

Employment Land Review Final Report

South Tyneside Metropolitan Borough Council

March 2023

LICHFIELDS

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1.0 Introduction

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

- The Borough's current position with respect to employment land supply (in both qualitative and quantitative terms); and
- The future need for employment land in South Tyneside over the period 2021 to 2039, drawing upon a range of forecasting techniques.

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

Scope of the Study

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

1.4 The principal role of the ELR is to provide STC with an understanding of the current and potential future requirements for employment land and the fitness for purpose of the existing stock of land within this context. The work draws upon a range of forecasting scenarios, underpinned by various alternative modelling techniques. For each scenario, the land and floorspace implications are specifically considered for the group of employment use sectors outlined below:

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

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

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

Report Structure

1.7

The remaining sections of this report are structured as follows:

- **Policy Review (Section 2.0)** – a summary of key planning policy and economic strategy documents from the national to local level;
- **Economic Context (Section 3.0)** – a review of current economic conditions and recent trends in South Tyneside, as well as the Borough’s strengths and weaknesses;
- **Understanding Business Needs (Section 4.0)** – an overview of key messages identified through consultation with local businesses and key stakeholders;
- **The Market for Employment Premises (Section 5.0)** – analysis of the current stock of employment space in South Tyneside. The analysis, which also considers recent trends, is presented in the context of provision in the neighbouring local authority areas;
- **Supply of Employment Land in South Tyneside (Section 6.0)** – presents an overview of the current supply of land in the Borough, from both a quantitative and qualitative perspective;
- **Future Requirements for Employment Space (Section 7.0)** – estimates future employment space needs over the period 2021 to 2039, drawing upon a variety of quantitative forecasting techniques;
- **Demand-Supply Balance (Section 8.0)** – assesses the balance between current available land supply and anticipated future needs; and
- **Conclusions (Section 9.0)** – draws together the key findings from Sections 2.0 to 8.0.

2.0 Policy Review

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

National Documents

National Planning Policy Framework (July 2021)

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

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

- Economic: *“help build a strong, responsive and competitive economy, by ensuring that sufficient land of the right types is available in the right places and at the right time to support growth, innovation and improved productivity; and by identifying and coordinating the provision of infrastructure;”*
- Social: *“to support strong, vibrant and healthy communities, by ensuring that a sufficient number and range of homes can be provided to meet the needs of present and future generations”; and*
- Environmental: *“to protect and enhance our natural, built and historic environment; including making effective use of land, improving biodiversity, using natural resources prudently, minimising waste and pollution, and mitigating and adapting to climate change, including moving to a low carbon economy.”*

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

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

2.6 The Framework states that ‘significant weight’ should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development [paragraph 81]. To help achieve economic growth, planning policies should [paragraph 82]:

- a Set out a clear economic vision and strategy which positively and proactively encourages sustainable economic growth, having regard to Local Industrial Strategies and other local policies for economic development and regeneration;
- b Set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period;
- c Seek to address potential barriers to investment, such as inadequate infrastructure, services or housing, or a poor environment; and
- d Be flexible enough to accommodate needs not anticipated in the plan, allow for new and flexible working practices (such as live-work accommodation), and to enable a rapid response to changes in economic circumstances.

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

2.8 The Framework [paragraph 122] also highlights that planning policies and decisions need to reflect changes in the demand for land. Informed by regular reviews of land allocations and land availability, where the local planning authority considers there to be no reasonable prospect of an application coming forward for the use allocated in a local plan they should reallocate the land for a more deliverable use that can help to address identified needs.

Levelling Up White Paper (2022)

2.9 In February 2022, the Government published the Levelling Up White Paper, setting out its plan to tackle geographical inequalities across the UK. Levelling up requires a long-term plan that is underpinned by six drivers, known as ‘capitals’, of growth:

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

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

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

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

Use Classes Order (2020)

- 2.10 In September 2020 the Use Classes Order was amended. The key change in relation to planning for employment land needs is the creation of a new Class E, which includes the following forms of development:
- Offices (formerly use classes B1a/b); and
 - Light industrial (formerly use class B1c)
- 2.11 It should be noted that general industry (B2) and storage and distribution (B8) uses remain unchanged.

Sub-Regional Documents

NELEP Strategic Economic Plan (2022)

- 2.12 The North East Local Enterprise Partnership's ('NELEP') Strategic Economic Plan ('SEP') was originally published in 2014, with an Executive Summary Update (linked to an Action Delivery Plan) published in 2022. The more recent document sets out a clear vision to increase the number of jobs in the North East by 100,000 between 2014 and 2024, with 70% of these being 'better jobs' (defined as managerial, professional and technical roles).
- 2.13 In order to achieve the vision, the Plan identifies five areas of strategic importance, where the assets and capabilities of the North East economy provide strong opportunities for growth. These are listed below:
- Advanced Manufacturing;
 - Health and Life Sciences;
 - Energy;
 - Tech; and
 - Business Services.
- 2.14 It is considered that advanced manufacturing and energy are of particular relevance to South Tyneside and a summary of each is provided below.

Advanced Manufacturing

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

Energy

- 2.16 The SEP states an aim for the NELEP area to deliver on national energy policy, while driving growth. This includes delivering on the on the following objectives:
- Invest in offshore renewables and sub-sea industries;
 - Deliver on national and regional decarbonisation goals through unique North East energy projects;
 - Make the North East the go-to place to development and showcase new energy solutions.

- 2.17 The SEP also provides a link to a detailed energy sector profile. This states:

“As a region, the North East are pioneering low carbon heat technologies including river source heat networks, geothermal heat from mine workings, hydrogen for heat, and heat pumps. And as the national and international energy agenda focuses on clean growth, there are huge economic, social and environmental opportunities for the North East.”

- 2.18 It also highlights that *“the North East’s offshore energy and subsea technology cluster is nationally and globally recognised, the region is also understood as an international centre for R&D and skills... Supporting employment, competitiveness and productivity in this sector is a strategic energy opportunity for the North East.”*

Local Documents

South Tyneside Draft Local Plan (2021 – 2039)

- 2.19 The South Tyneside Draft Local Plan outlines the Borough’s strategy for future development over the period to 2039. It seeks to deliver new development that will support positive growth to meet the needs and aspirations of South Tyneside. This includes the provision of employment land throughout the Borough. It sets out the spatial vision, which is summarised below.

“By 2039, South Tyneside will be a place:

- *Where residents will have benefited from local training and employment opportunities, and they will continue to enjoy the strong sense of community and inclusiveness as well as social interaction and cohesion;*
- *That has a flourishing and growing economy that makes a vital contribution to the regional and national economy. Employment and unemployment rates will be closer to the national average and deprivation and poverty rates significantly reduced. Investment opportunities along the River Tyne and our wider portfolio of employment sites will, in combination with the International Advanced Manufacturing Park, provide active and productive locations for continued investment. We will have an environment that is responsive to changing economic demands and working practices, where new and existing businesses can grow and flourish. There will continue to be a high proportion and variety of small local businesses, offering local jobs, and further opportunities for residents to set up their own enterprise.”*

2.20 The Plan outlines 16 objectives which will support the delivery of the vision. Those that are considered key to this assessment include:

- Strategic objective 1 – To meet the development needs of the Borough through a sustainable approach to development by optimising the effective re-use of brownfield land and regeneration opportunities in urban areas, justified and considered Green Belt release in our villages;
- Strategic objective 7 – Through the provision of a wide portfolio of sites, create opportunities that support inward investment and deliver the physical and digital infrastructure needed to foster economic growth and strengthen South Tyneside’s position in the regional, national, and international economies. Economic growth will secure benefits for local people to reduce inequalities in the Borough by stimulating competition, supporting business creation, and increasing access to jobs, skills, training, and education opportunities.

International Advanced Manufacturing Park Area Action Plan (2017-2032)

2.21 Prepared jointly by Sunderland City Council and South Tyneside Council, the International Advanced Manufacturing Park (‘IAMP’) Area Action Plan (AAP) 2017 forms a statutory part of South Tyneside Council’s new Local Plan. In particular, it sets out the statutory planning policy basis and development principles for the proposed International Advanced Manufacturing Park (IAMP), including releasing the land required for the proposed development from the Green Belt.

2.22 The vision for the IAMP is to establish:

“A nationally important and internationally respected location for advanced manufacturing and European-scale supply chain industries. A planned and sustainable employment location that maximises links with Nissan and other high value automotive industries as well as the local infrastructure assets, including the ports, airports and road infrastructure.”

2.23 The IAMP AAP Background Technical Papers outline IAMP as a unique opportunity for the automotive sector in the UK. Located next to Nissan UK’s Sunderland plant, the UK’s largest and most productive car manufacturing plant, the IAMP will provide:

“A bespoke, world class environment for the automotive supply chain and related advanced manufacturers to innovate and thrive, contributing significantly to the long-term economic success of the north-east of England and the national automotive sector.”

IAMP AAP Review

2.24 The IAMP AAP (see above) was adopted in November 2017. Mindful of Paragraph 33 of the National Planning Policy Framework (which requires that policies within Local Plans are “reviewed to assess whether they need updating at least once every five years, and should then be updated as necessary”) a review of the AAP was undertaken in 2022. The purpose of the review, led by Sunderland City Council and South Tyneside Council, was to assess whether the policies contained within the IAMP AAP require updating – either in full or in part.

2.25 The IAMP AAP Review was reported to the relevant Cabinet meetings of both Councils in October 2022, where approval of the document was obtained. Key conclusions of the Review can be summarised as follows:

- *“the policies of the IAMP AAP have been largely effective at delivering the overall aims and targets”;*
- *“the policies still provide an appropriate policy framework on which to determine planning applications against, whilst ensuring comprehensive development which delivers the necessary infrastructure improvements at the appropriate time”;* and
- *“the policies remain broadly aligned to the overall aims of national policy, with the most significant changes being to environmental improvements, including the emerging requirement for biodiversity net gain. It is considered, however, that this can be adequately covered through the NPPF and the Councils’ emerging Biodiversity Supplementary Planning Document.”*

South Tyneside Council Economic Recovery Plan

2.26 The Recovery Plan for South Tyneside sets out the Council’s approach to meeting the challenges of: the Covid-19 pandemic; long-standing structural barriers to growth; the EU exit; and the climate change emergency. The Plan states that this will be achieved by *“maximising assets, particularly in the low carbon economy and exploiting the exciting opportunities ahead, thereby driving inclusive, green and sustainable growth.”*

2.27 Three drivers of growth are outlined:

- Turbocharge productivity by refashioning our skills system, boosting our support for businesses and investing in our transport and digital infrastructure;
- Catalyse green and sustainable growth by maximising the potential of our low-carbon and digital assets and expertise;
- Foster an inclusive recovery by boosting our vibrant communities, cultural assets and amazing places and tackling barriers to health and wellbeing.

2.28 The drivers of growth are supported by 20 interventions. Those key to this assessment include:

- Drive growth in emerging industries in the Borough by *“building new fit for purpose business accommodation”*, such as Harton Quay, that takes advantage of opportunities in logistics, offshore wind, digital, healthcare and the movement of large corporates and government departments (diversifying our economy and providing higher-skilled jobs);
- Press the case for transformational transport schemes that unlock jobs growth by boosting the linkages between our residents, jobs and regeneration sites;
- Catalyse green, and sustainable growth by maximising the potential of our low-carbon and digital assets and expertise; and
- Revolutionise how our businesses, residents, students and visitors work and play by *“driving the rollout of full fibre broadband and future-proofed mobile connectivity.”*

- 2.29 The overarching aim, for the Plan is to “*create 10,000 new jobs over the next 5 years (2020-2025)*”. This will: reduce the gaps in GDP per head and job density when compared to the North East; increase the proportion of working age population in employment to reflect the UK average; and realign the Borough with the 25,000 jobs target set out in the 2011-2031 South Tyneside Vision.

South Tyneside Vision and Council Strategy

- 2.30 The South Tyneside Vision and Council Strategy was published in 2022, outlining the authority’s vision for the 20-year period 2023 – 2043 and the Council’s Strategy for 2023 – 2026. The document includes the following vision:

“Our South Tyneside – A place where people live happy, healthy and fulfilled lives”

- 2.31 Five ambitions are outlined to deliver the vision:

- Financially secure;
- Healthy and well;
- Connected to jobs;
- Part of strong communities; and
- Targeting support to make things fairer.

- 2.32 With regard to the ‘connected to jobs’ ambition, the Strategy states that “*Residents will have access to good quality jobs, skills, and learning. They will have the skills and confidence to apply for a wide range of quality local jobs. These jobs will be in key and growing areas of employment and will benefit all of our borough.*” This is supported by a number of objectives that will be pursued over the period to 2026. Those considered most relevant to this assessment include:

- Build on the Borough’s strengths in the green economy, advanced manufacturing, social care, and tourism, and capitalise on emerging opportunities – including developing ready-to-go schemes linked to local strengths such as the Centre for Excellence in Renewable Energy in Holborn;
- Work to make key waterfront sites off-shore wind investor ready, by lobbying Government for port and marine infrastructure funding, and engaging with waterfront partners such as the Port of Tyne to share details of projects and investment sites;
- Open up opportunities for business growth and job creation – including helping to create more space for small businesses to grow;
- Deliver infrastructure and transport improvements that link people to jobs – including ensuring high quality digital connectivity in key regeneration areas; and
- Work to tackle land supply issues that create barriers to growth and job creation, both through the Local Plan and supplementary planning documents, and through forming an employment land taskforce working directly with businesses and developers to identify and overcome barriers.

South Tyneside Local Economic Assessment (2021)

- 2.33 The South Tyneside Local Economic Assessment was published in December 2021. It outlines key focus sectors for the Borough, as well as future opportunities and threats. South Tyneside's main strengths are identified as being focussed on:
- Advanced Manufacturing – accounting for 1,600 jobs, with significant future job growth anticipated as a result of IAMP. The automotive sector and supply chain is a particular strength of the Borough given the close proximity to Nissan in Sunderland, with employment in the sector is concentrated primarily in the south of Borough (at Boldon and Monkton business parks); and
 - Energy and Offshore Wind Supply Chain – accounting for 3,000 jobs, with significant opportunities for growth in the installation of offshore wind and new heat networks. This also offers the potential for further development in the Borough's supply chain.
- 2.34 The Assessment also indicates that the tourism sector – whilst not currently established – has the potential to become a strength of South Tyneside.
- 2.35 With regard to threats South Tyneside could experience, the Assessment highlights that there is an existing undersupply of both office and industrial premises which is limiting the growth of businesses. It states that:
- For office space, there is a need for public intervention to create viable plots of land to sell to businesses, and provide funding for the development of larger premises; and
 - For industrial space, the priority is to identify new, well-connected employment sites in the south of the Borough.

3.0 **Economic Context**

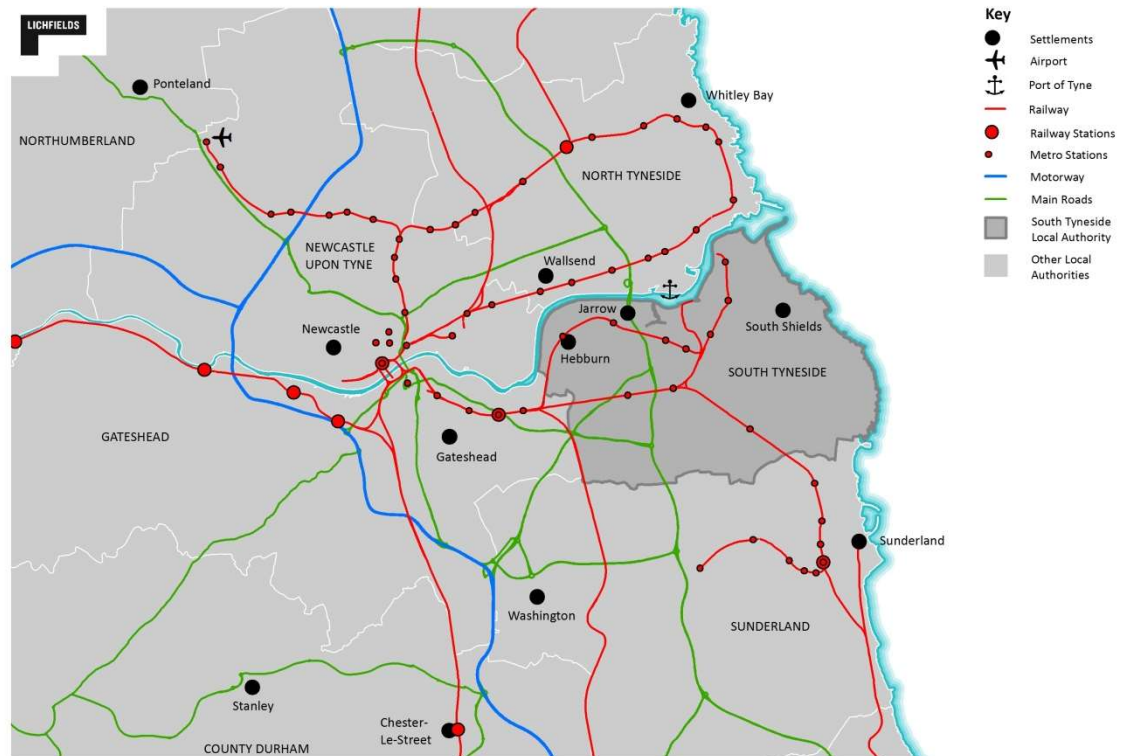
- 3.1 This section establishes the economic baseline for the study by reviewing current economic conditions and recent trends within South Tyneside. Where relevant – and subject to the availability of data – analysis is benchmarked against the North East region and the national economy. The analysis is intended to assist 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 Tyne and Wear, South Tyneside is a predominantly urban authority covering an area of 64.5 square kilometres and with a population of c.151,130¹. The principal settlements within the local authority area are South Shields, Jarrow and Hebburn in the north of the Borough. Smaller settlements including Whitburn, Cleadon and East and West Boldon are located towards the south of the Borough, interspersed with pockets of open countryside.
- 3.3 South Tyneside is located to the south of the River Tyne and bounded by the following local authority areas: Sunderland; Gateshead; and beyond the River Tyne to the north, by Newcastle upon Tyne and North Tyneside.
- 3.4 The Borough benefits from good public transport infrastructure, with a network of bus routes providing frequent services connecting residents to destinations throughout Tyne and Wear. In addition, the Tyne and Wear Metro system serves the Borough with 10 stations providing access to the wider City Region (including Sunderland, Gateshead, Newcastle and Newcastle International Airport). The Tyne and Wear Metro system connects with the national rail network at Newcastle and Sunderland, as shown in Figure 3.1.
- 3.5 Key road connections within the Borough include:
- The A19 – a key strategic route linking Tyne and Wear to Northumberland (to the north) and Durham, Hartlepool, Tees Valley and North Yorkshire (to the south);
 - A194(M) – running south west to north east connecting the A1(M) at Washington (Junction 65) to South Tyneside; and
 - A184 – running east to west and connecting South Tyneside with Gateshead.

¹ ONS Population estimates 2020

Figure 3.1 Spatial Context of South Tyneside



Source: Lichfields analysis

Functional Economic Market Area

- 3.6 Examining commuting flows can help to define the Functional Economic Market Area (FEMA) within which South Tyneside is located². Commuting flows can be assessed using the latest publicly available travel-to-work flow data (2011 Census).
- 3.7 The current criteria for defining Travel to Work Areas (TTWAs) – which can be used as a starting point for identifying a FEMA - is that generally at least 75% of an area's resident workforce are employed in the area and at least 75% of the people who work in the area also live in the area. The area must also have a working population of at least 3,500.
- 3.8 As demonstrated in Figure 3.2, ONS analysis indicates that South Tyneside is included within the TTWA of both:
- 'Newcastle', which comprises of the following local authority areas (in part or in full) Newcastle, North Tyneside, South Tyneside, Northumberland, Gateshead and Durham local authority areas; and
 - 'Sunderland', which comprises of the following local authority areas (in part or in full) Sunderland, South Tyneside and Durham.

² CLG, Functional Economic Market Areas: An Economic Note, 2010

Figure 3.2 Travel to Work Areas



Source: ONS/ Lichfields Analysis

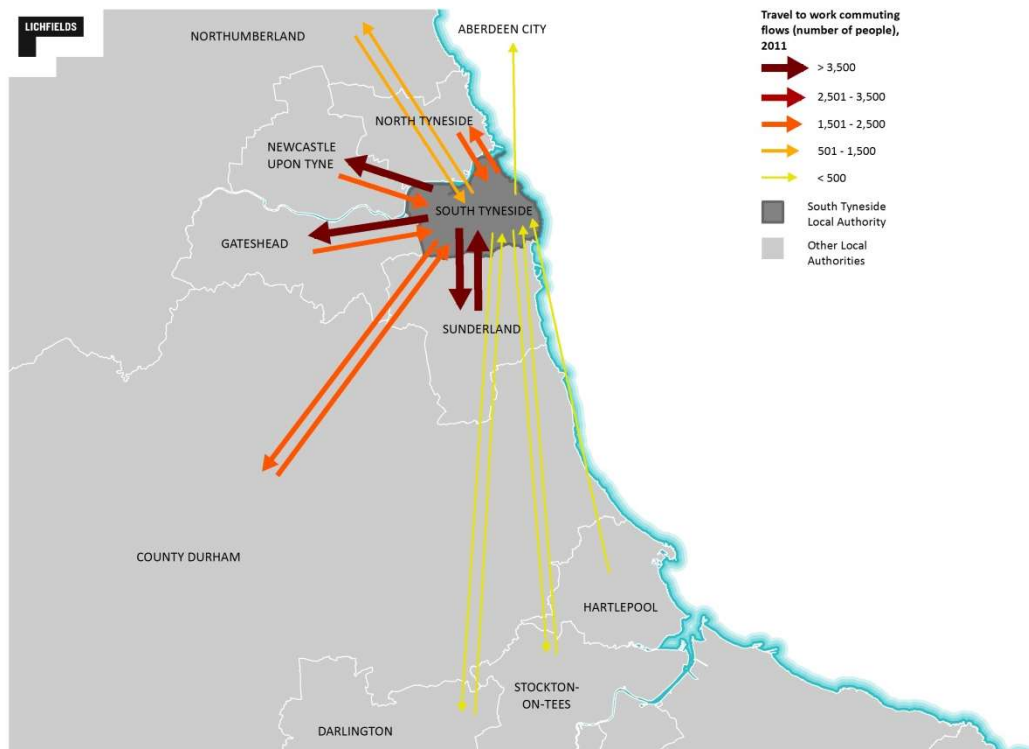
- 3.9 Analysis relating to South Tyneside shows that these authorities comprise the workplace for 81.5% of the resident working population of the Borough and the place of residence for 80% people working in South Tyneside.
- 3.10 Analysis of commuting flows for South Tyneside (Table 3.1 and Figure 3.3) indicates that in 2011:
- Approximately 27,620 working residents commuted out of the local authority for employment, with the largest flows to Sunderland (8,750), Newcastle upon Tyne (6,485) and Gateshead (4,960); and
 - Approximately 14,410 workers commuted into South Tyneside for work, primarily coming from the adjoining authorities of Sunderland (4,980), Gateshead (2,455) and County Durham (1,890).
- 3.11 This indicates that worker inflows and outflows in South Tyneside are not in alignment, and that the Borough is a net exporter of labour. Indeed, it is estimated that the net outflow of workers averages 13,210 each day.
- 3.12 Between 2001 and 2011, the inflow of workers to South Tyneside increased by approximately 1,200 workers, whilst the outflow from the local authority increased by 2,200 residents. As a result, net in-commuting increased by approximately 1,000.

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

	2001 Census	2011 Census	Change (2001-2011)
Out-Commuting Working Residents	25,420	27,618	+2,198
In-Commuting Workers	13,203	14,407	+1,204
Net In-Commuting Flow	-12,217	-13,211	-994
Self-Containment Rate	56.9%	57.4%	+1.0%

Source: Census 2001 & 2011 / Lichfields analysis

Figure 3.3 Commuter Flows for South Tyneside



Source: ONS Census Origin and Destination 2011/ Lichfields Analysis

- 3.13 In addition, the latest Census data (2021) provides information on the commuting distances travelled by South Tyneside residents. The results show that homeworking is less prevalent in South Tyneside, with 23.6% of employed residents working mainly from home. This compares with 24.8% across the North East and 31.5% across England.
- 3.14 The data also shows that are generally shorter for South Tyneside residents with a higher proportion of residents in employment commuting under 10km (46.0%) compared to the North East (40.2%) and England (35.3%).

Table 3.2: Commuting distance of South Tyneside residents (%)

	Less than 2km	2km to less than 5km	5km to less than 10km	10km to less than 20km	20km to less than 30km	30km to less than 40km	40km to less than 60km	60km and over	Works mainly from home	Works mainly at an offshore installation, in no fixed place, or outside the UK
South Tyneside	11.3	16.5	18.2	10.8	1.7	0.4	0.8	1.5	23.6	15.1
North East	11.4	14.5	14.3	12.5	4.0	1.5	1.1	1.7	24.8	14.1
England	11.0	12.6	11.7	10.4	4.0	1.7	1.3	1.3	31.5	14.5

Source: Census (2021)

Economic Conditions and Trends

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

Population

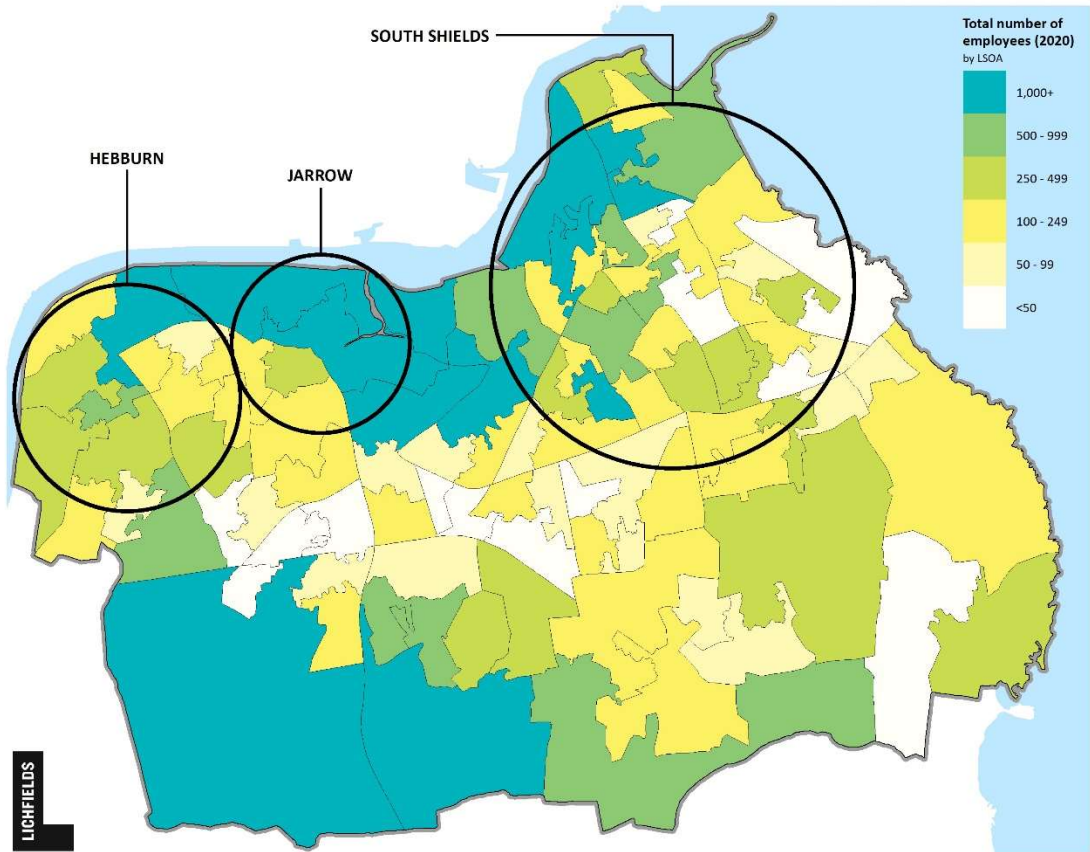
- 3.16 The population of South Tyneside was estimated to be in the order of 151,135 in 2020, representing a rise of 2,665 people (1.8%) since 2010. This is a lower growth rate than observed across the North East (3.6%) and Great Britain (6.9%) over the same period.
- 3.17 The proportion of working age residents (defined as people aged 16-64) stood at 93,240 in 2020 – 61.7% of South Tyneside’s total population. This represents a decrease in the working age population of 2,230 (-2.3%) since 2010. This contraction is greater than that experienced across the North East (-0.8%) over the same period, whilst Great Britain recorded a 2.9% rise.
- 3.18 The 2018-based population projections anticipate that the population of South Tyneside will rise to 159,680 (5.7% increase) by 2043. The same data, however, indicates that the working age population of the Borough will decrease to 93,170 (-0.1%) over the same period.

Employment

- 3.19 Data from Experian indicates that there were 45,600 jobs in South Tyneside in 2020. As such, employment in the Borough remains unchanged from the levels observed in 2002. It should be noted, however, that the data does show some year-on-year fluctuation in the figures during the intervening period.

3.20 In geographic terms, Figure 3.4 shows that the distribution of employment is concentrated around the main centres of South Shields and Jarrow, within the riverside corridor. Another high concentration of employment is found in the south of the Borough towards Monkton and Boldon.

Figure 3.4 Employment distribution by LSOA



Source: BRES (2020) / Lichfields analysis

Sector Profile

3.21 Analysis of BRES (2020) data indicates that the employment sectors with the greatest representation (by broad industrial group) in South Tyneside are:

- Health (16.7%);
- Manufacturing (10.7%);
- Retail (9.5%); and
- Education (9.5%).

Table 3.3 Proportion of employment by broad industrial group

	South Tyneside	North East	Great Britain
Health	16.7%	16.6%	13.2%
Manufacturing	10.7%	9.7%	7.7%
Retail	9.5%	9.6%	9.3%
Education	9.5%	9.5%	8.6%
Accommodation & food services	8.3%	8.6%	7.1%
Business administration & support services	8.3%	7.9%	8.6%
Construction	6.0%	4.3%	4.9%
Public administration & defence	5.4%	6.4%	4.4%
Transport & storage	4.8%	4.8%	5.0%
Professional, scientific & technical	4.8%	5.0%	8.8%
Arts, entertainment, recreation & other services	4.8%	3.9%	4.3%
Motor trades	3.0%	1.8%	1.8%
Wholesale	2.4%	2.2%	3.7%
Property	2.4%	1.7%	1.9%
Information & communication	1.7%	3.0%	4.3%
Mining, quarrying & utilities	1.0%	1.6%	1.3%
Financial & insurance	0.7%	2.2%	3.4%
Agriculture, forestry & fishing	0.2%	1.2%	1.6%

Source: Business Register and Employment Survey (2020)

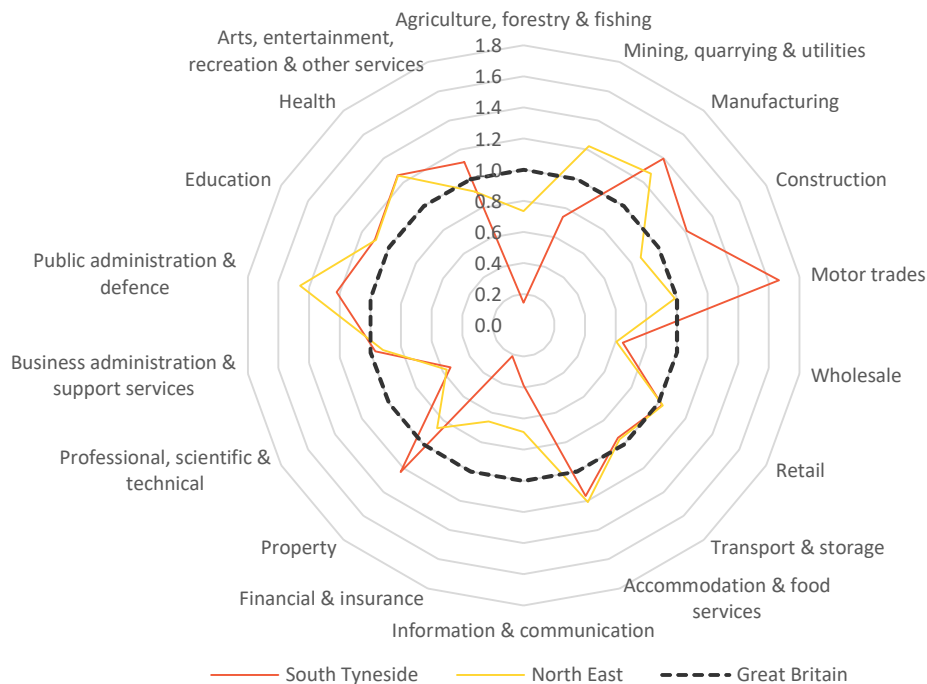
3.22 A location quotient (LQ) analysis quantifies how prominent (as a percentage share of the overall employment base) a particular employment sector is in an area compared to the sector’s representation at the national level. Figure 3.5 shows the representation across all broad industrial groups, highlighting that South Tyneside has a number of sectors that are over-represented compared to regional and national levels:

- Motor trades (3.0% employment; 1.7 LQ);
- Manufacturing (10.7% employment; 1.4 LQ);
- Construction (6.0% employment; 1.2 LQ);
- Property (2.4% employment; 1.2 LQ); and
- Arts, entertainment and recreation (4.8%; 1.1 LQ)

3.23 In addition, a number of sectors are under-represented in South Tyneside, including:

- Agriculture, forestry and fishing (0.2% employment; 0.1 LQ);
- Financial and insurance (0.7% employment; 0.2 LQ);
- Information and communication (1.7% employment; 0.4 LQ);
- Professional, scientific and technical (4.8% employment; 0.5 LQ);
- Mining, quarrying and utilities (1.0% employment; 0.7 LQ); and
- Transport and storage (4.8% employment; 0.9 LQ)

Figure 3.5 South Tyneside Sector LQ



Source: BRES (2020) / Lichfields analysis

Business Profile

- 3.24 Analysis of ONS Business Count data regarding the size of businesses in South Tyneside shows that the Borough’s business base is dominated by smaller firms (comprising of 0-9 employees (89.2%)). This is broadly comparable with the national average (89.7%) and slightly higher than the regional average (87.9%). The proportion of large enterprises (over 250 staff) in South Tyneside (0.4%) is also closely aligned with the regional (0.5%) and national (0.4%)³ averages.
- 3.25 The total number of active enterprises in South Tyneside (3,420) indicates there are 367 business per 10,000 working age residents. This is considerably lower than the corresponding figure for the North East (435) and national (661) averages.
- 3.26 In addition, self-employment in South Tyneside (6.4% of the working-age population) is lower than the regional (7.4%) and the national (9.3%)⁴ averages. These indicators point towards limited levels of entrepreneurship in the local and regional economy compared to other parts of the country. It should be noted, however, that the most recent ONS Business Count data indicates that the number of active enterprises in South Tyneside increased by 48.4% from 2011 to 2021, suggesting a recent improvement in levels of entrepreneurial activity. This is supported by the South Tyneside Local Economic Assessment, which states that a key strength of the Borough is the high level of enterprise, citing business start-up rates which exceed the LEP average.

³ ONS Business Counts data (2021)

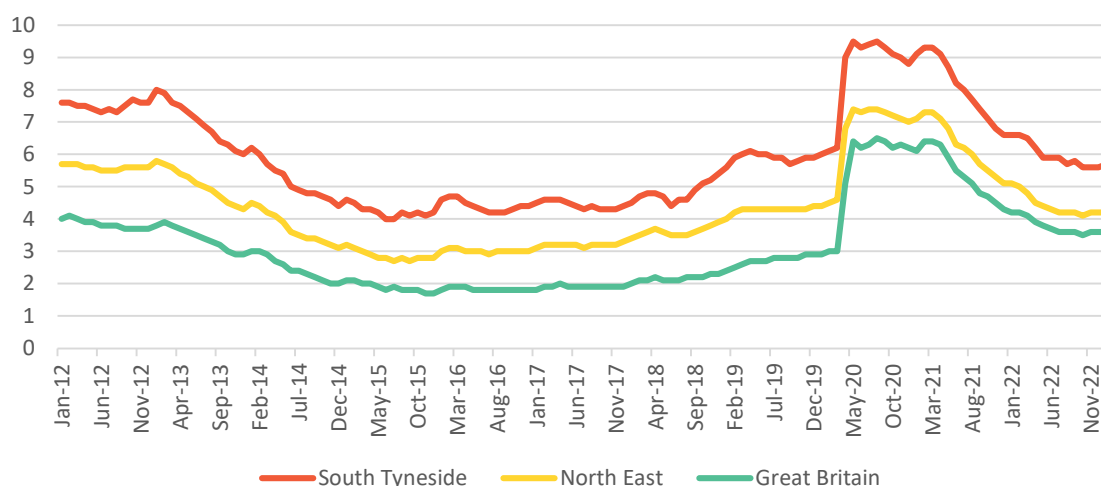
⁴ ONS Annual Population Survey (2021)

Labour Market Conditions

Unemployment

- 3.27 The economic activity rate (i.e. the share of working age population (16-64) either in or seeking employment) in South Tyneside (73.1%) is lower than both the regional (75.7%) and the national (78.4%) average⁵.
- 3.28 Claimant Count trends within South Tyneside over the past 11 years demonstrate a trajectory consistent with those across the North East and nationally (Figure 3.6). This includes a sharp rise in the claimant rate in 2020 during periods of lockdown due to Covid-19. The latest data (January 2023) indicates that the claimant rate in South Tyneside (5.7%) has fallen slightly below pre-pandemic levels (6.0%).
- 3.29 Notwithstanding the above, the claimant rate in South Tyneside is higher than the regional (4.2%) and national (3.6%) averages as of January 2023. However, the difference between South Tyneside and the national average has reduced since 2012 (from 3.6 percentage points to 2.1 percentage points) demonstrating an improved position relative to Great Britain.

Figure 3.6 Percentage of working age residents claiming out-of-work benefits



Source: ONS Claimant Count data / Lichfields analysis

- 3.30 An analysis of model-based unemployment data⁶ also indicates that the unemployment rate in South Tyneside (7.7%) is higher than the North East (6.8%) and Great Britain (5.1%).

Skills

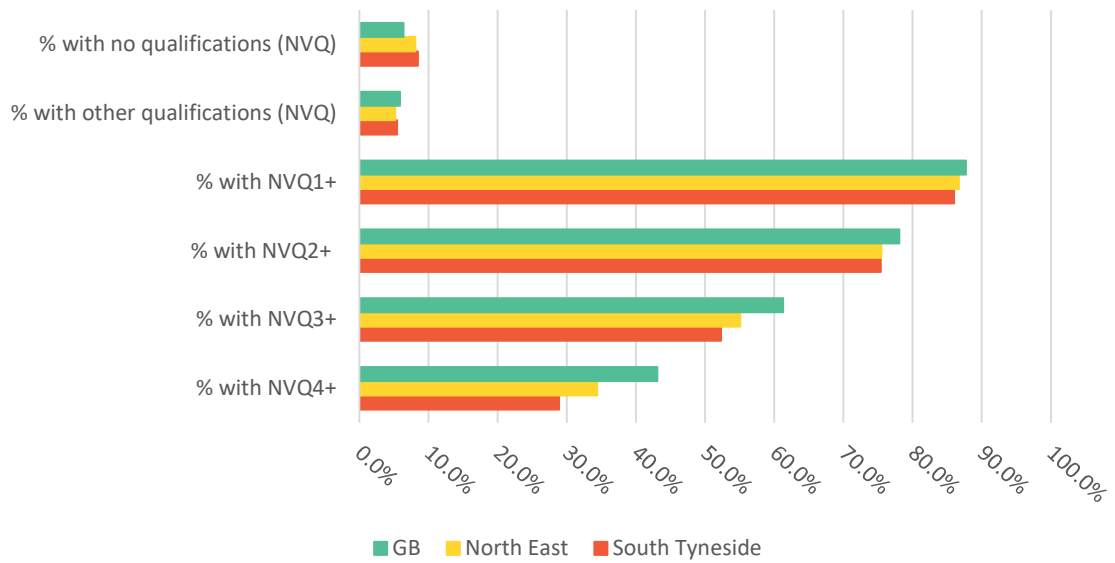
- 3.31 The skills base of South Tyneside’s resident workforce lags behind the regional and national averages⁷. Just over half (52.3%) of the Borough’s residents hold NVQ3+ or above qualifications. This is lower than the North East (55.1%) and national (61.3%) averages (Figure 3.7). South Tyneside also contains a higher proportion of residents with no qualifications (8.5%) in comparison with the North East (8.1%) and Great Britain (6.4%).

⁵ ONS Annual Population Survey (2021)

⁶ ONS Annual Population Survey (2021)

⁷ ONS Annual Population Survey (December 2020)

Figure 3.7 Highest Qualification of Working Age Residents



Source: Annual Population Survey (December 2020) / Lichfields analysis

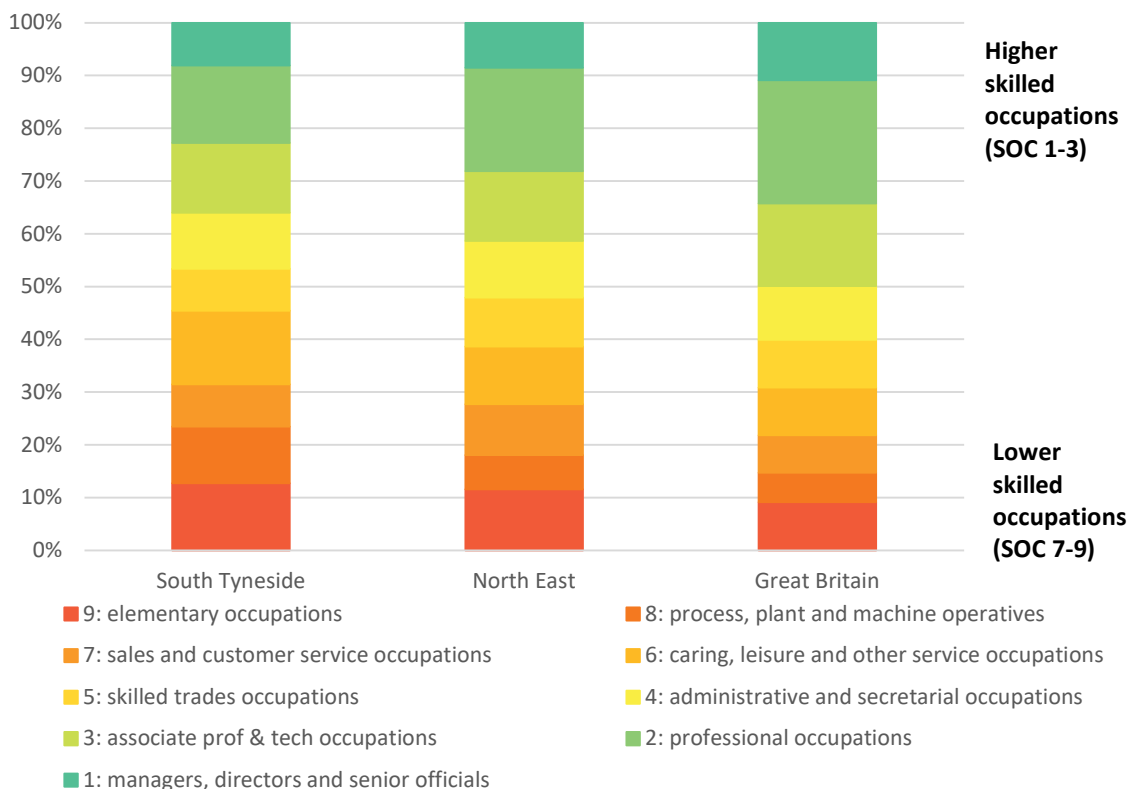
Occupations

3.32

Overall, the occupational profile of South Tyneside includes a lower proportion of residents with highly skilled jobs relative to the regional and national average (Figure 3.8). The proportion of the Borough’s residents employed in managerial, professional and associate, and professional/technical occupations (SOC’s⁸ 1-3) stands at 35.9% compared to 41.2% in the North East and 49.8% in Great Britain. In contrast, South Tyneside (31.4%) has a higher representation of semi and lower skilled workers (including: sales and customer service occupations, elementary occupations, and process, plant and machinery operatives (SOC’s 7-9)) than the regional (27.6%) and national (21.8%) averages.

⁸ Standard Occupational Codes

Figure 3.8 Occupational Breakdown of Resident Population (2021)



Source: ONS Annual Population Survey / Lichfields analysis

3.33 Semi and lower skilled occupations are also the most commonly sought by those residents of the Borough looking for work. This includes: sales and customer service occupations (39.1%); and elementary occupations (39.1%). By way of comparison, just of 3.6% of claimants in South Tyneside are seeking work in higher skilled occupations (SOC 1-3)⁹.

Wages

3.34 Median weekly resident-based earnings in South Tyneside (£517.50) are lower than the North East average (£546.80) and stand at 84.4% of the national average (£613.10). Similarly, median workplace-based weekly earnings are lower in South Tyneside (£450.40) than the North East (£538.70) and Great Britain (£612.80).

3.35 The disparity between resident and workplace earnings in South Tyneside would appear to suggest that a proportion of local residents are commuting out of the Borough to access higher paid opportunities located elsewhere in Tyne and Wear and beyond.

Deprivation

3.36 South Tyneside ranks as the 27th most deprived local authority (out of 326) in England, placing it within the 10% most deprived authorities nationally. Furthermore, analysis of IMD data at a local level indicates that 78.4% of Lower Super Output Areas (‘LSOAs’) in South Tyneside rank within the 50% most deprived LSOAs nationally.

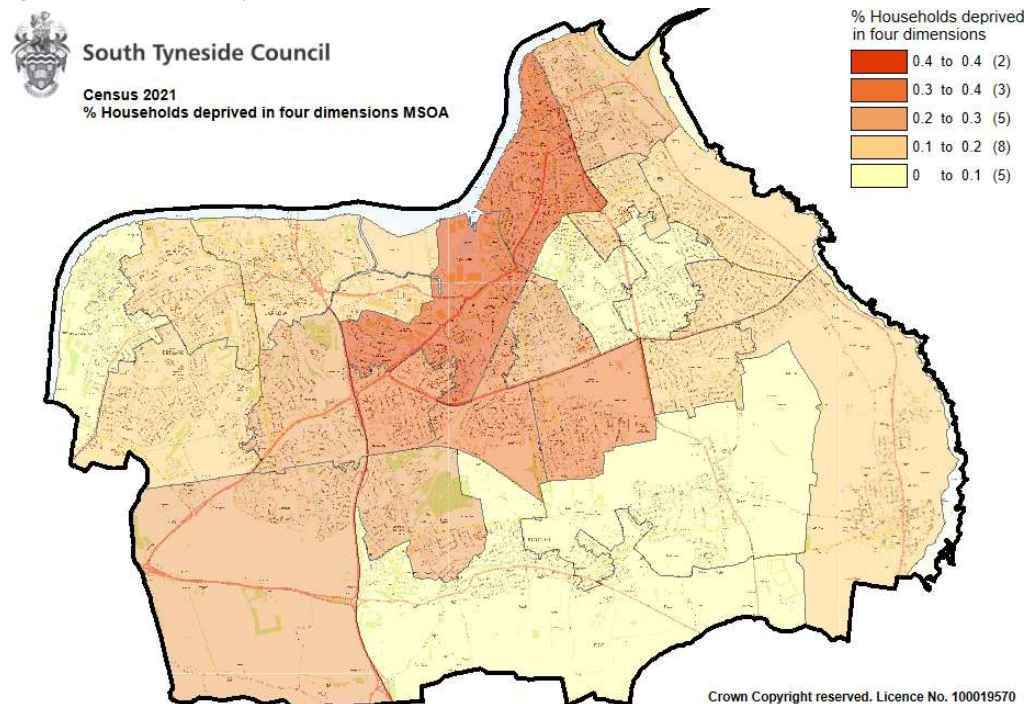
⁹ ONS, Jobseeker’s Allowance by occupation (March 2022)

3.37 The latest Census data (2021) also provides a measure of deprivation at an LSOA level. It categorises a household as ‘deprived’ using four dimensions:

- Education - no individual in the household has at least level 2 education and no one aged 16 to 18 years is a full-time student;
- Employment - any member, that is not a full-time student, is either unemployed or long-term sick;
- Health - if any member is disabled; and
- Housing – if the household is either overcrowded, in a shared dwelling, or has no central heating.

3.38 The distribution of households classed as deprived in all four dimensions is presented in Figure 3.9. It clearly highlights that the greatest concentrations of deprivation are located in South Shields, Jarrow and Boldon.

Figure 3.9: Households deprived in four dimensions

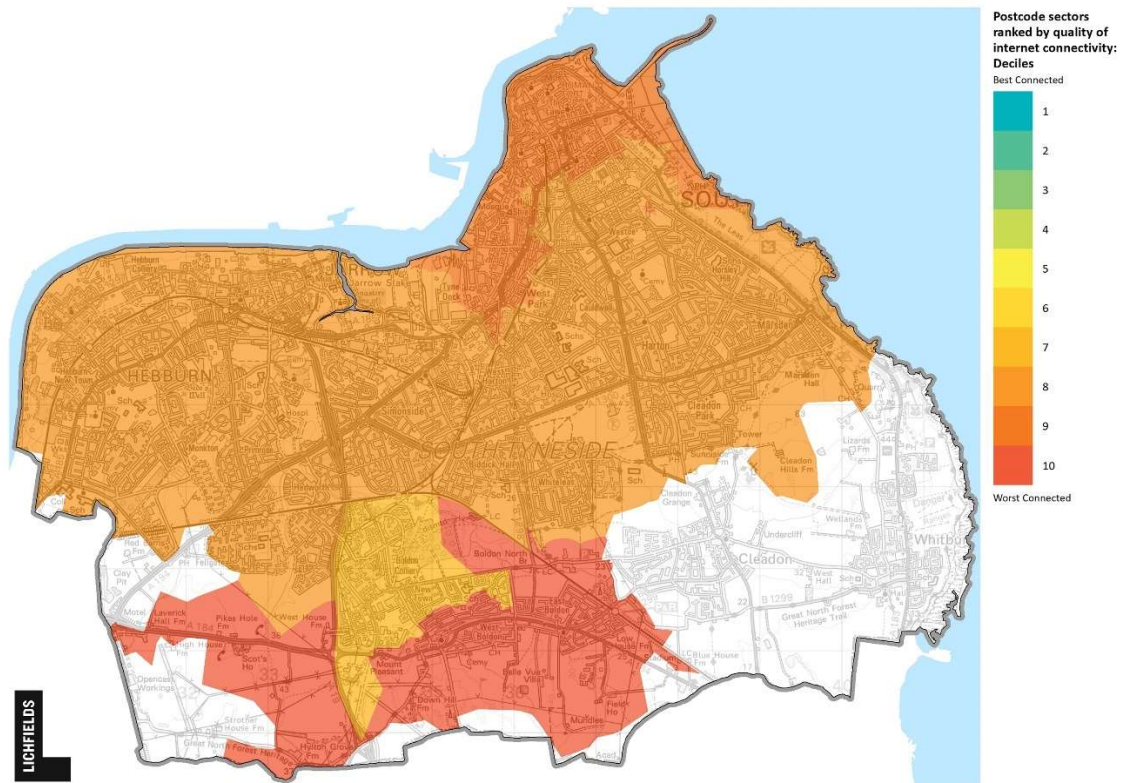


Source: South Tyneside Council / Census (2021)

Digital Connectivity

3.39 OFCOM postcode-level broadband connectivity data details the level and quality of internet connectivity across the Borough at a postcode sector level. Each postcode sector has been ranked against all others across Britain for which data is available, and then grouped into deciles. It demonstrates that, in general, the Borough is poorly connected with all postcode sectors falling within the 40% worst connected nationally. Connectivity is particularly poor in the south of the Borough in the areas of East Boldon and West Boldon. This area includes one postcode sector (Ne36 0) which falls within the 10% worst connected nationally.

Figure 3.10 Digital Connectivity map

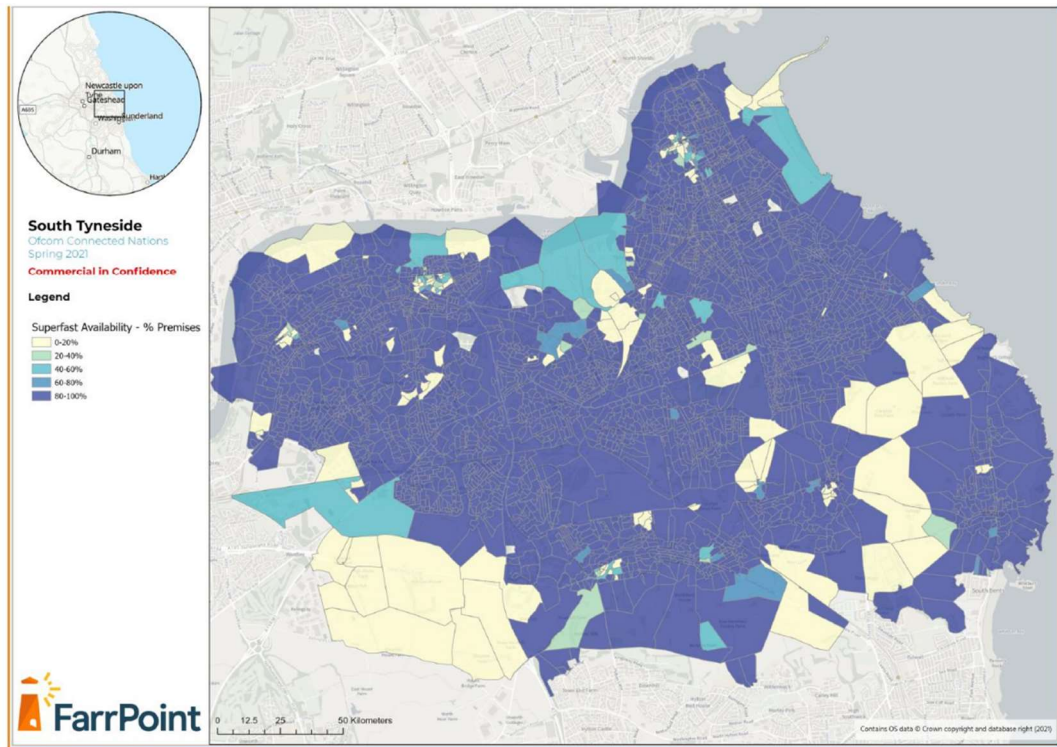


Source: OFCOM postcode-level broadband connectivity

3.40

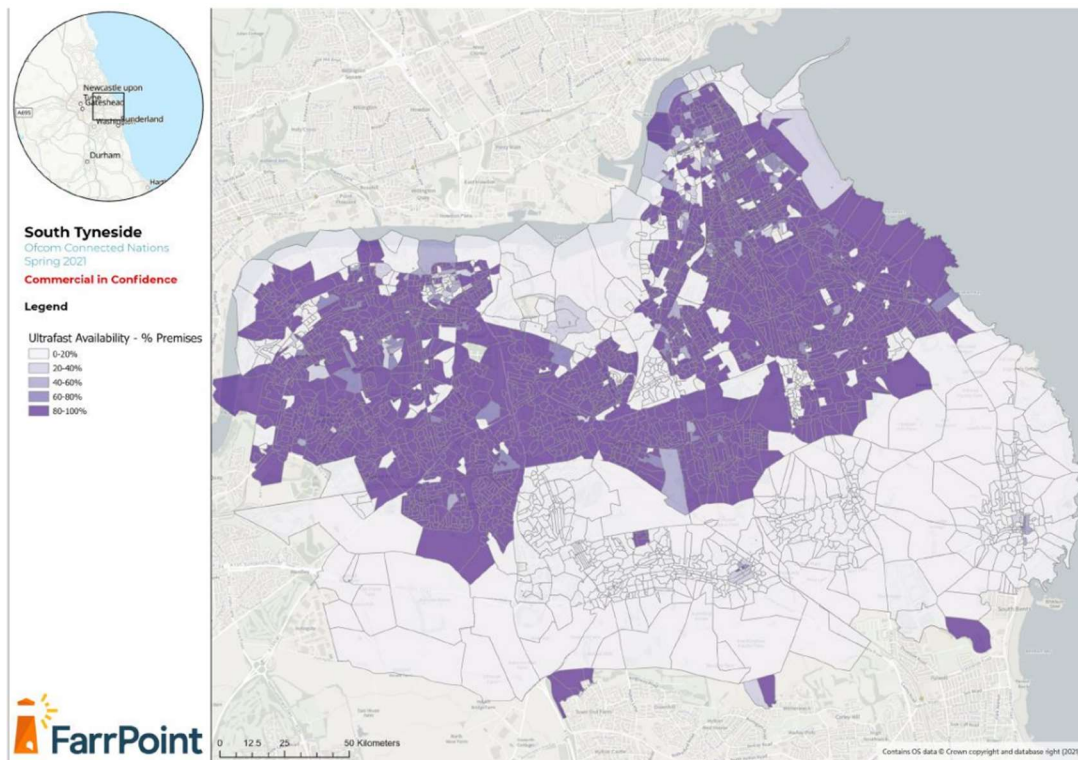
Notwithstanding the above, the vast majority (99.1%) of South Tyneside has access to superfast broadband (over 30mbps), with a large proportion (79.5%) of the Borough also able to access ultrafast broadband (over 100mbps). Concentrations of the latter are particularly evident in the north of the Borough. A much smaller proportion of the Borough (1%) has access to gigabit-capable connectivity. This information is presented in the figures overleaf.

Figure 3.11: Superfast connectivity (over 30mbps) in South Tyneside



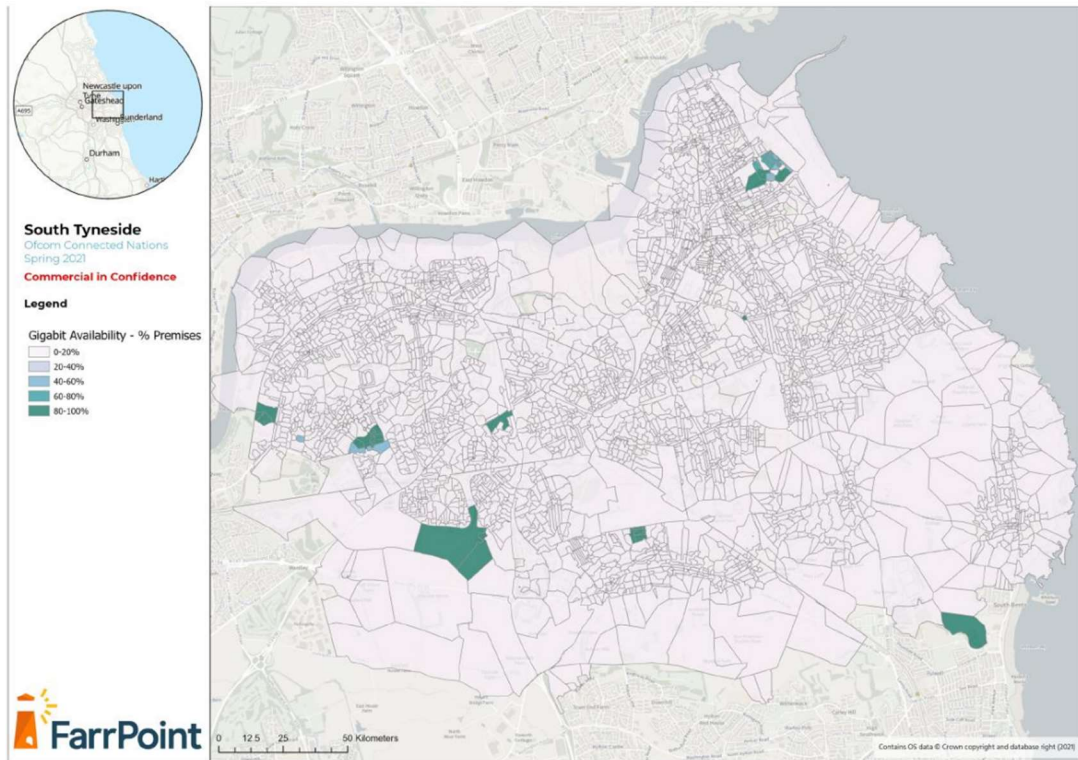
Source: South Tyneside Digital Infrastructure Strategy (2021)

Figure 3.12: Ultrafast connectivity (over 100mbps) in South Tyneside



Source: South Tyneside Digital Infrastructure Strategy (2021)

Figure 3.13: Gigabit-capable connectivity (over 1GB) in South Tyneside



Source: South Tyneside Digital Infrastructure Strategy (2021)

4.0 Understanding Business Needs

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

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

- 1 A business survey undertaken as part of the work feeding into the Council’s Local Economic Assessment (2021);
- 2 One-to-one interviews (conducted via MS Teams) with key economic stakeholders and business groups;
- 3 Telephone interviews with locally active property market agents/major landowners; and
- 4 A stakeholder workshop.

4.3 This section of the report provides a summary of the main findings emerging from items 1, 2 and 4 listed above. It should be noted that discussions held with property market agents and major landowners were undertaken (by LSH) to inform Sections 5.0 and 6.0 of the ELR. The key messages are reported within the relevant sections of this document.

Business Survey

4.4 As part of the Council’s Local Economic Assessment, a survey of local businesses was conducted during November and December 2021. The survey was conducted online and by telephone, with approximately 400 businesses based in South Tyneside participating. The exercise sought views on a range of issues, including the strengths and weaknesses of South Tyneside as a place to do business, as well as current/emerging barriers to growth.

4.5 It was agreed, in discussion with Council officers, that the findings of the 2021 Local Economic Assessment survey would be used to inform this ELR (rather than conducting a separate exercise). This decision was taken having regard to the following factors:

- The sample size achieved as part of the Local Economic Assessment work, which it was considered would be difficult to replicate;
- The 2021 exercise explored many of the issues that would ordinarily be covered as part of a bespoke ELR survey; and
- Council officers were conscious of the need to ensure that local businesses did not feel ‘over-consulted’ particularly given that the distinction between the surveys may not be clear to a ‘layperson’.

4.6 The key findings of the business survey are summarised in the following paragraphs.

Business Background

- 4.7 A breakdown of participants by size (measured by the number of employees) is presented at Table 4.1. From this it can be seen that the majority of responses were provided by micro businesses (less than 10 employees) and small businesses (10-49 employees).

Table 4.1 Business breakdown by size

Size	Number	Percentage
Micro (0-9 employees)	290	72.5%
Small (10-49 employees)	84	21.0%
Medium (50-249 employees)	15	3.8%
Large (250+ employees)	6	1.5%
Unknown	4	1.0%

Source: LEA Business Survey / Lichfields analysis

- 4.8 Table 4.2 provides a summary of the broad industrial groupings of participants. Whilst this is an inexhaustive list, it demonstrates the diversity of the participant profile. It also highlights that those industrial groupings that would typically be expected to occupy employment space (Wholesale, Manufacturing, Professional, Scientific & Technical Activities and Finance & Insurance) are well represented.

Table 4.2 Business Breakdown by industry group

Broad Industrial group	Percentage
Wholesale and Retail Trade	25.0%
Accommodation and Food Service Activities	12.6%
Manufacturing	11.8%
Arts, Entertainment, Recreation and Other	8.9%
Part of Community and Voluntary Sector	8.0%
Professional, Scientific and Technical Activities	6.9%
Construction	6.0%
Human Health and Social Work Activities	5.5%
Finance and Insurance	5.2%

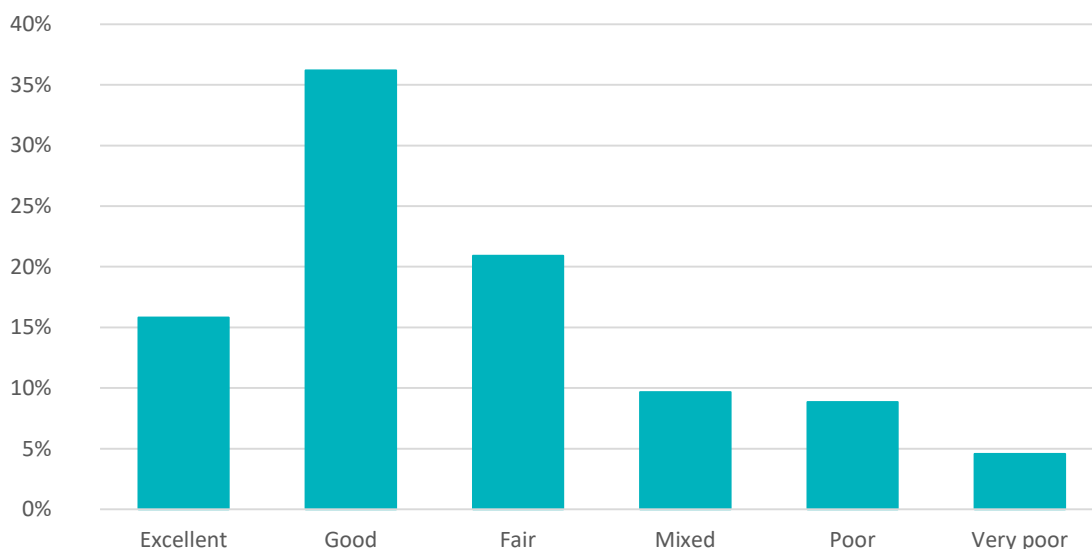
Source: LEA Business Survey / Lichfields analysis

South Tyneside as a Business Location

- 4.9 The business survey identified a high degree of loyalty to South Tyneside, with 88% of participating businesses indicating that they expect to remain in South Tyneside in future. Just 5% of respondents stated that they expect to have to leave the Borough to realise their growth ambitions. For those expecting to leave, the key drivers of this were:
- A lack of available premises in the Borough;
 - A lack of business/financial support relative to neighbouring areas; and
 - Issues related to the availability of suitably qualified staff.
- 4.10 The survey also sought feedback from businesses regarding how satisfied they were with South Tyneside as a place to run a business. More than half (52%) of respondents indicated

that they consider South Tyneside a good/excellent place from which to run a business. This is perhaps lower than might be expected given the strong loyalty to the local area discussed above. 14% of participants considered the Borough a poor/very poor place from which to run a business, with responses particularly prevalent from businesses in the Raw Minerals and Retail and Hospitality sectors.

Figure 4.1 South Tyneside as a Business Location



Source: LEA Business Survey / Lichfields analysis

4.11 Table 4.3 provides a summary of the most frequently cited reasons put forward to explain respondents views regarding South Tyneside as a business location.

Table 4.3 Positive and negatives of South Tyneside as a business location

Positives	Negatives
Connectivity to nearby areas, particularly with the asset of the A19 and road network.	There is a lack of information available for businesses/accessibility to information is poor.
Good relationship with the local authority and great support for local businesses throughout.	Lack of promotion for sectors with strong, but underutilised, assets (i.e. Engineering).
Strong community and good workforce.	

Source: LEA Business Survey / Lichfields analysis

4.12 In addition, businesses were asked to outline any barriers which they felt were constraining their ability to realise their future ambitions. This highlighted many similar themes to those in Paragraph 4.9, with the most frequent responses being:

- Staff recruitment/skills (29%);
- Access to finance (24%); and
- Availability and cost of suitable premises (14%).

4.13 It should be noted that, of the 14% of respondents that identified premises as a barrier, the overwhelming majority (78%) were micro businesses. This would appear to suggest that the availability of small premises, at reasonable rents/values, is a particular challenge for the Borough.

Future Premises

- 4.14 Participating businesses were asked about their future premises needs, with 15% indicating that they aim to finding new premises in the next 12 months. The majority of positive responses (82%) were from micro-businesses, whilst small businesses accounted for a further 10%. This would perhaps suggest a need for more incubation and move-on space in the Borough to ensure that this demand can be captured locally. In absolute terms, the sectoral breakdown of responses was dominated by:
- Human Services (16 businesses aiming to find new premises);
 - Manufacturing and Construction (15 businesses);
 - Retail and Hospitality (14 businesses); and
 - Professional Services (11 businesses).

Stakeholder Interviews

- 4.15 During the summer of 2022, Lichfields held a series of interviews with key economic stakeholders. This included South Tyneside Council's Business Investment Team, the North East Local Enterprise Partnership (NELEP) as well as various business forums/sector representation groups. A full list of participating organisations can be found at Appendix 1.
- 4.16 These sessions, which took the form of MS Teams calls, were used to explore: South Tyneside's current economic role (including key sectors); the opportunities and threats facing the Borough's economy; and any employment space issues which flow from these.

The Role and Function of the South Tyneside Economy

- Stakeholders recognised that South Tyneside is a net exporter of labour and that the Borough therefore plays an important role in providing workers for the wider regional/sub-regional economy;
- Advanced manufacturing and energy were identified by stakeholders as key sectoral strengths of South Tyneside and areas where the Borough has a strong (or burgeoning reputation):
 - (a) The energy sector in South Tyneside is focussed principally on offshore wind and its supply chain (although the Local Economic Assessment also highlights strong recent interest from tidal, hydrogen and green energy projects). The Borough's proposition is underpinned by its location on the East Coast, with the Port of Tyne an important asset. This can be seen in the Port being selected as the Operations and Maintenance Base for Dogger Bank (the world's largest offshore wind farm). This investment is expected to create 200 direct jobs by 2023 and many more in the supply chain;
 - (b) Whilst advanced manufacturing is already a key local strength, stakeholders view the development of the IAMP as a key growth opportunity for the sector. It will create new sites to attract investment to the area and create thousands of new jobs – both on and off-site;

- Logistics was also highlighted by stakeholders as an important sector and another with strong growth potential. The Borough's offer is linked to the area's strong connectivity assets (including the Port/River Tyne and the A19). These facilitate the efficient movement of goods into, out of and within the North East, helping to support a strong supply chain sector;
- Despite South Tyneside's strengths in relation to logistics, a number of stakeholders cautioned against the Borough targeting and specifically planning for significant growth in the sector. Rather, it was felt that the Borough should focus its efforts on growing the manufacturing sector. This reflected a perception amongst stakeholders that the availability of employment land in South Tyneside is tight and that logistics/distribution investment can often be land hungry and create fewer jobs per hectare than other employment sectors;
- Stakeholders suggested that – relative to other parts of the North East – South Tyneside has captured low levels of inward investment in recent years. Moreover it was felt that the Borough would continue to struggle to compete with the surrounding authorities unless attractive sites and premises are made available in strong market locations.

Employment Premises

- Consultation with stakeholders identified a commonly held view that the supply of employment premises is tight in particular sub-markets within the Borough and that this risks constraining the growth potential of South Tyneside. This undersupply was felt to be focussed on the following sub-markets:
 - (a) Industrial units: despite the IAMP providing new industrial stock, stakeholders indicated that demand for industrial units currently exceeds supply;
 - (b) Smaller office units: stakeholders felt that South Tyneside has a limited range and choice of office space, particularly smaller offices (1 to 10 staff). Stakeholders reported that this has led to micro-businesses looking to expand being faced with a choice of: taking office space which significantly exceeds their requirements; or re-locating to a neighbouring authority. To address this, a need to provide more 'move on' space was identified – allowing micro-businesses to stay in the area as they look to scale-up.
- It was recognised that the Borough's stock of employment land includes a small number of long-standing allocations that have failed to come forward for development. Stakeholders felt that often these sites were poor quality and would require considerable work to make them attractive to occupiers, and that this rendered them unviable without significant public sector investment; and
- The importance of sites at the Port of Tyne and along the riverside (particularly those with water/quay access) was identified by stakeholders. The difficulty in re-providing such sites once the supply has been exhausted and their potential importance to the growth of the energy sector and port-related activity was also highlighted. As a result, stakeholders felt that these should be retained – subject to the conclusions of individual site assessments.

Key Growth Opportunities

- The IAMP was highlighted as a major opportunity for South Tyneside. Stakeholders felt that this could stimulate the growth of the local manufacturing sector, by creating new investment and jobs in the supply chain. It was felt that this would, however, be contingent upon STC ensuring the availability of sufficient land of the right type in locations that will be attractive to the market; and
- The growing importance of climate change and the shift to net zero will drive activity in the clean energy/low carbon sectors. As this continues to increase in importance at a national level, South Tyneside will be well placed to benefit having already attracted offshore wind investment to the Port of Tyne. In addition, the Port of Tyne ‘Smart Hub’ will help to position the area to capture more opportunities from the sector. The Smart Hub, which has been supported by funding from the Department for Transport, is intended to create a blueprint for the decarbonisation of the UK’s ports. It will assess power usage and infrastructure opportunities to define the Port of Tyne’s path to delivering its vision of becoming a net-zero port by 2050.

Stakeholder Workshop

- 4.17 A workshop session, facilitated by Lichfields and LSH, was held on 6th September 2022. The session comprised of a presentation by Lichfields and LSH and two structured discussion sessions. The purpose of the event was to test the emerging findings of the study with South Tyneside’s Duty to Cooperate partners, as well as key economic development stakeholders and locally active developers/commercial property agents.
- 4.18 The following bullet points provide a summary of the key messages that emerged during the workshop.

Growth Opportunities

- Stakeholders indicated that future growth is expected to be driven by industrial opportunities, with advanced manufacturing, offshore wind/renewable energy and logistics highlighted as existing/emerging strengths;
- The potential for the IAMP to generate supply chain opportunities, as well as an expectation that re-shoring of activity may become more prevalent were identified as reasons for optimism regarding the future of advanced manufacturing. The following factors were considered likely to support higher levels of re-shoring: the financial benefits of operating from low cost economies becoming less pronounced; increases in international transport costs; and the potential for Brexit to increase manufacturers’ appetite for local production facilities to limit supply chain disruption and navigate the Rules of Origin;
- The Port of Tyne was identified as a key asset for the Borough in exploiting future growth in the offshore wind/renewable energy sector (including operations and maintenance opportunities). It should be noted, however, that a small number of stakeholders highlighted that Teesworks, in Redcar (part of the Tees Valley Enterprise Zone and the UK’s largest Freeport) is particularly well placed to compete for investment from the sector and this could temper any growth captured by South Tyneside; and

- Logistics was also cited as a future driver of demand, with stakeholders identifying the importance of the Port of Tyne and connectivity via the A19 as key assets of the Borough. Stakeholders did highlight that larger logistics requirements may be difficult to accommodate at present due to a perceived shortage of suitable sites.

Barriers to Growth

- The Council's Business Investment Team highlighted that much of South Tyneside's employment land portfolio is made up of smaller sites in areas of weaker market demand. This was considered to have constrained the Borough's ability to compete for investment opportunities in recent years; and
- Linked to the above, stakeholders also felt that the market for *premises* in the Borough had tightened in recent years – particularly in relation to industrial stock. The impact of this on the availability and choice of floorspace was considered to be harming the area's ability to land investment or support the growth of local businesses.

Future Employment Land Requirements

- There was a consensus view amongst stakeholders that the job change in employment use sectors – and the resulting employment land requirements – generated by the Baseline Labour Demand Scenarios (Scenarios 1 and 2) were too low and would limit the economic potential of the Borough over the Plan period;
- The use of long-term take-up data to inform the demand forecasting (as opposed to 5-year or 10-year averages) was supported. Stakeholders indicated that development activity in the Borough has been constrained over the past decade or so (by a lack of large, good quality sites in strong market locations). As such, short-term trends risk understating the true scale of demand in the Borough; and
- Stakeholders felt that any scenarios which assume a decline in demand from the E(g)(iii) and B2 use classes over the Plan period should not be supported. This was on the basis that such an approach was at odds with the NPPF requirement for Local Plans to “*provide a positive vision for the future.*”

5.0 The Market for Employment Premises

5.1 The following paragraphs compare the market for employment premises in South Tyneside with other areas of Tyne and Wear and the wider region. In addition, they consider the market for offices and industrial premises in South Tyneside through analysis of the stock, availability and demand.

5.2 This section has been prepared by LSH, drawing upon a range of data sources. These sources and their limitations are set out in Appendix 10.

The Market for Employment Premises in Tyne and Wear

Office Market

5.3 South Tyneside is the smallest of the five metropolitan districts in Tyne and Wear. Its urban area is tightly constrained by the coastline, the River Tyne and greenbelt. The data from the Non-Domestic Rating Business Floorspace statistics set out in Table 5.1 compares office units and floorspace across Tyne and Wear as at 31st March 2021.

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

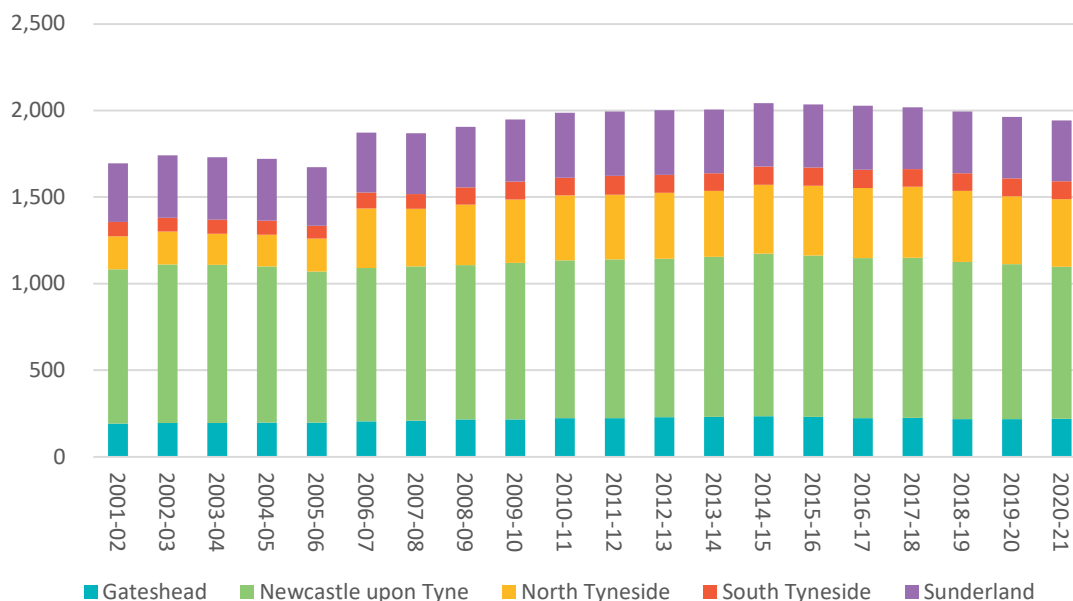
Area	Units	Floorspace (sq.m)	Average Unit Size (sq.m)
Gateshead	1,580	220,000	139
Newcastle upon Tyne	3,910	877,000	224
North Tyneside	1,320	391,000	296
South Tyneside	660	103,000	156
Sunderland	1,590	352,000	221
Tyne and Wear	9,060	1,943,000	214

Source: VOA / LSH analysis

5.4 It can be seen from the table that South Tyneside has just 7% of the office stock by number of units and 5% by floor area. By either measure, the Borough has a lower level of stock than the four other Tyne and Wear authorities. The average size of office unit in South Tyneside (156 sq.m) is also relatively small with only Gateshead's average office size being smaller.

5.5 Figure 5.1 illustrates the growth in office floorspace in Tyne and Wear between 2001 and 2021. This shows that office floorspace in Tyne and Wear increased by 17.6% over the first ten years of the period but decreased by 2.6% in the subsequent ten years. Similarly in South Tyneside growth of 30.1% in the first half of the period was followed by a 4.6% reduction during the second half.

Figure 5.1 Office Floorspace in Tyne & Wear, 2001-2021 ('000 sq.m)



Source: VOA / LSH analysis

Town Centre Office Market

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

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

Out-of-Town Office Market

- 5.10 Around the turn of the century, flexible planning policies and the designation of Enterprise Zones (EZs) encouraged the development of out-of-town business parks. Here, lower abnormal costs and a comprehensive package of fiscal and financial incentives to attract developers, investors and occupiers enabled viable office development. The last of this round of EZs were Tyne Riverside (which expired in October 2006) and East Durham (which expired in November 2005). The Tyne Riverside EZ included some small development plots at Viking Industrial Estate, Jarrow, but the overwhelming majority of designated land was in North Tyneside. Through so called ‘golden contracts’ capital allowances for EZ development continued for a further five years beyond the expiry of the zones.
- 5.11 These golden contracts ensured that even during the recession, when a scarcity of finance, shrinking demand and falling rents halted office development elsewhere in the region, development continued in North Tyneside and East Durham. The effect was a substantial oversupply of new out-of-town office floorspace and falling rents. It took nearly a decade for the market to absorb this glut of new space and for values to recover; only for Covid-19 to accelerate a trend towards hybrid working. LSH advise that this has resulted in large amounts of office floorspace, particularly at Cobalt Park, coming back onto the market with a renewed downward pressure on rents. Over the past decade, construction costs have steadily increased so out-of-town office development is no longer viable and the focus of development activity has switched to city centres where office rents have increased.

Development Viability

- 5.12 In the period up to 2008, sustained economic growth led to rising demand for offices and rents rose to a level that enabled the speculative development of business parks on greenfield sites without the need for reliance on incentives, gap funding or other subsidy. In South Tyneside there was speculative office development on serviced plots in business parks on the edge of the conurbation at Monkton and Boldon.
- 5.13 During the subsequent recession and faltering economic recovery, rising costs of construction and stagnant or falling rents undermined the viability of office development. During this time local authorities played a pivotal role in supporting office development by entering joint ventures with developers to reduce risk and enable schemes to proceed.
- 5.14 More recently the office market has been impacted by Covid-19 when working from home became the norm in the service sector. LSH advise that this has been followed by hybrid working, which has led to reduced requirements for office floorspace. Lower occupancy in the office sector may be largely hidden at the moment, but as lease breaks and expiries occur, LSH expect businesses to reduce their floorspace requirements causing an increase in available office floorspace.

- 5.15 As in other parts of the North East, office development in current market circumstances requires not only public sector funding to cover the gap between construction costs and end values, but also, public sector covenants to de-risk speculative development. A return to steady economic growth would allow development activity to resume, initially in locations with an established critical mass of office occupiers where demand is strongest. Forecasts of weak economic growth and construction cost inflation suggest that such conditions are unlikely in the short term. In the meantime, speculative office development is expected to continue to be reliant on public / private partnerships for investment finance. In Newcastle city centre this is allowing office development at the Matrix; and in Sunderland, the Council's joint venture with Legal & General is delivering offices at the Riverside.

The Industrial Market in Tyne and Wear

- 5.16 Data from the Valuation Office Agency (VOA) allows comparison of the stock of employment premises within the five Tyne and Wear authorities. Table 5.2 compares industrial units and floorspace in the five Tyne and Wear local authority areas as at 31st March 2021.

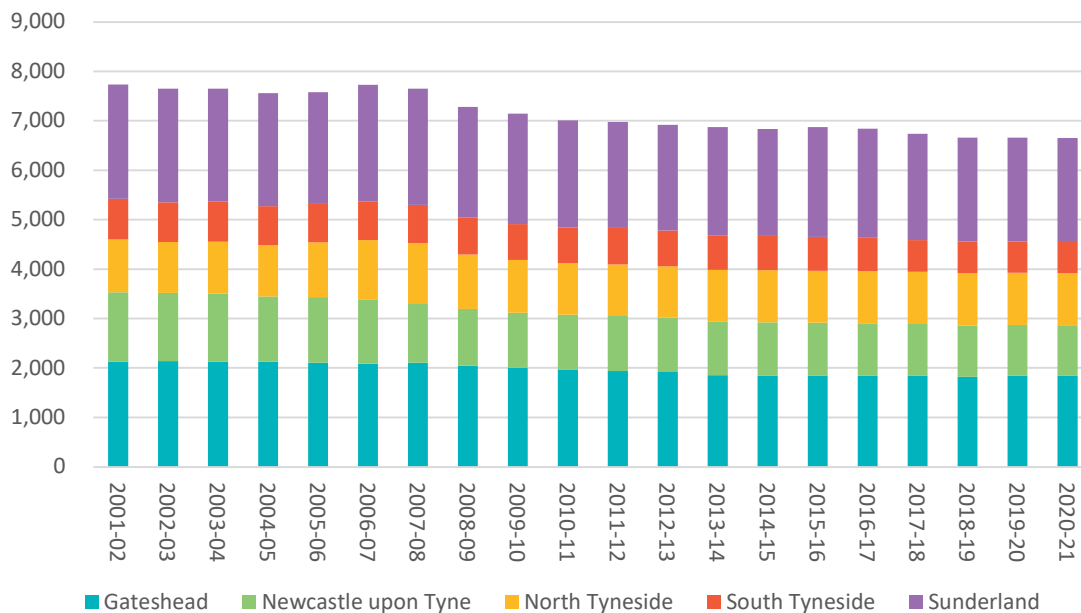
Table 5.2 Industrial Units and Floorspace in Tyne & Wear, March 2021

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

Source: VOA / LSH analysis

- 5.17 From the table, it can be seen that South Tyneside has 11% of industrial units and 10% of floorspace. By either measure, South Tyneside has lower levels of stock than the four other Tyne and Wear authorities.
- 5.18 Figure 5.2 illustrates the changes in industrial floorspace across Tyne and Wear between 2001 and 2021. Over the first ten years of this period the amount of industrial floorspace in Tyne and Wear fell by 9.8%, but the rate of decrease slowed over the subsequent ten years to 4.6%. By contrast, in South Tyneside a contraction of 9.7% in the first ten years was followed by a sharper decline of 14.3% over the most recent ten year period.

Figure 5.2 Industrial Floorspace in Tyne & Wear, 2001-2021 ('000 sq.m)



Source: VOA / LSH analysis

- 5.19 While some sectors were subject to restrictions during Covid-19 lockdowns, industrial and logistics remained in operation and actually benefitted from the effects of the pandemic. Logistics performed a crucial role, keeping the nation supplied amid public fears around Covid-19 and demands on social distancing.
- 5.20 2021 was a year of record-breaking achievements for the UK industrial and logistics market when assessed against a range of metrics. The impact of the pandemic served to accelerate structural change which, combined with a more general recovery in the wider UK economy, stimulated appetite from occupiers and investors alike. LSH advise that this boom is particularly apparent when assessing take-up, which hit a new record of 78 million sq.ft in 2021. All segments of the market and most regions of the UK played their part and, while Amazon accounted for an extraordinary 20% of activity, 2021 would have been a record year even without this activity.
- 5.21 Other types of occupiers were also particularly active in 2021, with major deals to data centre providers and battery manufacturers. Whilst LSH advises that the sense of urgency in occupier requirements has eased in 2022, there has been no let-up in levels of demand. With supply appearing to be the main obstacle to activity, however, LSH do not expect take-up in 2022 to beat last year’s high.
- 5.22 Take-up in the North East hit 4.9m sq.ft in 2021, up 65% on 2020 and the second strongest outturn on record. However, take-up was skewed by two major ‘build-to-suit’ deals which together accounted for 3.56 million sq.ft of take-up. These deals were:
 - Amazon’s 2 million sq.ft freehold acquisition at Wynyard Business Park, Stockton (the region’s largest ever deal and the UK’s largest deal in 2021); and
 - Britishvolt’s commitment to build a 1.56 million sq.ft ‘gigaplant’ at the former Blyth power station site in Northumberland.

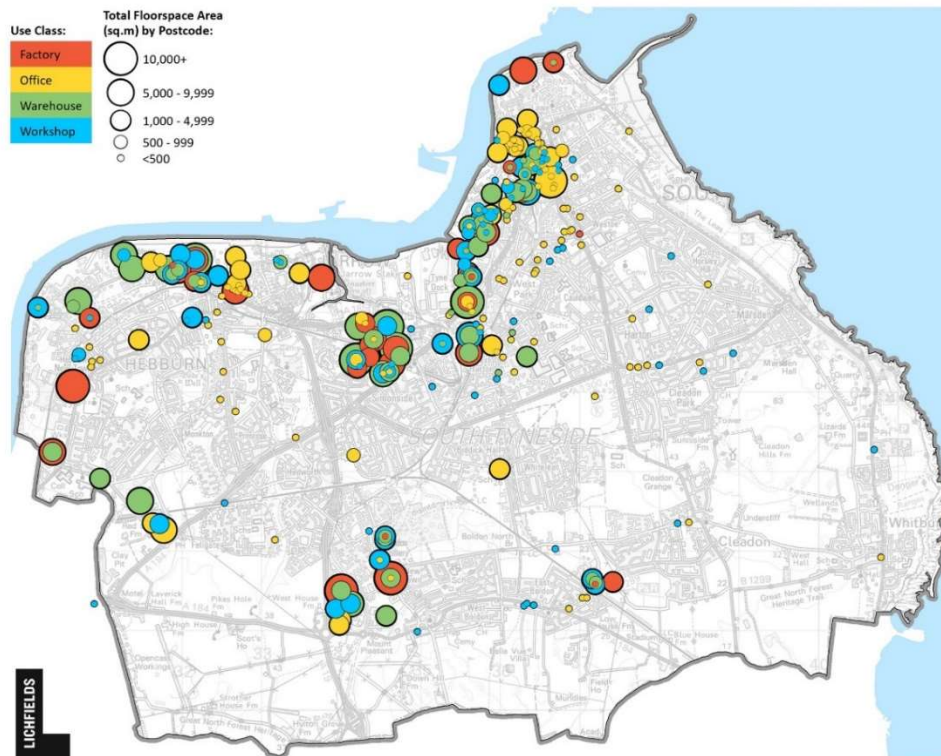
- 5.23 For the first time in over a decade, speculative development is underway at scale in the North East. At the end of 2021 there were five units totalling 338,000 sq.ft under construction across two separate schemes: Hillthorn Park and Turbine Business Park, both in Washington. LSH advise that a further five units across two schemes are set to commence in 2022 which will deliver circa 500,000 sq.ft. The largest of these, Integra 61, will ultimately offer over a million sq.ft of space.
- 5.24 The location of industrial development is, to a large extent, determined by access to markets. In the 19th Century riversides and railways were the transport networks that formed the focus for industrial development. Although their importance has since declined there remain substantial industrial areas alongside the Tyne, the Wear and railway lines. LSH advise that accessibility to motorways and dual carriageways is now the key criteria for industrial and distribution businesses. In some cases, the importance of old industrial areas has been sustained through good access to the strategic road network. But the appeal of inner area industrial locations with poor road connections has declined.
- 5.25 In Tyne and Wear the A1(M), A19 and A194 provide strategic north-south dual carriageways and the strongest industrial locations are those on the southern periphery of the conurbation with easy access to these roads (e.g. Team Valley, Follingsby and the Washington estates). Here, rents are sufficient to allow speculative industrial development in good market conditions. The A19 and A194 pass through South Tyneside and are linked by the A184 which is dualled between the Testo's (A19) and White Mare Pool (A194) roundabouts. Boldon and Monkton Business Parks are popular estates situated near these key junctions and provide modern premises on the edge of the urban area with easy access to the strategic highway network. The International Advanced Manufacturing Park (IAMP), which straddles the boundary of South Tyneside and Sunderland, will similarly have direct access to the A19. Recently completed junction improvements at Testo's roundabout and Downhill Lane will further benefit these locations.
- 5.26 Although inner urban areas have declined in importance/appeal as industrial locations, the upgrading of the Tyne Tunnel, the resurgence of the Port of Tyne and the growth of offshore industries (spurred primarily by the offshore wind energy sector) have combined to sustain demand for some estates within the Borough's urban areas.
- 5.27 LSH advise that the market for employment land and premises is not constrained by local authority boundaries. Industrial estates on the southern edge of Tyne and Wear face competition from estates in County Durham, particularly those located at junctions on the A1(M), such as Belmont and Bowburn, where speculative industrial and warehouse premises were viably developed prior to the recession and where substantial new development is now being promoted.
- 5.28 The growth in the logistics sector – which accelerated during the pandemic – has resulted in headline grabbing deals, such as Amazon's 550,000 sq.ft fulfilment centre at Follingsby Max, but also demand for smaller premises within the urban area. Amazon, for instance, has taken a vacant unit at Viking Industrial Park and the Royal Mail has built a new sorting office at Rekendyke Industrial Estate.
- 5.29 In locations that are more distant from strategic highway junctions, rents are lower and speculative private sector industrial development has been reliant on public sector gap funding or EZ incentives. Against a backdrop of declining demand, some weaker inner

urban industrial areas have come under continuing pressure from proposals for redevelopment for alternative uses. Where manufacturing sectors have growth potential, locations which meet their locational requirements will need to be protected, however. Renewables and electric vehicles are growth sectors of particular relevance to South Tyneside. The former requires riverside fabrication yards and operation and maintenance bases for the manufacture and maintenance of offshore windfarms. Although substantial opportunities exist at Wallsend on the north side of the Tyne; former shipyards on the south side of the river also offer potential. Electric vehicle manufacturing is centred on Nissan's production facility at Washington; where the IAMP provides development opportunities in Sunderland and South Tyneside, although it is likely that demand from further down the supply chain will need to be met off-site.

The Market for Employment Premises in South Tyneside

- 5.30 The map below uses postcode information from the Rating List to illustrate the distribution of employment premises across South Tyneside according to type and size. The northern part of the Borough is densely developed and the built-up area extends to the coast. This contrasts with the southern part where the Boldons, Cleadon and Whitburn are separated from the conurbation and each other by the Green Belt. Employment premises are concentrated in the northern part, within a wide band of estates along the River Tyne. Here a critical mass of established industrial estates underpins demand for premises, even though the viability of new development is weak and take-up of land is limited. These industrial areas typically accommodate a variety of premises including factories, workshops, warehouses and offices. Around the Port there is a somewhat greater concentration of warehouses; whereas around Simonside, Bede and Middlefield industrial estates the concentration of factories and workshops is greater. Offices are distributed across the borough, but with a noticeable cluster around South Shields town centre.
- 5.31 The western side of the Borough is well served by the strategic highway network; the A19 heads south from the Tyne Tunnel at Jarrow, the A194 Leam Lane heads south-west to link to the A1(M), and the A184 Newcastle Road, forms the base of this triangle of dual carriageways, linking the other two. In this area of strong demand Boldon and Monkton Business Parks are now largely built out for a mix of employment uses, but additional opportunities for development are constrained by Green Belt.

Figure 5.3 Spatial Distribution of Employment Space in South Tyneside



Source: EGi / VOA / LSH analysis

Office Market

Stock

5.32 Valuation Office Agency (VOA) data identifies 634 office units in South Tyneside totalling 101,943 sq.m of floorspace (1.1 million sq.ft). Table 5.3 below uses postcode districts to assess their distribution within the Borough.

Table 5.3 Distribution of Office Units in South Tyneside

Postcode District	Town	Units	Percentage
NE31	Hebburn / Monkton	61	10%
NE32	Jarrow	136	21%
NE33	South Shields Town Centre	278	44%
NE34	South Shields Southern Suburbs	69	11%
NE35	Boldon Colliery	79	12%
NE36 and SR6	East Boldon / Cleadon / Whitburn	11	2%
Total		634	100%

Source: VOA / LSH analysis

- 5.33 The data highlights that South Shields remains the dominant office location with 44% of the Borough’s units, whilst a further 11% of units are situated in the suburbs to the south of the town, notably at Tyne Dock. The town centre, which has a role as both an administrative centre and as a local centre for professional services now includes the Harton Quay regeneration area. Here, British Telecom occupies a bespoke Business Centre and a plot remains for further office development or other uses. To the north at Low Lane, modern offices beside the river, constructed and occupied as a call centre, stood vacant for several years before being converted to residential apartments; the adjoining carpark is available for redevelopment.
- 5.34 In the past there has been speculative development of small office units in edge of centre locations (e.g. Cookson House and Waverley) and further out serviced offices have been provided at One Trinity Green and South Shields Business Works (both managed by the Council). Outside the town centre there is some office provision within industrial areas, notably at Tyne Dock, where Port of Tyne developed offices for its own use and to meet general market requirements. LSH understands that the strategy of the Port is now to focus on accommodating businesses using the port
- 5.35 In Jarrow, established town centre provision has been supplemented by business park offices at Viking Enterprise Park, where Jarrow Business Works and the Eco Centre provide serviced office accommodation and where EZ designation enabled the development of three large office buildings between 2001 and 2004. Two of these stood vacant for several years but have now been reoccupied.
- 5.36 In Hebburn there is limited provision in the town centre but between 2004 and 2006 there was speculative development of mid-sized office units at Monkton Business Park. These were initially well occupied, but at the time of LSH’s inspection and analysis in the summer of 2022 some 19% of units were vacant. However, intelligence from the Council indicates that, since this time, availability has reduced in-keeping with the longer term trend of high demand for units in this location.
- 5.37 At Boldon Colliery nearly 90% of office units are situated on the Boldon Business Park, where a mix of unit sizes includes bespoke buildings for specific occupiers and serviced offices within the Quadrus Centre.

Table 5.4 Size of Office Units in South Tyneside

	Size (sq.m)								Total
	<50	50 - 100	100 - 250	250 - 500	500 - 1,000	1,000 - 2,000	2,000 - 5,000	>5,000	
Stock of office units	316	135	107	45	15	10	5	1	634

Source: VOA / LSH analysis

5.38 Smaller units are an important component of supply. Half of the units are less than 50 sq.m and another 21% are between 50 and 100 sq.m. Only 31 units, some 5% of the stock, are greater than 500 sq.m.

Availability

5.39 LSH has sourced data on currently available office premises from Egi, a national commercial property database. Available units within serviced office complexes tend not to be listed here and LSH has therefore supplemented the EGi data with their own enquiries through direct liaison with workspace managers.

Table 5.5 Vacancy Rates for Office Units in South Tyneside

	Size (sq.m)								Total
	<50	50 - 100	100 - 250	250 - 500	500 - 1,000	1,000 - 2,000	2,000 - 5,000	>5,000	
Stock of office units	316	135	107	45	15	10	5	1	634
Vacant office units	25	6	8	7	2	1	1	0	50
Vacancy rate	7.9%	4.4%	7.5%	15.6%	13.3%	10.0%	20.0%	0.0%	7.9%

Source: EGi / LSH analysis

5.40 Some 50 office units are currently on the market equating to 11,143 sq.m. The overall vacancy rate equates to around 7.9% of units; 10.9% of floorspace. In a healthy property market LSH would typically expect to observe a vacancy rate of 5% to 10%. This allows for market churn to accommodate the changing floorspace requirements of businesses, but does not leave high volumes of floorspace on the market for prolonged periods.

5.41 The current vacancy rate of 7.9% indicates a healthy office market, but there is some variation within different size bands. Amongst units of more than 250 sq.m, for instance, vacancy rates of 10% to 20% point to weaker demand for larger units. Notwithstanding the Borough’s large stock of serviced offices (where flexible terms allow a greater turnover of tenants) low vacancy rates within the smaller size bands indicate that the market is stronger. In addition, the vacancy rate of 4.4% amongst units of 50-100 sq.m suggests a shortage of move-on accommodation for small businesses.

Values and Viability

5.42 VOA data reveals that office rents in the Borough average around £6.20 per sq.ft. In the 2017 Rating List, the highest rental tone of £11.15 psf (£120 / sq.m) is applied to the smallest office suites in the Quadrus Centre at Boldon Business Park. Here, asking rents on

an all-inclusive basis are around £26 psf. At Monkton Business Park the high-quality former Siemens offices at 2 Koppers Way are on the market at an asking rent of £12 psf.

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

- Availability and cost of finance;
- Abnormal costs of site preparation;
- Abnormal infrastructure costs;
- Void periods;
- Construction costs;
- Rental levels;
- Yields;
- Ability to secure pre-lets or forward sales; and
- Availability of gap funding.

5.44 In current market conditions, LSH do not consider private sector speculative office development to be viable. In the period of sustained economic growth up to 2008, rents exceeding £13 per sq.ft were required for speculative office development on serviced greenfield sites. On South Tyneside's business parks, office rents reached this level, thereby stimulating office development activity. The subsequent recession and weak growth served to depress rents, but construction costs continued to increase. Similarly, the current outlook is for weak economic growth and high rates of cost inflation. LSH anticipate that this widening gap between costs and values will frustrate speculative office development for the foreseeable future. Town centre development of Grade A offices on remediated sites with higher levels of abnormal costs requires rents in excess of £25 psf, levels that are achievable in Newcastle city centre but not elsewhere in the region. As such, LSH expect town centre office provision to be limited to bespoke schemes for specific occupiers unless the Council is prepared to enter into joint ventures with developers.

5.45 For the foreseeable future, LSH expect office development in South Tyneside to require either an occupier to be identified up-front or cross-subsidy or public sector gap funding. Public sector funding is increasingly targeted at strategic projects that meet key economic criteria rather than property development in its own right. There is little market evidence to suggest take-up of land for office development during the early years of the plan period, except perhaps some move-on accommodation near an established serviced office centre.

Industrial Market

Methodology

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

Stock

5.47 From VOA data complemented by LSH research, it is estimated that there are some 1,006 industrial premises in South Tyneside. These are predominantly situated on industrial estates and within other established industrial areas, though vehicle repair workshops and stores are found in other locations too. Premises defined as land used for storage or storage depots are included within this part of the analysis. Table 5.6 categorises these by type.

Table 5.6 Stock of Industrial Units in South Tyneside

Description	PSD Code	Number of Units
Vehicle Repair Shop	CG1	47
Garage and Premises	Cg2	4
Warehouse and Premises	CW	201
Land Used for Storage and Premises	CW1	38
Storage Depot and Premises	CW2	1
Store and Premises	CW3	83
Factory and Premises	IF	192
Works and Premises	IF2	0
Workshop and Premises	IF3	436
Other Industrial	IX	4
Total		1,006

Source: VOA / LSH analysis

5.48 The descriptions and categorisation used by the VOA suggest that around 32% of industrial premises are used for some form of storage. These include lock-ups, depots, warehouses and purpose-built logistics premises. A further 62% are described as factories or workshops.

5.49 The distribution of industrial units within the Borough is shown in Table 5.7. South Shields remains an important industrial location with half of the Borough's units (either around the town centre or within the industrial estates to the south).

5.50 Together South Shields, Jarrow & Hebburn comprise 88% of the Borough's industrial units. The overwhelming majority of these industrial areas are within a swathe of land that stretches back from the riverside. These are surrounded by housing areas to the south. Generally in Tyne and Wear the strongest industrial locations are those on the southern periphery of the conurbation (e.g. Team Valley, Follingsby and the Washington estates) where there is easy access to the strategic highway network. In South Tyneside there is relatively little industrial provision on the southern side of the urban area (Boldon and Monkton Business Parks and Cleadon Lane Industrial Estate are exceptions), but the penetration of the urban area by the A19 and A194 to some extent alleviates the disadvantage of some of these inner urban areas.

Table 5.7 Distribution of Industrial Units in South Tyneside

Postcode District	Town	Premises	Percentage
NE31	Hebburn / Monkton	147	15%
NE32	Jarrow	236	23%
NE33	South Shields	383	38%
NE34	South Shields Southern Suburbs	124	12%
NE35	Boldon Colliery	71	7%
NE36 and SR6	East Boldon / Cleadon / Whitburn	46	5%
Total		1,006	100%

Source: VOA / LSH analysis

5.51 Table 5.8 categorises industrial premises by unit size. For this analysis LSH has excluded land used for storage to ensure that the analysis is not distorted by the inclusion of large areas of land. There are 968 industrial units totalling 627,503 sq.m (6,754,610 sq.ft).

5.52 Smaller units are an important component of supply; nearly two-thirds (65%) of units are less than 250 sq.m. Only 13% of units are greater than 1,000 sq.m. Of these larger units one third are warehouses; the other two thirds workshops or factories, emphasising the importance of manufacturing to the local economy.

Table 5.8 Size of Industrial Units in South Tyneside

	Size (sq.m)								Total
	<50	50 - 100	100 - 250	250 - 500	500 - 1,000	1,000 - 2,000	2,000 - 5,000	>5,000	
Vehicle Repair Workshop	5	7	21	8	5	1	0	0	47
Garage & Premises	0	0	2	1	1	0	0	0	4
Warehouse & Premises	10	25	54	39	31	13	17	12	201
Storage Depot	0	0	1	0	0	0	0	0	1
Store & Premises	38	24	13	6	2	0	0	0	83
Factory & Premises	3	30	34	24	32	35	22	12	192
Workshop & Premises	80	141	134	51	17	5	5	3	436
Other Industrial	1	0	1	0	1	1	0	0	4
Total	137	227	260	129	89	55	44	27	968

Source: VOA / LSH analysis

Availability

5.54 LSH has sourced data on currently available industrial premises from EGi, CoStar, the Council’s premises register and LSH’s own enquiries. From site inspections carried out (by LSH) as part of this study it has been noted that there are some redundant industrial premises that are no longer being marketed. Vacant buildings such as at the former Hawthorn Leslie shipyard and Ashworth Fraser Industrial Estate, are considered very unlikely to be reoccupied and marketing activity is therefore no longer worthwhile. By concentrating on units currently on the market, the following analysis slightly underestimates the amount of vacant industrial property.

5.55 There are 37 premises on the market equating to 61,253 sq.m; the overall vacancy rate equates to 3.8% of units and 9.8% of floorspace. In a healthy property market, LSH advise that a vacancy rate of 5% to 10% allows for market churn to accommodate the changing

floorspace requirements of businesses, without leaving high volumes of floorspace on the market for prolonged periods. A vacancy rate of 3.8% is therefore considered by LSH to indicate a tight market where a shortage of available units could constrain businesses. From a modest oversupply after the recession of 2009-10 (when South Tyneside had a vacancy rate of around 12%) the supply of industrial units has contracted steadily over the past decade. This pattern of a tightening supply of industrial property has been evident across the region and limits the ability of one local authority to accommodate demand from neighbouring authorities. The improving market has stimulated some development activity, though viability issues mean that public sector financial support has been required.

5.56 Table 5.9 compares the stock and availability of units across different size bands. This reveals that vacancy rates are low amongst units of less than 500 sq.m, but generally higher amongst larger premises. Although the availability of very small units can be under-reported, LSH's analysis points towards a shortage of accommodation amongst the four smallest size bands. It should also be noted that this would appear to reflect the findings of the 2021 Business Survey (see Section 4.0).

Table 5.9 Vacancy Rates of Industrial Units in South Tyneside

	Size (sq.m)								Total
	<50	50 - 100	100 - 250	250 - 500	500 - 1,000	1,000 - 2,000	2,000 - 5,000	>5,000	
Stock of units	137	227	260	128	90	55	44	27	968
Vacant units	0	3	6	6	12	2	4	4	37
Vacancy rate	0.0%	1.3%	2.3%	4.7%	13.3%	3.6%	9.1%	14.8%	3.8%

Source: EGi / LSH analysis

5.57 Vacant units are distributed throughout the Borough but are currently highest in Boldon, where 12.7% of units are on the market. This high rate is an anomaly resulting from Faltec marketing five buildings at Didcot Way following its move to a new purpose-built factory at the IAMP. LSH understands that Faltec remains in occupation while the business assesses its options. Disregarding Faltec's units the vacancy rate in Boldon Colliery equates to a more modest 5.6%.

5.58 The analysis suggests that vacancies are currently lowest in the NE33 postcode area, around South Shields town centre, where regeneration activity has resulted in some former industrial areas being redeveloped for housing. Further regeneration activity should look for opportunities to bolster the supply of small workshops and industrial units. A recent example is the successful redevelopment of the BeModern factory as the Western Approach Trade Park.

Table 5.10 Vacancy Rates for Industrial Units by Location

Postcode District	Town	Units	Vacant	Vacancy Rate
NE31	Hebburn/Monkton	142	4	2.8%
NE32	Jarrow	227	7	3.1%
NE33	South Shields Town Centre	369	6	1.6%
NE34	South Shields Southern Suburbs	117	8	6.8%
NE35	Boldon Colliery	71	9	12.7%
NE36 and SR6	East Boldon/Cleadon/Whitburn	42	3	7.1%
Total		968	37	3.8%

Source: EGi / LSH analysis

Values and Viability

- 5.59 VOA data indicates that the average industrial rent in the Borough is around £4.60 per sq.ft. Asking rents for industrial properties currently on the market range from £1 to £7.50 per sq.ft depending on specification, size and location. LSH advises that trade counter units, hybrid units with substantial office content and small units can command even higher rents.
- 5.60 The viability of industrial development is dependent on the same wide range of factors as office development. In current market conditions private sector industrial development relies on public sector funding and the availability of serviced greenfield or remediated sites with good access to the strategic highway network. Boldon and Monkton are both well situated in this respect. The Infinity Park warehouse scheme, which received project funding of £1.27 million from the Local Growth Fund, took the last serviced development plots at Monkton. At Boldon Business Park one plot remains.
- 5.61 LSH anticipate that the declining supply of serviced development plots in locations of strong market demand, combined with the longstanding requirement for gap funding of speculative industrial premises, will continue to constrain development activity. Increasingly, funding is being targeted at projects that meet key economic criteria rather than at property development in its own right. The focus of development activity is therefore unlikely to change.

Review of Existing Industrial Areas

- 5.62 Across the Borough the variety of industrial areas is testament to the industrial history of the area. These areas are listed and briefly assessed in the table at Appendix 2, alongside LSH's recommendations as to whether each area should be retained for employment use or allocated for an alternative use.

Summary

- 5.63 South Tyneside has the smallest stock of employment premises of all the Tyne and Wear authorities, with around 736,000 sq.m of floorspace. Provision is dominated by industrial uses, with office premises accounting for just 14% of floorspace. Amongst industrial units, factories and workshops account for around 71% of units; warehouses and stores for 29%.
- 5.64 The low level of office provision in South Tyneside reflects – in part – the regional dominance of Newcastle city centre. At the local level, South Shields remains the principal office location due to its dual role as an administrative centre and a focus for professional services. 44% of the Borough's units are located in the town (NE33). Another 21% are in the Jarrow area (NE32).
- 5.65 It is estimated that 7.9% of all office units in South Tyneside are currently vacant, indicating a healthy market. Analysis of vacancy levels by size band suggests that, whilst the Borough is well served by start-up premises, there is a relatively tight supply of units of 50-100 sq.m. Values would need to increase substantially, however, before speculative office development is viable and take-up of land for office development is unlikely in the early years of the Local Plan period.
- 5.66 The increasing demand for industrial premises over the last few years has resulted in a steady tightening of supply over the last decade. Whereas this has led to speculative development in some parts of the country, however, in the North East, industrial development is not viable without some form of public sector support. This is because rising rents have not been able to keep up with construction cost inflation. The Washington/Follingsby area is a market hotspot adjoining the south-west corner of the Borough, but even here current development activity has been enabled by EZ incentives and de-risking activities by local authorities.
- 5.67 In South Tyneside, industrial vacancy rates have fallen from 12% to 3.8% over the last decade. The market is now very constrained and there is a particular shortage of small units (less than 250 sq.m) which account for nearly two-thirds of the Borough's stock. The tight supply of units is evident across most parts of the Borough, with a relatively high vacancy rate at Boldon largely attributable to Faltec vacating five units to take a new factory at IAMP. As such, this high vacancy rate is not considered to be reflective of a weak market.
- 5.68 The declining supply of serviced development plots in locations of strong market demand, combined with the longstanding requirement for gap funding of speculative industrial premises will continue to constrain new development activity unless additional sites are identified, and the Council commits to supporting the development of new industrial premises.

6.0 Supply of Employment Land in South Tyneside

6.1 This section of the report summarises the current availability and past take-up of employment land in Tyne and Wear and South Tyneside, to provide the context for the assessment of demand and supply (and individual recommendations on sites, where appropriate). The analysis of past take-up rates and implied supply (presented in this section and derived by LSH) provide an initial measure of the adequacy of provision. The take-up rates should not, however, be interpreted as a comprehensive assessment of future requirements. Further consideration is given to anticipated future land needs in Section 7.0, drawing upon a range of forecasting approaches.

Context

6.2 The market for employment land within Tyne and Wear is 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, an assessment of provision across a wider area is helpful.

6.3 This is of particular relevance to South Tyneside, which is the smallest of the Tyne and Wear authorities, and where the urban area is constrained by the River Tyne, the North Sea, and a strip of Green Belt preventing the coalescence of Tyneside and Wearside. South Tyneside is regarded by the market as an integral part of the Tyneside conurbation with strong links to Wearside. As a result, shortfalls in employment land allocations in one local authority area may, to some extent, be offset by surpluses elsewhere in Tyne and Wear.

6.4 An accepted methodology for the quantitative analysis of employment land (and one regularly applied by LSH) is to divide the amount of land currently available for employment uses by past take-up rates to arrive at a number of years' supply. In determining appropriate levels of allocation Planning Inspectors have typically sought to ensure supply is adequate for the Plan period. The National Planning Practice Framework (NPPF) states that "*Strategic policies should look ahead over a minimum 15 year period from adoption.*"¹⁰ Planning Inspectors have regarded 15 years supply as a robust level of allocation.

6.5 Recognising that recycled employment sites can play an important role in replenishing supply, some local authorities adopt a 'monitor and manage' approach by ensuring a five-year supply of readily available sites and a further five-year reservoir of sites that can be made readily available to replenish this supply.¹¹

6.6 NPPF emphasises the importance of allocating sites of an appropriate quality and quantity: "*Strategic policies should provide a clear strategy for bringing sufficient land forward, and at a sufficient rate, to address objectively assessed needs over the plan period, in line*

¹⁰ Paragraph 22, National Planning Policy Framework, MHCLG, 2021.

¹¹ 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)

with the presumption in favour of sustainable development.”¹² “The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals.”¹³ “Policies in local plans and spatial development strategies should be reviewed to assess whether they need updating at least once every five years and should then be updated as necessary.”¹⁴

- 6.7 Past take-up of employment land is affected by prevailing economic conditions and policy initiatives. Planning, regeneration, fiscal and financial policies can all impact upon the scale and location of take-up, for better or worse, intentionally or unintentionally. By considering take-up over 5, 10, 15 and 20-year periods the effects of economic cycles and policy changes can be evened out and the stock adjusted, whilst short term trends can be identified.
- 6.8 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; although LSH consider the likelihood of businesses disposing of expansion land later in this section;
 - The number of windfall sites arising which are not presently allocated for employment uses but which may become available for such uses;
 - The number of further sites becoming available through the recycling of land currently in industrial use; and
- 6.9 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.
- 6.10 It is LSH’s view that the conservative estimate of the total supply of land on the one hand, and the under-estimate of total consumption on the other will – to some degree – cancel each other out.
- 6.11 A glossary of terms used by LSH in their appraisal of the industrial land supply and take-up is attached at Appendix 8.

Tyne and Wear

- 6.12 As previously acknowledged, the employment land market looks at the conurbation as a whole and is not constrained by local authority boundaries. There is a strong inter-dependence between the economies of the five Tyne and Wear authorities. This can be seen in the substantial numbers of residents living in one district and travelling to work in another.
- 6.13 Local Plans for the five Tyne and Wear authorities are at different stages of preparation and, as a consequence, comprehensive current data on the availability and take-up of

¹² Paragraph 23, NPPF, MHCLG, 2021.

¹³ Paragraph 31, *ibid*

¹⁴ Paragraph 33, *ibid*.

employment land is not readily available. Lichfields and LSH prepared Employment Land Reviews (ELRs) for Sunderland (2016) and Gateshead (2012). LSH updated its analysis of land supply and take-up in Sunderland for a planning inquiry in 2020. Gateshead prepared an updated ELR in 2018. Of relevance to this study are the following findings from the ELRs of the surrounding authorities:

- Sunderland’s Washington and Sunderland North sub-areas, which border South Tyneside, have low levels of available employment land relative to the scale of demand. At the time of the Sunderland ELR the implied supply of general employment land in Washington was 8 years and in Sunderland North 7 years. (Table 8.1, Sunderland ELR). By the start of 2020, the implied supply in Washington had reduced to 6 years and in North Sunderland 2 years. Construction (in 2022) of four industrial units at Turbine Business Park and seven units at Hillthorn Business Park will further reduce the supply of employment land in Washington;
- More than two-thirds of Sunderland’s employment land take up has been in the Washington sub-area; and the ELR found that there was under-supply of 18 to 31 ha in this particular sub-area (Table 8.3, Sunderland ELR);
- Between 2000 and 2012, 47.50 ha of land was taken-up for employment use in Gateshead. Of this, 36% was at Team Valley and a further 26% at Follingsby (Appendix 12, Gateshead ELR). This demonstrates the strength of demand for industrial estates offering serviced sites on the southern edge of the conurbation which have easy access to the strategic highway network. The take-up data was updated in the 2018 ELR, revealing average take-up of 5 hectares per annum over the nine years up to the 2009 recession, which fell to 1.08 hectares p.a. over the next nine years; and
- The Gateshead ELR recommended that Gateshead Council assess the feasibility of bringing forward additional employment land to the south of the Follingsby Primary Employment Area (Paragraph 10.86 Gateshead ELR). This 25 hectare site was subsequently removed from the Green Belt and was developed out by Amazon as a fulfilment centre (in 2020).

6.14 The findings of these ELRs correspond with LSH’s findings for South Tyneside. Whilst there are areas of oversupply in inner urban areas, there is a shortfall of employment land in the Washington, Follingsby, Monkton, Boldon locality. Although speculative industrial development is still of marginal viability, there is evidence of demand in this location from businesses with requirements for larger bespoke premises. The strength of market demand, together with EZ incentives at Turbine, Hillthorn, Follingsby and the IAMP are now enabling speculative industrial development.

South Tyneside

6.15 Within South Tyneside there are a wide variety of industrial areas, serving as a testament to the industrial history of the Borough. LSH has inspected all these areas to assess the quality of each estate, and to identify the amount and quality of available employment land. Employment areas are assessed at Appendix 3, which includes LSH’s recommendations on the future planning status of each (e.g. whether the area should be retained for employment use, allocated for mixed-use, allocated for an alternative use etc).

6.16 The assessment of available employment land includes:

- a Vacant sites currently allocated for employment use;
- b Vacant sites formerly in employment use;
- c Vacant land in areas identified by the Council for mixed-use development and which could include an employment component;
- d Expansion land held by businesses;
- e Employment premises that are at, or nearing, functional obsolescence; and
- f Land and buildings in alternative uses that may have potential for economic development.

- 6.17 Through inspections of all employment areas (and other areas identified by the Council) LSH has assessed individual employment sites according to a range of market and sustainability criteria and has identified a handful of potential employment sites. LSH has noted where sites have been redeveloped or reoccupied for employment purposes and are therefore no longer available.
- 6.18 In accordance with Planning Practice Guidance, LSH has had regard to a size threshold of 0.25 ha.¹⁵ Sites smaller than this are not included within the calculation of available employment land. LSH has also excluded from the assessment unoccupied storage compounds that in the view of LSH are more likely to be reoccupied as compounds than developed for employment use. In some cases, these compounds have also been discounted because they are less than 0.25 ha. Some sites considered by LSH have been subsequently assessed by the Council as no longer suitable for employment use, but until an alternative planning consent has been granted or alternative allocation adopted, they remain within the assessment.
- 6.19 The International Advanced Manufacturing Park (IAMP) is a major new employment park that straddles the boundary of Sunderland and South Tyneside. A separate Area Action Plan (AAP) has been adopted to provide the planning policy framework for IAMP, with a detailed body of site-specific evidence compiled to support the AAP. A Development Consent Order and AAP Policy restrict occupiers of IAMP to advanced manufacturing businesses. For this reason, LSH analysis (as presented in this ELR) distinguishes the IAMP from the demand and supply balance of general employment land in South Tyneside.
- 6.20 The assessment matrix at Appendix 3 identifies the gross area of each site and, by applying a gross net ratio to larger sites to reflect likely losses for highways, landscaping etc, estimated net developable areas. Guides to the ratios used applied by LSH in different circumstances and to the qualitative assessment criteria are 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 this numbering does not imply that the various criteria are of equal weight; nor, in allocating employment sites, should the Council solely rely on this assessment. Other factors, notably the relative need for different land uses, may also be taken into account.
- 6.21 In considering the supply of, and demand for, employment land within South Tyneside, LSH has used a staged approach:
- First LSH consider the amount of land currently available for employment development (categories a, b & c above) and compare this against past take-up rates to arrive at a

¹⁵ Paragraph 010, Reference ID: 3-010-20140306, Planning Practice Guidance

notional number of years supply within the Borough. This allows for an initial, headline assessment of whether current allocations and other available employment land is likely to be sufficient for the Plan period;

- For the second stage, LSH considers the market attractiveness of these sites. This assessment draws upon an analysis of the location of past take-up to understand if sites should be retained within the supply;
- Thirdly, LSH consider whether growth sectors are likely to increase demand for specialist sites;
- During the fourth stage, LSH considers whether sites are readily available or require preparation and thus their ability to meet demand in the short term;
- The fifth stage is to identify the impact that vacant office and industrial buildings have on the market for development sites, within the context of economic and property development cycles; and
- For the sixth stage, LSH identifies the prospects for supply to be supplemented by releases of expansion land.

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

Currently available employment sites

6.22 LSH has assessed 14 general employment sites and 12 specialist employment sites (at Tyne Dock and the IAMP). Of the 14 general employment sites, four have been excluded from further analysis for the following reasons:

- East of Feller UK , Middlefields Ind Est (0.29 ha): held as expansion land,
- West of Bedesway/ Jarrow Road junction, Bede Ind Est (0.17 ha): below the minimum size threshold,
- Former Mayflower Glass, Boldon Lane (0.35 ha): now has planning consent for residential development,
- East of Lukes Lane, Monkton Fell (3.33 ha): now has planning consent for residential development.

6.23 The 22 available employment sites providing an estimated net developable area of 101.32 hectares (see table below). The sites range in size from 0.25 to 42.50 hectares.

Table 6.1 Available Employment Sites (South Tyneside)

Site	Location	Estimated Net Area (ha)
General Employment Land		
Ashworth Frazer Industrial Estate, Hebburn	Hebburn	2.30
Former Hawthorn Leslie Shipyard, Ellison Street	Jarrow Riverside	3.70
Land at Wagonway Industrial Estate, Hebburn	Jarrow Riverside	0.42
Green Business Park, Hebburn / Jarrow Staithes	Jarrow Riverside	1.71
Former Dow Chemicals, Ellison Street / Chaytor Street	Jarrow Riverside	12.15
East of Pilgrims Way, Bede Ind Est	Simonside / Bede	0.43
West of Pilgrims Way (east of Mitsumi), Bede Ind Est	Simonside / Bede	1.41
Land at Towers Place, Shaftsbury Avenue, Simonside Ind Est	Simonside / Bede	1.36
South of Heddon Way, Middlefields Industrial Estate	Simonside / Bede	0.61
West of 16 Brooklands Way, Boldon Business Park	Boldon	0.60
		24.69
Specialist Employment Land – Port / River Access		
Tyne Dock Infill	Port of Tyne	3.50
Compound beside Jarrow Road	Port of Tyne	0.25
Hill 60	Port of Tyne	0.51
Former McNulty Offshore, Commercial Road	Port of Tyne	4.36
Tyne Dock Enterprise Park (SE)	Port of Tyne	0.58
East of wood pellet silos	Port of Tyne	1.90
Tyne Renewables Quay	Port of Tyne	9.95
North of Warehouse 21	Port of Tyne	1.77
Former MH Southern	Port of Tyne	2.56
		25.38
Specialist Employment Land – Advanced Manufacturing		
IAMP South (North of Nissan Site)	IAMP	1.41
IAMP South (north west corner)	IAMP	7.34
IAMP North	IAMP	42.50
		51.25
Total		101.32

Source: LSH analysis

6.24

Although some employment land is suitable for a wide range of B-class uses, it is helpful to distinguish land reserved for specific uses from general employment land. As noted earlier, the IAMP is restricted to advanced manufacturing and is not included within the stock of general employment land. In addition, it is not the purpose of this ELR to test the case for bringing the IAMP forward for employment uses or to quantify the level of employment

space to be provided at the IAMP. An Area Action Plan for the site, which provides the planning policy framework for the IAMP and is underpinned by a detailed body of site-specific evidence, has been tested by an Inspector at an Examination in Public and subsequently adopted. Rather, this ELR seeks to understand the wider impacts of the IAMP on the demand for general employment land and ensure that these are adequately planned for.

6.25 Recognising that land with access to rivers or sea is a limited resource, it is not unusual for such sites to be reserved for businesses in the offshore and maritime sectors (or for those requiring access to a river for import or export). Land within ports is typically reserved for businesses using the port for import or export. Although historically the Port of Tyne's estate has accommodated some businesses that make little or no use of the Port, the majority of land and buildings within the estate are now occupied by businesses that do. Outside the Port estate are other sites that have river frontage, which similarly could be reserved for uses requiring river access, although LSH recommends that in allocating sites the Council is not overly prescriptive about the type of employment use – particularly where the supply of general employment land is constrained. It should also be noted that where there is general employment land adjoining heavy industrial uses, this can act as a buffer for more sensitive uses.

6.26 Three sites with frontage to the River Tyne are currently available, these are:

- The **former Hawthorn Leslie shipyard** at Hebburn. The site has been vacant and unused for many years and given the high costs of site preparation and remediation, LSH consider that there is no real prospect of it being used by the marine or offshore sectors. The site adjoins housing to the west and south. In addition, LSH is advised that the Council has a resolution to grant planning consent for residential development;
- **Jarrow Green Business Park**. The Viking Energy Park is being constructed on part of the site. The remaining available land is small and adjoins general employment uses. The Council, who own the site, consider that there is no longer a reasonable prospect of this remaining area being used for employment, given the high level of remediation required; and
- The **former Dow Chemical works** has a long river frontage and the owner receives intermittent enquiries from businesses requiring a riverside site, but with high costs of remediation and site preparation these enquiries have not translated into offers. LSH recommends that the site is retained for employment use to include, but not be limited to, offshore/maritime uses requiring river access.

Table 6.2 Available Employment Land by Category

Category	Net Available Land (ha)	Share of Supply
General Employment Land	24.69	24.4%
Specialist Land – Port / River Access	25.38	25.0%
Specialist Land – Advanced Manufacturing	51.25	50.6%
Total	101.32	100.0%

Source: LSH analysis

- 6.27 Table 6.2 provides a summary of available land by category. From this it can be seen that half of the available employment land in South Tyneside is at the IAMP and restricted to use for advance manufacturing and a further quarter is at Tyne Dock. That leaves only a quarter of the borough's available employment land to meet general employment land needs.

Mixed-Use Sites

- 6.28 Outside the Borough's industrial areas are sites that are appropriate for mixed-use development, which could include employment uses. The Council has identified or allocated some of these and site visits by LSH have been used to identify others. Many of these are in or around South Shields town centre. Some of the sites were shown as mixed-use development sites on the Proposals Map of the 2008 South Shields Town Centre and Waterfront Action Area Plan. The mixed-use sites are assessed in the matrix at Appendix 3, which includes LSH's site-specific comments and recommendations. In some of these areas, regeneration masterplans identify the employment component, but in others the amount of land, if any, that could accommodate employment uses is uncertain. Of the eight sites assessed, two are below the minimum size threshold and have been disregarded.

Table 6.3 Employment Component of Mixed-Use Sites

Mixed-Use Area	Location	Gross Area (ha)
Argyle Street / Caledonian Street	Hebburn	6.80
Former Duncan House, Crossgate (cleared site)	South Shields	0.29
Harton Quay, South Shields	South Shields	0.50
Holborn Regeneration Area, Commercial Road	South Shields	1.72
Disused Gasholder, Oyston Street / Garden Lane	South Shields	0.33
Central Library, Anderson Street	South Shields	0.32
Total		9.96

Source: LSH analysis

6.29 Within some of these areas development for employment purposes could take place immediately (e.g. at Harton Quay) whilst in others availability will be delayed by the requirement for site assembly, remediation and or infrastructure provision. Table 6.3 identifies gross site areas, except where a masterplan has identified the employment component. The employment component, if any, of these sites is for the Council to determine, informed by the findings of this ELR. The gross site areas of these mixed-use sites total 9.96 hectares. LSH is advised by the Council that the development potential of the largest, Argyle Street, is likely to be significantly reduced by ecology constraints. Where sites are situated in proximity to sensitive neighbouring uses, the employment component could be restricted to office or light industrial use.

Take-up of Employment Land

6.30 Using Council data (supplemented and verified by their own research) LSH has identified take-up of employment land on a site-by-site basis for the period 2000-2021 (Appendix 5). Where development has taken place, LSH has checked the boundaries of sites using aerial imagery to improve measurement accuracy.

6.31 In assessing take-up, LSH adopts an approach that is consistent with its approach to measuring availability: take-up for specialist uses is stated separately. Over the period 2000-2021 all take-up for specialist uses has occurred within the Port of Tyne estate.

6.32 Total take-up in each year from 1986 to 2021 is set out in Appendix 5. The average take-up of employment land over 5, 10, 15 and 20 year periods is summarised in Table 6.4.

Table 6.4 Past Take-Up of Employment Land in South Tyneside

Period	Take-Up (ha)			
	General Land	Specialist Land (Port)	Total	Average (p.a.)
Last 5 years: 2017-2021 (inclusive)	7.13	4.15	11.28	2.26
Last 10 years: 2012-2021 (inclusive)	12.0	15.17	27.17	2.72
Last 15 years: 2007-2021 (inclusive)	18.03	17.50	35.53	2.37
Last 20 years: 2002-2021 (inclusive)	40.43	25.69	66.12	3.31

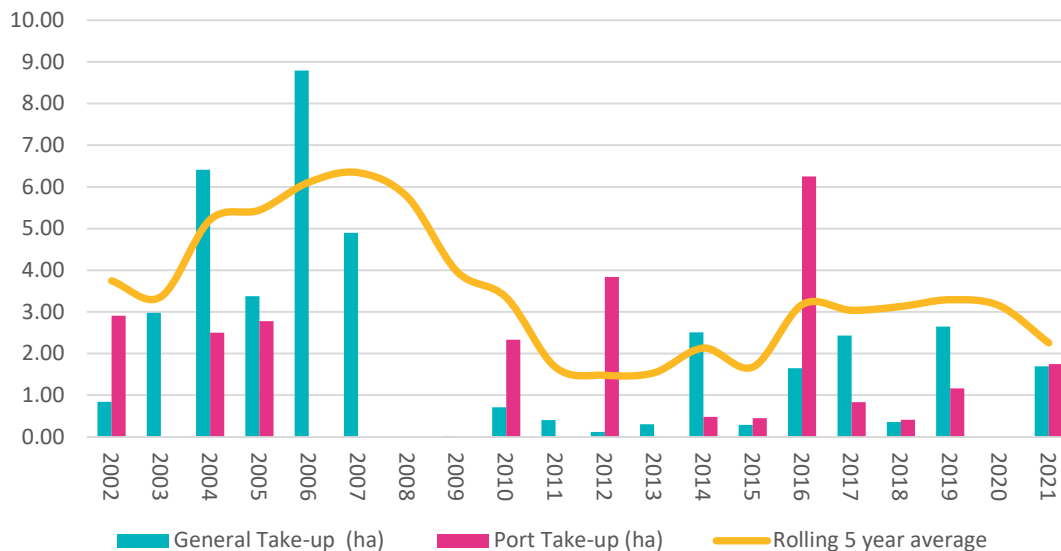
Source: LSH analysis

6.33 Measured over the last five years, take-up of land for employment purposes within South Tyneside has averaged just 2.26 hectares per annum. This is significantly lower than the long-term average of 3.31 hectares per annum recorded over the last twenty years. Local agents are of the opinion that the decline in the take-up rate reflects the limited choice of available sites, and that take-up would increase if serviced plots on high quality industrial estates were brought forward.

6.34 Figure 6.1 provides a summary of take-up on an annual basis, albeit with a five-year rolling average also provided to smooth out any year-on-year volatility. The chart clearly demonstrates that levels of take-up in the Borough can vary markedly from one year to the

next. In addition, it can be seen from the diagram that the 5-year rolling average has closely reflected the peaks and troughs of the wider UK economy.

Figure 6.1 Take-Up of Employment Land in South Tyneside (2002-2021)



Source: LSH analysis

6.35 There was relatively strong take-up over the period of prolonged economic growth at the start of this period, with the 5-year average peaking in 2007 at 6.35 hectares per annum. Then as the UK went into recession, there was virtually no take-up for two years and a faltering recovery thereafter. The 5-year average hit a low of 1.48 hectares per annum in 2012 and did not recover much until 2016 when take-up hit 7.9 hectares, largely due to activity at Port of Tyne, where Nissan took 3.53ha for extension of its car terminal and the construction of wood pellet silos took a further 2.72ha. The 5-year average then remained at around 3 hectares per annum until the impact of Covid-19 on the economy resulted in no take-up in 2020, bringing the average down again.

6.36 A closer look at recent take-up reveals that there has been no speculative development since Hellens constructed Infinity Park, two industrial units at Monkton South Business Park, in 2017. More recent take-up has comprised of:

- Bespoke premises such as a Royal Mail depot at Rekendyke Industrial Estate, the job centre at Mile End Road and an O&M facility at the Port to serve offshore wind farms;
- Extensions of premises onto adjoining land;
- Bespoke plant including an anaerobic digester at Wardley, and a telecoms data centre at Garwood Road;
- Land for compounds including caravan storage, self-store containers, vehicles and plant.

6.37 Bespoke plant and compounds, whilst necessary, are not employment intensive uses.

Implied Supply

6.38 In Table 6.5, land currently available for employment development is measured against average annual take-up over the last twenty years (3.31 hectares per annum). LSH advise that for average take-up to return to more than 3 hectares per annum, there needs to be:

- Steady economic growth and a supply of serviced plots on modern industrial estates; and
- A recognition that viable speculative development of employment premises in North East England is dependent on public sector financial support to service employment sites and to gap fund the construction of premises.

6.39 The employment land at the IAMP, which is reserved for advanced manufacturing, and mixed-use sites are excluded for the purposes of this comparison.

Table 6.5 Employment Land Supply and Demand in South Tyneside

	Available (ha)	Annual Take-Up (ha)	Implied Supply (years)
General Employment Land	24.69	2.02	12
Specialist Land – Port/River Access	25.38	1.28	19
Total	53.41	3.31	16

Source: LSH analysis

6.40 On the basis of a purely quantitative assessment, the amount of available general employment land in South Tyneside is – with an implied supply of 12 years – almost sufficient for the plan period. With mixed-use sites able to provide further opportunities for the development of employment premises, it is likely that the Council could identify sufficient land for general employment use within the Borough. Whether this land is of appropriate quality to meet demand is a separate consideration.

6.41 As the site assessment matrix identifies, some of this land would be expensive to redevelop for employment uses and has been unused for many years. As a result, some of these historic employment sites are now in the process of being released for housing. The Council has identified four of these general employment sites totalling 8.13 hectares which it regards as no longer appropriate to allocate. The effect of removing these from the supply would be to reduce the amount of general employment land to 16.56 hectares, an implied supply of just eight years.

6.42 The amount of available specialist land within the Port is the equivalent of 19 years supply, which is broadly aligned with requirements for the plan period.

Stage 2: The Market Attractiveness of the Available Employment Land

6.43 For the effective stimulation of economic development, the supply of land needs to match market demand. Analysis of demand by sub-area provides a powerful indication of any spatial imbalances in the Borough’s portfolio, having regard to the crucial property market

criterion of location. This analysis uses site specific data take-up data from the twenty-year period, 2002-21. LSH has identified six principal sub-areas which accommodate most employment land take-up.

Table 6.6 Employment Land Supply and Demand by Sub-Area

Sub-Area	Available (ha)	Take-Up 2002-21 (ha)	Take-Up (ha p.a.)	Implied Supply (years)
Hebburn/Jarrow	20.28	5.49	0.27	75
Simonside/Bede/Middlefields	3.81	6.09	0.30	12
South Shields Riverside & Town Centre (mixed-use)	3.40	8.35	0.42	8
Boldon/Cleadon	0.60	5.38	0.27	2
Monkton/Wardley	0	15.81	0.79	0
Specialist Employment Land - Port	25.38	26.58	1.33	19

Source: LSH analysis

- 6.44 This analysis of past take-up suggests an imbalance between the location of available land and market demand as expressed by take-up. It should be noted, however, that where there is little land available, take-up rates can be suppressed. The Hebburn/Jarrow area stands out as having a high level of provision but weak demand, with an implied supply of 75 years. In contrast, sites at the edge of the conurbation (such as Monkton and Boldon) have limited supply relative to historic demand. At South Shields Riverside and Town Centre there is no land available within employment areas, but various mixed-use sites provide development opportunities.
- 6.45 Across the wider sub-region it is evident that development activity is strongest where local authorities have allocated and serviced land for employment purposes. The examples below are close to the boundary with South Tyneside and demonstrate the role that local authority involvement can play in bringing forward industrial sites and stimulating take-up.
- At Follingsby South, where Gateshead Council allocated the land and set the planning framework before attracting Amazon;
 - At the International Advanced Manufacturing Park (IAMP) which was promoted by South Tyneside and Sunderland Councils; and
 - At Hillthorn Park, Washington, where Sunderland City Council allocated and serviced land. Industrial units are being developed through a partnership with Legal & General.
- 6.46 This analysis suggests that even though there is a relatively tight supply of employment land (relative to past take-up) within the Borough, some sites are in locations that are not attractive to the market. To encourage economic development, LSH recommend that additional employment land allocations should be directed to those locations where there is evidence of strong demand. There is a strong case for some reshaping of the portfolio of

employment land through deallocating sites which are unlikely to be taken-up within the plan period whilst identifying new sites for allocation that will be more attractive to the market.

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

- 6.47 As noted in Sections 3.0 and 4.0, manufacturing is an important part of the local economy and South Tyneside has particular specialisms in metal fabrication, specialised construction activities and technical testing/analysis in the engineering sub-sector. These specialisms reflect an established cluster centred on riverside industrial areas. When assessed against past take-up, the quantity of available employment land within the Jarrow Riverside sub-area appears to be more than required for the plan period. Looking to the future, however, growth in certain sectors might be expected to increase demand for land with river frontage. Climate change and CO₂ reduction targets are driving investment in renewables and technological advances in offshore wind generation has seen the unit price of energy generation fall – creating the impetus for rapid expansion. Prototypes for wave and tidal energy generation are also being developed, but with the Government focussed on the cost to consumers, the relatively high costs of wave and tidal energy is restricting further funding. Investment in North Sea oil and gas is dependent on oil and gas prices, and whilst major expansion of this sector is less likely in the medium to long-term, existing businesses on the Tyne, such as Technip FMC (umbilicals) serve global markets and are not overly dependent on North Sea production. As North Sea oil and gas fields are depleted, there has been growth in opportunities to decommission offshore infrastructure. Growth and decline of individual sectors create opportunities for maritime fabrication as vessels are modified, repaired and maintained. At the same time, the National Shipbuilding Strategy is changing the approach to procuring naval vessels and increasing opportunities for fabrication on the Tyne. Appendix 6 assesses those sectors with requirements for sites with river access.
- 6.48 The Government’s commitment to increasing the proportion of renewable energy is resulting in strong growth in the offshore wind sector where technological advances have led to the comparative cost of energy generation falling rapidly. Other offshore renewables, such as wave and tidal, are still in their infancy and costs of production are high, but the North East provides an established cluster of manufacturing and offshore industry which can support their development. Decommissioning of offshore infrastructure is also expected to grow, although few sites on the Tyne are likely to be suitable.
- 6.49 Overall, LSH anticipates that the emerging opportunities in growth sectors will outweigh contractions in other sectors, leading to an increased demand for sites, premises and skills. Whilst not all requirements will be for riverside land, much of the demand, particularly for larger sites, will require access to deep water. Some of this additional demand will be accommodated by more intensive use of land already in operational use, but examples of land being brought forward to meet this growing demand can be found on the Humber, Tees, Tyne and Blyth.
- 6.50 In summary, although the river is no longer the centre of economic activity that it was in its heyday, marine and offshore industry is still clustered on both banks of the river. In South Tyneside, operational sites such as A&P, Cemex and Tyne Dock are mixed with sites that are no longer operational, such as Dow Chemicals, Hawthorn Leslie, Jarrow Green and

Holborn (some of which have been unused for many years). Despite the long-term trend of riverside employment areas declining in importance, there is currently increased demand for sites resulting from the rapid growth of the offshore wind energy sector as well as an improved outlook in other sectors.

- 6.51 It is inarguable that there is a finite stock of riverside land and once lost from employment use, such sites are unlikely to revert. Nevertheless, this must be balanced against the excessive costs of bringing back some sites into operational use which effectively render them redundant. Both Hawthorn Leslie and Jarrow Green have been unused for decades and, as relatively small sites, cannot accommodate a full range of offshore industries. The Hawthorn Leslie site has formed a buffer between A&P Tyne and residential areas to the west, but the underused western part of A&P's site is to some extent already compromised by housing to the south.
- 6.52 Through the government's Offshore Wind Sector Deal there is now a commitment to funding investment in infrastructure to maximise the impact of regional clusters. There is an argument that such funding should be directed to sites with a broad demand profile. With investment, the Dow Chemicals site could attract businesses in the marine and offshore sectors. LSH understands that enquiries continue to be received by the site's owners and with deadlines approaching to satisfy premises requirements to meet contracts, it seems premature to release this site for alternative uses. In recognition of this, LSH recommends that the Dow Chemicals site is retained for employment, to include – but not be limited to – marine or offshore uses.
- 6.53 At Tyne Dock there is 25.38 hectares of available land which, when measured against average annual take-up of 1.28 hectares per annum, represents 19 years of supply. The Port has expended its estate in recent years and has invested heavily in preparing sites to meet current and emerging requirements. Some sites such as the Tyne Dock Enterprise Park are market ready and attracting interest, whilst at others – such as the Tyne Renewables Quay – site preparation work has been slowed because lower revenues during the pandemic have constrained finance for capital investment. The relatively high supply of land at Tyne Dock can thus to some extent be attributed to the timings of recent expansion and slowed investment, but with high levels of enquiries and strong interest for some sites the Port has advised that it expects improved take-up over the next few years.

Stage 4: Readily Available Employment Sites

- 6.54 When considering the Borough in isolation, the supply of general employment land is insufficient for a fifteen year plan period. Moreover, part of this land supply is not immediately available and will only come forward for development as part of regeneration schemes (where land assembly, remediation and infrastructure provision will delay the release of land for development).
- 6.55 General employment sites that are readily available are listed in Table 6.7 and total just 3.05 hectares. When measured against take-up of 2.26 hectares per annum, these readily available employment sites represent just one years' supply.

Table 6.7 Readily Available General Employment Land

Site	Net Site Area (ha)
West of Pilgrims Way (east of Mitsumi), Bede Industrial Estate	1.41
East of Pilgrims Way, Bede Industrial Estate	0.43
Middlefields Industrial Estate, South Shields	0.61
West of 16 Brooklands Way, Boldon Business Park	0.60
Total	3.05

Source: LSH analysis

- 6.56 For sites to meet demand they must not only be in a location that is attractive to the market, but also be capable of development. Some of the available employment sites require substantial expenditure on site assembly, clearance, remediation or infrastructure provision before development could take place. The time it takes to bring forward such sites is dependent more on the availability and prioritisation of funding than on the time taken to carry out the necessary physical works. Once a site has been assembled, only sites requiring *major* remediation or infrastructure provision will take more than a year to bring forward. In North East England, the weak viability of development means that private sector delivery depends upon public sector to finance site preparation works in order to provide serviced and remediated plots.
- 6.57 Available employment sites that would require preparation (and are thus not *readily* available for development) are listed in Table 6.8. Specialist employment sites and mixed use sites are excluded from this analysis. The total net developable area of general employment sites that require preparation, 21.22 hectares, equates to 86% of the 24.69 hectares of available general employment land.

Table 6.8 Available Employment Sites Requiring Preparation

Site	Net Site Area (ha)	Comments
Ashworth Frazer Ind Est	2.30	Vacant premises would require demolition and site clearance.
Former Hawthorn Leslie Shipyard	3.70	Redevelopment would require demolition, site clearance and infrastructure including renewal of the river edge.
Jarrow Green Business Park	1.71	Remaining plot would require remediation, levelling and infrastructure provision.
Former Dow Chemicals	12.15	Redevelopment would require remediation including grubbing up floor slabs.
Towers Place, Simonside Ind Est	1.36	Reclamation required including grubbing up floor slab.
Total	21.22	

Source: LSH analysis

- 6.58 LSH recommends that Local Plan allocations provide choice by maintaining a five-year reservoir of readily available employment land through programmed investment in site preparation and infrastructure provision. Whilst the employment sites requiring preparation listed in the table above could be candidates for such investment, some require such substantial expenditure that redevelopment for higher value uses may be more practical. It is therefore recommended that the Council may also wish to consider – as an alternative approach to meeting demand – new allocations in stronger market areas. In assessing priorities for investment, the Council should weigh the cost of investment activities against expected outputs and the likelihood of stimulating private sector investment to ensure that Local Plan allocations correspond with market demand and provide a balanced portfolio of sites.
- 6.59 The site assessment matrix considers 15 sites, some of which have been previously considered by the Council, that could potentially be allocated for employment use. These are mainly in areas where there is established market demand.
- 6.60 Mixed-use areas could also be used to supplement the supply of readily available land, but as shown in Table 6.9, the majority of these also require preparation. Of the 9.96 hectares of mixed-use sites that could provide employment premises, some 9.46 hectares or 95% require preparation.

Table 6.9 Available Mixed-Use Sites Requiring Preparation

Site	Net Site Area (ha)	Comments
Argyle St / Caledonian St	6.80	Further reclamation and remediation may be required. Large site requiring new infrastructure. Ecology constraints could reduce the net developable area.
Former Duncan House, Crossgate	0.29	Cleared site of office block, further site preparation required. Planning consent for employment use was not implemented and a recent application for a drive-thru has not been determined (as of January 2023).
Disused Gasholder, Oyston St	0.33	Following demolition of gasholder further remediation may be required.
Central Library, Anderson St	0.32	Demolition of library and removal of foundations. Council has identified potential for student accommodation.
North of Laygate, Holburn Regeneration Area	1.72	Cleared site where site preparation is underway
Total	9.46	

Source: LSH analysis

- 6.61 The mixed-use site at Harton Quay (0.50ha) is immediately available for development and could be allocated for employment use. In addition to office development, LSH advise that the site would be suitable for non-employment uses.

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

- 6.62 Property markets need a modest proportion of vacant premises to accommodate business growth and decline. LSH advise that vacancy rates of 5% to 10% of stock would generally be sufficient to allow this 'churn'. In markets where there are large volumes of unoccupied floorspace, development activity can be constrained, particularly where vacant premises are of similar specification to new accommodation.
- 6.63 The strength of market demand for industrial premises over the past few years has resulted in vacancy rates contracting to 3.8%; and because private sector speculative development is not viable there is little new development coming forward. Amongst smaller units (less than 250 sq.m) – which make up two thirds of the Borough's industrial units – the vacancy rate is less than 2%. This contrasts sharply with the oversupply that was evident a decade ago, when high vacancy rates were suppressing development activity. With targeted support of private sector development activity and a supply of readily available sites in areas of strong market demand the take-up rate for industrial space could be expected to increase.

- 6.64 Not all vacant premises are currently on the market, however. Where buildings have been vacant for extended periods or are of such poor condition that they are unlikely to be reoccupied, marketing is unlikely to attract occupiers. At Ashworth Frazer Industrial Estate the complex of old buildings is vacant and in very poor condition. Rental levels are insufficient to make refurbishment a viable option and buildings are unlikely to be reoccupied. For the purposes of LSH's assessment, this industrial area has been regarded as an employment site, available for redevelopment, rather than as vacant buildings. At Hawthorn Leslie and Dow Chemicals, redundant premises have been largely demolished.
- 6.65 Amongst offices in South Tyneside there is a 7.9% vacancy rate. LSH advised that this level of vacancy is unlikely to constrain new development, nor does it suggest a shortage that the Council should address as a priority. This is particularly true when considered alongside the high vacancy rates currently observed on office parks in North Tyneside.

Stage 6: Expansion Land

- 6.66 Some businesses have land adjoining their premises which is reserved for their future expansion. It is normal for an analysis of employment land to exclude this from the stock of available sites as it is not available to the wider market. However, if expansion land becomes surplus to requirements it may be released onto the market and thus supplement the stock of available sites. The following are examples identified from LSH's inspections and research.
- Feller UK, Middlefields Ind Est (0.3 ha): expansion land to the east of the factory is being retained; and
 - Be Modern Ltd, Tyne Point Ind Est (0.56 ha): expansion land to the south of the factory is being retained.
- 6.67 Overall, levels of expansion land in South Tyneside are relatively modest. As a result, any releases of expansion land are unlikely to have a major impact on the market over the Plan period and growing companies will have limited opportunities to expand on site, which is likely to create further demand for a small supply of available sites. A few companies, like A&P Tyne have large land holdings (parts of which are little used) and which could present opportunities for consolidation and the release of surplus land. In some cases, this land is held to act as a buffer against current or future incompatible uses such as housing.

Summary

- 6.68 Measured against take-up, South Tyneside has a portfolio of general employment land equivalent to 12 years supply. This is a little lower than the amount required for the Local Plan period. It should be noted, however, that much of this supply consists of brownfield sites that are expensive to redevelop, not immediately available, nor situated in areas where market demand is strongest. Consideration should be given to de-allocating sites like these which are very unlikely to contribute to South Tyneside's economy over the period of the Local Plan.
- 6.69 The stock of immediately available employment sites is equivalent to only one year's supply. Low vacancy rates highlight a pressing need for industrial development. There is particularly strong demand for employment land on the southern edge of the conurbation in locations with easy access to the strategic highway network. Here, South Tyneside

adjoins Sunderland and Gateshead, but there is limited scope for these local authorities to meet the shortfall in South Tyneside as the wider Washington, Follingsby, and North Sunderland area also has a shortage of sites.

- 6.70 The sub-regional market for sites to accommodate large manufacturing uses is largely met by the IAMP. Given the site's focus on advanced manufacturing uses, however, it is not expected to meet burgeoning demand for warehousing and logistics premises, nor for small industrial units where vacancy rates are particularly low in South Tyneside. LSH advise that there is also demand for sites from businesses requiring bespoke premises such as energy from waste plants, data centres etc.
- 6.71 Viability issues continue to constrain development. The allocation of additional land in areas of stronger market demand will, by itself, be insufficient to stimulate speculative industrial development activity. Developers will require serviced plots as well as gap funding. The Green Belt, which is tightly drawn around South Tyneside's urban areas, is a further constraint to development and there is also competition for sites from residential developers.
- 6.72 Having regard to these various constraints, finding suitable sites to accommodate this demand requires some compromise. Of the various potential sites considered as part of this review, LSH recommends that sites at Wardley should be given further consideration. The former Wardley coal disposal point (now known as the Wardley Commerce Park) is within the Green Belt but is a well screened, brownfield site. The site has some infrastructure including large areas of hardstanding on the western part. The eastern part of the site is a spoil heap which it is understood now has value as a wildlife habitat. Current operations include sales of shipping containers at the northern end and a new anaerobic digester at the southern end. The site has been bought by Thomas Armstrong (Concrete Products) Ltd, who are proposing to develop a factory on the central part of the site. If this development goes ahead then there would be little land available at Wardley to meet wider demand for general employment. LSH has considered the allocation of additional parcels of land at Wardley Commerce Park but has been advised by the Council that their importance for wildlife would discount them as employment sites.
- 6.73 A short distance east of Wardley and adjoining the IAMP is another area of previously developed land within the Green Belt. Mypetstop is a boarding kennels, which has been weakened by the impact of Covid-19 on its business and by the stopping up of access from the A19. The owner is considering alternative uses of the site, including employment.
- 6.74 Within the Port of Tyne, an implied supply of 16 years is broadly appropriate for the Plan period. As a trust port that is required to reinvest its income, the Port has a proactive approach to site preparation and infrastructure provision which has enabled a remodelling of its landholdings to meet occupier requirements. The fact that much of the land is required for external storage means that development viability is less of a constraint.
- 6.75 The IAMP provides employment land that is restricted to occupation by advanced manufacturing businesses. Analysis submitted to the AAP Examination in Public concluded that the IAMP was not expected to have a displacement effect. A minor part of the first phase of the IAMP is in South Tyneside and initial take-up has been in Sunderland. The whole of Phase 2 (42.5 ha net) is within South Tyneside. This phase is not expected to be serviced until development of Phase 1 is well progressed.

- 6.76 Over the early years of the Plan period, LSH anticipate that take-up of land for office development will be weak. Vacancy rates of 7.9% allow market churn and with office-based businesses currently more relaxed about hybrid working, LSH expect floorspace requirements to fall. As break options and lease expiries come around, LSH advise that a shift to smaller offices could be expected. As a result, employment growth could (to some extent) be absorbed by sub-division of the existing stock. Vacancy rates are lowest amongst smaller size bands, notably amongst units of 50-100 sq.m. LSH advise that the Council should consider opportunities for meeting this demand through identifying sites in locations where supply is tightest. This includes postcode areas NE32, NE33 & NE34 (Jarrow, South Shields Town centre and southern suburbs). Office development may be appropriate on mixed use sites, and the masterplan for the Holborn regeneration area proposes around 200,000sq.ft of office accommodation.
- 6.77 Based on the conclusions above, LSH recommend that the Council considers:
- Deallocating sites where market demand is weak, development is unlikely to be viable and there is no reasonable prospect of their being taken-up during the plan period;
 - Allocating additional employment sites in locations where market demand is strongest; and
 - Bringing forward sites that require preparation.

7.0 Future Requirements for Employment Space

7.1 This section considers the future employment space needs of South Tyneside over the period 2021 to 2039. The approach adopted by Lichfields draws on a range of analytical techniques which reflect PPG and align with NPPF.

7.2 At the request of STC officers, full details of the forecasting approach and input assumptions are set out in Appendix 7, with a summary of the analysis presented in the following paragraphs.

Methodology

7.3 The NPPF (July 2021) requires local authorities to “*set out a clear economic vision and strategy which positively and proactively encourages sustainable economic growth, having regard to Local Industrial Strategies and other local policies for economic development and regeneration.*” (Paragraph 82.a)

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

7.5 In the context of the above, the following scenarios have been considered:

- **Scenario 1:** baseline projections of employment growth (**labour demand**) within the main office and industrial sectors derived from a pre-Covid baseline economic forecast produced by Experian (March 2019);
- **Scenario 2:** baseline projections of employment growth (**labour demand**) within the main office and industrial sectors derived from the latest baseline economic forecast¹⁶ produced by Experian (March 2022);
- **Scenario 3:** a policy-on estimate of employment growth (**labour demand**) to reflect the wider economic impact of the IAMP proposals.¹⁷ This scenario builds upon the ‘policy neutral’ Experian baseline forecasts, which do not account for the direct or wider economic impacts of planned investment at the IAMP;

¹⁶ Latest forecasts available at the time of Lichfields’ appointment

¹⁷ Scenario 3 (Policy-On Labour Demand) seeks to estimate the wider multiplier effects associated with the direct jobs to be supported at the IAMP. On the basis that the ELR only seeks to understand the implications in relation to demand for employment space, the analysis presented within the ELR (and Appendix 7) focuses exclusively on the supply chain impacts associated with the IAMP. This approach reflects the following key assumptions:

- That the changes in indirect (supply chain) employment captured via a Type I multiplier are likely to be the key determinant of future demand for employment space in the Borough. Indirect jobs are likely to be focussed in businesses including (but not limited to) part manufacturers and logistics/distribution businesses, as well as various business services; and
- That the changes in induced employment captured via a Type II multiplier will have little bearing on the demand for employment space in the Borough. Induced employment effects will principally be observed in the service sector, as a result of increased wage spending in the economy.

- **Scenario 4:** estimates of local **labour supply** growth based on demographic assumptions applied to South Tyneside’s Standard Method local housing need figure of 321 dwellings per annum (dpa)¹⁸; and
- **Scenario 5:** consideration of **past (net) take-up**¹⁹ rates of employment space in South Tyneside, based upon data collected by LSH.

7.6 Each of the approaches listed above has its own strengths and limitations (as outlined in Appendix 7). As such, consideration needs to be given to how suitable each is to the likely future circumstances in South Tyneside.

7.7 It should be noted that the final decision regarding the level of need that the Borough should plan for is not purely quantitative. There are various qualitative factors (as set out in other sections of this report) that should be taken into account alongside the modelled scenarios. These factors, which have been identified through an analysis of economic and market conditions – as well as consultation with economic stakeholders, commercial agents and local businesses – will influence the employment space requirements that need to be planned for.

Employment Growth Forecasts

7.8 Table 7.1 provides a summary of the different levels of employment growth forecast under Scenarios 1 to 4. No data is presented with respect to Scenario 5. This is because the latter is underpinned by an analysis of past trends in the development of employment space (as opposed to any assumed level of employment change).

7.9 All the figures shown in Table 7.1 relate to the *net* change in employment and are presented on the basis workforce (rather than Full-Time Equivalent) jobs. The figures include an allowance for jobs in other sectors that do not typically demand employment space.

7.10 From this, it can be seen that the highest levels of employment growth are forecast to occur under Scenarios 3 (Policy-On Labour Demand) and 4 (Labour Supply).

7.11 Further detail on the following can be found in Appendix 7:

- The employment sectors that are anticipated to drive jobs growth (and how this differs between scenarios); and
- The macroeconomic assumptions used by Experian to inform local job growth forecasts under Scenarios 1 and 2.

¹⁸ A Written Ministerial Statement from Michael Gove, MP (December 2022) states that housing needs generated using the Standard Method should be “an advisory starting point, a guide that is not mandatory.” Whilst this is recognised, the Standard Method figure for South Tyneside has been used to inform the scenario in the absence of an alternative figure

¹⁹ Net take-up figures have been calculated by subtracting losses of employment space from gross take-up data

Table 7.1 Forecast employment change in South Tyneside (by scenario) 2021-2039

Type of Space/Use Class	Scenario 1: Baseline LD (Pre-Covid)	Scenario 2: Baseline LD (Latest Data)	Scenario 3: Policy-On LD	Scenario 4: LS (321 dpa – Standard Method)	Scenario 5: Past (Net) Completions
Office E(g)(i)/(ii)	680	1,070	1,620	1,545	N/A
Light Industrial E(g)(iii)	0	335	945	535	N/A
General Industrial B2	-1,215	-945	-445	-810	N/A
Distribution B8	375	445	680	645	N/A
Total Employment Sectors	-155	910	2,805	1,915	N/A
Total All Sectors	2,600	3,600	5,495²⁰	6,380	N/A

Source: Experian / IAMP AAP background evidence / Lichfields analysis

Net Floorspace Requirements

7.12 The office, light industrial, general industrial and distribution components of the above employment growth forecasts have been converted to future floorspace requirements, with the following average density figures applied:

- **Offices (E(g)(i)/(ii)):** 1 workforce job per 12.5sq.m;
- **Light industrial (E(g)(iii)):** 1 workforce job per 47sq.m;
- **General industrial (B2):** 1 workforce job per 37sq.m; and
- **Warehousing:** 1 workforce per 65sq.m for smaller scale warehousing, 1 workforce job per 71sq.m for medium scale, lower density units and 1 job per 87.5sq.m for 'big box' distribution uses. Lichfields has been advised, by LSH, that the future profile of demand in South Tyneside is likely to be dominated by smaller scale units (80%) with medium scale and big box developments accounting for 5% and 15% respectively.

7.13 These assumptions are based on the latest Homes & Communities Agency (HCA) guidance on employment densities, published in 2015. The guidance takes account of recent trends in terms of the changing utilisation of floorspace, including more efficient use of office floorspace due to a higher frequency of flexible working and hot-desking. All the figures correspond to Gross External Areas (GEA).

²⁰ NB – based upon uplift in employment sectors only. No wider (induced) labour market impacts of the IAMP development have been modelled. As such, this is likely to represent a conservative estimate of total job growth.

- 7.14 An allowance of 8% has been added to all positive floorspace requirements, to reflect ideal levels of vacancy in commercial property markets. Where a reduction in jobs is forecast, the associated negative floorspace figure has been halved. This reflects the fact that, whilst there may be some ongoing job losses in a sector, it does not necessarily and automatically follow that all of the associated existing floorspace will be lost (particularly where job losses are linked to the adoption of more efficient production techniques etc.).
- 7.15 The resultant net floorspace requirements are summarised in Table 7.2. It can be seen from the table that the requirements range from 14,735sq.m (under Scenario 1) to 112,200sq.m (under Scenario 3).

Table 7.2 Net employment floorspace requirements in South Tyneside (by scenario) 2021-2039

Type of Space/Use Class	Scenario 1: Baseline LD (Pre-Covid)	Scenario 2: Baseline LD (Latest Data)	Scenario 3: Policy-On LD	Scenario 4: LS (321 dpa – Standard Method)	Scenario 5: Past (Net) Completions
Office E(g)(i)/(ii)	9,175	14,465	21,890	20,880	62,660
Light Industrial E(g)(iii)	80	16,970	47,935	27,185	2,500
General Industrial B2	-22,430	-17,490	-8,240	-14,980	-117,610
Distribution B8	27,915	33,185	50,615	47,765	140,670
Total	14,735	47,130	112,200	80,855	88,220

Source: Lichfields analysis

Net Land Requirements

- 7.16 The floorspace figures set out in Table 7.2 are translated into net land requirements (by use class) in Table 7.3. Land requirements have been calculated by applying the following plot ratio assumptions:
- Industrial (E(g)(iii)/B2/B8): a plot ratio of 0.4 was applied, so that a 1 hectare site would be needed to accommodate 4,000sq.m of employment floorspace; and
 - Office (E(g)(i)/(ii)): it was assumed that 20% of new floorspace would be provided in higher density town centre developments with an average plot ratio of 1.25. The remaining 80% of space, it was assumed, would be provided on lower density developments with an average plot ratio of 0.4 (typically observed in business park environments).
- 7.17 The above assumptions reflect the plot ratios set out in the Employment Land Reviews: Guidance Note 'Brown Book' published in 2004. The proportionate split between town

centre and business park offices – and the plot ratio to be applied to the former – draw upon LSH’s analysis of past development activity in the Borough.

7.18 The resultant net land requirements are summarised in Table 7.3 and range from 3.37 hectares (under Scenario 1) to 27.31 hectares (under Scenario 3).

Table 7.3 Net employment land requirements in South Tyneside (by scenario) 2021-2039

Type of Space/Use Class	Scenario 1: Baseline LD (Pre-Covid)	Scenario 2: Baseline LD (Latest Data)	Scenario 3: Policy-On LD	Scenario 4: LS (321 dpa – Standard Method)	Scenario 5: Past (Net) Completions
Office E(g)(i)/(ii)	1.98	3.12	4.73	4.51	13.53
Light Industrial E(g)(iii)	0.02	4.24	11.98	6.80	0.63
General Industrial B2	-5.61	-4.37	-2.06	-3.74	-29.40
Distribution B8	6.98	8.30	12.65	11.94	35.17
Total	3.37	11.29	27.31	19.50	19.92

Source: Lichfields analysis

Net to Gross Employment Space Requirements

7.19 To estimate the overall employment land requirement that should be planned for in allocating sites, it is common practice to add an allowance – to the net land requirements – as a safety margin. This margin is a contingency factor, designed to provide an additional land buffer to allow for:

- Delays in development coming forward;
- Potential uncertainties in the forecasting process; and
- The need to allow developers and occupiers a reasonable choice of sites.

Safety Margin

7.20 It is usually acceptable to use two years of net take-up as the basis of a safety margin. Based upon an 18 year Plan period, a two year margin would correspond to an allowance of approximately 11%.

7.21 It should be noted that in South Tyneside, however, net annual completions of general industrial space (B2) have been negative. The application of a negative value would reduce the overall requirement for B2 and would therefore fail to provide the intended flexibility. As such, an allowance equivalent to two years of *gross* take-up has been applied to general industrial (B2) requirements only.

7.22 Table 7.4 provides a summary of the safety margins applied in estimating future land needs across South Tyneside. This shows that the approach increases the level of employment land to be planned for in the Borough – under each scenario – by 6.28 hectares.

Table 7.4 Safety margin allowances

Type of Space/Use Class	Annual Completions (sq.m)	Safety Margin (sq.m)	Safety Margin (hectares)
Office E(g)(i)/(ii)	3,480	6,960	1.50
Light Industrial E(g)(iii)	140	280	0.07
General Industrial B2 ²¹	1,600	3,200	0.80
Distribution B8	7,815	15,630	3.91
Total	13,035	26,070	6.28ha

Source: LSH / Lichfields analysis

7.23 Table 7.5 provides an illustration of the indicative gross land requirements for each scenario, following the application of a 2 year safety margin. From this, it can be seen that the forecast land requirements range from 9.65 hectares (under Scenario 1) to 33.59 hectares (on the basis of Scenario 3).

Table 7.5 Indicative Gross Land Requirements in South Tyneside (Safety Margin Only) 2021-2039 (hectares)

Type of Space/Use Class	Scenario 1: Baseline LD (Pre-Covid)	Scenario 2: Baseline LD (Latest Data)	Scenario 3: Policy-On LD	Scenario 4: LS (321 dpa – Standard Method)	Scenario 5: Past (Net) Completions
Office E(g)(i)/(ii)	3.49	4.63	6.23	6.01	15.04
Light Industrial E(g)(iii)	0.09	4.31	12.05	6.87	0.70
General Industrial B2	-4.81	-3.57	-1.26	-2.95	-28.60
Distribution B8	10.89	12.20	16.56	15.85	39.08
Total	9.65	17.57	33.59	25.78	26.20

Source: Lichfields analysis

²¹ Based upon *gross* rather than *net* take-up

Loss Replacement

- 7.24 In calculating a *gross* requirement (i.e. the amount of employment space or land to be allocated/planned for) local authorities often choose to make an allowance for some replacement of losses of existing employment space. This is intended to ensure that sufficient space is re-provided to account for employment space that is anticipated to be lost (to non-employment uses) in the future and to provide some protection against the erosion of employment space in South Tyneside.
- 7.25 It must be acknowledged, however, that not *all* losses need necessarily be replaced. Some losses, for instance, will reflect an element of restructuring within the local economy. In addition, some losses will reflect the continued evolution of business parks and industrial estates, with the provision of some complementary facilities (such as gyms, creches, hotels, pub/restaurants and retail units) of an appropriate scale potentially helping to enhance the appeal of estates.
- 7.26 Should Council officers wish to include an allowance for the replacement of losses, it is suggested that a replacement rate of 25% might be appropriate. This represents a low level of replacement and is suggested having regard to the following factors:
- The scale of difference between net and gross take-up rates in the Borough, which arguably indicates that planning for a high level of replacement could overstate future needs;
 - The fact that historic losses have been driven by residential development on windfall sites, rather than the development of complementary uses on existing estates; and
 - LSH has advised that losses have focussed on old industrial complexes in inner urban areas – or 1960’s office blocks – which no longer meet the needs of modern businesses and that relatively few sites of this type remain (in comparison with 10 to 20 years ago).
- 7.27 Based upon an analysis of historic development activity, LSH estimate that 46.97 hectares of employment land in South Tyneside was lost to non-employment uses over the 20-year period 2002 to 2021 (inclusive). This corresponds to an average loss of 2.35 hectares per annum. **Including an allowance for the replacement of losses at 25% of past trends (should Council officers decide to do so) would therefore correspond to 0.59 hectares per annum. This would translate to a need to plan for an additional 10.57 hectares of employment land**, increasing the range of requirements from up to 33.59 hectares to up to 44.16 hectares. A breakdown of the loss replacement allowance by use class is provided at Appendix 7.

Churn

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

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

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

7.30 **Table 7.6 sets out the implications for South Tyneside of making an allowance for churn at 1% of stock per annum. This identifies an allowance of 4.0 hectares over the period 2021 to 2039 to replace office premises and a further 28.5 hectares over the same timeframe to replace industrial (E(g)(iii), B2 and B8) premises.** Taken together, this represents an allowance of 32.5 hectares. In the event that Council officers decide to include such an allowance in planning for employment needs, this would increase the gross land requirements shown in Table 7.5 from up to 33.59 hectares to up to 66.09 hectares.

Table 7.6 Churn Allowance (1% of Stock)

Type of Space	Current Stock (sq.m)	1% of Stock (sq.m)	18 Years' Allowance	
			(sq.m)	(ha)
Offices	103,000	1,030	18,540	4.0
Light industrial, industrial and distribution	633,000	6,330	113,940	28.5

Source: Lichfields analysis

7.31 It is important to note that the ELR (and this note) form part of the evidence-base to the Council's emerging Local Plan and it is for officers to translate this evidence into planning policy. The decision regarding whether to include an allowance for loss replacement or churn represents a policy choice and, as such, is a matter to be considered further by the authority.

Identifying a Preferred Scenario

7.32 Given the range of potential requirements generated by the different scenarios presented, it is important to test how reasonable each appears. The following paragraphs consider this in further detail, through an assessment of:

- A comparison of the employment growth assumed under each scenario, benchmarked against historic employment growth (as recorded by Experian); and
- The scale of gross floorspace identified by each scenario, relative to the total stock of floorspace in South Tyneside.

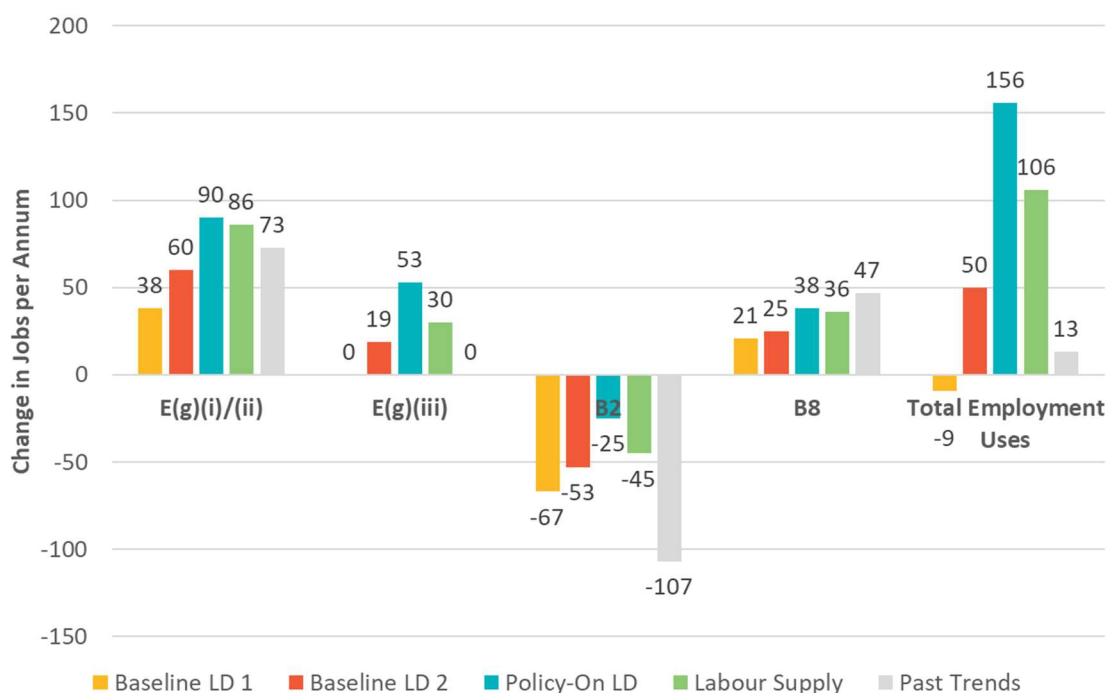
Employment Growth Comparisons

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

²³ See above

- 7.34 Analysis of Experian data for the period 2002 to 2020²⁴ indicates that total employment in South Tyneside remained static over this period at 45,600 (albeit with some year-on-year fluctuations). Across the employment use sectors, a modest increase of 240 jobs was observed. This corresponds to an average of 13 net new jobs per annum over 18 years.
- 7.35 This growth in the employment use sectors was driven by an increase of 1,315 jobs (an average of 73 jobs per annum) in the office-based sectors (E(g)(i)/(ii)) and – to a lesser extent – in logistics and distribution (B8). The latter grew by 850 jobs over the period, which translates to an average of 47 jobs per annum.
- 7.36 In contrast, general manufacturing (B2) jobs fell by 1,930 jobs (a decline of 107 per annum). It should be noted, however, that analysing the data year-on-year indicates that most of this contraction took place between 2002 and 2012, with a net loss of almost 1,500 jobs observed. More recently (from 2012 to 2020) local employment in the sector appears to have stabilised significantly.
- 7.37 No employment change was recorded in light industrial sectors (E(g)(iii)).

Figure 7.1 Annual Job Change (Employment Use Sectors) by Scenario vs Past Trends



Source: Experian / Lichfields analysis

- 7.38 Figure 7.1 provides a summary of these past trends in employment, as described above. This data is also plotted against the projected employment change figures underpinning each of the scenarios used to assess future employment space needs in the Borough. From the chart it can be seen that – in basic, headline, terms – the employment change projected under the Baseline Labour Demand 1 and 2 scenarios (-9 jobs per annum and +50 jobs per annum respectively) aligns most closely with past trends (+13 jobs per annum).

²⁴ Time period selected to reflect 18-year period (2021-2039) applied to forecasting scenarios

7.39 It should be noted, however, that attendees at the Stakeholder Workshop expressed a clear view that the job change in employment use sectors assumed in the Baseline Labour Demand 1 and 2 scenarios was too low. As such, it was suggested that these scenarios risk constraining the economic potential of South Tyneside over the Plan period. Furthermore, it should be noted that a more nuanced interrogation of the data summarised in Figure 7.1 highlights that:

- For those sectors that have experienced growth in employment over the period 2002 to 2020 (i.e. offices (E(g)(i)/(ii)) and logistics and distribution (B8) the Policy-On Labour Demand and Labour Supply scenarios most closely mirror past trends; and
- The scale of difference between the Policy-On Labour Demand/Labour Supply scenarios and past trends (in terms of change across the employment uses in overall terms) is almost entirely a function of the scenarios' differing forecasts regarding light industrial (E(g)(iii)) and general industrial (B2) employment.

The Policy-On Labour Demand scenario, for instance is underpinned by an increase in employment uses of 156 per annum. This is 143 jobs per annum higher than past trends. The difference in the two scenarios' outlook regarding general industrial (B2) jobs accounts for 82 of these jobs (per annum)²⁵. In addition, the difference between the two scenarios regarding future light industrial (E(g)(iii)) job change accounts for a further 53 jobs per annum²⁶.

7.40 Within the context of the above, it is considered reasonable to expect future employment performance of general industrial sectors (B2) to outstrip past trends by a considerable margin. This reflects several factors, including:

- Consultation undertaken to inform this ELR has identified a widely held view that advanced manufacturing and offshore wind (and its supply chain) represent key strengths of the local economy and are well positioned to drive future growth;
- Baseline data from Experian (as discussed above) suggests that general industrial jobs have stabilised considerably in recent years, following a period of significant decline between 2002 and 2012. As such, the past trends captured in Figure 7.1 (and covering the period 2002 to 2020) are likely to overstate the potential for further contractions in general industrial employment; and
- The scale and nature of supply chain opportunities that could be generated by the delivery of the IAMP. As recognised by key consultees, the IAMP has the potential to stimulate the growth of the local manufacturing sector, both on and off-site.

Scale of Floorspace Demand

7.41 As set out in Table 7.6, South Tyneside contains an estimated 736,000sq.m of employment floorspace. This is comprised of:

- 103,000sq.m of office space; and
- 633,000sq.m of industrial space.

²⁵ -25 jobs p.a. vs -107 jobs p.a.

²⁶ +53 jobs p.a. vs 0 jobs p.a.

7.42 These figures provide a useful benchmark for assessing the scale of floorspace change implied by each of the scenarios considered earlier in this section. This analysis is summarised in Table 7.7 and is based on gross floorspace need figures, which include a safety margin but exclude any allowance for losses or churn.

7.43 It can be seen from the table that the Policy-On Labour Demand scenario (Scenario 3) results in the highest gross floorspace requirement, at 138,270sq.m. Relative to the Borough's current stock of space, this corresponds to an increase of 19% over the period 2021 to 2039.

Table 7.7 Scale of Change (Including Safety Margin) by Scenario

	Office			Industrial			Overall % Increase
	Current Stock (sq.m)	Projected Demand (sq.m)	% Increase	Current Stock (sq.m)	Projected Demand (sq.m)	% Increase	
Scenario 1: LD Baseline (Pre-Covid)	103,000	16,135	+16%	633,000	24,675	+4%	+6%
Scenario 2: LD Baseline (Latest Data)		21,425	+21%		51,775	+8%	+10%
Scenario 3: LD (Policy-On)		28,850	+28%		109,420	+17%	+19%
Scenario 4: LS (Standard Method)		27,840	+27%		79,080	+12%	+15%
Scenario 5: Past (Net) Completions		69,620	+68%		44,670	+7%	+16%

Source: Lichfields analysis

Implications for Future Demand

7.44 In considering the future employment land needs of the Borough, it is important to have regard to the requirements of NPPF, which state that planning policies should set out a “strategy which positively and proactively encourages sustainable economic growth” and be “flexible enough to accommodate needs not anticipated in the plan.”

7.45 Within this context, it is recommended that South Tyneside Council should plan to accommodate employment land needs of between 25ha and 35ha, reflecting the requirements identified under the Labour Demand (Policy-On) and Labour Supply scenarios²⁷. This recommended takes account of a range of factors, as summarised below:

- The **Baseline Labour Demand scenarios** have been discounted on the basis that they risk failing to proactively encourage sustainable economic growth. In addition, key

²⁷ Should Council officers take a decision to include an additional allowance for loss replacement or churn, the identified range would need to increase accordingly

stakeholders have raised concerns that planning on the basis of these scenarios would risk unduly constraining the economic potential of South Tyneside.

Such fears are considered to be reasonable. The Baseline Labour Demand scenarios are underpinned by policy neutral employment forecasts which fail to reflect the scale of the supply chain opportunities which the IAMP could unlock across the Borough. In addition, the resulting employment land requirements are significantly below the level of need identified by projecting forward past (net) rates of take-up – despite the potential of the IAMP (and the renewable energy sector) to improve the future economic performance of South Tyneside.

- The **Labour Supply scenario** modelled as part of this ELR suggests that the Borough would need to deliver approximately 25 hectares of employment land to support the Council's planned level of housing growth (as identified by the Standard Method). To avoid increasing levels of out-commuting from the South Tyneside, the Council should look to meet this level of need as a minimum.
- The **Labour Demand (Policy-On) scenario** identifies a higher employment need figure of almost 35 hectares. This scenario seeks to capture the potential impact of the IAMP on the general employment land market. A significant body of evidence has been developed to support the IAMP AAP and this clearly demonstrates that the proposals are expected to create significant employment opportunities in the wider supply chain. This, in turn, will generate additional demand for employment space and it is advised that South Tyneside should look to take forward a portfolio of sites that has the flexibility to accommodate this need as it emerges.

Council officers should be advised, however, that the area's ability to capture demand from the supply chain serving the IAMP is likely to be influenced by South Tyneside's ability to offer good quality employment sites, with good access to the strategic road network and in close proximity to the IAMP (i.e. in the south of the Borough). A failure to make such development opportunities available could serve to limit the level of demand that comes forward as a result of the IAMP.

- In addition, it is noted that the **Labour Demand (Policy-On) and Labour Supply scenarios** include the greatest (net) demand figures with respect to the industrial sectors (i.e. light industrial, general industrial and distribution). It is considered appropriate to plan for a higher level of industrial need for a number of reasons. This includes: the importance of the advanced manufacturing and offshore wind sectors being recognised by key local stakeholders; analysis of past employment trends indicating that employment in general industrial (B2) sectors has stabilised considerably in recent years; and commercial market data identifying that the market for industrial premises in the Borough is tight (with a vacancy rate of 3.8%) which could serve to stimulate development activity.
- Whilst the levels of employment growth underpinning the **Labour Demand (Policy-On) and Labour Supply** looks high in the context of past trends, this is partly a reflection of the IAMP which offers the potential to 'shift the dial' on local economic performance. In addition, it is important to note that the associated employment land requirements (between 25 hectares and 35 hectares) do not look unreasonable in the context of past rates of development activity in the Borough. Indeed, a continuation of

(gross) take-up rates observed between 2017 and 2021 would suggest a need for 40.68 hectares over the Plan period.

8.0 Demand-Supply Balance

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

Quantitative Balance

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

8.3 As set out in Section 7.0, it is considered that the Council should plan to meet employment land needs associated with the Labour Demand (Policy-On) and Labour Supply scenarios. This corresponds to a base planning requirement of between 25 hectares and 35 hectares over the period 2021 to 2039. This could increase further, should the Council take a decision to add an allowance for loss replacement or churn. Given that this is a policy matter to be determined by the Council, however, the implications of any such allowances are not included within the analysis presented in the following paragraphs.

8.4 Section 6.0 of this ELR provides a summary of the site assessments undertaken by LSH and the supply of land identified through this process. An initial list of 26 currently available sites was identified, totalling 105.47 hectares, with further opportunities to deliver additional employment space considered through an assessment of potential employment sites and mixed-use sites.

8.5 This initial portfolio of sites was comprised of:

- General Employment Land: 14 sites totalling 28.84 hectares of land;
- Specialist Land – Port/River Access: 9 sites, totalling 25.38 hectares of land; and
- Specialist Land – Advanced Manufacturing: 3 sites totalling 51.25 hectares of land.

8.6 The 51.25 hectares of specialist land for advanced manufacturing use is made up of sites located at the IAMP. As set out elsewhere in this document, it is not the purpose of this ELR to test the case for bringing the IAMP forward for employment uses or to quantify the level of employment space to be provided at the IAMP. An Area Action Plan for the site, which provides the planning policy framework for the IAMP and is underpinned by a detailed body of site-specific evidence, has been tested by an Inspector at an Examination in Public and subsequently adopted. Rather, this ELR seeks to understand the wider impacts of the IAMP on the demand for general employment land and ensure that these are adequately planned for. As such, the analysis on the following paragraphs excludes land at the IAMP from the assessment of supply.

8.7 LSH’s qualitative site assessment has identified that some of the general employment land would be expensive to redevelop for employment uses and has been unused for many years. As a result, some of these historic employment sites are now in the process of being released for housing. The Council has identified four sites totalling 8.13 hectares of land which it considers no longer appropriate to allocate as general employment sites. These sites – and the rationale for their removal – are summarised below:

- Ashworth Frazer Industrial Estate (2.30 ha): Substantial costs to demolish buildings, most of which are at end of economic life. Redevelopment for employment uses would not be viable given the location, anticipated values and high abnormal costs. There is a Council resolution to grant planning consent for residential development.
- Former Hawthorn Leslie Shipyard (3.70 ha): Substantial investment required to bring site back into use. Site has been marketed over long period but is in an area of low demand. There is a Council resolution to grant planning consent for residential development.
- Sportsfield, Wagonway Ind Est, Hebburn (0.42 ha): The owner is unwilling to sell or develop; thus, the site is not available.
- Jarrow Green Business Park (1.71 ha): Given the complexity and cost of bringing forward this site for employment use the site is not regarded as deliverable.

8.8 The impact of removing these sites is to reduce the amount of general employment land from 24.69 hectares to 16.56 hectares. When added to the 25.38 hectares of specialist port-related land, this gives an overall supply of 41.94 hectares (excluding land at the IAMP). In purely quantitative terms, therefore, the Borough would appear to have enough available to land to meet anticipated future need (and arguably too much land should observed demand be towards the lower end of the range identified). Clearly, however, this conclusion would need to be revisited by the Council, should officers take a decision to include an allowance for loss replacement or churn, which would serve to increase future requirements.

8.9 Notwithstanding the above, the analysis presented in Section 6.0 of this ELR identifies two qualitative issues which South Tyneside officers must have regard to when finalising the portfolio of sites to be allocated through the Local Plan:

- The quantum of readily available employment sites; and
- The spatial distribution of employment sites relative to demand.

Readily Available Employment Sites

8.10 The site assessment work undertaken by LSH distinguishes between those parcels of land that are readily available, as well as those requiring preparation. Table 8.1 provides a summary of the sites considered to be readily available. From this it can be seen that 13.90 hectares of land in the Borough (excluding sites at the IAMP) is classified as being immediately available.

8.11 When considered in the context of a total demand of between 25 hectares and 35 hectares over an 18-year Plan period (i.e. between 1.4 hectares and 1.9 hectares per annum) this is likely to be sufficient to provide an initial five-year rolling supply. Clearly, however, there will be a need to identify – and intervene to unlock – the next tranche of sites relatively quickly and this should be addressed by South Tyneside Council as a matter of urgency.

- 8.12 In addition, the table also highlights that the supply of immediately available general employment land is relatively modest at just 3.05 hectares and is dominated by smaller parcels of land. Indeed, the largest general employment site shown in the table is just 1.41 hectares, albeit this increases to 4.36 hectares when specialist port-related sites are also considered.

Table 8.1 Supply of Readily Available Sites

Site	Net Area (ha)
General Employment Land	
East of Pilgrims Way, Bedesway	0.43
West of Pilgrims Way (east of Mitsumi), Bede Ind Est	1.41
South of Heddon Way, Middlefields Ind Est	0.61
Land west of 16 Brooklands Way, Boldon Business Park	0.60
<i>Sub-Total</i>	<i>3.05</i>
Specialist Land – Port/River Access	
Tyne Dock Enterprise Park South (Dock infill)	3.50
Hill 60	0.51
Tyne Dock Enterprise Park (former McNulty Offshore), Commercial Rd	4.36
Tyne Dock Enterprise Park (SE), Commercial Rd	0.58
East of wood pellet silos	1.90
<i>Sub-Total</i>	<i>10.85</i>
Total	13.90

Source: LSH analysis

Spatial Distribution of Employment Sites

- 8.13 The previous South Tyneside ELR, produced by Lichfields and LSH, identified a spatial imbalance with respect to the provision of employment land. This was reflected in:
- The limited availability of general employment land in the southwestern part of the Borough, where demand has generally been strong in recent years; and
 - A quantitative oversupply of land in the historic employment areas forming a wider band along the southern banks of the River Tyne.
- 8.14 The southwestern part of the Borough is where South Tyneside adjoins the local authorities of Gateshead and Sunderland. LSH advise that good connections to the strategic highway network have established the Washington, Follingsby, Monkton area as a market hotspot where higher rents and strong demand improve the viability of industrial development.

- 8.15 Since the production of the Borough’s previous ELR, the supply of sites in this location has tightened further, with recent development activity at Follingsby Max, Hillthorn Park and Turbine Business Park. It is the view of LSH that the provision of more land for employment in this market area is of sub-regional importance, given the difficulties in achieving viable development elsewhere in the region.
- 8.16 As such, whilst South Tyneside appears to have enough available employment land to meet anticipated demand at the local authority level, it is helpful to interrogate the position across the various sub-areas within the Borough. It should be noted, however, that the majority of demand forecasting techniques presented in Section 7.0 are predicated on input assumptions collated at the local authority level. The only exception to this is past take-up.
- 8.17 As such, it is not possible to forecast demand at the sub-area level under each scenario. To estimate demand at this lower spatial level, therefore, the preferred requirement of 25 hectares to 35 hectares (across South Tyneside as a whole) has been disaggregated according to the spatial distribution of past take-up.
- 8.18 The limitations of using past take-up – which assumes that historic patterns of demand will continue into the future – area acknowledged. Based upon discussions with LSH, however, it is understood that the gross take-up data collated as part of this 2022 ELR is considered to provide an accurate representation of the relative strength of demand in different parts of the Borough. As a result, the approach to disaggregating demand is considered to be appropriate in this instance. Nevertheless, it is important to note that the resultant demand forecasts (shown in Table 8.2) should be interpreted as indicative forecasts only.

Table 8.2 Indicative Estimates of Demand by Sub-Area (2021-2039)

Sub-Area	Past Take-Up		Estimated Demand (ha)	
	Annual Avege (ha)	% Share	Lower Bound	Upper Bound
Hebburn/Jarrow	0.27	8.2%	2.1	2.9
Simonside/Bede/Middlefields	0.30	9.1%	2.3	3.2
S.Shields Riverside & Town Centre	0.42	12.7%	3.2	4.4
Boldon/Cleadon	0.27	8.2%	2.1	2.9
Monkton	0.79	23.9%	6.0	8.4
Specialist Land – Port/River Access	1.33	40.2%	10.1	14.1
Total	3.31	100.0%	25.0	35.0

Source: LSH and Lichfields analysis

- 8.19 Table 8.3 provides a summary of how the revised employment land supply derived in Paragraph 8.8 is distributed by sub-area. This is drawn together with the indicative estimates of demand (set out above) to provide an understanding of how well demand and supply are aligned at this lower geographical level.

Table 8.3 Indicative Demand-Supply Balance by Sub-Area

Sub-Area	Revised Supply	Indicative Demand (ha)		Over/(Under) Supply (ha)
		Lower Bound	Upper Bound	
Hebburn/Jarrow	12.15	2.1	2.9	9.25 to 10.05
Simonside/Bede/Middlefields	3.81	2.3	3.2	0.61 to 1.51
S.Shields Riverside & Town Centre	0.00	3.2	4.4	(3.2) to (4.4)
Boldon/Cleadon	0.60	2.1	2.9	(1.5) to (2.3)
Monkton	0.00	6.0	8.4	(6.0) to (8.4)
Specialist Land – Port/River Access	25.38	10.1	14.1	11.28 to 15.28
Total	41.94	25.0	35.0	6.94 to 16.94

Source: LSH/Lichfields analysis

- 8.20 The analysis in Table 8.3 shows that there is an oversupply of land in the sub-areas: Hebburn/Jarrow; Simonside/Bede/Middlefields; and specialist land with port/river access. It should be noted, however, that the supply in Hebburn/Jarrow is comprised entirely of the former Dow Chemicals site. This is a riverside works that closed in 2015. LSH understand that the site is highly contaminated as a result of former chemical and shipyard uses. Whilst the site has largely been cleared of buildings, foundations and floor slabs remain in situ, ensuring that the abnormal costs of redevelopment would be substantial.
- 8.21 Although the former Dow Chemicals site is ostensibly on the market, LSH advise that the owners have rejected offers to purchase parts and agents have consequently questioned whether the owners are committed to selling. Although technically available, therefore, the site is not a realistic option for development at the current time and LSH strongly recommend that the Council works with Dow Chemicals to identify redevelopment options for this major brownfield site.
- 8.22 It can also be seen from the table that there is an undersupply of land in South Shields and Monkton (with no land available in either sub-area) as well as in Boldon/Cleadon. Indeed, the revised supply data contains only one site at Boldon Business Park (of 0.60 hectares) across the southwestern part of the Borough (Monkton and Boldon/Cleadon). This is despite strong demand in this part of South Tyneside, with Monkton and Boldon/Cleadon accounting for almost one-third of all take-up.
- 8.23 A failure to respond to these issues and to better align the demand for and supply of land by sub-area, could risk constraining the growth potential of South Tyneside over the Plan period. Indeed, agents consulted as part of this ELR are already of the view that the supply of land and limited choice of sites has served to dampen down take-up.

- 8.24 In considering opportunities to rebalance the Borough's portfolio of sites, LSH has – with input from Council officers – assessed a total of fifteen potential employment sites (of which nine are located in the southern part of the Borough). Some of these sites are within the Green Belt. The largest is to the north west of Testo's roundabout. The site would require major infrastructure provision, including access from trunk roads, prior to development.
- 8.25 In contrast those previously developed sites in the Green Belt assessed by LSH benefit from established road access and other infrastructure provision. At the former Wardley Coal Disposal Point the spoil heaps on the eastern part of the sites are allocated as a Local Wildlife Site, but the levelled land to the west accommodates an anaerobic digester to the south and container sales to the north. The new owner, Thomas Armstrong (Concrete Products), is proposing to construct a factory on the middle section, and the Council is proposing to safeguard land in the south west corner for a railway station should the Leamside Line be reinstated. The effect is that even if the Council were to allocate the western part of the site for general employment purposes, other than accommodating Thomas Armstrong there would be no surplus land available to meet demand from other businesses.

9.0 Conclusions

Overview of South Tyneside's Economy

- 9.1 There were an estimated 45,600 jobs based in South Tyneside in 2020. As a result, no change in the number of jobs in the local area has been recorded since 2002 (although the figures have fluctuated year-on-year during this period). Location quotient analysis identifies particular strengths in sectors including: manufacturing; construction; property; and arts, entertainment and recreation.
- 9.2 The business base in South Tyneside is small, even accounting for the size of the local population. Indeed, there are just 367 active businesses for every 10,000 working age residents in the Borough, compared to 435 at the regional level and 661 nationally. It should be noted, however, that the most recent ONS Business Count data indicates that the number of active enterprises in South Tyneside increased by 48.4% from 2011 to 2021, suggesting a recent improvement in levels of entrepreneurial activity. This is supported by the South Tyneside Local Economic Assessment, which states that a key strength of the Borough is the high level of enterprise, citing business start-up rates which exceed the LEP average.
- 9.3 Labour market indicators for South Tyneside are relatively weak. The Borough suffers from low rates of economic activity (73.1%) when benchmarked against national and regional averages. Levels of unemployment are high and the occupational profile is characterised by an under-representation of higher skilled workers (SOC 1-3) and an over-representation of semi/low skilled workers (SOC 7-9).

Market Signals

- 9.4 South Tyneside contains an estimated 736,000sq.m of employment space, which is the lowest of the Tyne and Wear authorities.
- 9.5 The Borough has 103,000sq.m of office floorspace, accounting for 5% of all stock in Tyne and Wear. South Shields Town Centre is viewed as the area's dominant office location and almost half (44%) of all space in the area. Across the local office market, vacancy rates stand at almost 8%, which suggests a healthy level of provision. Demand is understood to be weaker for larger office units (250sq.m and above) and this is reflected in higher proportions of vacancy space.
- 9.6 Industrial stock (comprising of industrial, light industrial and logistics/distribution uses) accounts for 633,000sq.m of floorspace. Provision is focussed in the north of the Borough, with more than 60% of space located in South Shields and Jarrow. A vacancy rate of less than 4% indicates that market for industrial premises is tight and that a shortage of available units could act as a constraint to growth. Provision is understood to be particularly tight for smaller units (of less than 500sq.m).

Meeting Future Requirements

- 9.7 In assessing the future need for employment land in South Tyneside, this ELR has considered five alternative scenarios. Some of the approaches are based upon baseline econometric forecasts, some look to capture the economic uplift associated with the IAMP,

some test the employment land needs which flow from the Borough's anticipated future housing needs (as identified by the Standard Method) and others assess the implications of past rates of development continuing over the Plan period.

- 9.8 Having assessed the scenarios against a range of factors (including past trends, the associated uplift in floorspace and the anticipated future trajectory of the local economy) it is recommended that the Council plans to meet future needs of between 25 hectares and 35 hectares. It should be noted, however, that this range makes no allowance for loss replacement or churn. Whether to apply either of these allowances is a policy decision to be taken by South Tyneside Council. Introducing a loss replacement allowance of 25% would increase future demand by approximately 10 hectares. Alternatively, a churn allowance of 0.5% per annum would increase demand by 16 hectares (rising to 32 hectares for an allowance of 1% per annum).

Demand-Supply Balance

- 9.9 The site assessment work undertaken by LSH as part of the ELR process has identified a supply of 105.47 hectares of employment land. This is comprised of:
- General employment land: 28.84 hectares;
 - Specialist employment land – port/river access: 25.38 hectares;
 - Specialist employment land – advanced manufacturing (the IAMP): 51.25 hectares.
- 9.10 Four general employment sites (totalling 4.15 hectares) have been excluded from any further analysis, on the basis of their size (less than 0.25 hectares) or because planning permissions are in place to deliver non-employment uses. In addition, Council officers identified a further four sites (totalling 8.13 hectares) as no longer being appropriate to allocate for employment uses. This reduces the supply of general employment land to 16.56 hectares.
- 9.11 It should also be noted that it is not the purpose of this ELR to test the case for bringing the IAMP forward for employment uses or to quantify the level of employment space to be provided at the IAMP. An Area Action Plan for the site, which provides the planning policy framework for the IAMP and is underpinned by a detailed body of site-specific evidence, has been tested by an Inspector at an Examination in Public and subsequently adopted. As such, the 51.25 hectares of land available at the IAMP is excluded from the assessment of the demand-supply balance.
- 9.12 The above adjustments leave a total supply of 41.94 hectares. This is made up of 16.56 hectares of general employment land and 25.38 hectares of specialist employment land with port/river access. In purely quantitative terms, therefore, the Borough would appear to have enough available land to meet anticipated future needs (of between 25 hectares and 35 hectares) at the local authority level. Clearly, however, this conclusion would need to be revisited by the Council, should officers take a decision to include an allowance for loss replacement or churn.
- 9.13 Analysis across the Borough's sub-areas, however, highlights some imbalances between demand and supply at this more localised level. This includes:

- An oversupply of land (relative to indicative demand) in: Hebburn/Jarrow; Simonside/Bede/Middlefields; and specialist land with port/river access; and
- An undersupply of land (relative to indicative demand) in: South Shields; Monkton; and Boldon/Cleadon. LSH advise that even within these sub-areas there will be 'hot spots' of demand in locations with easy access to the strategic highway network and other locations where demand is weaker.

9.14

A failure to respond to these issues and to better align the demand for and supply of land by sub-area, could risk constraining the growth potential of South Tyneside over the Plan period. In considering opportunities to rebalance the Borough's portfolio of sites, LSH has – with input from Council officers – assessed a total of fifteen potential employment sites (of which nine are located in the southern part of the Borough).