mindful of this, as well as the need to ensure that local businesses do not feel that they are being ‘over consulted’, SBC requested that the ELR drew upon the results of the TVCA exercise.

5.5 It should be noted that, in accordance with the confidentiality assurances provided by the TVCA to participants, NLP were not provided with access to the raw data collated through the exercise. Rather, a summary report was compiled by the TVCA, which provided an overview of the responses received – from Stockton-based businesses – to each question identified by NLP as being relevant to the ELR process.

### **Business Background**

5.6 In total, 117 businesses located within the Borough responded to the TVCA survey. The sample included businesses of varying sizes, ranging from sole traders/self-employed (15%) to those with in excess of 250 employees (8%).

As can be seen from Table 5.1, almost half of all participating businesses employ less than 10 staff. A further 23% of businesses indicated that they employment between 10 and 49 members of staff.

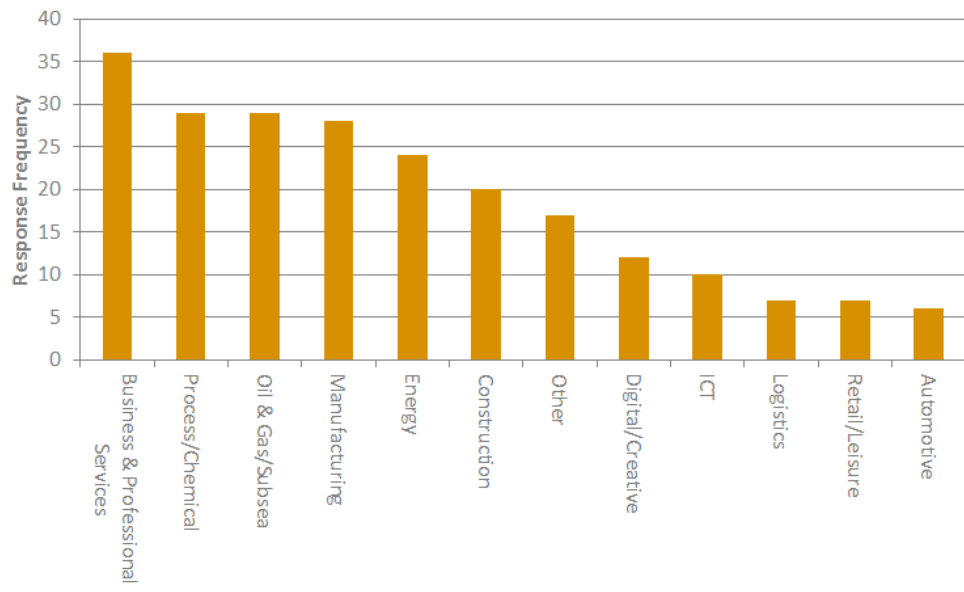
Table 5.1 Business Survey Respondents by Size

Size of Business	Respondents	Cumulative Distribution
Sole Trader/Self Employed	18	15%
1-4 Staff	22	34%
5-9 Staff	16	48%
10-49 Staff	27	71%
50-99 Staff	14	83%
100-149 Staff	7	89%
150-249 Staff	4	92%
250+ Staff	9	100%
<b>Total</b>	<b>117</b>	

Source: TVCA / NLP analysis

- 5.7 Almost three quarters (72%) of respondents classified themselves as operating from a single site located within Stockton-on-Tees. A further 14% of businesses classified themselves as being headquartered within the Borough but with operations located elsewhere in the UK or globally.
- 5.8 In addition to the above, 15% of respondents classified their Stockton-on-Tees operation as a branch or subsidiary governed by headquarters located elsewhere in the UK or internationally.
- 5.9 Participating businesses operate across a wide range of sectors, as can be seen from Figure 5.1. This illustrates that Business & Professional Services was the most frequently cited sector (36) – possibly reflecting the Borough’s status as one of the key office locations in Tees Valley. This was followed by a number of sectors more closely associated with B1c/B2 land and premises, including: Process/Chemical (29); Oil & Gas/Subsea (29); Manufacturing (28); and Energy (24). All five are identified within the SEP as key sectors or sectors that provide growth opportunities moving forward.
- 5.10 It should be noted that respondents had the ability to select more than one sector.

Figure 5.1 Sectoral Focus of Respondent Businesses



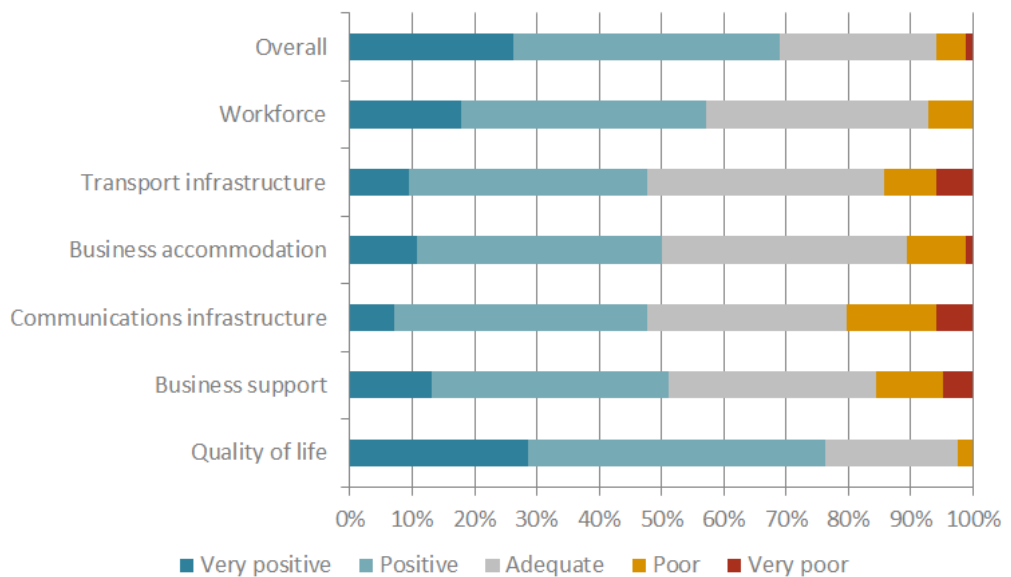
Source: TVCA / NLP analysis

## Tees Valley as a Business Location

5.11

Businesses were asked by the TVCA to provide their views on Tees Valley as a business location, both in general terms and specifically in relation to a range of key criteria. The results are summarised in Figure 5.2. In overall terms, 69% of respondents in Stockton-on-Tees indicated that their view of Tees Valley as a place to do business was positive or very positive.

Figure 5.2 Respondent Views of Tees Valley as a Business Location



Source: TVCA / NLP analysis

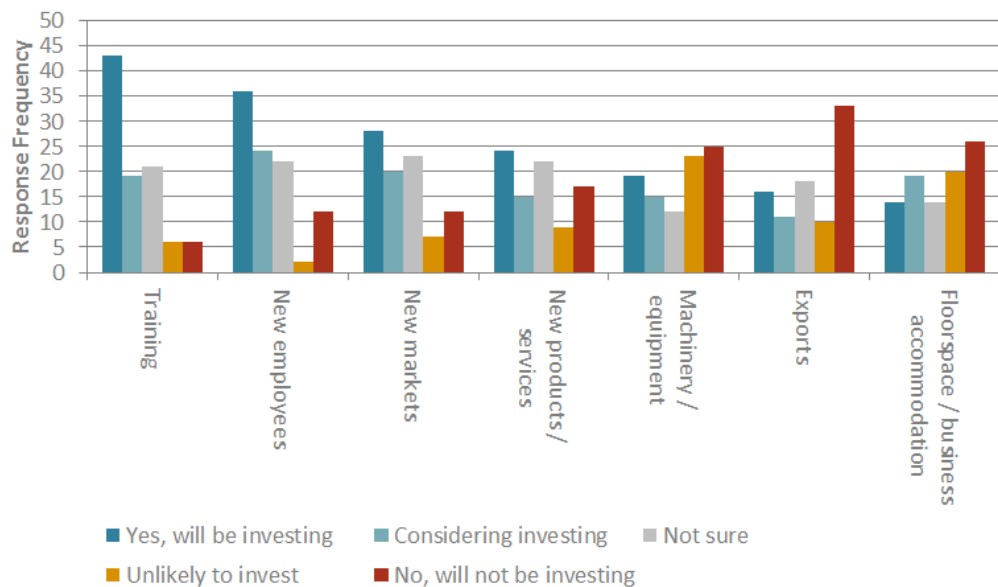
- 5.12 It can be seen from Figure 5.2 that quality of life was identified as a key strength of the area, with 77% of respondents identifying this as a positive or very positive aspect of Tees Valley's offer to businesses.
- 5.13 In contrast, respondents awarded the poorest score in relation to communications infrastructure. It should, however, be noted that the percentage of businesses viewing this as poor or very poor (20%) was still significantly lower than the proportion that expressed a positive opinion on the communications infrastructure in the area (48%).
- 5.14 On the issue of business accommodation – of particular interest within the context of the ELR – a modest 50% of respondents expressed a view that this was a positive or very positive aspect of the Tees Valley offer. The provision of business accommodation was considered as poor or very poor by 11% of respondents.

### **Anticipated Future Growth**

- 5.15 The TVCA survey also sought to generate an understanding of the short term growth plans of the local business base. Whilst this provides a useful understanding of business sentiment at a point in time, it is important to note that the responses outlined above pre-date the outcome of the July 2016 referendum on Britain's membership of the European Union.
- 5.16 Participants were asked to outline the likelihood of investment over a 12 month period with respect to a range of potential categories of investment, as outlined in Figure 5.3. It should be noted that respondents had the ability to select more than one option.
- 5.17 Figure 5.3 shows that, at the time of the TVCA survey, 62 respondent businesses within Stockton were planning to invest or considering investing in training, with 60 businesses making a similar commitment with respect to hiring new employees. These figures correspond to more than half (53% and 51% respectively) of all respondents.
- 5.18 The overall outlook emerging from the survey was also positive with regards to investment proposals relating to new markets and new products/services, with more businesses seemingly likely to invest than not. In contrast, a greater proportion of respondents indicated that they were unlikely to invest or would not be investing in: machinery/equipment; exports; and floorspace/business accommodation.
- 5.19 The issue of planned investment in business accommodation is particularly pertinent to this study. As outlined above more participants responded negatively than positively on this particular issue. This is perhaps unsurprising when one considers the significant financial commitment and operational upheaval associated with extending or renovating existing premises (or relocating) in comparison with – for instance – investment in training or in seeking to penetrate new markets.

5.20 Within this context the results on this particular issue should not necessarily be viewed as disappointing. Rather, the survey work would appear to highlight the existence of 33 businesses within Stockton (28% of all participant firms in the Borough) that expected to invest or were considering investing in new or improved business accommodation at the time of the TVCA survey. A further 14 respondents were unsure of their short term accommodation plans.

Figure 5.3 Respondents' investment plans over next 12 months



Source: TVCA / NLP analysis

5.21 Figure 5.3 provides a summary of planned investment in employment premises by type (drawing upon data collected through the TVCA survey). The chart is based upon 42 responses, despite only 33 businesses indicating that they were committed to or considering such investment. It is understood that the difference in the two figures is likely to be as a result of:

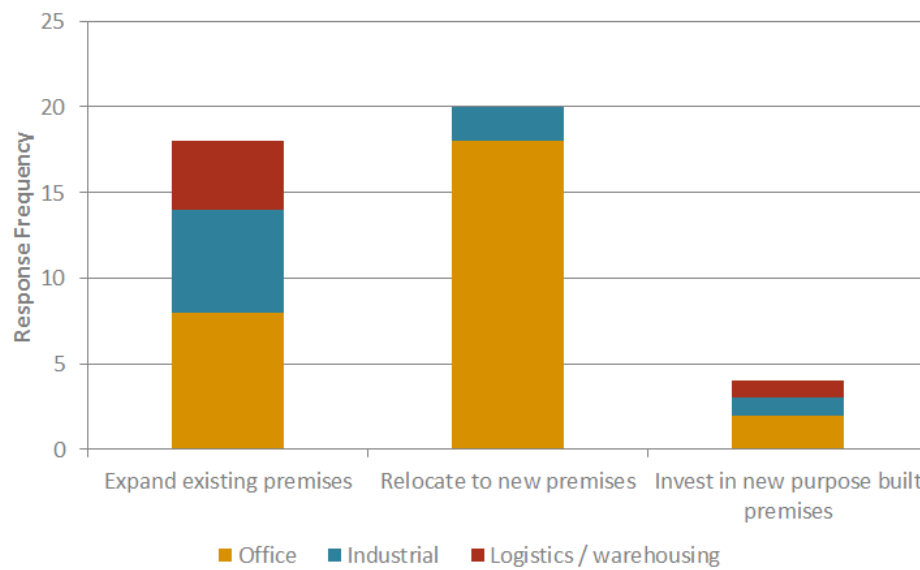
- Respondents having the opportunity to select more than one option. For instance, some of those businesses considering a relocation to new premises may also be considering the expansion of their existing site or the development of purpose-built accommodation; and
- The possibility that some businesses classifying themselves as 'unsure' of their short term investment plans in relation to business accommodation provided a response regarding the type of space they could potentially require moving forward.

5.22 From the chart it can be seen that the majority of responses (28) were provided by businesses seeking office premises. This is significantly higher than the 9 responses from businesses seeking manufacturing space or the 5 relating to logistics/ warehousing premises. It is recognised that office occupiers are well represented within the sample (most notably the business & professional services and digital/creative sectors). However, the sectoral composition of the sample would appear unlikely to account exclusively for the significantly more

positive outlook in respect of investment in accommodation by office occupiers relative to other types of B class premises. This is particularly true when one considers that a number of manufacturing sectors are also well represented within the sample.

5.23 Figure 5.4 also illustrates that relocating to new premises was most frequently cited as a potential response by those firms considering investing in business accommodation. This is particularly true in relation to office occupiers and may perhaps reflect – at least in part – the existing overhang of good quality office space in the Borough. The expansion of existing premises also emerged as a popular option and with a far more even representation across the B class uses.

Figure 5.4 Planned investment in employment floorspace / premises by type



Source: TVCA / NLP analysis

5.24 The TVCA business survey asked participants to provide an indication of the likelihood of them increasing their employment base within a 12 month period. The data collated by the TVCA is in a format that enables it to be disaggregated by sector, with the results summarised in Table 5.2.

5.25 This shows that a number of businesses, operating across a range of sectors, expect to grow in employment terms. Indeed, 50% or more of all participants in the following sectors responded positively on the issue: transport/logistics; digital/creative; retail/leisure; low carbon; manufacturing; ICT; and automotive.

5.26 It is important to acknowledge the small sample size when one is seeking to consider individual sectors in isolation. This clearly makes it difficult to extrapolate any conclusions up to apply to the sector as a whole across the local authority level. As such, the data contained within Table 5.2 should be interpreted with caution.



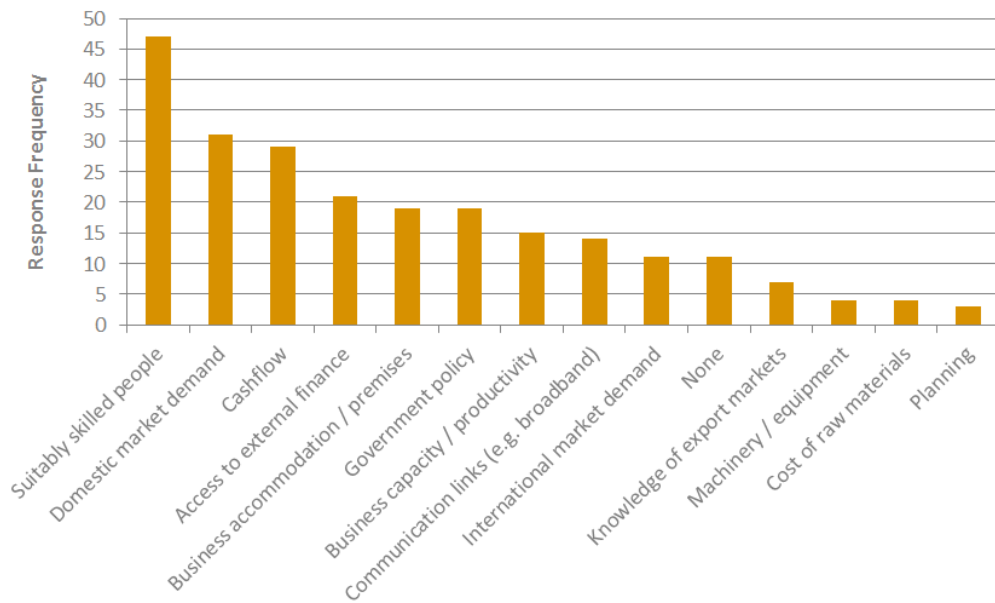
Table 5.2 Proportion of businesses expecting employee growth over next 12 months - by sector

Sector	Proportion Anticipating Growth	Sample Size
Transport / Logistics	71%	7
Digital / Creative	58%	12
Retail / Leisure	57%	7
Low Carbon	57%	7
Manufacturing	50%	28
ICT	50%	10
Automotive	50%	6
Business & Professional Services	47%	36
Other	47%	17
Construction	45%	20
Process / Chemicals	45%	29
Energy	42%	24
Food & Drink	38%	13
Oil & Gas / Subsea	38%	29

Source: TVCA / NLP analysis

- 5.27 Participants were asked, by the TVCA, to identify any factors which were perceived to be constraining – or to have previously constrained – the growth of their business. A summary of the responses received is provided at Figure 5.5.
- 5.28 This illustrates that issues related to business premises/accommodation were cited by 19 participants, with planning-related issues cited by just 3. Details of the precise nature of the issues underpinning these responses have not been made available to NLP.
- 5.29 It can be seen from Figure 5.5 that the following factors were cited with greater regularity than business accommodation: skills; domestic market demand; cashflow; and access to external finance. This would appear to suggest that, whilst it is important for businesses to be able to access space that meets their needs at a price that is not prohibitive, other issues are viewed as presenting a more immediate challenge to the growth of businesses in the Borough.

Figure 5.5 Perceived obstacles to business growth



Source: TVCA / NLP analysis

## Stakeholder Interviews

5.30 NLP held one-to-one interviews with a selection of key economic stakeholders and business representative groups. These sessions, which took the form of meetings and structured telephone interviews, were used to explore the opportunities and threats facing the Borough’s economy and any employment space response necessitated by such issues.

5.31 The feedback received can be summarised as follows:

### The Role and Function of the Stockton Economy

- Overall, businesses based in Stockton are understood to be positive about their future growth prospects. This positivity is understood to reflect: significant town centre improvements and regeneration initiatives such as North Shore; and opportunities to capitalise on supply chain opportunities linked to Hitachi;
- Stockton’s economic role and function is underpinned by the key attributes of the process industry and the ‘working’ river:
  - Employment sites and infrastructure on the riverfront enable the River Tees to function as a working river. This is an attractive proposition to the offshore sector –as evidenced by the fact that the TVCA are currently dealing with a live enquiry from the sector;
  - The Tees Valley process industry is focussed on three key sites, two of which – Seal Sands and Billingham – are located within Stockton. The Tees Valley is recognised as a globally significant process industry location, with its competitive position underpinned

by: a long history of activity; an appropriately skilled workforce; and a well-established supply chain; and

- Stakeholders also highlighted the importance of the following to Stockton's appeal as a business location: good road connectivity; quality of life offer; and recent investment in Stockton Town Centre.

## **Commercial Property Markets**

- The Stockton and Middlesbrough conurbation is generally recognised as the focus of the Tees Valley office market. Recent growth in the sector has focused on: Teesdale Business Park (business and professional services); Wynyard (business and professional services); Belasis Business Park (office requirements linked to the process industries); and start-up provision in Stockton town centre;
- Stakeholders indicated that Teesdale Business Park has played an important role in the development of Stockton as an office location. However, it was suggested that some of the older space on the estate is now in need of refurbishment to ensure that the area remains attractive to office occupiers;
- Demand for smaller office premises and start-up space was considered to be strong, although stakeholders recognised that the viability of development remains a challenge;
- It was suggested by stakeholders that a need exists for greater provision of modern, fit-for-purpose industrial units – particularly in Eaglescliffe and Billingham.

## **Key Growth Opportunities**

- 5.32 Stakeholder discussions identified a number of sectors that are considered to offer the potential make an important contribution to economic growth in the Borough (and the demand for land and premises) over the Plan period. These are summarised below, with any potential constraints also considered.
- 5.33 More generally, stakeholders also highlighted the important role that the universities of Teesside and Durham play in supporting the enhanced economic competitiveness of Stockton-on-Tees. It is understood that Teesside University, for instance, has a Business Engagement Strategy that places significant emphasis on driving innovation and knowledge transfer throughout the Tees Valley, as well as encouraging and supporting graduate start-ups.
- 5.34 The research specialisms of the University include a number of areas that align well with the economic strengths of the local economy, demonstrating the value of such an approach. Indeed, research institutes based at Teesside University include:
- The Technology Futures Institute: an international leader in key areas of research and innovation related to sustainable engineering, advanced processing and measurement and control;

- The Digital Futures Institute: host to a range of research activities in the computing and digital sectors, with a focus on the development of new technologies; and
- The Health and Social Care Institute: undertaking cutting edge research on a range of modern health problems.

5.35 Additionally, Teesside University has recently been appointed to lead a £4m project on behalf of the TVCA, which aims to increase the number of innovative companies across the Tees Valley. In collaboration with other innovation providers (including NEPIC, MPI and Digital City) Teesside University will be identifying eligible businesses (through a business diagnostic exercise) and providing them with access to a range of support, including: tailored advice and guidance from business innovation managers; graduate placements; procurement of specialist technical mentors from outside of the Tees Valley.

5.36 A summary of the key sectoral growth opportunities highlighted through stakeholder discussions is provided below:

- **Engineering:** the engineering and manufacturing sector is experiencing some changes at present. Supply chain opportunities related to oil and gas have provided a significant volume of work in recent years, however, this has diminished and is not expected to return to previous levels;
- The decline in oil and gas is being offset by other opportunities (including process engineering and renewable energies such as offshore, tidal and biomass) and general sentiment in the sector is largely positive;
- Offshoring of activity to low cost economies is now considered to be less of a threat, with some instances of re-shoring observed in recent years. Stakeholders advised that engineering businesses in Stockton-on-Tees are, in some instances, competing successfully with firms in Eastern Europe for international contracts;
- A shortage of high bay workshops of c.20,000sq.ft. with crane facilities was reported by the Teesside Engineering Network. SBC also indicated that requirements for large industrial premises in the Borough were proving difficult to satisfy and that there is a risk that this could prevent businesses from expanding in, or relocating to, the area;
- **Professional and Business Services:** the TVCA reported observing an upturn in inward investment interest from the sector in recent months, with a number of Business Process Outsourcing (BPO) enquiries during the past 6 months;
- With respect to BPO opportunities, Stockton benefits from an existing cluster of activity, as well as a loyal workforce (with low staff turnover) and low office rents (a significant benefit in a particularly cost competitive sector);

- BPO opportunities often require a quick resolution, however, and the availability of space (as opposed to development sites) is therefore critical. Stockton currently suffers from a shortage of large office premises (30,000 to 40,000sq.ft) and this is constraining the Borough's ability to compete successfully;
- Notwithstanding the above, the North East Chamber of Commerce reported the existence of skills shortages in some professional service industries, including law and accountancy;
- **Healthcare/Life-sciences:** FUJIFILM Diosynth's mammalian cell culture cGMP manufacturing facility in Billingham is one of the largest biologics facilities in the world and the first of its kind in the UK. A range of factors were identified in discussions with the TVCA as providing opportunities to grow the sector, within Stockton, including:
  - The presence of a world-renowned business (FUJIFILM) supported by a network of smaller healthcare manufacturing firms;
  - An academic network that is plugged into the needs of the industry;
  - An emerging R&D structure underpinned by activity being led by CPI;
- It is understood that enquiries from the sector are relatively infrequent at present, however, the TVCA has a clear ambition to build upon the area's existing offer;
- At present the scope to pro-actively market the life-science credentials of Stockton is limited due to the lack of an adequate premises offer. A high quality premises offer (laboratory space or good quality office space capable of being converted to laboratory space) is essential to enable the area to compete successfully; and
- It was suggested that the development of R&D incubator facilities, as well as appropriate move-on accommodation are required if Stockton is to maximise the opportunity that exists in this particular sector. Belasis Business Park was identified as the most logical location for such a development.

## Process Industries

- The Tees Valley is recognised as a globally significant process industry location, with Stockton-on-Tees accounting for two of the area's three key sites (Seal Sands and Billingham);
  - Activity at Billingham is understood to focus more on fabrication;
  - Seal Sands is viewed by stakeholders as more of a petrochemical location. The area includes the *New and Renewable Energy Park*, a 41.3ha EZ site which was recently cleared and levelled in order to ready the site for investment;

- Discussions with NEPIC identified the presence of a growing and varied supply chain largely concentrated in areas close to the key process industry sites. The supply chain includes a broad range of engineering and logistics firms, as well as support services (including analytical companies and legal and other business support functions);
- The infrastructure offer in Stockton is strong, with excellent grid access and a network of underground pipes connecting to Wilton International and Teesport;
- NEPIC highlighted that demand from the industry has been strong in recent years, with the existing infrastructure, skills and supply chain identified as key strengths of the area;
- Recent investment by SABIC to enable the Wilton 'Cracker' to take ethane is viewed as significant in helping to secure the long term supply and cost competitiveness of feedstock to the Tees Valley process industry. In addition, it represents a major investment by a globally significant company, helping to improve confidence;
- Stakeholders were of the view that land at Seal Sands and Billingham should be assessed separately from the Borough's general stock of employment land. It was suggested that Local Plan policies should ring-fence such sites in order to protect against encroachment by general industrial uses;
- Notwithstanding the above, stakeholders highlighted the need to provide a degree of flexibility within the relevant Local Plan policies. Allocating the sites simply for petrochemical uses, for instance, could constrain the Borough's ability to compete for opportunities in emerging sectors such as energy from waste;
- NEPIC also stressed the importance of ensuring that the development potential (or perceived development potential) of sites such as Seal Sands is not impacted upon by environmental and wildlife designations in the area; and
- Stakeholders were unanimous in the view that the economic importance of land at Seal Sands and Billingham – coupled with the difficulties in replacing such sites in the long term once they have been fully developed out – should be taken into account in considering the demand supply balance.

## **Duty to Co-operate Workshop**

5.37

In order to test the emerging findings of the study with SBC's Duty to Co-operate partners – as well as key local businesses, stakeholders and commercial agents – a workshop session was held on 10<sup>th</sup> June, 2016. The workshop was facilitated by NLP and attended by Council officers, as well as a range of stakeholders from the public and private sector. A full list of attendees can be found at Appendix 1. The session comprised of a presentation by NLP, followed by a series of structured group discussions. The paragraphs below provide a summary of the key messages that emerged from the event:

## **The Role and Function of the Stockton Economy**

- Stakeholders were in agreement that Stockton's economic, commercial market and travel-to-work linkages are strongest with the authorities of Middlesbrough and Redcar & Cleveland;
- Stockton is viewed primarily as a location for skilled industrial employment, although it was acknowledged that the Borough has some strengths in professional and business services; and
- Attendees were of the view that the growth sectors identified within the Tees Valley SEP offer the greatest potential to drive future prosperity across the area. The following sectors were considered to be particularly strong in Stockton: chemicals and process industries; advanced manufacturing; transport, ports and logistics; and professional and business services.

## **Key Opportunities and Challenges**

- The consensus view amongst stakeholders was that the Borough's manufacturing sector is performing well and offers strong growth potential moving forwards. Some attendees raised concerns that the baseline employment and labour supply scenarios could under-estimate future job change in the sector;
- The chemicals and process industries were acknowledged by all attendees as a key economic asset for Stockton and a platform for growth that should be supported moving forwards;
- Stakeholders were keen to stress that such support should include the provision of new general employment space in locations that are well located to specialist use sites, in order to encourage growth in the supply chain and capitalise upon the opportunities identified within the NEPIC Sector Integration study;
- Notwithstanding the above, there was a recognition that performance across the chemicals and process industries is not uniform, with activity in the oil and gas sector continuing to contract; and
- Concerns were also raised regarding the impact that the Teesmouth Specialist Protection Area could have upon the future growth trajectory of the Borough's specialist use sectors. Stakeholders were keen to stress the need for a quick resolution to the current uncertainty, in order to minimise the risk of inward investment opportunities being lost.

## **Future Employment Land Requirements**

- The majority of stakeholders felt that the baseline employment and labour supply scenarios under-estimate likely future requirements for manufacturing space (B1c/B2); and

- NLP's approach to forecasting future land requirements, which differentiates between general employment land and specialist uses was endorsed by attendees. Stakeholders were keen to emphasise that a significant proportion of activity in the chemicals and process industries occurs on general employment sites in the Borough. Drawing upon this local intelligence, a series of minor adjustments to the way in which specialist uses are dealt with in the modelling of future requirements were discussed and agreed with stakeholders.

## **Demand/Supply Balance**

5.38

It was recognised by stakeholders that the supply of general employment land exceeds projected future need. However, attendees identified the importance of taking account of the following issues in the local property market, in seeking to understand the true scale of oversupply:

- Locally active agents and property market consultants were of the view that demand for high quality office and industrial space in Stockton remains strong;
- Demand is sometimes, however, frustrated due to a lack of genuinely available employment space of the requisite size/specification. Anecdotal evidence suggests that this is resulting in local businesses being unable to expand, or moving out of the Borough in order to do so;
- It was suggested by stakeholders that whilst Stockton has a significant supply of allocated employment land, very little of this is 'shovel ready' and the speculative development of new space remains challenging. In large part, this reflects the viability of development, although it is also compounded by landowners holding sites with an aspiration to bring them forward for higher value land uses such as residential;
- Stakeholders highlighted a need for gap funding of some form in order to help deliver employment sites in the Borough. Recognising that available funding is likely to be limited, attendees expressed a preference for SBC/TVCA to target funding towards a small number of key sites in order to ensure maximum impact, rather than spreading any available finance too thinly; and
- Notwithstanding the above, attendees acknowledged that there is a need to further reduce the supply of employment land in Stockton. It was suggested that this would help to protect high quality employment sites from developer interest for higher value land uses.

5.39

The majority view amongst stakeholders was that an oversupply of specialist use land would be less harmful than an oversupply of general employment land. The important economic role played by the chemicals and process industries was recognised, with stakeholders keen to retain a generous supply of land to ensure that specialist uses can continue to grow beyond the Plan period.



## 6.0 The Market for Employment Premises in Stockton

6.1 This section of the report considers: the market for employment premises in Stockton-on-Tees benchmarked against the other authorities in the Tees Valley Local Enterprise Partnership area; the stock and availability of office and industrial premises in the Borough; and the various factors that determine development viability.

### Tees Valley

6.2 Although the Tees Valley comprises of five local authorities, the market typically distinguishes the Teesside conurbation from the Darlington and Hartlepool market areas. Within this section, analysis and commentary provided by LSH makes reference to Tees Valley and Teesside as appropriate.

6.3 Data from the Valuation Office Agency (VOA) allows comparison of the stock of industrial and office premises within the five local authorities that make up the Tees Valley. The Business Floorspace statistics were released in May 2012 and are to be updated towards the end of 2016. The tables below compare the number of units and the amount of floorspace in each of the local authority areas.

Table 6.1 Business Units in Tees Valley

Local Authority	Offices	Industrial	Total
Darlington	610	980	1,590
Hartlepool	330	660	990
Middlesbrough	730	910	1,640
Redcar & Cleveland	500	950	1,450
Stockton-on-Tees	1,010	1,140	2,150
<b>Tees Valley</b>	<b>3,180</b>	<b>4,640</b>	<b>7,820</b>

Source: VOA / LSH analysis

Table 6.2 Business Floorspace in Tees Valley

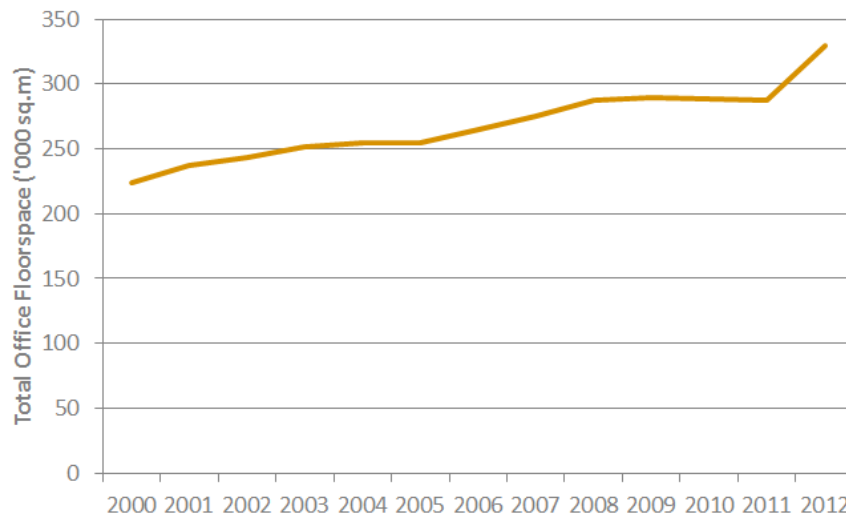
Local Authority	Offices (sq.m)	Industrial (sq.m)	Total (sq.m)
Darlington	173,000	798,000	971,000
Hartlepool	71,000	550,000	621,000
Middlesbrough	212,000	568,000	780,000
Redcar & Cleveland	127,000	670,000	797,000
Stockton-on-Tees	330,000	1,215,000	1,545,000
<b>Tees Valley</b>	<b>913,000</b>	<b>3,801,000</b>	<b>4,714,000</b>

Source: VOA / LSH analysis

- 6.4 Stockton-on-Tees dominates both the office and industrial markets in Tees Valley. The Borough has 32% of office premises and 36% of floorspace; 25% of industrial units, 32% of floorspace. The average sizes of both office and industrial units in Stockton-on-Tees are larger than in the four other local authority areas. The Local Economic Assessment describes the Borough as driving economic growth at the heart of the Tees Valley; an apposite recognition of its economic importance.
- 6.5 The VOA data also tracks the changes in floorspace. Figure 6.1 shows a steady increase in Stockton's office floorspace from 2000 to 2008, then little change until 2012. Over the period 2000 – 2008 steady economic growth and easy access to development finance enabled the viable development of speculative and bespoke office accommodation. This followed high levels of office development activity during the 1990s that had been stimulated by Teesside Development Corporation's regeneration activity. With the economic downturn in 2008, businesses contracted, demand for office space fell and there was very little development of office floorspace for several years. Since 2013 some bespoke office development has taken place in Stockton (Tracerco at Belasis and Thirteen & Fusion Hive at Northshore). The VOA data shows a steep increase in office floorspace in 2012 (circa 40,000 sq m); this does not correlate with our analysis of take-up of land for office development, but might be explained by the conversion of a new warehouse at Wynyard to a data centre.<sup>18</sup>

<sup>18</sup> Both data centres and warehouses are planning use class B8, but the VOA's classification of buildings may not correspond.

Figure 6.1 Office Floorspace in Stockton-on-Tees (2000-2012)

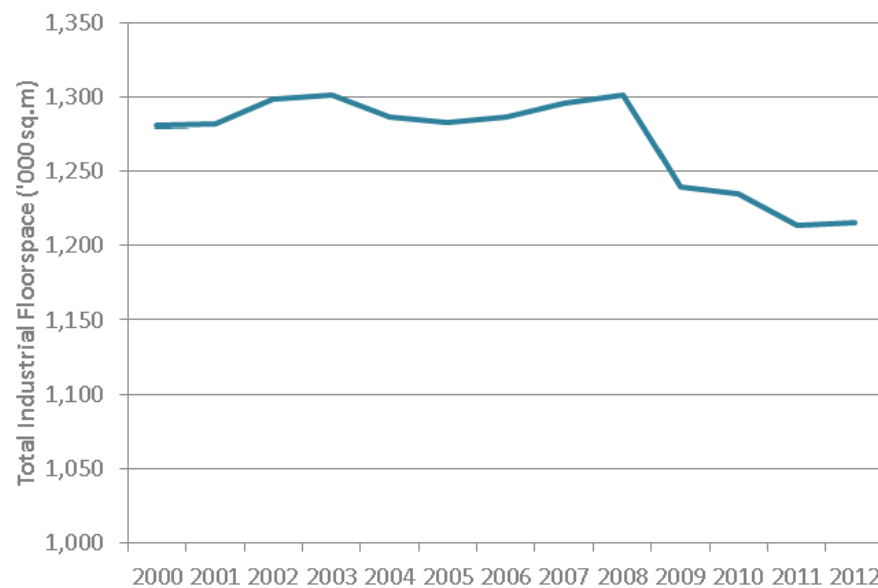


Source: VOA / NLP analysis

6.6

In Figure 6.2, VOA data identifies a sharp decrease in industrial floorspace between 2008 and 2009, and further smaller reductions in the following years. The onset of the economic downturn in 2008 coincided with amendments to empty property rates relief that added significantly to the costs of holding vacant industrial premises. This was a catalyst for demolition of some industrial premises that were likely to remain vacant for prolonged periods and a reduction in industrial floorspace. During this period some industrial premises were redeveloped for housing. Examples include Taylor Wimpey's development of Airfield Estate and Persimmon's development of the Corus pipemill.

Figure 6.2 Industrial Floorspace in Stockton-on-Tees (2000-2012)

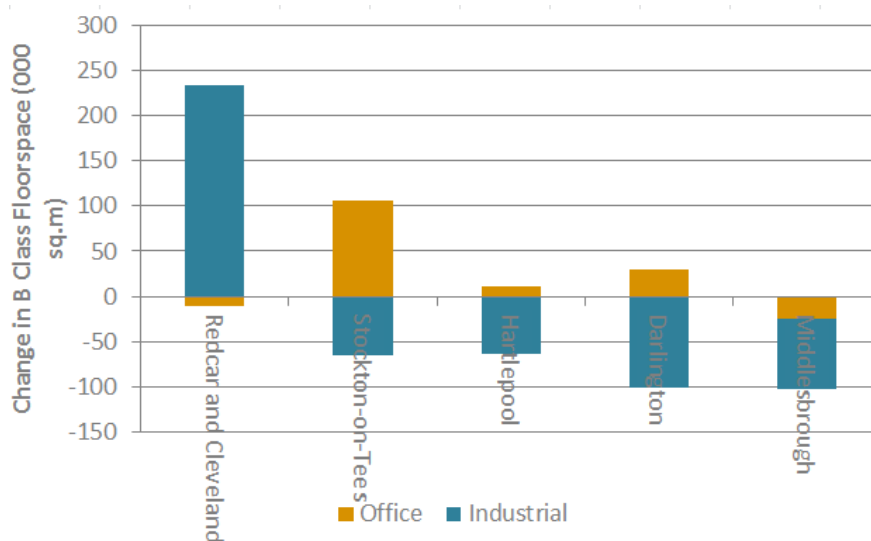


Source: VOA / NLP analysis

6.7

Figure 6.3 compares overall changes in office and industrial floorspace between 2000 and 2012 for each of the Tees Valley authorities. Office floorspace increased in three of the five authority areas, with the greatest increase in Stockton. The provision of large amounts of out-of-town office development in Stockton has undermined the market for second-hand town centre offices; Middlesbrough in particular has suffered and here a fall in office floorspace is recorded. Four of the five local authorities, including Stockton, recorded a fall in industrial floorspace. Given the much larger stock of industrial floorspace in Stockton this fall represents a relatively small proportion of its overall floorspace (c.5%). The chart shows a substantial increase in industrial floorspace in Redcar & Cleveland, this is largely attributable to import centres for Asda & Tesco at Teesport.

Figure 6.3 Net Change in Employment Floorspace (2000-2012)



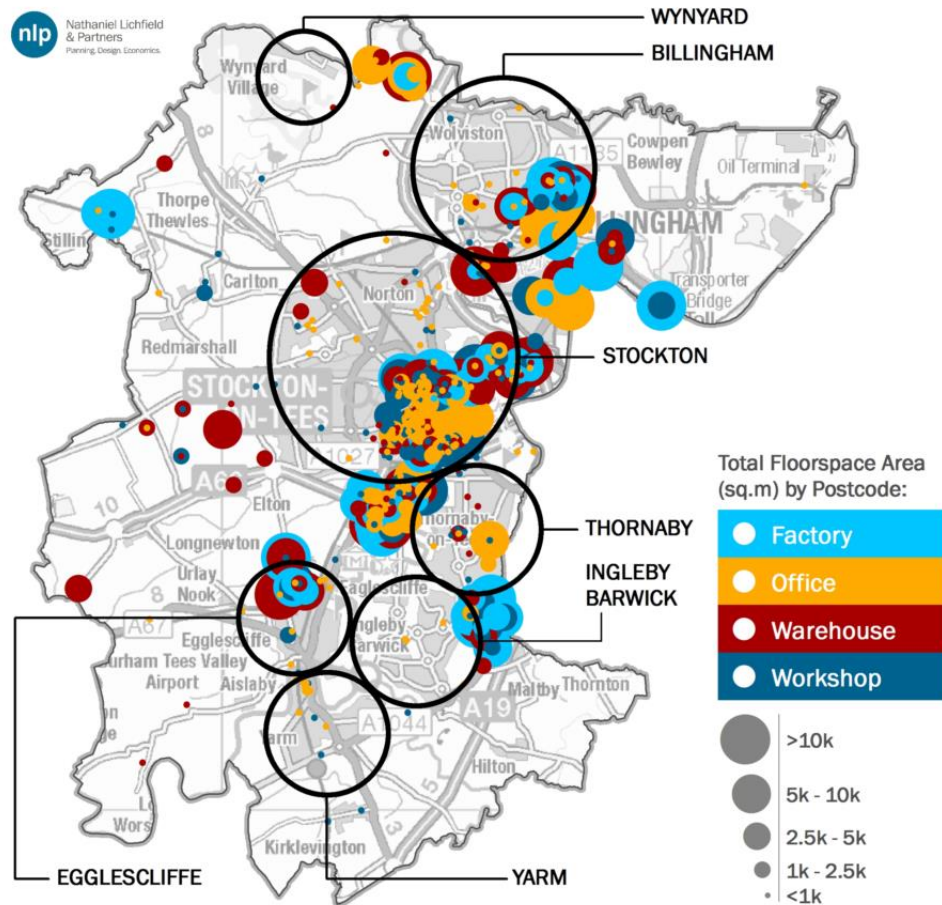
Source: VOA / NLP analysis

6.8

Figure 6.4 maps concentrations of office and industrial floorspace across Stockton<sup>19</sup>. There is a clear concentration of employment floorspace along the north bank of the Tees. The principal clusters of employment floorspace are to the east and south of Stockton and Billingham town centres. In both locations there is a mix of office and industrial property types. On the southern edge of the conurbation, Teesside and Durham Lane Industrial Estates have limited office provision; this is in contrast to Wynyard Business Park on the northern edge where there is a mix of office, industrial and warehousing space. Warehousing is largely situated near junctions of the A19, although there are some large warehouses to the west of the conurbation, notably at Durham Lane Industrial Estate but also in the countryside to either side of the A66.

<sup>19</sup> The VOA data does not pick up the petrochemical complex at Seal Sands and North Tees Pools. Here hereditaments largely comprise of plant and machinery, rather than buildings, and as a consequence floorspace is not critical to the VOA assessment.

Figure 6.4 Spatial Distribution of Employment Floorspace



Source: VOA / NLP analysis

## Offices

- 6.9 Within Tees Valley, Stockton is not only the most important office location by size, but has also been the principal focus of office development activity through the 1990s until the downturn in the UK economy in 2008. However, those active in the local market advise that some of these new offices are of poor quality and specification. Office development was a priority of Teesside Development Corporation (1987-1998) which serviced and remediated brownfield land at Teesdale to enable the development of the business park. This is now largely built out and comprises mainly offices, with some educational and residential provision. Three office development plots remain.
- 6.10 Northshore is a mixed-use development incorporating housing, offices, retail and leisure. The scheme is linked to Teesdale by the Infinity Bridge and Princess Diana Bridge. Two office buildings have so far been constructed at Northshore, both completed in 2015:

- bespoke office for Thirteen Group and
- Fusion Hive, serviced office accommodation supported by Teesside University aimed at science and technology based businesses.

- 6.11 The masterplan for Northshore proposes a further eight office buildings on the site, but the developer Muse advises that speculative development is not currently viable. Northshore has Enterprise Zone status and offers occupiers business rates relief.
- 6.12 The provision of high volumes of office floorspace on the edge of the town centre undermined the town centre office market in both Stockton and Middlesbrough and little new development has occurred over a couple of decades. More recently, some refurbishment of older buildings has taken place, notably Gloucester House and Beaumont House, Grade II listed buildings on Church Road, which now provide serviced offices with upgraded IT infrastructure.
- 6.13 In the prolonged period of economic growth up to 2008 strong occupier demand and easy access to development finance enabled speculative development of business park accommodation on remediated and greenfield sites throughout the Borough. Offices were built at Teesdale, Bowesfield, Preston Farm and Wynyard. When the economy slowed in 2008, development ceased and both occupational and investment demand dropped very quickly. This led to a large oversupply of offices on Teesside's business parks resulting in a significant fall in rents and capital values. Concessions to tenants increased, marketing periods lengthened and many buildings stood empty for several years.
- 6.14 Over the last couple of years, with no new development coming forward, the level of oversupply has fallen. Occupier demand has recovered and some office buildings have been converted to residential accommodation (e.g. Newport House and Clifton House at Teesdale South). Overall, there remains a wide choice available to occupiers (although the limited supply of offices in excess of 2,000sq.m is viewed as a particular gap in the market) and though levels of incentives to tenants are reducing, rental values have yet to show any sign of increase.
- 6.15 Office rents are still somewhat short of their 2008 levels and with construction costs having risen, speculative office development is unlikely to be viable for several years. Take-up of office development sites will therefore be restricted to pre-let schemes for the foreseeable future.

## **Industrial**

- 6.16 The location of industrial premises is to a large extent determined by access to markets. In the 19th Century industrial development was focussed on riversides and railways and, though their importance as transport networks has declined, substantial industrial areas (served by railways) remain alongside the Tees. Accessibility to motorways and dual carriageways is now an important criterion 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. Inner area industrial locations with poor road connections, however, have generally experienced decline.

- 6.17 Good road connections give Stockton an advantage over neighbouring authorities. The A19 dual-carriageway, which links Teesside to Tyneside, passes through the middle of the Borough, where it intersects with the A66, the principal east-west dual-carriageway. But from a wider perspective, there are weaknesses in the Tees Valley's road infrastructure; the A66 which links the A19 to the A1(M) is single carriageway around Darlington and where it meets the A1(M) the junction is restricted access. Traffic levels on the A19 where it crosses the Tees are higher than recommended limits and an additional river crossing would support the growth of the Teesside economy.
- 6.18 Downstream of the A19, the banks of the Tees are dominated by the process industry sector. Tees Valley is home to the largest integrated chemical complex in the UK, and the second largest in Western Europe in terms of manufacturing capacity. Interspersed with the chemical works are steel works, power stations, waste recycling facilities and the port. Teesport, the UK's third largest port, handles around 450,000 TEU of container traffic each year and exports more than any other UK port.
- 6.19 This cluster of uses crosses local authority boundaries, extending into Stockton, Hartlepool, Middlesbrough and Redcar & Cleveland. Such specialist uses are typically considered separately from general employment land; their requirements are distinguished by their scale and the need for bespoke premises. The now cancelled Regional Spatial Strategy referred to them as "restricted" employment sites. NPPF requires local planning authorities to "plan positively for the location, promotion and expansion of clusters."<sup>20</sup> For the purposes of this Employment Land Review we refer to them as specialist employment sites and consider them separately from the market for general employment land. In Stockton specialist employment areas include the Billingham chemical cluster, Haverton Hill, Port Clarence, Tees Pools and Seal Sands.
- 6.20 The industrial areas of Stockton largely follow the line of the River Tees. Upstream (to the south-west) of the town centre are Preston Farm, Bowesfield and Durham Lane Industrial Estates. Preston Farm and Bowesfield are well served by dual carriageways that connect to the A66 and thence to the A1 and A19. Here rents have, in the past, attained levels that are sufficient to allow speculative development during periods of prolonged economic growth and there is an established mix of factories, warehouses, offices and showrooms. Durham Lane is a mile to the south of the A66 and, whilst it has plenty of capacity, the estate has seen little new development over a prolonged period. Nifco's recent investment in a new factory on land to the north has, however, helped to raise the profile of the estate.

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<sup>20</sup> Paragraph 21, National Planning Policy Framework, DCLG, March 2012.

- 6.21 Linking Stockton town centre and the A19 Portrack Lane has retail warehousing, a supermarket and other commercial uses along the main road frontage and employment premises behind. The estate has supported speculative development in the past and land for development remains in the north-eastern corner.
- 6.22 To the east of Billingham town centre and north of the process industry cluster are Cowpen Industrial Estate and Belasis Business Park, here rents are lower and development is generally on a bespoke basis. Development land at Belasis has Enterprise Zone status, providing occupiers with business rates relief.
- 6.23 On the northern edge of the Borough and alongside the A19, is Wynyard Park which comprises of two sites separated by woodland. The eastern part started life as a strategic site to attract major inward investment. Samsung arrived in 1995 and left 9 years later; the site now provides B1, B2 & B8 accommodation some of which has been developed speculatively. On the western part of Wynyard, Tees Valley Enterprise Park provides eight high specification industrial units. These were developed speculatively around 2006; there was an early letting to Huntsman, but the remainder stood vacant through the recession and beyond. Over the past couple of years, as the market has improved, further lettings have been achieved and only two units remain vacant.
- 6.24 To the south of Thornaby, on the southern edge of the conurbation, investment in a new roundabout has provided a new entrance to Teesside Industrial Estate, which improves its access to the A19 & A174 and raises the profile of undeveloped plots on the eastern part of the estate. The owners, UK Land Estates, have developed a restaurant and are proposing retail at the entrance to the estate.
- 6.25 Three allocated employment sites are situated in the countryside to the west of the conurbation. These are Stillington Industrial Estate, Urray Nook and land at Durham Tees Valley Airport. There has been some redevelopment at Stillington, but at Urray Nook the demolition of the former Elementis factory has left a large brownfield site adjoining the retained office block. The airport straddles the boundary with Darlington Borough, with development up until now restricted to the Darlington side of the runway; employment here is largely restricted to airport related uses.
- 6.26 Agents advise that recent market demand for larger industrial premises on Teesside has largely focussed on Tees Valley Enterprise Park at Wynyard, Riverside Park (Middlesbrough) and Teesside Industrial Estate, Thornaby. Improving demand and a declining supply of good quality space has helped rents to recover and has favoured those estates with good access to the A19 that provide modern stock.
- 6.27 Throughout the region those employment locations that are relatively distant from strategic highway junctions command lower rents and development activity is more heavily reliant on public sector gap funding or EZ incentives.



Against a backdrop of manufacturing decline, weaker inner urban industrial areas will continue to come under pressure from proposals for redevelopment for alternative uses. However, where manufacturing sectors have growth potential, areas which meet their locational requirements will need to be protected. Growth sectors such as chemicals, life sciences and renewable energy generation for instance, have particular relevance to the Tees Valley. All are suited to the specialist employment areas around Billingham, where some provision for future growth opportunities is required. There is also a need to allocate or retain land on general employment sites to meet the requirements of other industrial sectors particularly those with growth potential such as advanced manufacturing and advanced engineering.

## **The Office Market**

### **Methodology**

- 6.28 The Valuation Office Agency (VOA) collates data on commercial property for business rates purposes. The current Rating List thus provides a comprehensive and up-to-date list of all commercial premises for rating purposes. LSH has access to Analyse software which allows the VOA data to be disaggregated in order to consider the quantity and size of industrial and office premises within the local authority area. This data is updated monthly; with the analysis presented within this document carried out in April 2016.
- 6.29 For rating purposes there is some flexibility as to what constitutes a hereditament. The owner of a managed workspace complex comprising many small units may, for rating purposes, elect for it to be considered as a single hereditament. Similarly, self-storage facilities may be assessed as single or multiple hereditaments. For the purposes of this Employment Land Review, managed workspace is assessed as multiple units of occupation but self-storage facilities as single hereditaments.

### **Stock**

- 6.30 There are 1,180 office hereditaments in Stockton-on-Tees totalling 343,886 sq m (3.7 million sq ft) of floorspace. The distribution of office units across the local authority area is shown in Table 1.3.

Table 6.3 Distribution of Offices in Stockton-on-Tees by Postcode Area

Postcode District	Neighbourhood	Hereditaments		Floorspace	
		No.	%	sq.m	%
TS15 & TS16	Yarm & Eaglescliffe	64	5.4%	5,727	1.7%
TS17	Thornaby & Teesdale Park	188	15.9%	92,430	26.9%
TS18 1	Stockton Town Centre	212	18.0%	26,654	7.8%
TS18 2	Portrack Lane	114	9.7%	21,286	6.2%
TS18 3	Preston Farm	263	22.3%	67,084	19.5%
TS19 & 20	North-west suburbs	72	6.1%	5,730	1.7%
TS21	Western villages	4	0.3%	87	0.0%
TS22	Wynyard	82	6.9%	61,914	18.0%
TS23	Billingham	181	15.3%	62,974	18.3%
<b>Total</b>		<b>1,180</b>	<b>100%</b>	<b>343,886</b>	<b>100%</b>

Source: LSH analysis

6.31

Stockton town centre – although still an important office centre when assessed by number of units – is no longer the Borough’s dominant office location. It accounts for just 7.8% of office floorspace. Since the 1980s the development of major business parks at Preston Farm, Teesdale Park, Wynyard and Belasis has resulted in the majority of the Borough’s office floorspace now being on office parks. This development has had a profound effect on the town centre office markets of Middlesbrough and, to a lesser extent, Stockton by providing modern floorspace with dedicated parking which has drawn demand away from town centres and left large amounts of older floorspace vacant for prolonged periods.

Table 6.4 Size of Office Units in Stockton-on-Tees

		Size								Total
		<50	50 100	100 250	250 500	500 1,000	1,000 2,000	2,000 5,000	>5,000	
TS15 & 16	Yarm & Eaglescliffe	34	18	7	4	1	0	0	0	64
TS17	Thornaby & Teesdale Park	33	13	48	45	28	14	5	2	188
TS18 1	Stockton Town Centre	129	29	33	14	3	2	2	0	212
TS18 2	Portrack Lane	51	29	17	7	6	2	2	0	114
TS18 3	Preston Farm	76	33	96	24	24	7	3	0	263
TS19 & 20	North-west suburbs	46	14	8	2	2	0	0	0	72
TS21	Western Villages	4	0	0	0	0	0	0	0	4
TS22	Wynyard	31	14	16	13	5	0	1	2	82
TS23	Billingham	76	38	31	13	13	5	2	3	181
<b>Total</b>		<b>480</b>	<b>188</b>	<b>256</b>	<b>122</b>	<b>82</b>	<b>30</b>	<b>15</b>	<b>7</b>	<b>1,180</b>

- 6.32 Smaller units are an important component of supply. 40% of units are less than 50 sq m and a further 16% are between 50 and 100 sq m. These smaller units are spread throughout the Borough. Some 134 offices representing 11% of the stock are greater than 500 sq m; 37% of these larger units are at Teesdale and a further 25% at Preston Farm. These modern office parks have successfully accommodated requirements that would have been too large for the town centre where only 3% of the stock is over 500 sq m.

### Availability

- 6.33 Data on currently available office premises has been sourced, by LSH, from CoStar Suite; a national database used by the majority of agents. In an urban area like Stockton-on-Tees, LSH would expect most available premises to be captured, but there may be some under-reporting of smaller units which are being marketed by local agents, where national exposure may be regarded as unnecessary.
- 6.34 There are 158 office premises on the market equating to 52,245 sq m (562,000 sq ft). The overall vacancy rate equates to around 13% of units, 15% of floorspace. In a healthy property market a vacancy rate of 5% to 10% would allow market churn and the changing floorspace requirements of businesses to

be accommodated, but avoid high volumes of floorspace on the market for prolonged periods. The economic downturn led businesses to reduce the amount of space that they occupied, releasing surplus space onto the market; combined with a large amount of new build space that struggled to attract occupiers, vacancy rates rose substantially. The current vacancy rate in Stockton suggests continuing oversupply, but that surplus space is steadily being absorbed by the market and that the scale of oversupply is not significant. Nevertheless, in current conditions there is little appetite for new office development.

6.35 In the table below vacancy rates are assessed by size band. There is often some under-reporting of availability on the smallest size band, so the low vacancy rate here is not necessarily evidence of a tight supply. But this analysis does identify very high vacancy rates in the 250-500 sq m and 1000-2000 sq m size bands and to a lesser extent the 100-250 sq m band. More detailed consideration of available units in these size bands reveals that vacancies are predominantly amongst modern offices at Teesdale, Bowesfield and to a lesser extent Wynyard and Belasis. There was a high volume of speculative development on Stockton’s business parks prior to the recession, some of which was of poor specification and build quality. This continues to be a key cause of current oversupply and is likely to act as a drag on new office development activity for the foreseeable future. But with a shortage of Grade A office accommodation, some local agents consider that opportunities for the provision of high quality space are now starting to emerge.

Table 6.5 Availability of Office Units in Stockton-on-Tees

	Size								Total
	<50	50 100	100 250	250 500	500 1,000	1,000 2,000	2,000 5,000	>5,000	
Available	14	22	55	42	11	13	1	0	158
Stock	480	188	256	122	82	30	15	7	1,180
<b>Vacancy Rate</b>	<b>3%</b>	<b>12%</b>	<b>21%</b>	<b>34%</b>	<b>13%</b>	<b>43%</b>	<b>7%</b>	<b>0%</b>	<b>13%</b>

Source: VOA & Co-Star Suite

6.36 Amongst the largest size bands, vacancy rates are lower. Tees Valley Unlimited report having received several recent enquiries for large, good quality offices to accommodate businesses process outsourcing (part of the trend for “on-shoring” of call centre operations). The very limited supply of offices in excess of 2,000 sq m is seen as a gap in the market, and some stakeholders are concerned that, without available space of appropriate specification, larger requirements will be lost from the Borough and the wider Tees Valley.

6.37 A perceived shortage of move-on accommodation for digital and high-tech businesses has now been addressed with the opening of the Fusion Hive at Northshore. This is intended to complement the start-up accommodation provided by Digital House in Stockton town centre. Initially aiming to achieve 90% occupancy within 5 years, within eight months 47% occupancy has been achieved. Flexible tenancies that meet the changing requirements of young businesses and some turnover of occupiers mean that it is unusual for such facilities to achieve and maintain 100% occupancy. The strength of initial interest suggests further scope for similar serviced facilities providing very fast broadband to meet the requirements of both new and established businesses.

### **Values and Viability**

6.38 Of importance to this study is the level of rent that is achievable for new office premises as this determines the viability of development and thus demand for employment land. In the recent fragile market conditions not only have there been limited numbers of transactions, but landlords have tended to keep confidential achieved rents and incentives to avoid setting unwelcome precedents for future lettings or rent reviews. As a result, reported rents may not tell the whole story.

6.39 At Teesdale Business Park, Urban & Civic is quoting rents of £14.50 per sq ft (£156 / sq m) for good quality office space at its Three Acre scheme. This compares with headline rents of £12.50 psf being achieved elsewhere at Teesdale for poorer quality accommodation; when letting incentives are discounted, this devalues to around £11.50 psf.

6.40 Further from the town centre, office rents are lower. At Kingfisher Court, Bowesfield, a letting to Sanderson Weatherall for six years from December 2015 is at a headline rent of £8.50 psf, which devalues to £7.65 psf when the 6 month rent free period is taken into account. Agents are of the opinion that relatively low levels of car parking provision here have suppressed rents to some extent, but such keen rents are also symptomatic of the level of supply of new office accommodation on business parks on Teesside and across the wider North East.

6.41 The viability of development is dependent on a range of factors including:

- availability and cost of finance;
- abnormal costs of site preparation;
- abnormal costs of on and off-site infrastructure provision;
- void periods;
- construction costs;
- rental levels;
- yields;
- ability to secure pre-lets or forward sales; and
- availability of development finance and/or gap funding.

- 6.42 Over the past eight years, private sector speculative office development has been impossible across much of the North East of England. Rents of at least £13 per sq ft are required to enable speculative development of average specification business park offices on serviced remediated sites. Costs can be kept low by providing a standard design, modular construction or reducing specifications. Where high specification, individually designed accommodation is being proposed higher rents are required. In town centre locations, rents of around £24 per sq.ft are required for viable speculative office development.
- 6.43 Office rents in Stockton only reach levels of £13 per sq.ft during periods of prolonged economic growth. Schemes such as Falcon Court, Three Acres, Dukes Court and Thornaby Place were conceived between 2000 and 2008 when economic growth was strong, business confidence high and development finance readily available. Two of these schemes have second phases that remain unbuilt. The recession, subsequent weak economic growth, low levels of demand and a continuing overhang of new space have kept rents below their 2008 levels. Speculative office development in Stockton, which has always relied on the provision of greenfield or remediated sites with low levels of abnormal costs, is currently not viable without some form of financial support.
- 6.44 The development of new office floorspace in Stockton town centre requires higher rents to offset greater levels of abnormal cost. The Council has identified two areas for regeneration near the southern end of the High Street. Both would require considerable expenditure on demolition and site preparation. The development of office accommodation on these and similar town centre sites would need financial support either through gap funding or cross-subsidy from higher value uses.
- 6.45 Towns and smaller cities are generally viewed by the development industry as too risky to invest in. As speculative office development happens where there is less risk and fewer constraints, provision of Grade A space is concentrated in larger cities. Larger cities have higher overall demand, a high level of occupier churn, a greater number of development sites available and higher rental values, all of which decrease the risk on investment. As a consequence, smaller centres can experience under-investment. The Tees Valley lacks a dominant office location with Darlington, Middlesbrough, Stockton and smaller towns providing a fragmented office market lacking critical mass.
- 6.46 Office development is cyclical with major speculative building booms, normally reliant on easy access to bank development finance, occurring every 18-20 years or so. Whilst such conditions may recur in the latter part of the plan period there is no imminent prospect of speculative office development resuming.
- 6.47 Lower costs mean that refurbishments and conversions can be viable when new development is not. On Church Road, Beaumont House and Gloucester House have been refurbished to provide small office suites within listed buildings. These listed buildings provide serviced office suites with high specification IT connections.

- 6.48 During the early part of the plan period office development, and demand for office development sites, is likely to be limited to pre-let schemes or projects supported by public sector bodies (similar to the way in which Fusion Hive has come forward).

## **The Industrial Market**

### **Methodology**

- 6.49 VOA data distinguishes between various types of industrial premises. Analysis undertaken by LSH and presented in the following paragraphs includes these descriptions and use codes are for reference but to a large extent the market does not make such distinctions. Buildings will 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.

### **Stock**

- 6.50 The VOA identifies 1,376 industrial hereditaments in Stockton-on-Tees. Included within this count are some premises that would not normally be regarded as industrial, such as electricity generating facilities, tipping sites and waste processing. In Stockton, such uses are an important component of the specialist employment area within the eastern part of the Borough.

Table 6.6 Stock of Industrial Units in Stockton-on-Tees

Description	PSD Code	No. of Units
Vehicle Repair Workshop	CG1	31
Road Haulage Depot	CG4	7
Warehouse and Premises	CW	156
Land Used for Storage and Premises	CW1	77
Storage Depot and Premises	CW2	4
Store & Premises	CW3	44
Electricity Generation	FE	6
Factory and Premises	IF	108
Works and Premises (inc. Chemical Works)	IF2	17
Workshop and Premises	IF3	849
Business Unit and Premises	IF4	17
Concrete Batching Plan	IM3	6
Tipping Site	IM4	3
Other Industrial Mineral (e.g. Gas & Liquid Storing & Processing)	IMX	15
Other Industrial (e.g. Waste Processing)	IX	36
<b>Total</b>		<b>1,376</b>

Source: VOA data using Analyse software

- 6.51 The descriptions and categorisation used by the VOA suggest that 21% of industrial premises are used for storage (warehouses, depots and stores); these range from lock-ups to purpose-built logistics warehouses. Some 73% of premises are described as factories, workshops or works. This is a relatively large proportion and underlines the importance of manufacturing to the Borough.
- 6.52 To allow further analysis by size of premises, hereditaments that are largely land and/or plant have been disregarded. This reduces the number of hereditaments to 1,224, providing floorspace of 1,427,934 sq m (15.4 million sq ft).



Table 6.7 Distribution of Industrial Units in Stockton by Size and Location

		Size								Total
		<50	50 - 100	100 - 250	250 - 500	500 - 1,000	1,000 - 2,000	2,000 - 5,000	>5,000	
TS15 & 16	Yarm & Eaglescliffe	3	12	13	14	12	9	4	6	73
TS17	Thornaby	21	39	68	65	32	23	18	8	274
TS18 1	Stockton Town Centre	14	29	28	20	7	1	2	0	101
TS18 2	Portrack Lane	3	33	47	64	51	40	18	6	262
TS18 3	Preston Farm	18	17	64	28	34	20	15	8	204
TS19 & 20	North-west suburbs	6	18	18	18	9	3	2	2	76
TS21	Western Villages	9	2	7	1	4	1	4	3	31
TS22	Wynyard	0	0	1	0	1	3	4	2	11
TS23	Billingham	4	29	37	33	23	32	21	13	192
<b>Total</b>		<b>78</b>	<b>179</b>	<b>283</b>	<b>243</b>	<b>173</b>	<b>132</b>	<b>88</b>	<b>48</b>	<b>1,224</b>

6.53 This analysis highlights the importance of Thornaby, Billingham, Portrack and Preston Farm as industrial locations; some 76% of industrial buildings are in these areas that offer good access to the A19 and/or A66. Stockton town centre and the western suburbs still accommodate a stock of industrial units but these are generally smaller premises. Wynyard Park, despite its prominent location beside the A19 accounts for less than 1% of units, but with a predominance of larger premises including distribution warehouses, Wynyard accounts for 7.4% of floorspace.

6.54 Some 44% of industrial units are less than 250 sq m and a further 20% between 250 and 500 sq m. Stockton's industrial base is underpinned by a large number of small businesses. Some 11% of industrial units are in excess of 2,000 sq m. These are distributed across the Borough.

### Availability

6.55 Data on currently available industrial premises has been sourced, by LSH, from CoStar Suite; a national database used by the majority of agents. In an urban area like Stockton-on-Tees, LSH would expect most available premises to be captured, but there may be some under-reporting of smaller units which are being marketed by local agents, where national exposure may be regarded as unnecessary.

6.56 There are 106 industrial premises on the market equating to 86,483 sq m (931,000 sq ft). The overall vacancy rate equates to around 9% of units, 6% of floorspace. In a healthy property market a vacancy rate of 5% to 10% allows market churn and the changing floorspace requirements of businesses to be accommodated, but avoids high volumes of floorspace on the market for prolonged periods. The current vacancy rate in Stockton suggests that the market is healthy with neither shortage nor surplus. In current conditions there may be some opportunity for new industrial development to meet gaps in the market.

6.57 Unlike the office market there was not the same level of speculative development of industrial space at the height of the market and thus no major overhang of new space as the UK economy went into recession. Little of the vacant space is new or of high specification. The abolition of empty property rates relief in 2008 substantially increased the costs of holding vacant commercial property and as demand weakened during the economic downturn, landlords facing the prospect of extended void periods opted to demolish some buildings that were unlikely to be reoccupied. This demolition, and the redevelopment of some older industrial premises for housing, has kept vacancy rates in check, but has increased the supply of previously developed employment land (e.g. at Urlay Nook and North Tees Industrial Estate). This has implications for the overall amount of employment land allocations that are required.

6.58 In the table below, vacancy rates are assessed by size band. Amongst units of 50-500 sq m supply is tightest; whereas amongst units of 500-1,000 sq m there is modest over-supply.

Table 6.8 Availability of Industrial Units in Stockton-on-Tees

	Size								Total
	<50	50 100	100 250	250 500	500 1,000	1,000 2,000	2,000 5,000	>5,000	
Available	10	8	22	14	28	14	9	1	106
Stock	78	179	283	243	173	132	88	48	1,224
<b>Vacancy Rate</b>	<b>13%</b>	<b>4%</b>	<b>8%</b>	<b>6%</b>	<b>16%</b>	<b>11%</b>	<b>10%</b>	<b>2%</b>	<b>9%</b>

Source: VOA & CoStar Suite

6.59 Across the north east, agents identify a shortage of good quality industrial accommodation in excess of 1,000 sq m. Within Stockton this shortage has been less evident with new units at Tees Valley Enterprise Park, Wynyard and second-hand units elsewhere available to meet requirements within the 1,000-2,000 range. It is amongst units in excess of 2,000 sq m where there is restricted choice not just in Stockton but throughout the North East. The

former Wincanton Distribution premises at Cowpen provides eight bays, each in excess of 2,000 sq m, that could be occupied separately, but the age and poor specification of these will not suit all requirements.

- 6.60 Improving demand has also resulted in increased take-up of second-hand floorspace. Notably 8,600 sq m of refurbished space at Preston Farm was taken in April 2015 by a car dealership; in the same month a 6,700 sq ft warehouse at Cowpen was taken by a packaging company. Agents see capacity in the market for the development of industrial units of 2,000 – 5,000 sq m; but the viability gap means occupiers are unwilling to pay the rents required by developers for speculative or design & build premises and there has been no direct development by the public sector for a decade or more.
- 6.61 Engineering businesses report difficulties in finding large high-bay workshops with craneage, especially with river access. Although the oil & gas sector is contracting, requirements for riverside sites from the biomass and renewable energy sectors could emerge. Port Clarence and North Tees Pools have both seen recent take-up of land for energy generation, and have capacity to accommodate further requirements.
- 6.62 Lifesciences and biotech also offer growth potential; Fujifilm Diosynth recently bought additional land at Central Avenue, Billingham to allow for future expansion. Belasis Business Park provides an opportunity for R&D incubator facilities and move on laboratory / office accommodation in close proximity, whilst nearby, Chemplex has capacity for industrial operations. At Chemplex, specialist infrastructure and availability of “feedstock” chemicals to some extent offset the abnormal costs of developing brownfield land.

### **Values and Viability**

- 6.63 The level of rent achievable on new industrial premises determines the viability of development and thus the scale of demand for employment land. In the region’s industrial market there was never the same scale of speculative development activity at the height of the market as there was in the office market. Compared to the office market, the industrial property market is less subject to major booms and busts, and rents have generally been more stable.
- 6.64 Industrial development within the North East has, however, always been hampered by the narrow differential between construction costs and end values; this has historically made new development at best marginal, and more often reliant on gap funding or other financial incentives. Developers remain reluctant to build larger units speculatively and new development is only likely to come forward on a pre-let basis.
- 6.65 Currently the differential between construction costs and end values is insufficient to allow viable speculative development. There are, however, signs that the market is improving and in particular the emerging shortage of good quality industrial units of more than 1,000 sq.m may help values to recover.

- 6.66 Speculative development occurs where there is less risk and fewer constraints. For industrial premises this is in locations on the edge of conurbations which have good access to the strategic highway network; here demand is strongest, there is a concentration of occupiers and higher rents are achievable.
- 6.67 Historically, within the North East private sector speculative development of industrial premises has been viable only in a few market “hot spots” such as Team Valley, Washington and Belmont. In Stockton there have been some small industrial schemes in the Bowesfield and Preston Farm area. These locations have critical mass, easy access to labour, excellent connectivity to the strategic highway network, and serviced development plots. The comprehensive package of fiscal and financial incentives offered by Enterprise Zones enabled some speculative industrial development in weaker locations. The latest round of Enterprise Zones, which offer a more restricted range of financial inducements to investors, developers and occupiers are less likely to stimulate similar speculative development.
- 6.68 Within Stockton, three sites have been granted EZ status. Belasis and Northshore are office development sites where new occupiers may qualify for business rates relief. The New & Renewable Energy Park at North Tees Pools offers enhanced capital allowances for investment in plant & machinery. Here Air Products had been constructing two energy-from-waste plants, but due to technical problems the company announced in April 2016 that it is withdrawing from the energy-from-waste sector and construction has been halted. Whether this will result in specialist employment land returning to the market is not yet known. Stockton has no EZ sites identified for general industrial development.
- 6.69 Private sector developers aiming to mitigate risk choose to develop in locations that can attract the widest range of businesses and meet occupier requirements for good access to motorways and dual carriageways. There have been few examples of speculative industrial development activity in the North East since the recession. The four examples below are all from market hot-spots around Tyne & Wear. Here rents are stronger but even so speculative development is very difficult. LSH is not aware of any speculative development having taken place in Stockton or the wider Tees Valley since 2009.
- Portobello Trade Park is a development of 15 light industrial units on a prominent 6.5 acre site beside the A1(M) at Birtley. The development provides units sizes from 2,100 to 23,000 sq ft and was completed in summer 2015. Ravensworth Property Development received funding of £2.75 million from ERDF and a loan of £982,000 from the North East Local Enterprise Partnership (LEP). The loan filled the gap between available bank finance and the total financing requirement. The speculative development has attracted interest from trade counter operators, manufacturing and warehousing businesses. But funding conditions restricting occupation to SMEs has frustrated demand.

- In February 2014, Hellens Group completed the second phase of Teal Farm Business Park, Washington, this comprises four light industrial units of 4,000 to 7,000 sq ft. Phase one had been completed in 2008 and let during the recession, but lack of bank finance stalled phase two until grant finance of £680,000 from the ERDF and a loan of £200,000 from the LEP was forthcoming.
- Hellens Group also built Elm Park, a speculative development of 17 light industrial units with easy access to the A19 in North Tyneside. The development which provides units sizes from 1,500 to 5,500 sq ft was completed in July 2014. The developer received funding of £1.1 million from ERDF and a loan of £460,000 from the North East LEP as well as using money from the company's own reserves. Lack of bank finance had stalled the scheme for several years.
- Axis 19 is an industrial development at the northern end of Tyne Tunnel Trading Estate, which lies alongside the A19 just to the north of the Tyne Tunnel. Northumberland Estates had been marketing the units on a pre-let basis for several years without attracting tenants. In early 2015 serious enquiries encouraged the developer to build a pair of 15,000 sq ft units on a speculative basis. Prior to completion lettings of both were secured. Northumberland Estates did not rely on grant funding, but as it intended to hold the units as a long term investment the company's assessment of viability, unusually, had regard to long-term return rather than short-term profit.

6.70 These four schemes demonstrate that in current market conditions, speculative industrial development typically requires gap funding; but that this funding may come with constraints on occupation. The schemes illustrate that speculative industrial development is limited to locations with established critical mass and easy access to the strategic highway network. Although some schemes have let well, occupiers are price sensitive and the schemes would not have proceeded without gap funding. Speculative development is the exception to the rule; much industrial development is still dependent on pre-lets, which remain difficult to secure, or is on a bespoke basis (e.g. Nifco at Durham Lane Industrial Estate). As such take-up of land for industrial purposes is expected to be modest for the foreseeable future. An appropriate provision of serviced development sites should allow opportunities for businesses to relocate within the Tees Valley, as well as meet inward investment requirements.

6.71 The last speculative industrial development in Stockton was prior to the recession. Tees Valley Enterprise Park at Wynyard achieved one letting to Huntsman before the market turned, but the remaining space stood vacant for years. Now with recovering demand, lettings have been achieved to Barrier and PSI Global and only two buildings remain available.

## 7.0 The Supply of Employment Land in Stockton

7.1 This section summarises the current availability and past take-up of employment land in Stockton-on-Tees, to provide a context for the assessments of demand and supply. The analysis of past take-up rates and implied supply presented in the following paragraphs provides a measure of the balance of demand and supply. The take-up rates should not, however, be interpreted as a comprehensive assessment of future requirements. Further consideration is given to the level of demand, drawing upon a range of forecasting approaches and qualitative analysis, in Section 8.0.

### Context

7.2 The market for employment land within North East England has been regularly considered by Employment Land Reviews and at planning inquiries. It is well established that the market functions across local authority boundaries and, given the mobility of employees, the need to assess the economic development provision within a wider sub-region is essential. This is recognised by Planning Practice Guidance which notes that employment land markets overlap local authority areas.

7.3 This is of particular relevance to Stockton-on-Tees, an integral part of the Teesside conurbation which has employment areas of regional and, in the case of the process industry cluster, international importance. Stockton has strong links to the neighbouring authorities of Middlesbrough, Redcar & Cleveland and Hartlepool. It follows that shortfalls or surplus employment land allocations in one local authority area can, to some extent, be offset by neighbouring authorities. In particular the process industry cluster which is centred on Billingham extends across the Tees to Wilton International and northwards to Huntsman and the Phillips Tank Farm at Graythorp.

7.4 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. But some local authorities, recognising that recycled employment sites can play an important role in replenishing supply 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.<sup>21</sup>

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<sup>21</sup> The West Midlands Employment Land Advisory Group regards the rolling reservoir approach as having considerable advantages. Two key benefits are (i) "it avoids large areas of land being allocated over a long time period" and (ii) it gives flexibility to adjust targets based on the performance of the economy". (Paragraph 2.15, Employment Land Provision Background Paper – Revised Version March 2009, West Midlands Regional Assembly). A further advantage is the clear focus given to regeneration proposals and expenditure.

- 7.5 NPPF requires Local Plans to “be drawn up over an appropriate time scale, preferably a 15 year time horizon.”<sup>22</sup> Stockton’s Local Plan is to cover a 15 year period, 2017-2032. Our assessment of the availability and take-up of employment land records the position at the time of our site inspections in April 2016 and considers the appropriate level of allocation for the Local Plan period.
- 7.6 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, whether intentionally or unintentionally. By considering take-up over 16 and 8 year periods the effects of economic cycles and policy changes can be evened out and the stock adjusted, whilst shorter term trends can be identified.
- 7.7 Various factors make any quantitative analysis an inexact science. On the supply side of the equation 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 where there are large amounts of expansion land (such as at Seal Sands) this can impact on demand for available land; this is considered by LSH in more detail 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.
- 7.8 On the demand side it is assumed 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. The extent to which SBC should plan for the replacement of future losses of employment land is considered in greater detail in Section 8.0.
- 7.9 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.
- 7.10 NPPF requires local planning authorities to “have a clear understanding of business needs within the economic markets operating in and across their area.” Where there are distinct property market areas PPG proposes analysis by market segment and by sub-area. Within Stockton and the wider Tees Valley there are sectors with specific needs and site requirements and employment areas where land is reserved for a specific purpose or industry sector. Land for “specialist” uses are not available for general employment purposes and it is important to distinguish them from the market for general employment land. This review distinguishes the market for specialist sites separately from general employment areas.

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<sup>22</sup> Paragraph 157, National Planning Policy Framework, Communities and Local Government, March 2012

- 7.11 Market sectors which are generally regarded as “specialist” are:
- the chemical industry;
  - steel industry;
  - ports and airports; and
  - marine and offshore sectors.
- 7.12 In the Tees Valley these specialist employment uses, with the exception of the airport, form an extended cluster around the lower reaches of the River Tees. Though there are sub-areas devoted to particular uses there is also a degree of inter-relationship, with the chemical and steel sectors dependent on riverside facilities for import and export, and pipes and tunnels linking different employment areas.
- 7.13 Within Stockton the distinction between general and specialist employment areas is geographic, with specialist sites stretching from Chemplex in the west to Seal Sands in the east and with the southern edge defined by the River Tees. Site inspections undertaken by LSH identify that within this area there are two other industry sectors that are not normally regarded as general employment uses. These are waste processing (sui generis) and energy generation (B2). With requirements for large sites and separation from sensitive uses, they are considered to be compatible with the more generally accepted “specialist” uses. Both require large sites and are more easily accommodated in this part of the Borough, so for the purpose of this Employment Land Review they have been categorised by LSH as “specialist” uses.
- 7.14 “Specialist” employment areas are defined as much by the market as by planning policy. For instance, the site of the former ICI offices to the south of Central Avenue, Billingham has been bought by Fujifilm Diosynth to allow for future expansion of its biopharmaceutical production facility, thus ensuring its continuation for specialist employment purposes. But at Billingham Reach Able UK has established an industrial estate on the site of a former power station; an example of land going from specialist to general employment use. As part of this Employment Land Review we have considered whether the use of estates is general or specialist. LSH define the following employment areas as “specialist”:
- Seal Sands;
  - North Tees Pools;
  - Port Clarence;
  - Haverton Hill;
  - Chemplex ; and
  - Durham Tees Valley Airport<sup>23</sup>.

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<sup>23</sup> It should be noted that LSH have been guided by the airport masterplan in distinguishing between specialist and general employment land.



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

## **Sub-Region**

- 7.16 As noted above, the employment land market is not constrained by arbitrary local authority boundaries and Stockton-on-Tees has strong links to the neighbouring authorities of Hartlepool, Middlesbrough and Redcar & Cleveland.

## **Hartlepool**

- 7.17 The Hartlepool Borough Council Employment Land Review – Final Report (HELR) was prepared by BE Group and published in December 2014. The purpose of the HELR is to inform the Local Plan which runs to 2031. The HELR determined that the supply of available employment land at 31<sup>st</sup> March 2014 was 409.7 ha over 29 sites. Six sites totalling 151.8 ha were proposed for deallocation, reducing the stock of available sites to 257.9 ha. When measured against past take-up, forecast demand was for between 19.58 ha and 65.78 ha. By this measure Hartlepool has a land supply surplus of between 192 and 238 hectares.
- 7.18 The forecast demand is based on the HELR's highest estimate of take-up: 2.99 hectares per annum. LSH research indicates that take-up of land for employment purposes in Hartlepool over a 15 year period (2001-15) has been considerably lower at an average of 0.97 hectares per annum<sup>24</sup>.
- 7.19 In addition to available employment sites, there are substantial areas of expansion land within the Hartlepool's Southern Business Zone owned by businesses such as Tata, Conoco Phillips and Huntsman. This expansion land totals around 170 hectares.

## **Middlesbrough**

- 7.20 Middlesbrough adopted its Regeneration Development Plan Document in February 2009. This allocated 80.3 hectares of land for general employment purposes and a further 100 hectares at Middlehaven as a major mixed-use brownfield site. This provision was for a plan period 2004-2021. As at March 2013 the Council's Annual Monitoring Report identified that 174 ha of proposed employment land remained available. This comprised the 100 ha at Middlehaven and 74 hectares elsewhere. This monitoring data suggests that over a four year period just 6 hectares of land were taken-up for employment purposes (1.5 ha p.a.); with eight years of the plan period remaining there appears to be a substantial surplus of employment land within the Borough.
- 7.21 Middlesbrough Council is preparing a new Local Plan. It is acknowledged by Council officers that there is not an up-to-date assessment of future needs;

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<sup>24</sup> LSH research was to inform a planning appeal (APP/H0724/W/15/3005751) where the loss of employment land was a reason for refusal of planning consent. The planning inspector allowed the appeal and approved the loss of employment land.

however officers consider that Middlesbrough has an emerging shortage of employment land which could present opportunities for surrounding areas such as Stockton and Redcar. Evidence base documents such as an Employment Land Review are not yet available.

## **Redcar & Cleveland**

- 7.22 The Redcar & Cleveland Employment Land Review Update (RCELR) was prepared by NLP and published in July 2016. The RCELR considered three alternative scenarios of future demand, identifying a need for between 7.4ha and 11.2ha of general employment land over the period to 2032. A range of sensitivity tests were also presented, which generated a wider range of projected requirements (11ha to 26ha).
- 7.23 An analysis of supply identified 100ha of available general employment land. The RCELR identified four sites, totalling more than 44ha, as candidates for de-allocation. The document highlights that further de-allocations are likely to be required in order to more closely align demand and supply and presents a series of policy choices for consideration by Redcar & Cleveland Borough Council.
- 7.24 The RCELR concluded that future requirements for specialist use land are likely to be in the order of 125ha to 163ha over the period to 2032. An assessment of supply identifies the availability of between 377ha and 429ha of land for specialist occupiers. In recognition of the unique and critically important role that the specialist use sites can play in driving economic growth, the ELR suggests that Redcar & Cleveland Borough Council should look to protect all remaining land at Wilton International, Teesport and Tees Offshore Base.
- 7.25 In respect of the Steel Corridor, however, the RCELR recognises that the situation is considerably more complex, given the current uncertainty regarding the future prospects of the industry and the scale of supply available (with further land becoming available as a result of the closure of SSI). The document recommends that Redcar & Cleveland Borough Council should consider whether scope exists to identify more productive uses for some of the land available in this area.
- 7.26 In summary, surplus employment land has been identified (to varying degrees) within the three other local authorities that make up the Teesside conurbation. On this basis, a shortfall of available employment land in Stockton could be offset by neighbouring authorities. However, later in this section it is identified that Stockton too has surplus land. It follows that Stockton does not need to allocate surplus employment land as there are no shortages in the wider sub-region.

## Stockton-on-Tees

### Availability

- 7.27 The starting point for the assessment of the current availability of employment land within the local authority area, undertaken by LSH, has been digital mapping layers provided by the Council. These layers identify the broad locations of employment areas and the locations of available sites within these areas. Guided by this information LSH inspected all employment areas to verify current availability and to identify where land has been taken-up for development. These site inspections were carried out over two days in April 2016 and covered general employment, “specialist” and mixed-use areas.
- 7.28 Some industrial estates include areas where non-employment uses predominate. Examples are the western part of Preston Farm where there is a cluster of car showrooms and the Portrack Lane frontage of North Tees Industrial Estate where there are retail warehouses. In these mixed-use areas LSH has assumed that available plots which adjoin these commercial uses are no longer regarded by the market as appropriate for the development of B class uses. Two sites totalling 0.65 ha fit into this category; these are included within the matrix of available sites but given no net developable area, recognising that B class development is unlikely.
- 7.29 Northshore is a mixed-use regeneration area where cleared, serviced sites are available for redevelopment. The masterplan for the area identifies the anticipated uses of specific plots; the four plots identified for office development are assessed as general employment sites, other plots are disregarded.
- 7.30 On the edge of Stockton town centre are some older employment areas where buildings have been demolished. Here redevelopment of land for non-B class uses is a likely possibility. Some of these cleared areas (e.g. Queens Park) have been excluded from our assessment following discussions with the Council and in acknowledgment that no adjoining employment premises remain. Others (e.g. Oxbridge Foundry and Boathouse Lane) where cleared plots adjoin occupied employment premises are assessed as available employment sites.
- 7.31 The Council has also identified some regeneration areas which include occupied premises. These include two sites at the southern end of Stockton town centre: the Southern Gateway and land to the rear of 90-101a, High Street. These could provide windfall mixed-use sites over the course of the plan period but are excluded from this analysis as they are not currently available for development. The employment component of these sites is uncertain but some B1 office floorspace could be accommodated.
- 7.32 Sites of less than 0.25 hectares have been disregarded. Development of such small sites mainly occurs where estates lack capacity and occupiers, through lack of choice, are forced to exploit the smallest opportunities. In Stockton, most estates have capacity for further development and the market is not

constrained in this way. Such small sites make only a limited contribution to the overall supply and for the purpose of this Employment Land Review can be ignored.

- 7.33 Where sites are held for expansion by an occupier, they are excluded on the basis that they are not available to the wider market for development; their inclusion may result in double counting of take-up. However, where land is held by a developer for a further phase of development this will meet general market demand and LSH thus include it within the supply of employment land. LSH and NLP are grateful to PD Ports for supplying maps identifying landownership around Seal Sands, which has clarified the extent of ownerships and enabled LSH to identify expansion land in this location.
- 7.34 LSH have identified a broad range of sites with potential for economic development. These include:
1. vacant sites currently allocated for employment use;
  2. vacant sites formerly in employment use;
  3. vacant land in areas identified by the Council for mixed-use development that could include an employment component;
  4. expansion land held by businesses; and
  5. employment premises that are vacant and functionally obsolete.
- 7.35 LSH have inspected all relevant sites, identified boundaries and site areas and have assessed each according to a range of market and sustainability criteria. The LSH assessment matrix is attached at Appendix 3. A detailed guide to the assessment criteria is set out at Appendix 4. The matrix uses numbers from 1 to 5 to rank various qualities of the sites. It should be noted that any site specific recommendations outlined in the later stages of this report are not based solely on this numbering; other factors have also been taken into account. Nor does the numbering imply that the various criteria are of equal weight.
- 7.36 In considering the supply of and demand for employment land within Stockton-on-Tees, LSH have used a three stage approach:
- First the amount of land currently available for employment development (categories 1, 2, 3 & 5 above) has been considered and compared against past take-up rates to arrive at a notional number of years supply within the Borough. This allows LSH to assess whether current allocations and other available employment land is sufficient for the plan period;
  - The second stage is to consider whether these sites are immediately available or require preparation and thus their ability to meet demand in the short term;
  - Thirdly consideration is given to the impact of expansion land on the market for employment sites.

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

### Currently Available Employment Sites

- 7.37 Within the Borough there are 101 available sites with a combined total gross site area of 470.82 ha. These are listed in the matrix at Appendix 3. To assess the net developable area, adjustments have been made to some sites by LSH. A guide to the adjustments appropriate in different circumstances is set out at Appendix 5. Available employment sites provide an estimated net developable area of 428.30 ha.
- 7.38 In the table below, LSH distinguish between sites in areas where general employment uses prevail and those which are dominated by “specialist” uses. General employment sites comprise around 72% of sites but 60% of the developable land area. Specialist sites, which tend to be larger, comprise 26% by number but 40% by land area.

Table 7.1 Available Employment Land, Stockton-on-Tees

Type	Number of Sites	Gross Area (ha)	Net Area (ha)
General	73	295.83	258.70
Mixed-Use	2	0.65	0.00
Specialist	26	174.34	169.60
<b>Total</b>	<b>101</b>	<b>470.82</b>	<b>428.30</b>

Source: LSH analysis

- 7.39 The overall net developable area of available general employment land totals 259 hectares. Sites range in size from 0.33 to 37.50 hectares and provide a wide choice of sites by size and location.
- 7.40 Specialist sites total 170 hectares and range in size from 1.13 to 23.83 hectares. The largest of these is located at Chemplex Middle.

### Take-up of Land for Employment Use

- 7.41 Take-up of employment land in Stockton-on-Tees over the sixteen year period 2000-2016 is recorded on a site by site basis at Appendix 6. Sites have been identified from Council records and checked by use of aerial imagery at different dates and by site inspections carried out by LSH. Site areas have been calculated by plotting areas on 1:1250 scale Ordnance Survey mapping to enable accurate measurement. SBC record annual take-up on the basis of financial years; LSH inspections in April 2016 have broadly coincided with the Council’s monitoring period.
- 7.42 Total take-up in each year from 2000 to 2016 is set out in Appendix 6. The table below compares levels of take-up in the first and second halves of this period. Up to 2008 the UK economy experienced an unusually prolonged

period of economic growth. Strong demand, rising rents and relatively low interest rates provided very good conditions for the development of employment premises and take-up of land was high. In 2008 the market turned dramatically as the UK economy went into a recession that has been followed by weak economic growth and difficult conditions for property development.

Table 7.2 Past Take-Up of Employment Land in Stockton-on-Tees by Use

Use Type	2000 08		2008 16		2000 16	
	Ha	Ha p.a.	Ha	Ha p.a.	Ha	Ha p.a.
Industrial	36.44	4.56	8.27	1.03	44.71	2.79
Warehouse	12.30	1.54	11.52	1.44	23.82	1.49
Depot	5.44	0.68	6.21	0.78	11.65	0.73
Office	27.34	3.42	7.00	0.88	34.34	2.15
<b>General Employment</b>	<b>81.52</b>	<b>10.19</b>	<b>33.00</b>	<b>4.13</b>	<b>114.52</b>	<b>7.16</b>
Offshore / Port	0.49	0.06	5.80	0.73	6.29	0.39
Process	3.98	0.50	22.95	2.87	26.93	1.68
Waste	101.89	12.74	31.23	3.90	133.12	8.32
<b>Specialist Uses</b>	<b>106.36</b>	<b>13.30</b>	<b>59.98</b>	<b>7.50</b>	<b>166.34</b>	<b>10.40</b>
Care Sales / Hire	2.49	0.31	0.79	0.10	3.28	0.21
D Use Class	3.93	0.49	0.31	0.04	4.24	0.27
A Use Class	0.16	0.02	0.72	0.09	0.88	0.06
<b>Other</b>	<b>6.58</b>	<b>0.82</b>	<b>1.82</b>	<b>0.23</b>	<b>8.40</b>	<b>0.53</b>

Source: LSH analysis

7.43 Over the full sixteen year period, take-up of land for general employment purposes has totalled 114.52 ha and averaged 7.16 ha per annum. An average of around 10 ha per annum prior to 2008 has fallen to a little over 4 ha per annum after. Some 70% of this take-up has been for industrial, warehouse or depot uses; 30% for offices. Take-up of employment land for other uses such as vehicle sales, cafés, nurseries and training centres has averaged 0.53 ha per annum.

7.44 Take-up of specialist employment land for such uses has averaged an additional 10.4 ha per annum over the sixteen year period. It should be noted that some 60% of this take-up relates to a landfill site at North Tees Pools, which the Council includes, but arguably, is not take-up for employment use. If this 101.5 ha site is excluded then average take-up for specialist uses equates

to just 4.05 ha per annum but it is worthy of note that take-up has been higher in 2008-16 than in the preceding eight year period. This suggests that the process, waste and other specialist uses are not as dependent on macro-economic conditions as the market for general employment land. The TVCA advise that requirements from the process industry sector are steady, but not increasing; Wilton International is regarded as the stronger location for these industries as comprehensive infrastructure minimises the capital outlay for new businesses. With substantial development opportunities remaining at Wilton, there seems little prospect of increased rates of take-up at Seal Sands and Billingham in the short term.

- 7.45 Process and waste sectors account for 90% of take-up for specialist uses. Despite the extensive river frontage, take-up by the offshore, marine and port sectors has been low, and limited to Haverton Hill. It should, however, be recognised that process industries, particularly petrochemicals, also require access to the sea; at Seal Sands companies such as Conoco Phillips, Inter Terminals, Navigator Terminals and Ineos Nitriles all have private jetties and moorings.
- 7.46 For the purpose of assessing the scale of future land requirements, average take-up rates measured over the last sixteen years acknowledge both the highs and lows of economic cycles and are therefore a useful indicator of requirements over the period to 2032.

**Implied Supply**

- 7.47 In Table 7.3, land currently available for employment development is measured against average annual take-up over a 16 year period.

Table 7.3 Employment Land Supply and Demand in Stockton-on-Tees

Use Type	Available Employment Land (ha)	Average Take Up 2000 16 (ha p.a.)	Implied Supply (Years)
General	258.70	7.16	36
Specialist	169.60	10.40	16

Source: LSH analysis

- 7.48 Within the Borough, the supply of available general employment land is sufficient for 36 years (based on a continuation of past take-up rates). This is more than double the anticipated requirement for the fifteen year period to 2032. Amongst “Specialist” sites there is a notional 16 years supply. However, if the landfill site is excluded from past take-up then the available supply of 169.60 ha represents a notional 41 years supply.
- 7.49 In common with the other Tees Valley local authority areas, Stockton has a substantial surplus of employment land in purely quantitative terms.
- 7.50 Despite high levels of allocations, there is anecdotal evidence of recent requirements for sites being frustrated by a limited supply of suitable

development land. Viability issues are compounded by the attitudes and aspirations of landowners who may be unwilling to sell development plots and whose design and build solutions require levels of rent that seem excessive relative to the general tone. Nifco reportedly faced such difficulties when searching for a site for its new £7 million factory investment in Stockton. Charles Clinkard faced similar issues; its requirement for a 50,000 sq ft warehouse has been satisfied outside the Borough. To address this market failure, stakeholders have suggested that the Council or another public sector organisation provides serviced development sites, over which it retains control via a joint venture or similar arrangement.

## **Stage 2: Readily Available Employment Sites**

- 7.51 For sites to meet demand they must be capable of development. 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 more dependent on the availability and prioritisation of funding than the time taken to carry out the necessary physical works. Once site assembly has been completed, only sites requiring major remediation or infrastructure provision would be expected to take more than a year to bring forward. Readily available sites are those that do not require preparation or infrastructure provision, and would allow construction of buildings without delay or expenditure on abnormalities.
- 7.52 From site inspections LSH has made a preliminary assessment of whether sites are readily available or require preparation. This exercise has its limitations as detailed assessments of ground conditions and other factors such as the attitudes of landowners are largely beyond the scope of this review. Examples cited by workshop attendees and LSH's market knowledge have provided a more detailed understanding of some sites. Those active in the market consider that there is a shortage of "shovel-ready" sites, compared to times past when One North East and English Partnerships had a programme of infrastructure provision and site preparation which provided sites of high quality. It appears that the current viability gap is of such a scale that occupiers regard any abnormal cost, no matter how small, as a barrier to investment.
- 7.53 The supply of readily available employment land is summarised in the table below. There are 57 readily available sites (totalling 123 ha of employment land). Of these, 43 (totalling 48.84 ha) are general employment sites; this equates to six years supply when measured against past take-up rates. At the time of inspection by LSH, site reclamation works were being undertaken by Scott Brothers on a 5.73 ha site owned by the HCA at Haverton Hill which will add to the supply of readily available land.



Table 7.4 Readily Available Employment Land in Stockton-on-Tees

Use Type	Number of IA Sites	Area of IA Sites (ha)	Average Take Up 2000 15 (ha p.a.)	Implied Supply (Years)
General	43	48.84	7.16	6
Specialist	14	74.27	4.05	18

Source: LSH analysis

- 7.54 Stockton-on-Tees does not have an imminent shortage of readily available employment land. It is recommended that the Council aims to maintain a five year reservoir of readily available employment land through programmed investment in site preparation and to ensure that these sites are in deliverable locations. The Council should also look at opportunities to ensure that development land is available to purchase to ensure that there are opportunities

### Stage 3: The Impact of Expansion Land on the Market for Employment Land

- 7.55 Expansion land is held by businesses for their own occupation at some point in the future. It is normal practice to exclude expansion land from an analysis of available employment land on the grounds that it is not available to the market. However, where expansion sites represent a large proportion of vacant sites on an estate and the expansion land is in a range of ownerships then the market impact is worth greater consideration.
- 7.56 Businesses generally prioritise the use of land within their ownerships. Thus expansion sites will be developed before other available land is considered. It follows that where there is a large amount of expansion land, demand for other land is more likely to be constrained (all other factors remaining equal). LSH research has identified a large amount of expansion land at Seal Sands. Here Conoco Phillips, Ineos Nitriles, Inter Terminals, Laporte, Navigator Terminals and the Teesside Gas Processing Plant together hold around 88 ha of land for expansion. As noted above there is also 170 ha of expansion land within Hartlepool's Southern Business Zone just to the north. The synergy between some of these businesses means that there is some willingness amongst businesses to release expansion land to enable the growth of other businesses in the same sector. It follows that a large proportion of land requirements could potentially be accommodated on expansion land. Under such circumstances, it is reasonable to anticipate that demand for other sites at Seal Sands will be modest.
- 7.57 Research by LSH identifies that take-up of land at Seal Sands since 2000 has involved 1.8 ha of available land and 6.9 ha of expansion land. With 51 ha of available land in the ownership of PD Ports and a further 88 ha of expansion land, there is substantial capacity at Seal Sands for well beyond the plan period.

7.58

At Billingham as well there are large areas of land held by businesses such as CF Industries, Scott Brothers and Johnson Matthey which these companies would be willing to sell, though the sites are not actively marketed.

## 8.0 **Future Requirements for B Class Employment Space**

8.1 This section considers the future economic growth needs of Stockton-on-Tees over the Plan period, by drawing upon several forecasting methodologies that reflect the requirements of PPG. The analysis considers future needs with respect to office and industrial uses.

### **Methodology**

8.2 Paragraph 32 of the *Housing and Economic Development Needs Assessment* section of PPG advises that “*local authorities should develop an idea of future needs based on a range of data which is current and robust.*” In particular, it recommends that Plan makers consider a variety of forecasting techniques:

- 1 Sectoral employment forecasts and projections (labour demand);
- 2 Demographically derived assessments of future employment land needs (labour supply);
- 3 Analysis of past take-up of employment land and property and/or future property market requirements; and
- 4 Consultation with relevant organisations, studies of business trends and monitoring of business, employment and economic statistics.

8.3 Within this context, a number of potential future scenarios are considered in this section in order to provide a framework for assessing future B class employment space requirements in Stockton-on-Tees over the 15 year period 2017 to 2032 . The quantitative techniques applied clearly align with items 1-3 outlined above:

- a Baseline employment forecasts (**labour demand**) produced by Experian Business Strategies (Experian);
- b Consideration of **past take-up of employment space**, drawing upon analysis undertaken by LSH; and
- c Estimated growth in the local **labour supply** – and the jobs and employment space required to support this – having regard to the population projections considered as part of the Council’s Strategic Housing Market Assessment (SHMA).

8.4 All of these approaches have their own particular strengths and limitations. In order to be robust, however, the Borough’s economic growth potential (and the likely demand for employment space) needs to be assessed under a variety of scenarios that reflect alternative future growth trajectories that could arise over the study period. In reconciling the various scenarios, consideration needs to be given to how appropriate each is to the particular circumstances and aspirations of Stockton-on-Tees.

8.5 The ultimate judgement regarding the level of employment need that SBC should plan for is not, therefore, simply shaped by a consideration of quantitative techniques. Rather, a number of qualitative factors (as presented in other sections of this report) must also be taken into account. These factors, which have been identified through a review of economic and market conditions – as well as through extensive consultation with economic stakeholders, commercial agents and local businesses (item 4 as outlined above) – will influence the employment space requirements that need to be planned and must be considered alongside the modelled scenarios (a-c).

### **a. Baseline Employment Forecast**

8.6 In spring 2016, SBC commissioned Experian Business Strategies to produce a baseline forecast of employment growth in the Borough over the 15 year period 2017 to 2032. These forecasts – disaggregated by sector – reflect recent trends and economic growth projections at the national and regional level. They also take account of how sectors in Stockton-on-Tees have performed, relative to regional growth rates, in the past.

8.7 The forecasts are not constrained by land supply. In addition, whilst stated government policy is considered by Experian in order to help frame the future macroeconomic outlook, the forecasts do not take account of any: local policy interventions; planned major developments; or infrastructure changes at the local/regional level. As such, the forecasts are ‘policy neutral’.

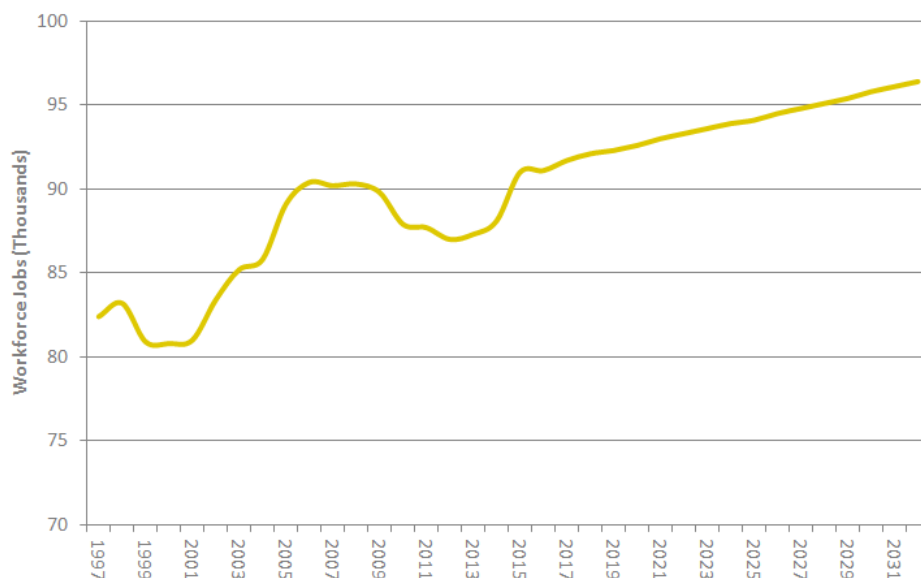
8.8 Econometric forecasts of this nature tend to be most reliable at the regional and national level and less so when considering individual local economies. Nevertheless, they provide a valuable input in respect of understanding future land needs by indicating the broad scale and direction of economic growth in different sectors.

8.9 The Experian figures forecast an overall growth of 4,700 jobs (net) in Stockton-on-Tees over the 15 year study period. This is equivalent to around 315 net additional jobs per annum, on average. For purposes of comparison, the Borough experienced an average increase of 460 jobs per annum over the 19 year period from 1997 to 2016. This compares with jobs growth of 1,070 per annum between 2000 and 2014 on the basis of ONS Job Density data.

8.10 More recently, ONS Job Density data indicates that the total number of jobs in the Borough increased by 5,000 between 2012 and 2014, whilst the Experian data records an increase of 4,000 jobs between 2012 and 2015. Within this context, it could be argued that growth of 4,700 jobs over the entirety of the Plan period appears somewhat conservative.

8.11 Both past and projected future job growth is summarised in Figure 8.1. From this, it can be seen that Experian assumes a more stable economic trajectory over the Plan period than has been observed historically, with a lower overall level of growth.

Figure 8.1 Employment Change in Stockton-on-Tees (Historic and Projected) 1997-2032



Source: Experian / NLP analysis

8.12

Table 8.1 provides a summary of those sectors expected to experience the largest absolute increases and decreases in employment.

Table 8.1 Fastest Growing and Declining Sectors in Stockton-on-Tees (2017-2032)

Sector	Use Class	Job Change (2017-2032)
Residential Care & Social Work	RED	+1,800
Health	RED	+1,400
Education	RED	+1,400
Land Transport, Storage & Post	ORANGE	+900
Professional Services	GREEN	+700
Specialised Construction Activities	ORANGE	+700
Administrative & Support Services	ORANGE	+600
Wholesale	GREEN	-400
Transport Equipment	GREEN	-400
Utilities	ORANGE	-500
Chemicals	GREEN	-600

Source: Experian (spring 2016) / NLP analysis

Key: GREEN = B class sector    ORANGE = Part B class sector    RED = Non-B class sector

- 8.13 This analysis indicates that the strongest growth in employment over the Plan period – as forecast by the Experian baseline – is anticipated to be observed in sectors that are unlikely to generate a requirement for B class space: residential care & social work; health; and education.
- 8.14 Notwithstanding the above, the professional services sector is forecast to grow by 700 jobs and it is considered reasonable to assume that the overwhelming majority of new jobs in the sector will require B1a/b office accommodation. In addition, a further three sectors (land transport, storage & post, specialised construction activities and administrative & support services) are forecast to observe combined growth of 2,200 jobs and would typically be expected to give rise to some need for B class premises.
- 8.15 The majority of sectors forecast to experience the largest employment losses over the Plan period (with the sole exception of utilities) are classified as part of the wider manufacturing sector and will therefore influence demand for B1c and B2 employment space (either on general employment sites or in locations dominated by specialist employment uses).

### **Demand for General Employment Land**

- 8.16 As outlined in previous sections of this report, the specialist use sectors are key drivers of the local economy. The potential future importance of these sectors is recognised within the Tees Valley SEP and SBC's Local Economic Assessment and was repeatedly highlighted during NLP's stakeholder consultations.
- 8.17 It is critically important that the specialist use sectors continue to be supported in the Borough – this includes the provision of an adequate supply of suitable employment land in appropriate locations. This land should be protected from development for general employment uses. It is similarly important to ensure that SBC allocates sufficient general employment land to meet the needs of general office and industrial occupiers.
- 8.18 To ensure that both distinct components of need in the Borough are adequately provided for, it is important to distinguish between:
- Demand for land to meet the needs of the process, offshore/port, waste industries as well as demand driven by airport-related uses. It is anticipated that this will be met primarily – though not exclusively – by land at locations such as Haverton Hill, Chemplex, Seal Sands and Durham Tees Valley Airport; and
  - Demand for general employment land. That is, demand arising from other sectors of the economy (manufacturing, business services, storage and distribution etc.) which will generate employment space requirements elsewhere in the Borough.
- 8.19 In order to do so, it is necessary to make a judgement regarding those employment sectors that would typically be expected to generate demand for land on specialist use sites. The associated employment change can then be

stripped out of the Experian forecasts in order to isolate the demand for general employment land.

- 8.20 In doing so, NLP has applied the following adjustments to the Experian baseline employment forecast:
- The complete removal of any forecast job change in the Air & Water Transport sector;
  - The removal of 62% of any forecast job change in the Fuel Refining, Chemicals and Pharmaceuticals sectors. Analysis of 2014 BRES data at the Lower Super Output area indicates that 62% of jobs currently supported by these sectors within Stockton are focused on specialist use employment sites; and
  - The removal of 10% of any forecast job change in the Utilities sector. Analysis of 2014 BRES data at the Lower Super Output area indicates that 10% of jobs currently supported by the sector in Stockton are located on specialist use employment sites.
- 8.21 Applying the above adjustments to the Experian baseline employment forecast indicates that Stockton could be expected to experience a reduction of 990 B class jobs on general employment sites across the Borough over the Plan period. A more detailed analysis of the data shows that employment in office based sectors (+925) and warehousing and distribution (+255) is anticipated to increase, although this will be insufficient to offset the projected decline in manufacturing jobs (-2,175).
- 8.22 It should be noted that the figures contained within Table 8.2 seek to make an allowance for jobs in other non-B class sectors that typically occupy office or industrial space (Appendix 7).

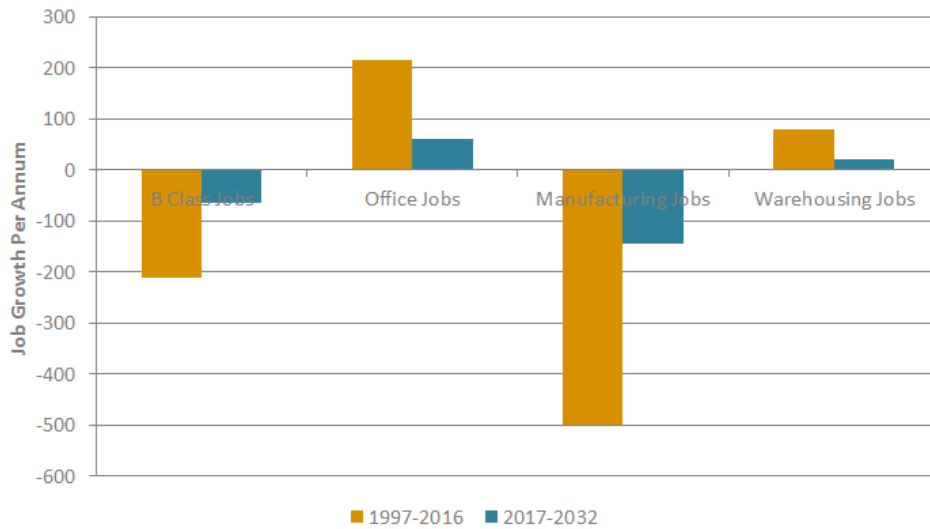
Table 8.2 Estimated Change in General Employment in Stockton-on-Tees (2017-2032)

	Jobs (2017)	Jobs (2032)	Change (2017 2032)
Offices (B1a/b)	18,030	18,955	+925
Manufacturing (B1c/B2)	9,025	6,850	-2,175
Warehousing/Distribution (B8)	7,595	7,850	+255
<b>Total B Class Jobs</b>	<b>34,645</b>	<b>33,655</b>	<b>-990</b>

Source: Experian (spring 2016) / NLP analysis

- 8.23 The overall level of general B class employment change forecast by Experian (-990) corresponds to an average job loss of approximately 65 jobs per annum over a 15 year Plan period. This represents an improvement on historic trends, with job average job losses of 210 jobs per annum recorded between 1997 and 2016.

Figure 8.2 Annual Average Job Growth Implied by Baseline Forecast vs Past Trends



Source: Experian / NLP analysis

8.24 The improved performance with respect to B class employment is forecast – by Experian – to be driven by a stabilisation of the manufacturing industry. Job losses of 145 per annum are forecast to occur over the period 2017 to 2032. This compares with average losses of 500 jobs per annum in manufacturing between 1997 and 2016.

8.25 Growth in employment is forecast to occur in office-based industries and warehousing over the Plan period. However, the levels of average annual growth forecast by Experian are, in both instances, lower than historic trends.

8.26 The adjusted B class job forecasts summarised in Table 8.2 have been converted, by NLP, into a net future employment space requirement for general employment space by applying the following average employment densities:

- **Offices:** 1 job per 12.5sq.m, which corresponds to general B1a/b office space;
- **Industrial:** 1 job per 44.75sq.m as an average across B1c and B2 uses; and
- **Warehousing/Distribution:** 1 job per 65sq.m for general, smaller scale warehousing (assumed to account for 40% of future space) and 1 job per 80sq.m for large scale, lower density units (assumed to account for 60% of future space)<sup>25</sup>.

8.27 These assumptions are based upon the HCA guidance on employment densities, published in 2015. The guidance takes into account recent trends relating to the changing use of employment space, including the introduction of practices such as hot-desking and flexible working.

<sup>25</sup> Proportionate split derived having regard to LSH analysis. This shows that, between 2000 and 2016, large, high bay developments at Wynyard accounted for 62% of all take-up for warehousing uses across the Borough.



- 8.28 An allowance of 10% has been added to all positive floorspace requirements in order to reflect normal levels of market vacancy in employment space. Where a reduction in employment is forecast to occur (i.e. manufacturing) the associated negative floorspace requirement has been halved. This reflects the fact that whilst there may be ongoing job losses in a particular sector, it does not necessarily and automatically follow that all of the associated existing employment space will be lost.
- 8.29 The relationship between job growth and demand for general employment space in relation to the manufacturing sector in Stockton is complex. Data from Experian shows that general employment in the sector (excluding jobs on specialist use sites) fell by approximately 9,500 over the period 1997 to 2016. However, (gross) take-up of general employment land held up well over a similar time period, with 44.71ha developed for manufacturing uses between 2000 and 2016. Indeed, the manufacturing sector was the key driver of take-up during this period, accounting for 40% of all general employment land developed for B class uses.
- 8.30 In addition, the baseline employment forecast produced by Experian projects that the GVA generated by the manufacturing sector in Stockton will increase by £9m (2012 prices) between 2017 and 2032. Whilst this represents a low rate of growth (2% over the period before any allowance is made for inflation) it does suggest that the performance of the sector will be far stronger in output than employment terms. This could reflect a continued shift towards increased automation and more efficient production techniques.
- 8.31 Taking the above into account, it is considered unlikely that the decline in manufacturing employment will give rise to a commensurate reduction in demand for B1c/B2 space.
- 8.32 Table 8.3 provides a summary of net floorspace requirements, by use class, generated as a result of the methodology described above.

Table 8.3 Baseline Employment Forecast: Net General Employment Space Requirements in Stockton-on-Tees (2017-2032)

	Floorspace (sq.m.)
Offices (B1a/b)	12,750
Manufacturing (B1c/B2)	-48,705
Warehousing/Distribution (B8)	21,040
<b>Total</b>	<b>-14,915</b>

Source: Experian / NLP analysis

## b. Past Take-Up Rates

- 8.33 Because they reflect demonstrable market demand, as well as 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 over a business 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 over the period.

- 8.34 As previously discussed, it is important that this ELR distinguishes between: demand for general employment land; and demand from the specialist use sectors. As such, the analysis of take-up presented in the following paragraphs deals with each in turn.

## **General Employment Land**

### **Gross Completions**

- 8.35 As part of this ELR, a detailed analysis of past take-up has been undertaken by LSH. This indicates that 114.52ha of land was developed (gross) for general B class employment uses over the sixteen year period 2000 to 2016. This corresponds to an average annual take-up rate of 7.16ha per annum.

- 8.36 Most of the land delivered (70%) has been for industrial uses, with a more modest demand from the office sector. This is summarised below:

- Manufacturing (B1c/B2): total take-up of 44.71ha (equivalent to 2.79ha per annum);
- Warehousing/distribution (B8): total take-up of 35.07ha (equivalent to 2.19ha per annum); and
- Offices (B1a/b): total take-up of 34.34ha (equivalent to 2.15ha per annum).

### **Net Completions**

- 8.37 Whereas the labour demand and labour supply scenarios considered elsewhere in this section express growth in terms of net change, the take-up data outlined above is presented in gross terms. That is to say, the take-up data has not been adjusted to take account of any losses of employment land to other uses. In order to ensure that all scenarios are considered on a consistent basis, it is therefore conventional to consider net take-up data – by subtracting historic losses from past gross take-up rates.

- 8.38 Based upon information provided to NLP by SBC Officers, it is understood that a total of 55.22ha of general employment land was lost to non-B class uses across the Borough over the 8 year period 2005/06 to 2012/13 (inclusive). This corresponds to an average annual loss of 6.90ha per annum.

- 8.39 The majority of land lost was previously in industrial use. Indeed, the previous use of 53.61ha (97%) of all recorded losses was categorised by SBC Officers as B2/B8.

8.40 An analysis of the data shows that more than half (29.19ha or 53%) of all the B class land lost over the period was subsequently developed for residential use. A further 6.10ha was developed for retail uses. For much of the remaining land, the monitoring data provided to NLP does not record the use to which employment land was lost. This does not, however, have a material impact on the analysis presented within this report.

8.41 It is estimated, drawing upon take-up and losses data provided by LSH and SBC respectively, that average annual net take-up rates are broken down by use class as follows. It should be noted that, where losses have been attributed, in SBC monitoring data, to more than one use class (i.e. B2/B8) NLP has apportioned this equally between the two:

- Offices (B1a/b): 1.99ha per annum;
- Manufacturing (B1c/B2): -0.60ha per annum; and
- Warehousing/Distribution (B8): -1.16ha per annum.

8.42 All data regarding take-up and losses was provided to NLP on the basis of land take. Net take-up figures have, therefore, been converted in floorspace by NLP, using the same plot ratios outlined earlier in this section. This conversion exercise has been undertaken simply to ensure that the employment space estimates generated under the past take-up scenario are directly comparable with those derived using the labour demand and labour supply techniques considered elsewhere in this section.

8.43 The outputs of this exercise are summarised in Table 8.4.

Table 8.4 Past Take-Up of Employment Floorspace in Stockton

	Average Net Annual Completions (sq.m)
Offices (B1a/b)	8,259
Manufacturing (B1c/B2)	-2,400
Warehousing/Distribution (B8)	-4,640

Source: SBC / LSH / NLP analysis

### Future Net Floorspace Requirement

8.44 On view of future growth in Stockton could therefore be simply to assume that past development rates continue into the future. If it were assumed that past net completion rates were to continue over the fifteen year study period, this would equate to an overall net increase of 18,285sq.m. of employment space.

Table 8.5 Past Take-Up Scenario: Net General Employment Space Requirements in Stockton-on-Tees (2017-2032)

	Floorspace (sq.m.)
Offices (B1a/b)	123,885
Manufacturing (B1c/B2)	-36,000
Warehousing/Distribution (B8)	-69,600
<b>Total</b>	<b>18,285</b>

Source: SBC / NLP analysis

8.45 The negative requirements identified with respect to industrial uses indicate that the amount of floorspace required at the end of Plan period would – in absolute terms – be lower than that currently occupied. It is important, however, to acknowledge that the figures presented above take no account of the need to replace some losses of land to guard against the erosion of the Borough’s stock of land. This is considered in greater detail in Paragraphs 8.67 to 8.69.

### Specialist Use Employment Land

8.46 NLP and LSH are not aware of any published employment densities that relate specifically to the process industries, offshore/port-related activities or airport-related activities. The process industry cluster at the mouth of the Tees is of international importance and at Seal Sands / North Tees Pools there are large areas of plant, process equipment and storage tanks but modest amounts of floorspace. Similarly, riverside industries and ports require extensive load-out or external storage areas and airport-related uses require aprons and taxiing areas. It therefore follows that specialist uses are often land hungry but yield comparatively low levels of job creation. These issues significantly limit the scope to translate the estimates of employment change by sector – derived under the labour demand and labour supply scenarios – into a land requirement for specialist uses with any degree of accuracy.

8.47 Within this context, it is considered that an assessment of past take-up rates is likely to represent the most meaningful way in which to assess the future demand for specialist use employment land in the Borough. It is important, however, to recognise that the level of need derived using past take-up data in the following paragraphs is presented as an indicative requirement only. Past take-up represents a backward-facing indicator, which limits its usefulness in predicting future trends and requirements (when considered in isolation). That said, comparison with other sectors sheds some light on the future prospects for the process industry sector. The economy of Teesside in the latter part of the twentieth century was characterised by major industries, British Coal, British Steel and ICI. These industries have successively undergone substantial restructuring as markets have changed. The UK coal industry has all but disappeared, the iron and steel industry has contracted and fragmented

as bulk production has transferred to developing economies, and the chemical industry too has experienced similar fragmentation with Teesside increasingly accommodating branch plants of foreign companies. Against this background, a substantial increase in take-up rates in the process industry sector seems unlikely.

- 8.48 Future take-up of land at the airport is even harder to assess as no take-up has been recorded here over the last 16 years. The airport straddles the boundary of Stockton and Darlington with the majority of development to date on the north side of the runway (Darlington). A masterplan prepared in 2014 provides a broad indication of development potential over the period to 2050. This masterplan shows the area within Stockton being developed partly as hangars (an airport related use), partly for B2/B8 (general employment use) and the retention of a fire training area in the north east corner. With serviced development plots available on the north side and development of the south side dependent on the provision of 2 km of new road, take-up of plots within Stockton seems unlikely in the short to medium term.
- 8.49 Analysis undertaken by LSH suggests that 166.34ha of land was taken-up for specialist use developments over the sixteen year period from 2000 to 2016. This corresponds to an annual average of 10.40ha per annum. Projecting this forward over a fifteen year Plan period would, therefore, suggest a need for **in the order of 156ha** of specialist use employment land to meet future demand.
- 8.50 As identified in Section 7.0, however, the specialist use take-up data is heavily influenced by the development of a landfill site at North Tees Pools. Excluding this from the analysis would see the average annual take-up rate fall to 4.05ha per annum. Projecting forward demand on this basis would imply a need for **60.75ha** of specialist use employment land to meet demand over the Plan period.
- 8.51 It should be noted that both figures fail to reflect the potential demand for land at Durham Tees Valley Airport (as no take-up has been recorded here historically). The successful delivery of land for airport-related uses at the site could, therefore, result in additional demand for specialist use land in Stockton, over and above the levels projected above.
- 8.52 Further consideration is given in Section 10.0 to the quantum of land that SBC should look to plan for in order to meet the needs of specialist users. This takes into account qualitative intelligence gathered through the ELR process, whilst also having regard to national policy and guidance.

### **c. Labour Supply Scenario**

- 8.53 A labour supply scenario – underpinned by demographic modelling produced by Opinion Research Services (ORS) in order to inform the Council’s SHMA – has also been considered. The analysis provided to NLP by ORS anticipates that Stockton’s population will increase by approximately 16,075 over the Plan period (2017-2032).

- 8.54 ORS estimate – having regard to age profile and economic activity rates – that the number of economically active residents will increase by 2,615 over the same period. 2011 Census data shows that Stockton is a modest net importer of labour. If it is assumed that commuting patterns remain unchanged over the Plan period, it is projected that the number of people employed in Stockton will increase by 2,625.
- 8.55 The assumptions supplied by ORS have been used by NLP to estimate the level of employment space that this population change could be expected to support. This approach reflects the most recent population projection work commissioned by SBC and provides a purely demographic-driven assessment of future labour supply.
- 8.56 Table 8.6 summarises the workplace labour supply in Stockton that is anticipated under this scenario. This corresponds to an increase of 2,625 over the period 2017 to 2032. From this figure, the number of B class jobs required has been estimated. The methodology applied by NLP assumes that one additional job will be required for each additional worker, whilst also taking account of the structural change in employment forecast under the baseline scenario in order to disaggregate the employment figures by use class.

Table 8.6 Forecast Labour Supply and Estimated Job Requirements (2017-2032)

	Total Change (2017 2032)	Average Per Annum (2017 2032)
Workplace Labour Supply	2,625	175
<i>Office Jobs (B1a/b)</i>	430	30
<i>Manufacturing Jobs (B1c/B2)</i>	-1,975	-130
<i>Warehousing/Distribution Jobs (B8)</i>	45	5
<b>All B Class Jobs</b>	<b>-1,505</b>	<b>-100</b>
<b>Non-B Class Jobs</b>	<b>4,130</b>	<b>275</b>

Source: ORS / NLP analysis

- 8.57 This implies a need for 2,625 new jobs in Stockton over the Plan period, which is equivalent to 175 per annum. Conversely the number of B class jobs is expected to decline by 1,505 jobs, representing an average annual contraction of 100 jobs.
- 8.58 The B class employment forecasts outlined above relate to general employment sectors only. It should, however, be noted that the approach adopted in disaggregating the headline job estimates derived under this scenario to the use class level takes account of the change in specialist use employment forecast by Experian.
- 8.59 The projected change in general B class employment projected under the labour supply scenario can be translated into an estimated requirement for

general B class employment space. This is done by applying the same standard employment densities used in the labour demand scenario considered above, and adding a 10% vacancy allowance. Where a reduction in jobs is forecast for a particular use class, the associated negative floorspace figure is halved.

- 8.60 In order to meet the job needs of local workers and in-commuters (as projected under the demographic scenario provided to NLP by ORS) Stockton is forecast to require 34,835sq.m less general B class employment space at the end of the Plan period than at the beginning (Table 8.7). This is driven by an assumed contraction in manufacturing employment which then translates to a negative net requirement for B1c/B2 space. It is important, however, to recognise that past trends indicate that manufacturing has been a key driver of gross take-up rates in the face of declining employment numbers in the sector. In addition, the provision of new employment space to meet anticipated employment growth in office-based sectors and warehousing/distribution will also be required.

Table 8.7 Net Employment Floorspace Requirement from Labour Supply Growth (2017-2032)

	Floorspace (sq.m.)
Offices (B1a/b)	5,935
Manufacturing (B1c/B2)	-44,240
Warehousing/Distribution (B8)	3,470
<b>Total</b>	<b>-34,835</b>

Source: ORS / NLP analysis

- 8.61 This labour supply-based estimate provides a benchmark for comparison against those scenarios based upon the demand for labour (i.e. the baseline employment growth scenario) and the demand for employment space (i.e. past take-up rates).

## Net Employment Space Requirements

8.62 Table 8.8 draws together the preceding analysis. It provides a summary of net floorspace requirements over the Plan period, as identified under each of the scenarios considered above.

Table 8.8 Net Floorspace Requirements (General Demand) in Stockton-on-Tees by Scenario (sq.m)

	a. Baseline Employment Growth	b. Past Take Up Rates	c. Labour Supply
Offices (B1a/b)	12,750	123,885	5,935
Manufacturing (B1c/B2)	-48,705	-36,000	-44,240
Warehousing/Distribution (B8)	21,040	-69,600	3,470
<b>Total</b>	<b>-14,915</b>	<b>18,285</b>	<b>-34,835</b>

Source: NLP analysis

8.63 The net requirements range from -34,835sq.m (i.e. a requirement for less land at the end of the Plan period than at the beginning) under the labour supply scenario to 18,285sq.m on the basis of past take-up rates.

## Net to Gross Adjustments

### Safety Margin

8.64 In order to estimate the overall level of employment space that should be planned for in allocating sites – and to give some flexibility in provision – it is common practice to add an allowance as a safety margin. This margin is a contingency factor, providing an additional buffer to allow for: delays in some sites coming forward; uncertainties in the forecasting process; and to try and ensure that a reasonable choice of sites is offered to developers and occupiers.

8.65 A safety margin equivalent to two years of take-up – generally recognised as the average length of time taken for a site to gain planning permission and for development to commence – has been applied in estimating future space needs in Stockton. This is an approach widely adopted in employment land studies. In some instances, it may be appropriate to apply a more generous safety margin, however, two years is considered to be sufficient in this instance – having regard to the size of the local authority area and the Borough's unconstrained supply of land (in quantitative terms). This should provide some flexibility in the Borough, without unduly inflating estimates of future need.



- 8.66 Table 8.9 provides a summary of the safety margins applied by NLP to each B use class. The margins have been calculated on the basis of two years of adjusted gross take-up<sup>26</sup>.

Table 8.9 Safety Margin Allowances

	Safety Margin Applied (sq.m)
Offices (B1a/b)	17,395
Manufacturing (B1c/B2)	13,100
Warehousing/Distribution (B8)	8,410
<b>Total</b>	<b>38,905</b>

Source: NLP analysis

## Replacement of Losses

- 8.67 In converting net requirements for employment space into gross requirements (i.e. the amount of space to be planned for and retained/allocated by SBC to meet needs over the Plan period) an allowance is also typically made for some replacement of losses of existing employment space. This allowance seeks to ensure that sufficient space is re-provided to account for the employment space that could be lost in the future. It is intended to provide some protection against the continued erosion of employment space throughout the Borough.
- 8.68 It is, however, acknowledged that not all losses need necessarily be replaced. Some losses will, for instance, reflect an element of restructuring in the local economy.
- 8.69 An estimated 55.22ha of general employment land in Stockton was lost to non-B class uses over the 8 year period 2005/06 to 2012/13 (inclusive). This corresponds to 6.90ha per annum, or approximately 27,625sq.m of floorspace. Including an allowance for the replacement of losses at 66% of past trends would, therefore, equate to 18,230sq.m per annum (in total and disaggregated by use class according to past rates of activity) over the Plan period. Over a 15 year plan period, this equates to 273,480sq.m.

## Gross Employment Space Requirements

- 8.70 Gross employment space requirements have been calculated by adding a safety margin and an allowance for the replacement of losses (at 66% of past trends) to the net employment space requirements outlined in Table 8.8. The resultant estimates of gross floorspace need (by use class) are set out in Table 8.10 and Figure 8.3.

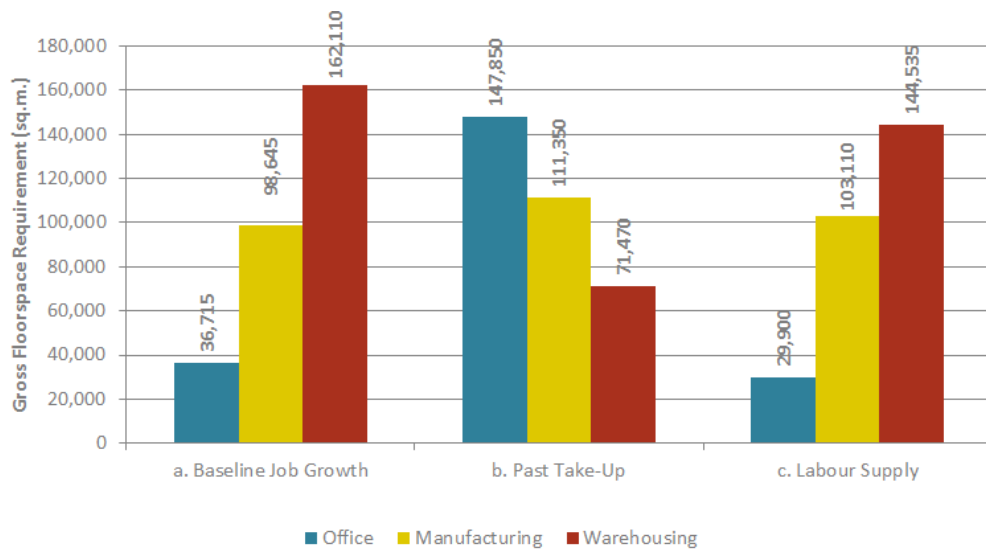
<sup>26</sup> Adjusted gross take-up is calculated by adding an annual allowance for the replacement of losses to net take-up data

Table 8.10 Gross Floorspace Requirements (General Demand) by Scenario (sq.m)

	a. Baseline Employment Growth	b. Past Take Up Rates	c. Labour Supply
Offices (B1a/b)	36,715	147,850	29,900
Manufacturing (B1c/B2)	98,645	111,350	103,110
Warehousing/Distribution (B8)	162,110	71,470	144,535
<b>Total</b>	<b>297,470</b>	<b>330,665</b>	<b>277,545</b>

Source: NLP analysis

Figure 8.3 Gross Floorspace Requirements (General Demand) by Scenario (sq.m)



Source: NLP analysis

8.71 The total floorspace requirements generated using the methodological approach outlined in the preceding paragraphs range from 277,545sq.m (on the basis of the labour supply scenario) to 330,665sq.m (on the basis of a scenario predicated on past take-up rates). The lowest requirement corresponds to 84% of the requirement identified at the upper end of the range.

8.72 Looking at the requirements in more detail, it can be seen that the scale of difference – between the upper and lower bounds of the range identified – varies significantly between the individual use classes:

- Office floorspace requirements vary from 29,900sq.m (under the labour supply scenario) to 147,850sq.m (on the basis of past take-up);
- Manufacturing floorspace requirements vary from 98,645sq.m (under the baseline employment growth scenario) to 111,350sq.m (on the basis of past take-up); and

- Warehousing floorspace requirements vary from 71,470sq.m (on the basis of past take-up) to 162,110sq.m (under the baseline employment growth scenario).

## Estimated Land Requirement

8.73 The gross floorspace requirements derived above have been translated – through the application of the following plot ratio assumptions – into gross land requirements for the Borough:

- **Industrial:** a plot ratio of 0.40 was applied, so that a 1ha site would be needed to accommodate ,000sq.m of employment floorspace; and
- **Offices:** it was assumed that 85% of new office floorspace would be provided at a plot density of 0.40 (typically observed on business park developments). It was assumed that the remaining 15% would be developed at a higher density in town centre or edge of centre locations. Based upon an analysis of previous densities achieved on Teesdale and North Shore, LSH advised that it would be appropriate to assume a plot density of 0.50 for developments in such locations.

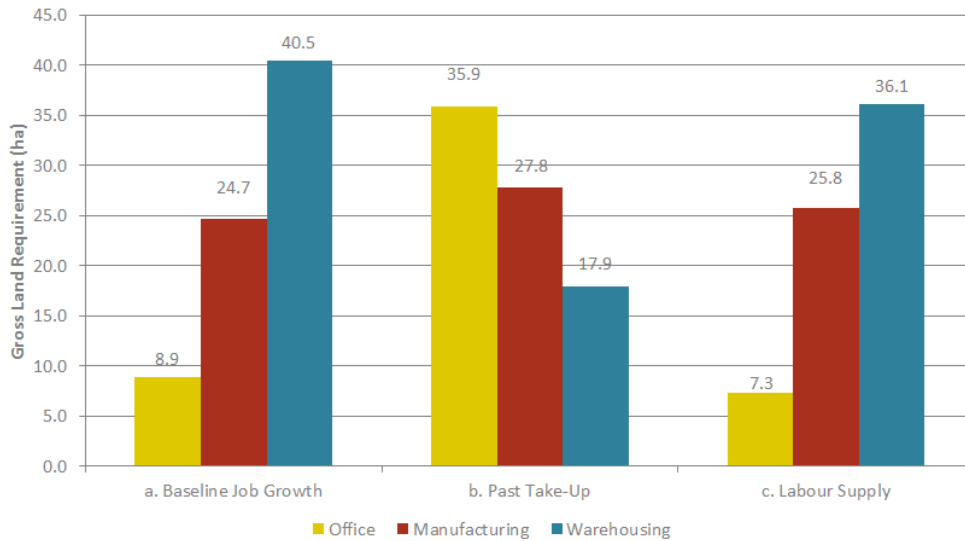
8.74 The resultant gross land requirements are set out (by B use class) in Table 8.11 and Figure 8.4.

Table 8.11 Gross Land Requirements (General Demand) by Scenario (hectares)

	a. Baseline Employment Growth	b. Past Take Up Rates	c. Labour Supply
Offices (B1a/b)	8.9	35.9	7.3
Manufacturing (B1c/B2)	24.7	27.8	25.8
Warehousing/Distribution (B8)	40.5	17.9	36.1
<b>Total</b>	<b>74.1</b>	<b>81.6</b>	<b>69.2</b>

Source: NLP analysis

Figure 8.4 Gross Land Requirements (General Demand) by Scenario (hectares)



Source: NLP analysis

8.75 It can be seen that the total gross land requirements for the Borough range from 69.2ha (under the labour supply scenario) to 81.6ha (on the basis of past take-up rates). The scale of difference – between the upper and lower bounds of the range identified – is more pronounced when one considers each of the B classes individually:

- Office land requirements vary from 7.3ha (under the labour supply scenario) to 35.9ha (on the basis of past take-up rates);
- Manufacturing land requirements vary from 24.7ha (under the baseline employment growth scenario) to 27.8ha (on the basis of past take-up rates); and
- Warehousing land requirements vary from 17.9ha (on the basis of past take-up rates) to 40.5ha (under the baseline employment growth scenario).

## Sensitivity Testing

8.76 In order to assist SBC in identifying an appropriate level demand to plan for within the emerging Local Plan, it is important to test: how reasonable each scenario appears to be in relation to the existing context; and how sensitive the requirements are to flexing the underlying assumptions.

### Scale of Growth

#### Employment Change

8.77 The employment data provided to NLP by Experian indicates that the number of workforce jobs in Stockton stood at approximately 89,000 in 2015. The baseline employment scenario anticipates that employment (including

specialist use sectors) will increase by 4,700 (net) over the period 2017 to 2032. This would represent an increase of 5% on 2015 levels of employment.

### **Employment Space Needs**

8.78 As set out in Section 6.0, Stockton contains an estimated 1,545,000sq.m of B class floorspace, comprising of:

- 1,215,000sq.m of industrial space; and
- 330,000sq.m of office space.

8.79 The figures outlined above provide a useful benchmark for assessing the scale of change (in gross floorspace terms) implied by each of the scenarios considered in the preceding paragraphs.

8.80 In relation to future requirements for **office space**:

- The baseline employment growth scenario generates a requirement for 36,715sq.m of office space (gross). This would be equivalent to an 11% increase in stock;
- The past take-up rates scenario generates a requirement for 147,850sq.m of office space (gross). This would be equivalent to a 45% increase in stock; and
- The labour supply scenario generates a requirement for 29,900sq.m of office space (gross). This would be equivalent to a 9% increase in stock.

8.81 In relation to future requirements for **industrial space**:

- The baseline employment growth scenario generates a requirement for 260,755sq.m of industrial space (gross). This would be equivalent to a 21% increase in stock;
- The past take-up rates scenario generates a requirement for 182,820sq.m of industrial space (gross). This would be equivalent to a 15% increase in stock; and
- The labour supply scenario generates a requirement for 247,645sq.m of industrial space (gross). This would be equivalent to a 20% increase in stock.

### **Replacement of Losses**

8.82 The three scenarios considered in paragraphs 8.5 to 8.75 include an allowance for the replacement of losses at 66% of past trends. Whilst this is considered to be appropriate, it is helpful to understand the impact – on the level of projected demand – of flexing this assumption.

8.83 For each of the scenarios considered in this section, increasing the replacement of losses from 66% to 75% of past trends would see the total requirement rise by 9.9ha. This would see the range of requirements increase from between 69.2ha and 81.6ha to between 79.1ha and 91.5ha.

## Gross Take-Up Rates

- 8.84 The past take-up scenario presented above is underpinned by net development rates (albeit with an allowance subsequently made for the replacement of a proportion of anticipated future losses and the application of a safety margin). An alternative assessment of future demand, therefore, would be to project forward past take-up on the basis of gross development rates.
- 8.85 As outlined elsewhere in this ELR, gross take-up of general employment space in the Borough averaged 7.2ha per annum over the period 2000-2016. In the event that development activity over the fifteen year Plan period replicates the level of take-up observed between 2000 and 2016, Stockton would require in the order of 108.0ha to meet demand.

## Summary

- 8.86 In interpreting the outputs of this section, SBC should have regard to the Planning Practice Guidance, which states that local authorities should develop an idea of the future economic needs of their area based upon a range of qualitative and quantitative forecasting techniques. In this respect, planning for growth should avoid relying upon a single source of data or a single set of forecasts. Such input assumptions tend to rely on a number of different variables that are, inevitably, subject to change.
- 8.87 It is also important to recognise that there are inevitable uncertainties and limitations related to the modelling assumptions underpinning any of the future growth scenarios considered within this study. For example, there are some inherent limitations to the use of local level economic projections, particularly at times of economic uncertainty. These forecasts are regularly updated and the resulting employment outputs for Stockton will change over the Plan period.
- 8.88 This assessment considers three different scenarios of future employment land needs in Stockton, drawing upon approaches that reflect economic growth, potential housing supply factors and past (net) take-up. The overall gross requirements derived on the basis of these approaches range from 69.2ha to 81.6ha. The top end of this range increases to 108.0ha if future demand is estimated by projecting forward past (gross) rates of employment land take-up in the Borough. It is important to note that these figures **do not** include any allowance for demand associated with the Borough's specialist use employment sites.
- 8.89 The lowest employment land requirements identified correspond to the baseline job growth and labour supply scenarios. It is important that SBC makes provision to meet the level of need associated with these as an absolute minimum. However, it is important to recognise that both scenarios are 'policy-off' in terms of the structural employment change that is forecast to occur in Stockton over the Plan period. That is to say, that whilst the overall level of employment growth assumed may be appropriate, the proportion of growth to be captured within the B class sectors takes no account of policy objectives or planned interventions.

- 8.90 Both scenarios, for instance, forecast that whilst Stockton's economy as a whole will grow (in employment terms) the B class sectors will contract. This does not appear to correspond with the intelligence gathered from a variety of stakeholders regarding the Borough's growth potential and sectoral strengths. In addition, it does not reflect the growth aspirations set out within the Tees Valley SEP.
- 8.91 This is particularly relevant when considering demand for office space. The baseline job growth and labour supply scenarios forecast that office jobs in the Borough will increase by 925 and 430 respectively over the Plan period. Both the TVCA and SBC identify strong growth opportunities in office based sectors moving forwards – a sector that grew by more than 200 jobs per annum locally between 1997 and 2016. Indeed, the Tees Valley SEP aims to deliver 9,400 new jobs in office based sectors such as: professional and business services; and digital & creative over the next 10 years. It is considered reasonable to plan on the basis that Stockton could accommodate a significant proportion of this growth, given that:
- The professional and business services sector was identified, by stakeholders, as a key growth opportunity for the Borough. Analysis contained within the Council's LEA also highlights that the sector is over-represented relative to the Tees Valley average, suggesting that Stockton's offer is strong within the Tees Valley context; and
  - Analysis contained within Section 6.0 highlights the important role played by Stockton within the wider Tees Valley office market. It is estimated that 36% of all office stock in the Tees Valley is located within the Borough.
- 8.92 With respect to the manufacturing sector, attendees at the Duty to Co-operate workshop (held as part of the ELR process) raised concerns that the baseline job growth and labour supply scenarios risk under-estimating future requirements for B1c and B2 land. Attendees highlighted that the manufacturing sector is performing well in the Borough and offers strong potential for growth over the Plan period.
- 8.93 This would appear to be a view supported by the Tees Valley SEP, which identifies the advanced manufacturing and low carbon sector as a key driver of growth over the next 10 years. The SEP highlights the critical mass of process activity and advanced manufacturing, as well as the growing demand for advanced manufacturing products and services as two key opportunities. In addition, the analysis contained within Stockton's LEA highlights a particular local strength in advanced manufacturing (with the sector over-represented relative to the Tees Valley and national average).
- 8.94 It is recognised that the baseline job growth and labour supply scenarios forecast a significant improvement in the employment performance of Stockton's manufacturing sector relative to past trends. However, the associated land requirements fall below past levels of take-up.

- 8.95 Having regard to the factors outlined above – and within the context of the NPPF requirement to plan positively for growth – it is considered that planning for a future requirement of between 70ha and 75ha risks under-estimating future land needs in the Borough. Such a scenario could, in turn, constrain the economic potential of Stockton over the Plan period.
- 8.96 As a result, it is suggested that SBC should give consideration to planning for the provision of at least 80ha of general employment land. SBC may wish to take a policy decision to plan for a level of growth above this. However, it should be noted that NLP anticipates that the Borough’s prospects of delivering a greater quantum of employment land (of up to 110ha) will be dependent upon a range of factors including: future improvements in the commercial market (a proactive approach from SBC and the TVCA – pursuing opportunities to work with developers, landowners and other key partners in order to unlock employment sites for development – could help to support this); and the impact of Brexit upon Stockton’s economy and commercial markets.
- 8.97 At present, the likely impact of Brexit on demand within Stockton – and the wider Tees Valley – is largely unknown. Clearly, however, the Council must take a long term view regarding the future need for land and should avoid being unnecessarily reactionary. In addition, in considering the possible future implications of Brexit it is important to note that:
- Economic analysis presented by HM Treasury<sup>27</sup> in advance of the referendum on EU membership forecasts that any recession that could be precipitated by a Brexit vote would be much less severe than the economic downturn of 2008/09; and
  - The take-up based scenarios presented by NLP within this document take account of the impact on development of the 2008/09 recession and subsequent sluggish recovery.

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<sup>27</sup> HM Treasury analysis: the immediate economic impact of leaving the EU (May 2016)



## 9.0 Non-B Class Sectors

- 9.1 The focus of this ELR is on understanding the future demand for B class land and premises. It also considers the suitability of the Borough's supply of employment land in addressing anticipated need. It is recognised; however, that demand for space on business parks and industrial estates can sometimes be observed from non-B class businesses. Uses such as coffee shops, cafes, pubs/restaurants, gyms, training centres and hotels, for instance, can often be found on business parks. Whilst they do not represent B class uses, they do generate employment and can often help to support the broader appeal of a business park or industrial estate.
- 9.2 In recognition of the above – and in accordance with the specific requirements of SBC's study brief – this section provides a high level assessment of future demand for employment land from non-B class sectors. Sectors included as part of this review include health, education, leisure and hotels. No analysis of future demand from the retail sector is provided, with anticipated growth in retail floorspace capacity being assessed in detail as part of Stockton's Retail Study (due for completion summer 2016).
- 9.3 This assessment is necessarily high level as many of the uses considered are likely to be the subject of a detailed review of future requirements and capacity planning through their own sector specific studies/regulatory bodies (i.e. Health Trusts/Local Education Authorities/Tourism Boards). Where such information is available, this should be considered to supersede the analysis presented below.

## Historic Demand

- 9.4 Analysis of recent development activity undertaken by LSH indicates that over the past 16 years, 8.40ha of B class employment land has been developed for non-B class uses, equivalent to 0.53ha per annum. Activity has typically focussed on small scale sites of 1ha or less, with the exceptions to this being: 2.32ha at Teesdale Business Park taken by Stockton Riverside College; and 1.43ha developed at Bowesfield Park for a car showroom.
- 9.5 A breakdown of development by use class over the 16 year period is provided below:
- D Class Uses: 4.24ha developed in total – equivalent to 0.27ha p.a. Developments include Stockton Riverside College, a children's nursery and a gym;
  - Care Sales / Care Hire: 3.28ha developed in total – equivalent to 0.21ha p.a.;
  - A Class Uses: 0.88ha developed in total – equivalent to 0.06ha p.a. Developments include a pub/restaurant on Teesside Industrial Estate.

- 9.6 It is understood, based upon discussions with SBC officers, that the above figures are likely to under-estimate the true scale of demand for space in traditional B class employment locations from non-B class operators. This is because the data does not capture change of use applications. NLP is advised that, in recent years, a number of industrial units have been converted to provided accommodation for non-B class uses (including gyms, crèches, children's play centres and retail).
- 9.7 At a very basic level, therefore, if future take-up is assumed to follow past trends, this would imply a need for in the order of 7.95ha of employment land to meet the needs of those non-B class uses that may wish to develop new premises on an existing industrial estate or business park over the Plan period (subject to the proportion of demand to be satisfied through change of use applications remaining unchanged). It should be noted, however, that this does not relate to the land requirement associated with all non-B class growth anticipated over the period. Rather, it is an estimate of the level of non-B class land take that might reasonably be expected to occupy sites allocated for B class employment uses.
- 9.8 The land requirements identified in Section 8.0 of this report include an allowance for the replacement of a proportion of future losses of employment land to non-B uses. As such, it is not considered necessary for SBC to make any additional allocations, over and above the level of demand identified in Section 8.0, in order to accommodate the future needs of non-B class occupiers.
- 9.9 Notwithstanding the above, it is useful to supplement that analysis of past take-up with an assessment of the future growth prospects of individual sectors. Some will clearly have a greater likelihood of locating on employment sites than others. As a consequence, understanding the overall growth trajectory of individual sectors will help to inform an assessment of the extent to which employment land will be subject to demand from non-B class uses moving forwards.

## **Growth Potential by Sector**

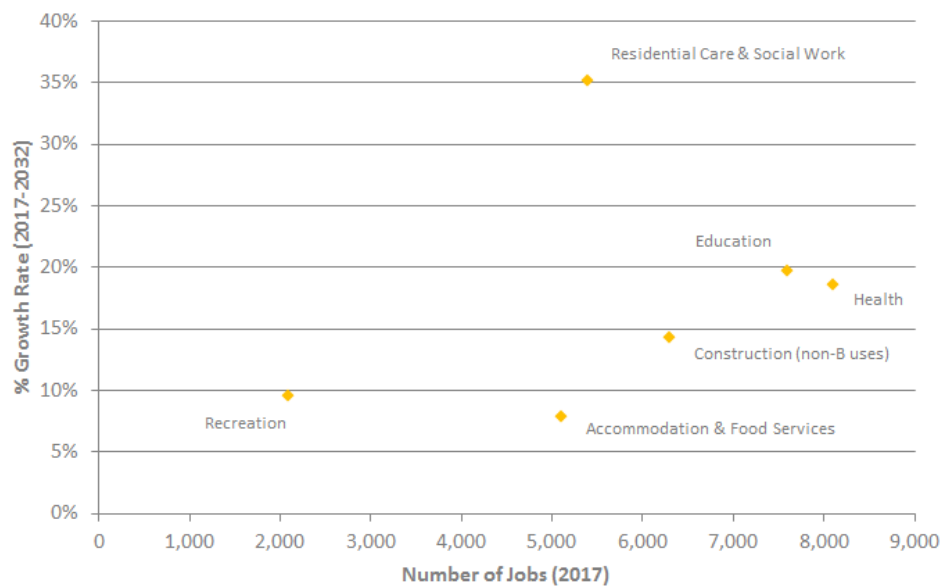
### **Policy Aspirations**

- 9.10 A useful starting point for understanding the future growth potential of non-B class sectors in the Borough is the Tees Valley SEP. The SEP outlines a target of delivering 25,000 jobs across the Tees Valley over a 10 year period and identifies 7 sectors as having a key role to play in driving this growth. A number of the sectors identified are dominated by non-B class activity and these are listed below:
- Construction;
  - Health;
  - Other Services (including Retail and Tourism).

## Projected Employment Change

9.11 Drawing on the baseline employment forecasts from Experian used in Section 8.0, it is estimated that non-B class uses are likely to account for approximately 55,000 jobs in Stockton-on-Tees at the beginning of the Plan period. This represents 60.6% of all employment. Employment in the non-B class sectors is forecast to increase by 5,500 jobs over the Plan period. As a result, the share of employment accounted for by non-B class sectors is expected to increase to 66% Figure 9.1 considers the size of the main non-B class sectors (based upon their projected 2017 employment level) as well as the respective growth rates forecast over the Plan period.

Figure 9.1 Projected Employment Growth Rates of Non-B Class Sectors in Stockton-on-Tees



Source: Experian / NLP analysis

9.12 Table 9.1 indicates that the fastest growing non-B class sectors within Stockton-on-Tees between 2017 and 2032 are anticipated to be: Residential Care & Social Work; Health and Education. More modest levels of growth are forecast in relation to: Construction; Accommodation & Food Services; and Recreation.

9.13 In some instances, components of these sectors are already included within the analysis of demand for B class sectors<sup>28</sup>. As such, the analysis presented in Figure 9.1 and Table 9.1 relates only to that proportion of the sector that is not assumed to create demand for B class space.

<sup>28</sup> It should be noted that a small proportion of the construction industry (SIC codes 43.22 to 43.39) are included within NLP's assessment of future B class demand. It is anticipated that the remainder of the construction industry, comprising of: construction of buildings (SIC 41); Civil Engineering (SIC 42); demolition (SIC 43.11); site preparation (SIC 43.12); testing, drilling & boring (SIC 43.13); electrical installation (SIC 43.21); roofing activities (SIC 43.91); and other specialised construction activities n.e.c (SIC 43.99) are unlikely to generate demand for B class premises. For the most part, such employment activities are likely to be itinerant in nature. As a consequence, the demand for employment space is likely to be negligible.

Table 9.1 Job Forecasts for Non-B Class Sectors in Stockton-on-Tees (2017-2032 (inclusive))

Sector	2017 Jobs	Estimated Job Change (2017 2032)
Residential Care & Social Work	5,400	+1,800
Health	8,100	+1,400
Education	7,600	+1,400
Construction (excluding B class uses)	6,300	+900
Accommodation & Food Services	5,100	+400
Recreation	2,100	+200

Source: Experian / NLP analysis

## Sector Drivers

### Health

- 9.15 Stockton-on-Tees Borough Council's Regeneration and Environment Local Plan Infrastructure Strategy (2015), indicates that the Borough contains 25 General Practitioner practices, 1 hospital, 24 dental practices and 41 pharmacies.
- 9.16 With respect to GP provision, the Strategy concludes that the projected increase in the population would generate demand for an additional 12 GPs. However, the Strategy also highlights that some neighbourhoods in the north and west of Stockton have significantly further to travel to access GP services and there are no GP facilities in Wynyard.
- 9.17 In order to provide additional GP capacity, the Commissioning Groups advised that plans are in place to refurbish/extend a number of surgeries. A new GP surgery is also being considered to serve the existing population and new residents in the west of the Borough centred on Harrogate Lane and Yarm Back Lane and a further GP surgery could be linked to a new hospital planned at Wynyard.
- 9.18 For hospital, secondary health care and ambulance services, the Infrastructure Strategy indicates that the Borough is included within the wider catchment area of North Tees and Hartlepool NHS Foundation Trust. This includes the University Hospital of North Tees (Stockton-on-Tees) and the University Hospital of Hartlepool (Hartlepool) and covers Easington in the North, Stockton in the South, Hartlepool in the East and parts of Sedgefield in the West.
- 9.19 Further housing development in the Borough could place additional pressure on health and health transport services. The Strategy comments that whilst it is likely that much of this demand will be met by the two hospitals, it will be a decision for the Clinical Commissioning Groups (CCGs) in terms of where patients are directed for secondary care services.

- 9.20 Consultations with NHS North Hartlepool and Stockton and NHS South Tees CCGs (which cover Stockton-on-Tees), indicate that there are no plans to extend hospital/secondary care provision, but that this will be accommodated through increased staffing levels on-site.
- 9.21 For pharmaceutical services, both the Infrastructure Strategy and the Stockton-on-Tees Draft Pharmaceutical Needs Assessment (2015), indicate that there is adequate current provision in terms of numbers of premises or outlets, and their general location. Consultees also highlighted that there is no indication that future needs cannot be met through existing provision.
- 9.22 With respect to dental provision, the Strategy indicates that there is a small concentration of practices in Stockton, with further provision in Billingham, Thornaby, Yarm and Ingleby Barwick and thereafter Eaglescliffe, Fairfield, High Leven, Norton and Roseworth. It is considered that there is sufficient capacity to accommodate a further 8,600 new patients if all practices were used to full capacity and that existing dental practices will have additional capacity for private patients. As such, the Strategy concludes that there is sufficient capacity to meet demand for at least the first half of the local plan period and probably well into the next decade.
- 9.23 Taking the above into account, it is considered that health provision is unlikely to generate demand for employment land in the short to medium term. Further detailed analysis of requirements will be carried out by the CCG as part of future capacity studies and will need to be assessed alongside emerging private sector provision. It will be important that the Council engages in this exercise in order to understand whether the outputs of the work require a response in land terms. Whilst a proportion of any future provision may consider land within employment sites, it is considered unlikely that this will form the first choice of location, with new sites typically located alongside residential schemes/on-site extensions.

## **Education**

- 9.24 The 2015 Regeneration and Environment Local Plan Infrastructure Strategy, indicates that Stockton-on-Tees contains 59 primary schools, 12 secondary schools, 3 colleges and 5 special education schools, as well as a combination of privately owned and voluntary sector early years facilities and almost 200 childminders.
- 9.25 At the primary level, the study identifies a surplus of 1,243 (7.4%) primary pupil places, but indicates that there are capacity shortfalls in the younger age groups. In response to this, the Council has agreed with several schools to increase Reception intakes, resulting in 4.3% surplus places by 2018.
- 9.26 The Strategy comments that planned investment has previously taken place across the primary stock to ensure sufficiency of school places in the area. However, Thornaby is anticipated to have a shortfall of places by 2018. The latest school organisation plan also highlights that capital investment will be

required in North Stockton and Central Stockton to meet the continued demand for primary places.

- 9.27 Consultations with Stockton-on-Tees Borough Council Education Officers reveal that in response to this capacity shortfall:
- Mandale Mill Primary in Thornaby is currently being expanded from a 1 form entry (FE) to a 2 FE, due for completion in September 2016;
  - The completion of Wynyard CofE Primary school will provide additional capacity within North Stockton from 2016 onwards; and
  - Reception intakes have been increased in Central Stockton, with a view to provide on-site expansion, where required going forward.
- 9.28 A number of new housing proposals across the Borough also include land for new on-site primary schools which will provide sufficient capacity to accommodate growth should these developments come forward.
- 9.29 At the secondary level, the study identifies a surplus of 1,412 (11.7%) places, reducing to 9 places (0.07%) by 2018, once increased primary school intakes and proposed housing developments are considered. It is understood that this analysis includes the anticipated effects of the recently opened Ingleby Manor Free School<sup>29</sup>.
- 9.30 At a local level, the school areas of Billingham and Wolviston, Central Stockton, Ingleby Barwick and Eaglescliffe and Yarm are expected to have a shortfall of places by 2018. It should, however, be noted that analysis at the local level does not appear to take account of the impacts associated with the opening of Ingeby Manor Free School<sup>30</sup>.
- 9.31 In response to this, consultations with Stockton-on-Tees Borough Council Education Officers reveal that plans are in place to expand a number of existing schools in order to increase local capacity. The redevelopment of St Michaels Catholic Academy in Billingham and Grangefield School and Technology College as part of the Priority School Building Programme will also provide additional capacity to accommodate growth.
- 9.32 The primary and secondary expansions/developments outlined above are anticipated to take place on the existing school grounds, and therefore present no impact on wider employment land requirements. School capacity assessments undertaken by the Local Education Authority currently indicate that there will be sufficient capacity provided by these planned developments to accommodate growth, although these are reviewed on a yearly basis, taking into account emerging admission trends.
- 9.33 It is noted that the Ingleby Manor Free School initially occupied premises on Teesside Industrial Estate. Whilst permitted development rights for free schools could place additional pressure on office and industrial premises in the

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<sup>29</sup> 2015 Regeneration and Environment Local Plan Infrastructure Strategy, Table ED3

<sup>30</sup> 2015 Regeneration and Environment Local Plan Infrastructure Strategy, Appendix 5

Borough, it is considered unlikely that the effects of this would be significant, for the following reasons:

- The Local Education Authority anticipates that planned developments will provide sufficient capacity to accommodate growth. This would appear to reduce the imperative to deliver new free schools (although it is acknowledged that free schools are planned for outside of this process); and
- It is considered unlikely that industrial estates or office parks will routinely emerge as the preferred location for any such developments.

- 9.34 For post-16 education, the Strategy highlights that there are currently 650 places available in the sixth forms at Egglecliffe School, Conyers Academy and Ingleby Manor Free School Sixth Form. A further 2 colleges at Stockton Sixth Form College and Stockton Riverside College also offer post-16 and vocational education, along with 4 Work Based Learning (WBL) providers offering Apprenticeships and Foundation Learning.
- 9.35 Stockton is home to Durham University's Queen's Campus, which comprises of the John Snow and Stephenson residential colleges, as well as the Wolfson Research Institute and the School of Medicine, Pharmacy and Health. In spring 2016, Durham University announced plans to repurpose Queen's Campus from September 2017. This will result in some academic and all college-based activities relocating to Durham City, with plans to use the Stockton campus as an International Foundation College.
- 9.36 Consultations with Stockton-on-Tees Borough Council Education Officers indicate that existing post-16 provision provides sufficient capacity to accommodate projected growth, with no requirement for further expansion.
- 9.37 For nursery and early years provision, the Strategy highlights that Stockton-on-Tees has a robust childcare market with a good range of quality childcare. However, the Stockton-on-Tees 2014 Childcare Sufficiency Assessment indicates that there is a low take-up of early education places amongst eligible 2 year olds. In order to provide sufficient capacity to meet demand, it is estimated that an additional 339 early years places are required. Further gaps in the supply of childcare for school age children in Thornaby are also identified due to a lack of childminder provision in the area.
- 9.38 Stockton-on-Tees Borough Council Education Officers highlighted that provision for pre-school places will be reviewed alongside primary provision, providing expanded nursery facilities within existing primary schools where required.
- 9.39 Having regard to the above, it would appear that the nursery and early years submarket appears the most likely to require additional sites over the Plan period. At present, the scale of such demand cannot be quantified. Past take-up data provides some evidence of the sector considering employment sites as suitable locations, although town centre locations are also likely to be attractive to operators.

## Leisure

9.40 The Infrastructure Strategy highlights that Stockton has a good range of leisure and community facilities across the Borough available for community use. In total, there are:

- 48 community centres spread across the Borough;
- 10 parks each having open space/ football pitches and a variety of ancillary facilities;
- 6 Council run sport/ leisure centres, including 5 with swimming pools/water sports facilities;
- 13 privately run sport/ leisure centres offering a range of wet and dry sports facilities; and
- 4 theatres.

9.41 The 2014 sub-national population projections indicate that the population of Stockton-on-Tees is forecast to increase by +15,600 residents by 2032. The Sport England Facilities Calculator estimates that a population increase of this scale will give rise to an increased demand for 3 swimming pool lanes, 1 sports hall, 1 indoor bowls rink and 0.49 artificial turf pitches.<sup>31</sup>

9.42 In addition, it is understood that a new multi-million pound leisure centre is planned in Ingelby Barwick, as part of a wider development to include a library and customer service point. It is anticipated that the leisure centre could include: a main swimming pool; a learner swimming pool; a health and fitness suite; an exercise studio; and soft play. The facility is expected to open to the public in 2018.

9.43 Key stakeholders consulted as part of this study stated that, whilst a lack of accurate data makes forecasting future needs difficult, the Borough's existing and planned facilities are considered likely to provide sufficient capacity to accommodate this increase in demand. Taking this into account and having regard to the scale of additional need generated by the Sport England Facilities Calculator, a significant supply-side response would appear unlikely.

9.44 In the event of there being a need to provide additional leisure facilities over the Plan period, it is anticipated that demand for sites on industrial estates and business parks is likely to be strongest from gym operators and community centres.

## Hotels

9.45 An assessment of the existing provision of hotels, commissioned by SBC in 2014<sup>32</sup>, indicates that the supply of hotel accommodation in the Borough is limited. The report indicates that there are 13 hotels across the whole of the local authority area and that business is largely driven by the business tourism – rather than leisure tourism – market.

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<sup>31</sup> Sport England, (2014), Sports Facilities Calculator

<sup>32</sup> Proposed Hotel Development, Stockton-on-Tees, CBRE Hotels



- 9.46 Discussions with local stakeholders (including the Tees Valley Tourism Alliance) highlighted that a large proportion of the bedspaces in Stockton (and the wider Tees Valley) are poor quality. There was a general consensus amongst stakeholders that the Borough would benefit from more good quality (Premier Inn/Travelodge as well as 4\*/5\*) provision.
- 9.47 Notwithstanding the above, hotels in the local area generally perform well. The Council's 2015 report analyses the performance of a sample of hotels within a 4 mile radius of Stockton town centre. This shows:
- Occupancy of 84.5% for the 12 months to March 2015. This represents an increase on the 81.9% recorded in the 12 months to March 2012;
  - Occupancy in excess of 90% being achieved Monday-Thursday, with a decline observed at weekends. This reflects the weakness of leisure tourism demand in the area relative to business tourism; and
  - RevPAR (Revenue per Available Room) up from £45.54 in 2012 to £55.98 in 2015.
- 9.48 Recent discussions with the Tees Valley Tourism Alliance have confirmed that weekday occupancy figures remain in excess of 90%. This is understood to compare with 64% in Newcastle Gateshead. On the basis of existing occupancy rates and RevPAR figures, both SBC's 2015 study and the Tees Valley Tourism Alliance consider the Stockton hotel market to be undersupplied with a need for additional bedspaces.
- 9.49 The Tees Valley Tourism Alliance highlighted that several major operators are seeking sites in the Tees Valley, with Stockton and Middlesbrough understood to be the preferred locations.
- 9.50 It would appear likely; therefore, that additional land for hotel developments will be required in Stockton over the Plan period. Given the importance of business tourism to the local hotel market, sites on – or in close proximity to – well established employment locations could be viewed favourably by operators.
- 9.51 Indeed, it is noted that there has been some interest in bringing forward a plot of land at North Shore. Whilst this is a mixed use location (rather than an industrial estate) it does indicate that providing hotel accommodation alongside B class employment uses could hold some appeal to prospective occupiers.

## 10.0 Demand Supply Balance

10.1 This section draws together the projections of future employment land needs with an estimate of future supply. This analysis is presented in order to highlight the existence of any surplus or shortfall in provision within the Borough – in both quantitative and qualitative terms.

10.2 It is important to note, however, that this section does not seek to identify a recommended portfolio of sites to be taken forward by SBC through the Local Plan process. Indeed, the ultimate judgement on this particular issue is a matter for the Local Planning Authority, taking account of a range of planning factors, including ones that may be outwith the ambit of this ELR.

### Quantitative Balance

10.3 The scenarios considered within Section 8.0 (Future Requirements for B Class Employment Space) indicate a need for between 69.2ha and 81.6ha of general employment land in Stockton over the period 2017 to 2032. This rises to 108.0ha if future demand is projected forward on the basis of past (gross) rates of employment land take-up. It is recommended that SBC gives consideration to planning for demand of at least 80ha and recognised that the Council may wish to take a policy decision to plan for a higher level of demand (up to 110ha).

10.4 It should be noted that all of the figures presented above relate to general employment land only. They **do not** include any allowance for the needs of specialist employment uses, which are considered separately.

10.5 In order to determine whether the Borough has sufficient land to meet anticipated future demand, it is necessary to consider the above forecasts within the context of an estimated future supply. This is outlined below and comprises of available employment land and extant planning permissions.

### Pipeline Supply

10.6 Based upon monitoring data provided by SBC (see Appendix 8), it is estimated that Stockton's development pipeline for general employment land represents a net gain of 1.76ha. However, a 1.77ha parcel of land with detailed planning permission at Wynyard (2) forms part of a site that it is recommended the Council gives consideration to de-allocating (see paragraph 10.16). Adjusting the data to reflect this would leave the development pipeline broadly in balance (with gains of 29.40 and losses of 29.41ha. As such, no further adjustments to the available supply are required in order to take account of the development pipeline.

## Available Land

- 10.7 The analysis contained within Section 7.0 (The Supply of Employment Land in Stockton) indicates that the supply of general employment land available for development in Stockton stands at an estimated 258.7ha. Table 10.1 compares the available supply of land against a range of alternative levels of future demand. This demonstrates that the available supply exceeds projected future demand for general employment land by between 150.7ha and 189.5ha.

Table 10.1 Demand / Supply Balance of Employment Land in Stockton, 2017-2032 (hectares)

	a. Baseline Employment Growth	b. Past Take Up Rates	c. Labour Supply	d. Past Gross Take Up Rates
Projected Requirement	74.1	81.6	69.2	108.0
Estimated Supply of Land	258.7			
Over/(Under) Supply	184.6	177.1	189.5	150.7

Source: NLP analysis

## Rationalising the Future Supply of Land

- 10.8 On the basis of the analysis presented above, it is clear that there is a need for SBC to consider how best to rationalise the Borough's portfolio of employment land, in order to ensure a closer alignment between demand and supply.
- 10.9 It is recognised that policy formulation – and as such the ultimate judgement regarding the inclusion or exclusion of sites within the Council's final list of employment allocations – is a matter for the Local Planning Authority. Such judgements must be made having regard to a range of planning factors – including ones that may be outwith the ambit of this ELR. In this sense, the advice presented in the following paragraphs in relation to a particular site may not be the only consideration for how it is addressed in the Council's Local Plan.
- 10.10 Notwithstanding the above, the following paragraphs seek to help support SBC in the process of reducing the supply of employment land, by: identifying those sites that are no longer considered fit for purpose and attractive to the market; and highlighting a series of policy choices that merit further consideration by the authority in translating evidence into policy.
- 10.11 The advice provided in the following paragraphs is made having regard to the need to ensure that the diversity and quality of offer within the portfolio is not compromised. As such, NLP and LSH have not sought to rationalise the portfolio simply through the removal of those sites with the lowest site assessment scores. Rather, the approach seeks to ensure an appropriate

balance within the overall supply, by acknowledging that some sites which score poorly can often still serve an important role within the local economy by meeting the need for lower value premises.

10.12

Drawing upon the site assessment work undertaken by LSH, it is recommended that 13 sites, accounting for 70.66ha of available employment land, should be considered by the Council for potential removal from the supply of employment land. These sites – and the rationale underpinning their identification as candidates for removal from the supply – are considered below:

- **Belasis Avenue, Plots A, B & C** (26.97ha): These plots of land to the north and south of Belasis Avenue are separated from the Billingham chemical complex by a railway line. The land has been previously developed but has lain vacant for three decades. LSH understands that the land requires remediation and provision of infrastructure and services; the abnormal costs of development are expected to be high. Nearby there are plots of serviced employment land at Belasis Technology Park and Cowpen Industrial Estate. There is also a substantial amount of specialist employment land available on the western edge of Billingham at Chemplex, Haverton Hill and Billingham Reach.
- **Oxbridge Foundry** (1.76ha): This site to the west of Stockton town centre is bounded to the east by a railway and to the south and west by terraces of light industrial units, with housing beyond. The foundry was demolished around three decades ago and the site has been unused since. The abnormal costs of redevelopment are expected to be high.
- **Boathouse Lane** (2.32 ha): Situated on the left bank of the Tees, between the town centre and the A66, this site was cleared of industrial buildings around a decade ago and is at high risk of flooding. To the south are a bus depot and a handful of old industrial premises but to the north new student accommodation has been developed. With the steady contraction of the surrounding industrial area this site is now more appropriate for mixed-use development.
- **Bowesfield, Plots A & B** (2.50 ha): These two plots, on the eastern edge of Bowesfield Industrial Estate, front Bowesfield Crescent but with the Tees to the rear are at risk of flooding. Historically they formed part of iron and steel works, and although unlikely to have been developed due to their proximity to the river, are likely to be contaminated. In the wider Bowesfield/ Preston Farm area, other land is available to meet future demand.

- **Bowesfield, Plot C** (0.77 ha): This plot is on the eastern corner of Bowesfield Industrial Estate and fronts Bowesfield Crescent. The southern part of the plot is at risk of flooding, the northern part has been raised by depositing spoil. Planning consent has been granted for residential development on the land immediately to the south and part of the site may be lost to an access road. As a relatively small site with various constraints, abnormal costs of development for employment use are likely to be disproportionate.
- **Durham Lane Industrial Estate, Plot E** (0.50 ha): A small plot on the south eastern corner of an industrial estate which has large amounts of land available for development. The plot adjoins two dwellings and is separated from new housing by a small field.
- **Durham Lane Industrial Estate, Plot D** (3.61 ha): Agricultural land on the north east corner of the industrial estate. The development of industrial premises to the south and west renders this land inaccessible from the industrial estate. The estate has large amounts of serviced land available for development.
- **Urlay Nook, Plot A** (15.54 ha): The former Elementis chemical works has been largely demolished, leaving an extensive brownfield site in the countryside to the west of Eaglescliffe. The modern office building at the front of the site has been retained and is on the market. This brownfield site requires renewal of infrastructure and is relatively remote from the strategic highway network. Although previously used as a chemical works, the site lacks the specialist integrated infrastructure available at Billingham, Wilton and Seal Sands.
- **Urlay Nook, Plot B** (16.03 ha): Farmland adjoining the Police Tactical Training Centre situated in countryside to the west of Eaglescliffe. The site lacks infrastructure and services and has relatively poor access to the strategic road network.
- **The Black Path** (0.66ha): The site of a former gas holder which adjoins open space on the northern edge of an industrial area that suffers from poor layout and ageing stock. This is an unallocated employment site; having regard to the amount of available land it is considered that there is little justification for its allocation.

10.13 Removing these 13 sites would reduce the supply of general employment land in the Borough by 70.66ha, leaving 188.04ha available for development. This is still some 78.04ha higher than the upper bound of the indicative requirement for the area. Whilst the 13 sites listed above are considered to represent the most obvious candidates for de-allocation, it is important to note that further reductions in the supply are considered necessary.

10.14 Having regard to the above, Council officers should explore opportunities to further rationalise the supply – in addition to the substantial de-allocations recommended by NLP and LSH. The scale of any further reductions will be influenced – in part – by the level of future demand that SBC ultimately seeks to accommodate through the Borough’s Local Plan. To assist SBC officers in

this process, this report identifies a number of sites that *could* provide further opportunities to reduce the supply of land, through: the introduction of mixed-use allocation; or revisions to site boundaries.

10.15 It is recognised that it is not always practicable or desirable for local authorities to bring the supply of employment land fully into alignment with projected demand. Such circumstances could include a need to address qualitative gaps in provision in order to provide the appropriate range and choice of sites to promote economic growth; or to avoid de-allocation of infill development plots on existing, established industrial estates in order to simply ‘balance the books’. Nevertheless, where a local authority takes a policy decision to allocate a portfolio of employment land that exceeds projected future need, it is important that this is done having regard to the relative risks and benefits associated with the various supply-side responses under consideration.

10.16 The list of sites presented below is not, however, intended to represent an exhaustive list and SBC may wish to consider additional, alternative solutions. It is considered necessary, for these sites, to be less prescriptive in relation to the recommendations made within the ELR. This should provide SBC with the flexibility needed to consider these potential interventions – and any others identified by the authority – in a more co-ordinated manner in order to determine the (revised) area of land on each to be allocated for B class uses:

- **Wynyard 1 (Former Samsung), Plot A (17.63 ha):** Wynyard 1 on the northern edge of the Borough is situated at the junction of the A19 and A689. It is well located and provides offices, industrial and warehousing in a high quality business park environment. The southern part of Wynyard 1 provides 12.81 ha of development plots with access to existing estate infrastructure; capable of accommodating requirements in the short to medium term. In contrast Plot A to the north is undulating agricultural land which has no infrastructure and where ground works are required to create level development plots. Given the importance of Wynyard as a high quality business park in a location of relatively strong market demand the Council may wish to consider identifying Plot A as “safeguarded” employment land, recognising that it is unlikely to be required during the plan period;
- **Wynyard 2, Plot C (12.66 ha):** This business park is further from the A19 but like Wynyard 1 provides some serviced land in a high quality environment. Having regard to past take-up however available allocated sites provide more land than is likely to be required over the plan period. Plot C fronts the A689, the northern part is served by the existing estate infrastructure but the southern part is not. The Council may wish to give consideration to deallocating part of this land. In reconsidering the boundaries of the employment allocation the Council should have regard to the line of the gas main that passes beneath the site which sterilises development of a strip of land;

- **North Tees industrial Estate, Plots A-C (1.32 ha):** This industrial estate accommodates a mix of uses including employment, retail and sui generis, such as van hire. There are four available plots. Plot D, which fronts Portrack Lane was formerly used for retail, is being marketed for retail, and is situated between two retail warehouses. There is little basis for including Plot D within the portfolio of employment land. The development potential of three other small plots is impacted by the high flood risk across this industrial estate. However, none of these three plots are peripheral to the estate and as such the boundaries of the estate cannot be sensibly amended to exclude them; and
- **Durham Tees Valley Airport (37.50 ha):** As noted in Section 8, the masterplan for the airport shows land in Stockton being used partly for airport-related uses and partly for general employment purposes. This masterplan provides for development to 2050, which is well beyond the Local Plan period. That part of the estate within Stockton is to the south of the runway and would require significant investment in infrastructure, notably 2km of new road to provide access. The masterplan proposes some housing development to subsidise this infrastructure provision, but with serviced plots available to the north side of the runway early construction of this access road is unlikely. Having regard to the high supply of general employment land in Stockton, and agents' views that demand for sites at the airport will be modest, it is considered that scope exists to restrict allocations of general employment land at the airport to the 20ha that currently benefits from planning consent and to safeguard the remainder for development beyond the end of the Plan period.

10.17 In addition to the above, it is recognised that sites such as North Shore<sup>33</sup> and Teesdale are viewed by SBC as mixed-use locations. Office development will be promoted in these areas – and LSH consider both to have good potential as employment sites – but other uses may also be appropriate, including education, residential and, subject to the sequential test, other town centre uses. Should the quantum of B class employment land delivered on these sites be lower than anticipated, this will serve to reduce the overall level of supply in the Borough. It is suggested that any such proposals should be assessed on their merits by SBC – having regard to other relevant planning policies and technical evidence based documents – in the event that they come forward in due course.

10.18 The supply of available employment land in the Borough could also be reduced through the development of ancillary facilities on other industrial estates and business parks in the Borough that are not explicitly identified as mixed-use locations. It may not be appropriate for SBC to actively plan such provision through the identification of parcels of land for non-B class uses. Nevertheless, it is noted that the provision of floorspace for supporting services such as shops, gyms, creches, hotels, public houses of an appropriate scale

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<sup>33</sup> The quantum of land available for general employment uses at North Shore has been derived by LSH having regard to the wider masterplan for the site

can – in certain circumstances – help to support the vibrancy and appeal of employment locations.

- 10.19 It is recommended that SBC considers any development proposals for ancillary facilities on their merits, whilst ensuring that they do not undermine the primary role and function of the overall industrial estate or business park. Such an approach has already been applied by the Council in granting planning permission for the development of a pub/restaurant and small A class parade on Teesside Industrial Estate, as well as a gym at Preston Farm.

## Qualitative Issues

- 10.20 As demonstrated in the preceding paragraphs, Stockton does not suffer from a quantitative shortfall of employment land. Despite the high level of allocations, however, stakeholders have indicated that developing new space speculatively remains challenging. It is understood that the issue is being driven by viability issues, as well as the attitudes and aspirations of some landowners. According to anecdotal evidence provided to NLP and LSH, this is resulting in requirements for land being frustrated – with local businesses being unable to expand or moving out of the Borough as a consequence.

- 10.21 With respect to premises, stakeholder consultation and an analysis of market signals identify the following gaps in provision within the Borough:
- A need for R&D incubator / move-on facilities and laboratory space to capitalise on local growth potential in the lifesciences and biotech sectors, with Belasis Park emerging as a preferred location amongst stakeholders;
  - A gap in the provision of office premises of 2,000sq.m and beyond. This is despite the Borough benefit from a wide choice of office premises generally – reflecting the high level of speculative development prior to the economic downturn; and
  - Restricted choice of good quality industrial units in excess of 2,000sq.m.

- 10.22 In order to address the issues outlined above, SBC and other public sector partners may wish to give consideration to:
- Providing serviced development plots on key industrial estates (subject to the availability of funding); and/or
  - Working with the private sector to identify gap funding opportunities to support the viable speculative development of specific sizes and types of premises considered to be in short supply at present.

## Specialist Use Sites

- 10.23 As discussed in Section 8.0, the complex relationship between employment change and land take makes it difficult to estimate the future need for specialist use employment sites on the basis of projected employment or population



change. Rather, an assessment of past take-up rates is considered to represent the most appropriate approach to estimating future need.

- 10.24 Past take-up for specialist uses has averaged 10.40ha per annum over the 16 year period 2000-2016. However, this includes the development of a large landfill site at North Tees Pools and could therefore be considered to overstate demand. Excluding the landfill site from the figures yields a long term average take-up rate of 4.05ha per annum. Interestingly, once this site has been excluded, it can be seen that take-up of specialist use land since the recession has been considerably stronger than the levels of demand observed prior to the downturn. Indeed, over the period 2008-16 take-up averaged 7.50ha per annum. This would appear to suggest that demand for specialist use land (from sectors such as chemical, process and waste) is less dependent upon macro-economic conditions than the market for general employment land. As such, it may be more appropriate for SBC to plan on the basis of a future requirement of 7.50ha per annum – in accordance with the levels of take-up observed over the past 8 years.
- 10.25 Projecting forward long-term past take-up rates (4.05ha per annum) indicates a requirement for 60.75ha of specialist use land over the Plan period. This rises to 112.5ha if the short-term average of 7.50ha per annum is applied. Neither figure allows for the inclusion of a safety margin.
- 10.26 It should be noted that the take-up data considered above – and consequently the indicative estimates of future need for specialist use sites – takes no account of the potential scale of future demand for specialist use land at Durham Tees Valley Airport. This is because no take-up has been recorded here over the last 16 years (the airport straddles the boundary of Stockton and Darlington with the majority of development to date on the north side of the runway, located in Darlington). As such, the projected demand figures presented above should be viewed as conservative estimates in the event that development for airport-related uses is progressed within Stockton over the Plan period.
- 10.27 An assessment of Stockton’s supply of employment land identifies 26 specialist use sites comprising of 169.6ha (net) of available land. Within the context of the higher level of demand of 112.5ha derived above, this corresponds to a quantitative oversupply of 57.1ha. It should, however, be acknowledged that this takes no account of potential future demand at Durham Tees Valley Airport. In addition, it is also important to recognise that stakeholders consulted as part of the ELR have expressed a clear desire to see Stockton retain a generous supply of employment land for specialist use occupiers.
- 10.28 This primarily reflects the economic importance of – and strong recent demand for – specialist use sites, as well as the difficulty and costs associated with identifying suitable additional land for such uses in the event that the existing supply is exhausted at some point in the future.
- 10.29 The economic importance of the specialist use sites is clear – particularly in relation to those sites within the Borough that are related to the process

industries. The Tees Valley is widely recognised as a globally significant location with respect to process industries. NEPIC estimate that the Tees Valley employs 12,000 workers in the process industries and accounts for 58% of UK output in the chemicals sector. Between 2011 and 2014, NEPIC estimate that the process industries generated more than £750m of inward investment into the Tees Valley.

- 10.30 The area's competitive position is underpinned by: a long history of engineering, manufacturing and process activity; an appropriately skilled workforce; a well-established supply chain; and world class infrastructure. Activity is focussed around a limited number of sites, including Billingham and Seal Sands/North Tees in Stockton.
- 10.31 The TVCA's SEP highlights that the process industries have an important role to play in supporting future economic growth in the Tees Valley. The SEP explicitly identifies a need to sustain the continued development of Tees Valley's global position in respect of the process industries. In addition, the document outlines a target of creating 25,000 new jobs, with the TVCA aiming to deliver 6,700 of these in advanced manufacturing and low carbon (comprising of: process and chemical industries; metal, oil and gas industries; and the emerging defence, rail and automotive sectors).
- 10.32 In addition to the above, the preference to retain a generous supply of sites also reflects the general view amongst stakeholders that specialist use sites are viewed by the market as being distinct from the supply of general employment land. Specialist uses are unlikely to be suitable on, or attracted to, general employment sites and vice versa. As such, it is unlikely that a generous supply of specialist use sites would skew the market for general land and premises.
- 10.33 Notwithstanding the above, it is important to acknowledge that substantial development opportunities exist within Stockton and elsewhere across the Tees Valley – most notably in Redcar (where the closure of SSI has released more than 280ha of specialist use land for redevelopment on the South Bank of the Tees) and Hartlepool. As a result, the Council should give consideration to deallocating specialist use land that is low quality and of limited attraction to specialist industrial sectors, or where there are strong grounds for an alternative allocation.
- 10.34 Three sites which SBC may wish to consider removing from the supply of specialist use employment land are:
- **Port Clarence, Plot A** (2.67ha): this unallocated site comprises poor quality land adjoining a landfill site. It lacks the infrastructure of plots at Seal Sands and – having regard to the amount of available specialist employment land in this location, as well as the provision of expansion land – it is considered that there is little justification for allocating this site;

- **Port Clarence, Plot B** (17.46ha): the Port Clarence Triangle is a brownfield site with poor access that has not been in active use for more than three decades. It is former industrial land that requires remediation, levelling and the removal of structures (including railway embankments and sidings). Road access to the site is constrained and, apart from a private road along the riverside, the site lacks infrastructure and services – the river frontage has no quay; and
- **Seal Sands, Plot B** (8.73ha): there are 51ha of available land at Seal Sands and a further 88ha of expansion land. Having regard to the scale of available land for the chemical industry at Seal Sands, Billingham and Wilton International, the Council may wish to consider the de-allocation of peripheral sites. Plot B of Seal Sands is in the furthest (north west) corner of the complex; it lacks the infrastructure that serves other plots nearer to the entrance, does not benefit from river frontage and adjoins an SSSI and Special Protection Area.

10.35

The removal of the three sites listed above would reduce the Borough's supply of specialist use land by 28.86ha. This would leave a supply of 140.74ha.

## 11.0 **Conclusions**

### **Overview of Stockton's Economy**

- 11.1 Between 1997 and 2015, the number of workforce jobs in Stockton increased by 8,600. This represents a growth rate of 10.4%, which is significantly lower than the national average of 17.6% observed over the same period.
- 11.2 An analysis of the broad sectoral breakdown of employment highlights that health, retail, manufacturing and professional and technical services are the major employers in Stockton at present. A more detailed analysis, undertaken as part of the Council's LEA, identifies strong local representation in a number of the Tees Valley's key growth sectors, including: advanced manufacturing; professional & business services; chemicals & process; and transport & logistics.
- 11.3 The local economy benefits from a strong skills base relative to the regional average, as well as good public transport infrastructure and connectivity to the strategic road network.
- 11.4 Key economic challenges remain, however, including: high concentrations of deprivation; a comparatively small business base; and a declining working age population.

### **Functional Economic Market Area**

- 11.5 A high level assessment of the FEMA within which Stockton is situated has been undertaken as part of this ELR. The exercise has had regard to economic, property market and labour market factors – all of which are influenced by the Borough's geographical location.
- 11.6 Stockton is situated within the Tees Valley Combined Authority area, although it shares borders with local authorities in three different LEP areas: Tees Valley (Middlesbrough, Redcar & Cleveland, Hartlepool and Darlington); North East (County Durham); and York, North Yorkshire & East Riding.
- 11.7 An analysis of commuting flows into and out of the Borough provides a key reference point for understanding Stockton's FEMA. This highlights significant outflows of residents to employment opportunities in Middlesbrough and Redcar & Cleveland, with inflows of works primarily coming from Middlesbrough, Redcar & Cleveland, County Durham and Hartlepool.
- 11.8 ONS analysis indicates that much of the Borough is located within a wider Middlesbrough & Stockton travel to work area. The area also includes large parts of Redcar & Cleveland, as well as Stokesley – in the northern part of Hambleton District.

Figure 11.1 ONS Travel-to-Work Areas



Source: ONS

- 11.9 In commercial market terms, LSH advise that the Borough's strongest functional relationships are with Middlesbrough and Redcar & Cleveland. Indeed, it is understood that the market typically views the Teesside conurbation (comprising of Stockton, Middlesbrough and Redcar & Cleveland) as a single entity – and one that is distinct from the other Tees Valley authorities of Darlington and Hartlepool.
- 11.10 Having regard to the above, it is considered that Stockton's FEMA could broadly be defined as comprising of the local authorities of Stockton, Middlesbrough and Redcar & Cleveland.

## Market Overview

- 11.11 Stockton dominates both the industrial and office markets in Tees Valley. It contains 971,000sq.m of business floorspace – approximately one third of all stock in the Tees Valley – with more than 80% of this classified as industrial.
- 11.12 Between 2000 and 2012 (the latest available data) the total stock of floorspace in Stockton is estimated to have increased by 40,000sq.m. Whilst this is below (in absolute and proportionate terms) the change observed in Redcar & Cleveland, it exceeds the performance of all other Tees Valley authorities.
- 11.13 Stockton's office market is dominated by business park provision in locations such as Teesdale Park, Preston Farm, Wynyard and Belasis. This reflects the high volume of speculative development that occurred on the Borough's business parks prior to the economic downturn of 2008/09. Despite this, Stockton town centre still contains a large number of units, although these are typically much smaller in size than those provided on the area's business parks.

- 11.14 Key industrial locations within Stockton include Thornaby, Billingham, Portrack and Preston Farm. Taken together, these areas account for more than 75% of all stock in the Borough, reflecting the importance of access to the A19 and/or A66. In addition to the above, Wynyard Park accounts for more than 7% of floorspace but less than 1% of units. This is due to the predominance of larger premises, including distribution warehouses. Industrial provision in Stockton town centre and the western suburbs is generally characterised by smaller premises.
- 11.15 Three of the Borough's employment sites benefit from Enterprise Zone status. Belasis and Northshore are office development sites where new occupiers can qualify for business rates relief. The New & Renewable Energy Park at North Tees Pools offers industrial occupiers enhanced capital allowances for investment in plant and machinery.

## **Meeting Future Needs**

### **Projected Future Need: General Employment Land**

- 11.16 In assessing the future need for employment land in Stockton, this study has taken account of three different scenarios based upon a number of alternative methodological approaches. Some are primarily driven by economic or demographic growth projections, others by past rates of development. The gross employment land requirements for the Borough range from 69.2ha to 81.6ha. The top end of the range rises to 108.0ha if future demand is estimated by projecting forward past gross rates of employment land take-up.
- 11.17 It is important to note that the scenarios presented above relate to general employment land only and do not take account of the need to provide land for specialist use industries.
- 11.18 Within the context of the NPPF requirement to plan positively for growth – and having regard to stakeholder feedback, market signals, policy aspirations and past and projected employment performance – it is considered that SBC should plan to accommodate demand for at least 80ha of employment land.
- 11.19 NLP anticipates that the Borough's prospects of delivering a greater quantum of employment land (of up to 110ha) will be dependent upon a range of factors including future improvements in the commercial property market; and the impact of Brexit upon Stockton's economy and commercial markets.
- 11.20 At present, the likely impact of Brexit on demand in Stockton is largely unknown. It is important that the Council takes a long term view regarding future need and avoids being unduly reactionary.

### **Projected Future Need: Specialist Use Employment Land**

- 11.21 The complex relationship between employment change and land take for the specialist use sectors means that past take-up rates are considered to represent the most appropriate means of projecting future demand. This

approach identifies a likely need for between 60.75ha and 112.5ha of employment land for specialist uses over a 15 year Plan period, with a figure towards the higher end of the range considered likely to better reflect the strength of recent demand and the policy aspirations of SBC and the TVCA.

- 11.22 It should, however, be noted that the figures cited above do not allow for the inclusion of a safety margin, which is not ordinarily applied when considering scenarios underpinned by gross take-up data.

### **Demand-Supply Balance: General Employment Land**

- 11.23 The Borough's supply of available general employment land is estimated to be in the order of 259ha at present. This is significantly higher than projected need, highlighting the existence of a demand-supply imbalance in quantitative terms.

- 11.24 The site assessment work undertaken by LSH has identified 13 sites that are no longer considered fit for purpose. It is recommended that these sites, comprising of approximately 71ha of land in total, should be considered by the Council for potential removal from the supply of employment land.

- 11.25 The removal of these sites would leave Stockton with a supply of c.188ha of general employment land. As such, further opportunities to rationalise the supply should be explored by SBC. The scale of additional deallocations required will – to an extent – be influenced by the level of future demand that the Council ultimately seeks to accommodate through the Local Plan. To assist the Council in the process of further reducing the quantitative oversupply, this ELR identifies a number of additional sites that could provide opportunities to reduce the supply of land. The options presented are not intended, however, to serve as an exhaustive list and SBC may wish to pursue an alternative strategy.

### **Demand-Supply Balance: Specialist Use Employment Land**

- 11.26 The Borough's supply of specialist use employment land is estimated to stand at approximately 170ha at present. When considered against the upper bound of projected future need, this corresponds to a quantitative oversupply of 57ha.

- 11.27 It is, however, important to acknowledge that stakeholders have expressed a clear desire to see Stockton retain a generous supply of employment land for specialist use occupier. This reflects:

- The importance of, and strong recent demand for, specialist sites;
- The difficulty and costs associated with identifying suitable additional land for such uses in the event that the existing supply is exhausted at some point in the future; and
- A consensus view that specialist use sites are viewed, by the market, as being distinct from the supply of general employment land.

11.28

Notwithstanding the above, it is recommended that SBC gives consideration to deallocating specialist use land that is of low quality and limited attraction to specialist industrial occupiers – or where there are strong grounds for an alternative allocation. The ELR has identified three such sites that SBC may wish to consider removing from the supply of specialist employment land:

- Port Clarence, Plot A (2.67ha);
- Port Clarence, Plot B (17.46ha); and
- Seal Sands, Plot B (8.73ha).