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Planning. Design. Economics.

Review of Darlington Business Sites and
Premises

Darlington Borough Council

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1.0 Introduction

- 1.1 This report has been commissioned by Darlington Borough Council (DBC) to provide a robust evidence base to quantify the need for employment land to 2026 and to assess the deliverability of sites to meet this requirement. The work is intended to update the Council's earlier Employment Land Review (ELR), which was produced by Council officers and published in 2009.
- 1.2 The findings of the ELR were subsequently used to inform the development of policies on employment land for inclusion within the Borough's Core Strategy. The Core Strategy was adopted in 2011.
- 1.3 In September 2012, a study team comprising of Nathaniel Lichfield and Partners (NLP) and DTZ was appointed by DBC to undertake a Review of Business Sites and Premises. The principal aims of the study are to:
- Assess the existing and future need for employment land and premises over the period to 2026;
 - Provide a qualitative and quantitative review of sites and premises;
 - Identify any constraints that could prevent the use of sites for employment development and consider solutions to mitigate against these; and
 - Identify any under or oversupply of employment land and use this to shape the development of an appropriate future portfolio of land that meets projected future demand and contains a range of deliverable sites.

Approach and Methodology

- 1.4 The study's approach generally follows Government guidance on undertaking employment land reviews¹. It focuses on employment space needs for the group of B Use Classes indicated in Table 1.1. Other non B Class economic uses such as retail and commercial leisure uses have been excluded from the analysis on the basis that an existing evidence base relating to these use classes was compiled to inform the Council's recent Core Strategy.
- 1.5 The requirements for both employment land and floorspace are considered in the study, and references to 'employment space' are intended to mean both these elements. The term 'industrial space' includes both manufacturing and warehousing/distribution uses.

¹ Employment Land Reviews Guidance Note, ODPM (2004)

Table 1.1 B-Class Employment Land Definitions

B1	Business <ul style="list-style-type: none"> • Commercial offices other than in a use with Class A2 • Research and development laboratories and studios • Light industry
B2	General Industrial <ul style="list-style-type: none"> • General industry (unless B1)
B8	Business <ul style="list-style-type: none"> • Storage or distribution centres wholesale warehouses, distribution centres and repositories

1.6 Key inputs to the process included a business survey and consultation with various organisations with an interest in the supply of employment land, including property agents, developers and economic development agencies. Engagement with stakeholders was undertaken via telephone discussions and a visioning workshop.

1.7 The report is structured as follows:

2.0 Policy Context	Summary of key planning policy and economic development strategies from the national to the local level
3.0 Economic Context	Review of economic conditions and recent trends, to inform a SWOT analysis of the Borough's economy
4.0 Market for Employment Premises	Commercial market overview outlining the key drivers of demand and the attractiveness of Darlington within the context of competing locations
5.0 Current Employment Sites and Premises	Qualitative and quantitative appraisal of the Borough's stock of employment land and premises
6.0 Consultation	Summary of the key messages emerging from a variety of consultation approaches adopted to help inform the study
7.0 Economic Drivers	An assessment of the economic sectors that offer the greatest potential to deliver employment growth over the study period
8.0 Future Requirements for B Class Space	Draws upon a range of forecasting techniques to estimate the level of employment land required over the Plan period
9.0 Demand/Supply Balance	Draws together the analysis of demand and supply in order to identify a suitable future portfolio of land. Sets out a range of site specific recommendations, including those areas of land to be de allocated, or developed for mixed use
10.0 Viability and Delivery	Outlines the delivery challenges facing DBC and comments on a number of potential mitigation measures
11.0 Key Policy Choices	Summarises the overall portfolio of land identified for the Plan period and sets out a range of recommendations for key locations within the Borough
12.0 Conclusions	Overview of the key messages identified in the preceding sections

2.0

Policy Context

2.1

The study has been shaped by the aims and objectives of a variety of planning policy and economic strategy documents to ensure that the outputs form a robust part of DBC's LDF evidence base. A full policy review can be found at Appendix 1. This section provides a summary of the most salient points identified by the policy review at the national, regional, sub-regional and local level.

National

- NPPF is a pro-growth policy document, recommending that planning should 'do everything to support sustainable economic growth'
- Development plans should identify a broad range of sites for economic development, and avoid carrying forward existing allocations without evidence of need and a reasonable prospect of their take-up during the plan period
- Development plans should provide a portfolio of land that supports existing business sectors and plans for new or emerging ones. Flexible policies are needed to respond to changing economic circumstances

Regional

- Darlington is an important sub-regional employment, retail and cultural centre, underpinned by its importance as a key strategic transport interchange
- Darlington should be supported as an employment location which can capitalise on its key transport routes
- Regionally significant sites at Morton Palms and Central Park will assist the Tees Valley in competing for employment at the higher value-added end of the business and financial sectors
- Darlington is perceived as a location of choice within the region for financial and business services and logistics operations

Sub-Regional

- Darlington's mainline connectivity and market town characteristics are fundamental to its appeal as a business location
- An important priority for Tees Valley is to create a property market for office/industrial development which is viable without public sector support. Darlington is identified as the location in the Tees Valley where there is the greatest opportunity to achieve this

Local

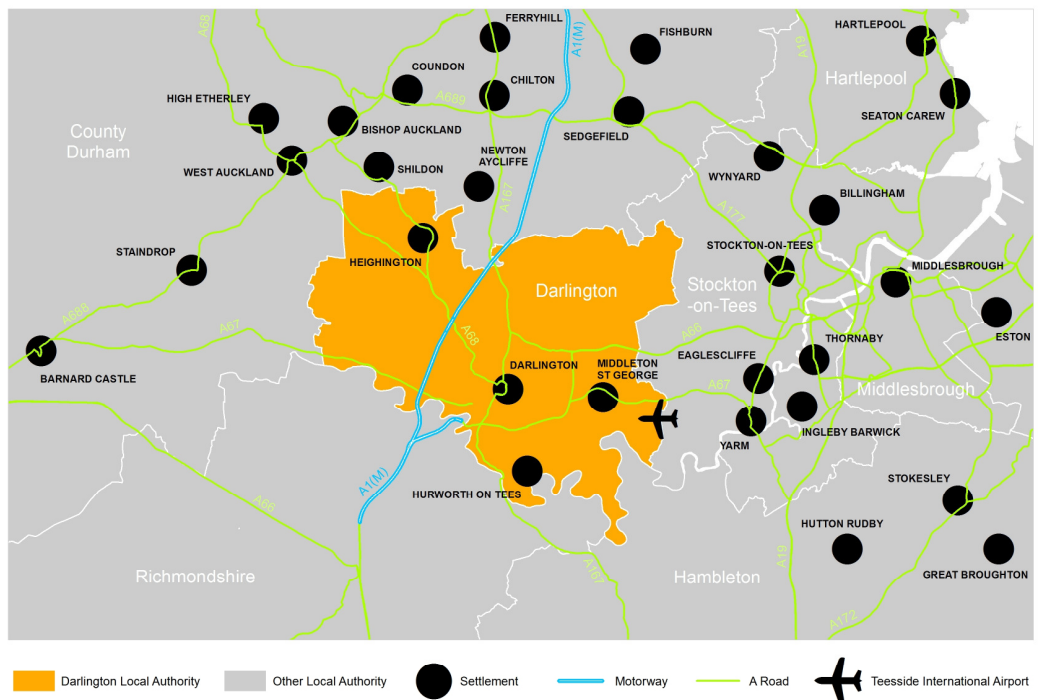
- Darlington's Core Strategy includes an ambition to deliver GVA growth of 2.5% p.a. over the lifetime of the document
 - Policy CS5 of the Core Strategy states that provision will be made for up to 235ha of additional land for general and mixed-use employment across the Borough, with a focus on:
 - First Priority (2011-21)*
 - Darlington town centre (office use) and Town Centre Fringe (mixed use) (circa 17ha)
 - Central Park (mixed use) (circa 10ha)
 - Second Priority (throughout the plan period)*
 - Faverdale (business, industrial and logistics uses) (circa 50ha)
 - Lingfield Area (mixed use) (circa 15ha)
 - Morton Palms Business Park Area (prestige office) (circa 11ha)
 - Durham Tees Valley Airport (airport related) (circa 20ha) and general employment (circa 5ha)
- The focus of other general and mixed use sites (up to 107ha) will be on suitable previously developed sites in sustainable locations.
- A key aim of the Council is to continue to improve the range of high quality premises available for incoming and expanding employers
 - The Borough's Economic Strategy concludes that Darlington's current sectoral strengths include: service sector; manufacturing; advanced engineering; and construction
 - The Economic Strategy also indicates that the Borough has emerging strengths in: digital and media; subsea; telehealth; and telecare
 - Darlington's appeal as a business location is characterised by its: connectivity; market town characteristics; and choice and competitively priced office park locations

3.0 Economic Context

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

Geography and Connections

3.2 A compact area of approximately 76 square miles, the Borough comprises the historic market town of Darlington, as well as a number of smaller rural settlements and villages. The Borough's total population is estimated at just over 100,000, with the town of Darlington accounting for approximately 87,000.



3.3 Darlington is located at the western end of the Tees Valley and its influence extends beyond the City Region into South Durham and North Yorkshire. It is bounded by the local authorities of: County Durham (to the north); Stockton-on-Tees (to the east); Hambleton; and Richmondshire (to the south). Other than Darlington itself, the nearest large employment centres are Stockton/Middlesbrough and Newton Aycliffe.

3.4 The Borough benefits from excellent national and international transport links. By road, the A1(M) provides access to a range of key cities including:

- Durham City and Newcastle to the north (25 minute and 40 minute drive times respectively); and
- Harrogate and Leeds to the south (60 minute and 80 minute drive times respectively).

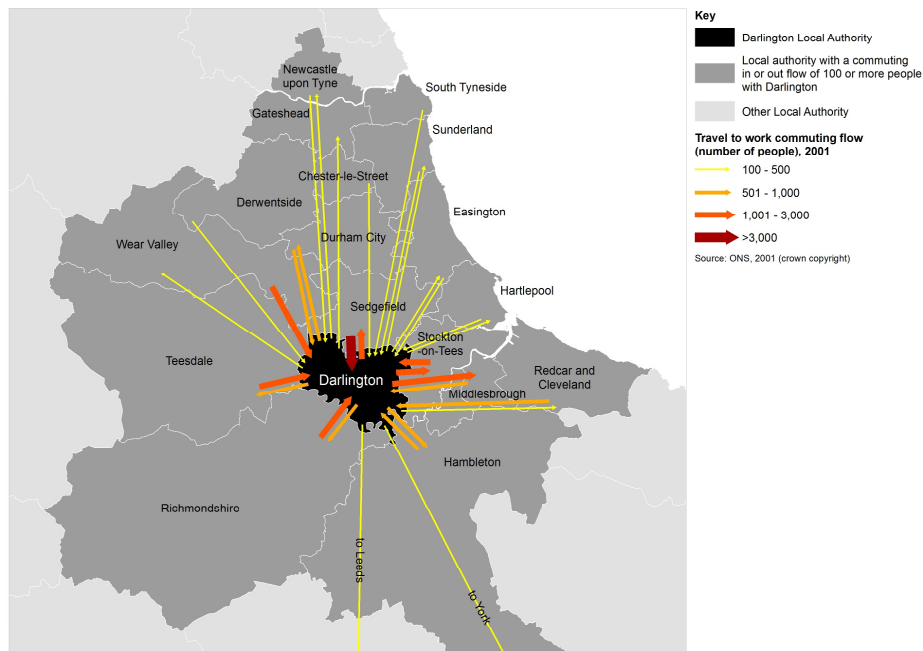
3.5 By rail, Darlington is situated on the East Coast Mainline, providing regular services to key business centres including London (every 30 minutes), Edinburgh (every 30 minutes) and Newcastle (every 15 minutes). Darlington acts as a rail hub for the Tees Valley, connecting local services from elsewhere in the area to the East Coast Mainline.

3.6 In addition, the Borough contains part of the Durham Tees Valley Airport, providing international connectivity. Whilst Durham Tees Valley does not currently operate flights to London, access to an international hub airport is provided via flights to Amsterdam Schipol.

Functional Economic Area

3.7 Examining commuting flows can help in defining the Functional Economic Area of Darlington. In 2001, 30% of the Borough’s working residents were employed outside of Darlington, indicating a moderate rate of out-commuting. In total, over 13,000 residents worked elsewhere, predominantly in Stockton, Middlesbrough, South Durham and North Yorkshire.

Figure 3.1 Travel to Work Patterns



Source: Census 2001/NLP Analysis

3.8 At the same time, approximately 15,500 workers commuted into Darlington from elsewhere, indicating that the Borough is a net importer of labour (albeit

on a relatively small scale). The inflow of workers was driven in part by large volumes travelling in from the former Borough of Sedgefield (25% of all in-commuters) and Stockton-on-Tees (16%). Notable inflows from Middlesbrough and North Yorkshire were also recorded.

- 3.9 A commonly accepted approach to defining a Functional Economic Area is where at least 75% of a Travel to Work Area's resident economically active population also work in the area, and of all those working in the area at least 75% also live in the area². On this basis, Darlington would fall within a wider economic area comprising of itself, Stockton-on-Tees and the former Borough of Sedgefield (but with strong linkages to the remainder of the Tees Valley and North Yorkshire as well).

Darlington's Economy

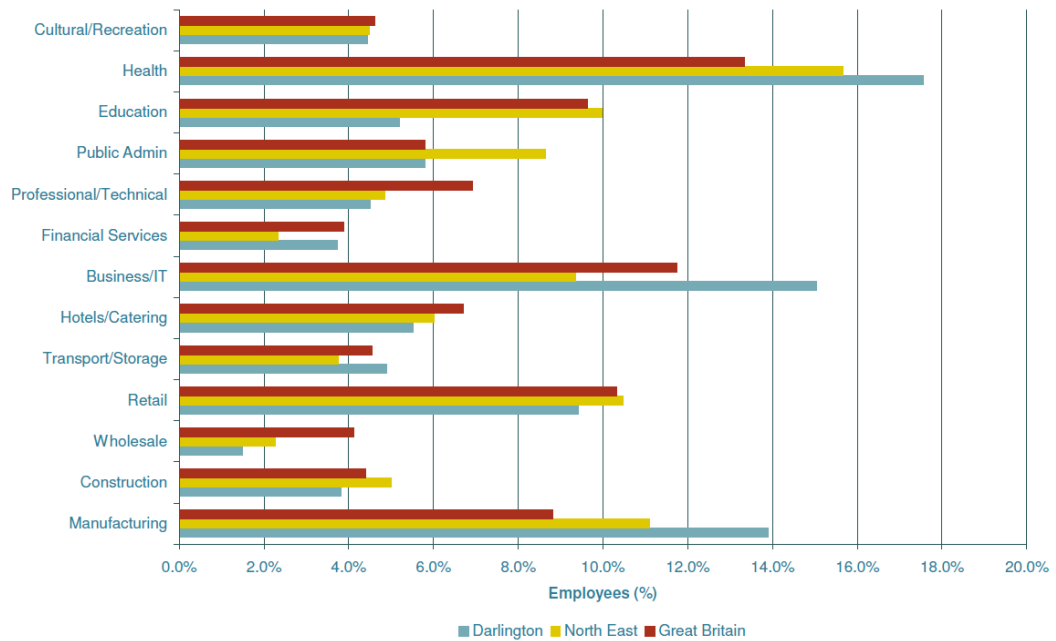
Economic Conditions and Trends

- 3.10 Current economic conditions and trends in Darlington are summarised below, with comparisons made – where appropriate – to regional and national averages.
- 3.11 The overall population of Darlington - currently 105,600 - grew by 8% between 2001 and 2011³. This rate of increase is significantly higher than the regional average (2%) and above the national figure (7%) also. The number of employee jobs in Darlington currently stands at 48,300. Interestingly, an analysis of the change in employment over time reveals that:
- The Borough experienced strong growth (12%) in employee jobs in the pre-recession period 2000-2008. This is higher than the corresponding figures for the North East (7%) and Great Britain (6%); but
 - A more severe contraction in employee jobs has been observed at the local level since 2008, with a fall of 7%, compared to regional and national reductions of 5% and 2% respectively.
- 3.12 In employment terms, the Borough's largest sectors (2010) were: health (18%); business services/IT (15%); and manufacturing (14%) (Figure 3.2). As well as being the largest sectors in the local economy, it is noted that all three account for a larger share of employment in Darlington than at the regional and national level. Figure 3.2 also shows that retail supports a large proportion of employment within the Borough (9%), although it is under-represented relative to the North East and Great Britain.

² Functional Economic Market Areas: An economic note, DCLG (February 2010)

³ Census 2011 data

Figure 3.2 Key Economic Sectors by Share of Employees

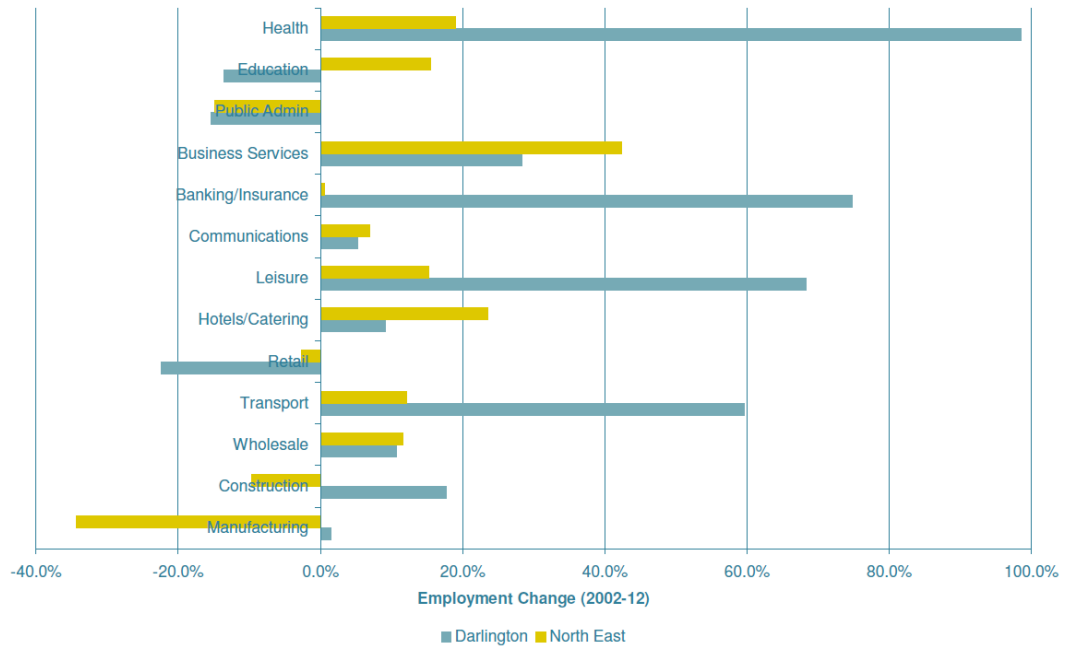


Source: BRES (2010)

- 3.13 Over the last decade, the key sectoral drivers of job growth in the Borough have been: health (3,250 jobs); business services (1,610 jobs); transport (1,330 jobs); and banking/insurance (920 jobs)⁴. With the exception of business services, the proportionate growth rate of all the sectors identified above exceeded the regional rate of increase (Figure 3.3).
- 3.14 Interestingly, local manufacturing has proved to be comparatively resilient, recording a small increase in employment in contrast to a significant reduction across the North East.
- 3.15 Whilst an overall increase in employment has been observed, the successes outlined above were partially offset by contractions in employment during the period with respect to: retail (-1,590); public administration (-330); and education (-490).

⁴ Experian 2012

Figure 3.3 Employment Change by Sector (2002-2012)



Source: Experian (2012)

3.16

Looking to the future, the policy review and stakeholder engagement undertaken by NLP highlighted a number of a number of emerging opportunities, including:

- Subsea Technology: the Borough is equidistant from a number of leading manufacturers of submersible equipment, has a Teesside University Campus with links to the sector and benefits from proximity to Teesport. Whilst much of the ‘blue collar’ activity will be undertaken elsewhere in the Tees Valley on sites with river frontage, Darlington is viewed as an attractive location for high value office support functions (design, finance etc);
- Advanced Manufacturing: the Tees Valley Sector Action Plan for advanced manufacturing estimates that there are currently 130 firms located within Darlington, generating almost £120m of GVA. Like much of the Tees Valley, the Borough benefits from a skilled workforce and an environment conducive to engineering skills; a reflection of the area’s industrial heritage. Connectivity is important for advanced manufacturing firms - allowing them to move their product around and draw from a wide pool of labour – and this further increases the appeal of Darlington as a business location;

- Logistics: the Tees Valley Sector Action Plan for logistics estimates that there are 50 firms based in Darlington at present, generating more than £35m of GVA. The document identifies Faverdale as a key logistics site within the Tees Valley context. It should be noted, however, that discussions with commercial agents have indicated that Darlington will only appeal to logistics operators looking to serve the North East and North Yorkshire. Operators seeking to cover a wider geographical area are likely to locate elsewhere; and
- Telehealth/Telecare: discussions with TVU have identified telehealth and telecare as potential growth sectors within Darlington; building upon the Borough's existing strengths in the health sector and linking with Tees Valley's wider ICT/Digital agenda. It is understood that a telehealth/telecare pilot programme – one of a small number in operation nationally – is currently underway.

3.17 Looking at the size of businesses in Darlington, the Borough is dominated by smaller firms with 0-9 employees (79%). These are in line with the regional average of 78%, but lower than the national figure of (83%). This shortfall of smaller businesses is offset by an over-representation of larger firms with 250+ employees. Locally, such firms account for 0.9%, which exceeds the North East (0.6%) and Great Britain (0.5%) averages.

3.18 Between 1997 and 2007 (the most recent data available from ONS), the number of VAT registered firms in the Borough increased by 16%. This is significantly lower than the rate of growth observed at the regional (22%) and national (21%) level. Interestingly, however, Darlington has a higher business formation rate than the North East (21 per 10,000 population compared to 18⁵) and a higher rate of self-employment. Indeed, 7.5% of the Borough's working-age population are understood to be self-employed, compared to 6.3% for the North East. Taken together, these indicators would suggest strong levels of entrepreneurial activity within Darlington, albeit with a lower rate of business survival (or retention).

3.19 Claimant unemployment in Darlington has risen significantly from 2.8% at the start of the recession in early 2008 to 5.6% in August 2012. This rate is marginally higher than the North East average (5.4%) and exceeds the Great Britain average (3.8%). On the wider Annual Population Survey measure of unemployment⁶ the Borough's rate is higher still at 10.2%. This is lower than the regional level (10.9%) but again exceeds the national rate of 8.1%.

3.20 In August 2012 there were 6.0 claimant unemployed workers for every unfilled job centre vacancy in the Borough. This was above the Great Britain average (4.2) but lower than that of the North East (7.2). This indicates that the

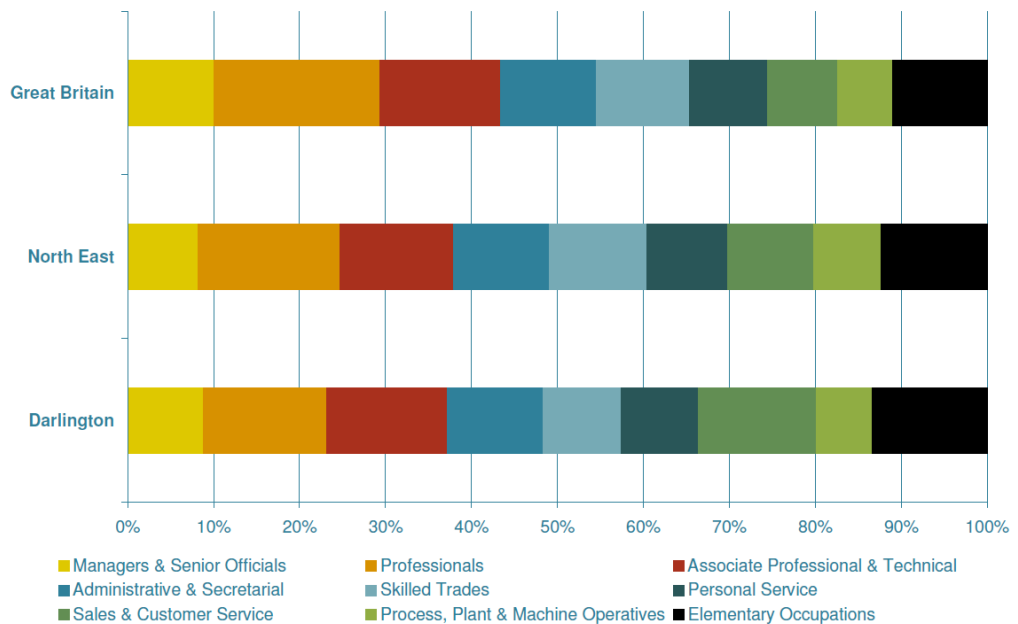
⁵ Based upon DTI data for the period 1997-2007

⁶ This records all those who are currently unemployed regardless of whether they are claiming jobseeker's allowance or not

prospects of local residents finding work are stronger in Darlington than across the region as a whole, but poorer than the national average.

- 3.21 Darlington’s resident workforce has an above average skills base when assessed within the regional context. The Borough contains a higher proportion of graduate level of workers (27.2% compared to 26.5%) and fewer workers with no qualifications (11.0% compared to 12.2%). In both instances, performance does, however, lag the national average.
- 3.22 The occupational profile of the Borough is broadly comparable with that of the North East region, although both differ from that of Great Britain. In comparison with the national average, Darlington is characterised by having fewer residents in professional and managerial jobs and higher proportions of semi and lower skilled workers (Figure 3.4).
- 3.23 Turning to the types of jobs required in Darlington, the most sought-after occupations amongst claimant unemployed workers are: elementary occupations (35%); sales and customer service occupations (20%); skilled trades (10%); and process, plant and machinery operatives (10%). A significant proportion of these workers’ needs would typically be met by manufacturing or distribution activities.

Figure 3.4 Annual Population Survey (2011/12)



Source: Occupation Breakdown of Residents

- 3.24 Resident wages in Darlington are well below (11%) the Great Britain average and marginally lower (2%) than the North East figure. Indeed, the Borough’s Economic Strategy states that Darlington has the lowest workplace and resident based earnings in all of the Tees Valley. A key aspiration for the Council and stakeholders is to address this by attracting and supporting the creation of higher value employment opportunities.

- 3.25 Darlington is ranked as the 104th most deprived local authority out of 326 in England. As such, the Borough is classified as being one of the 33% most deprived areas nationally⁷. Within the regional context, however, the area performs relatively well. Indeed, of the other 11 authorities within the North East, eight suffer from more acute levels of deprivation than Darlington.

Inward Investment

- 3.26 Quantitative data on inward investment inquiries and activity is monitored by Tees Valley Unlimited, although this cannot be disaggregated by local authority. Discussions with TVU indicated that Darlington is particularly successful in establishing strong relationships with its existing FDI client base, which often gives rise to continued investment over time. AMEC, Cummins and Deep Ocean were cited as examples of such activity.
- 3.27 The ability to forge strong relationships with FDI clients is critical to the long term health of the local economy. A number of Darlington's key employers have their HQ operations located elsewhere and, as such, could be categorised as being relatively 'footloose' with respect to their ties to the Borough. As highlighted within the Council's Economic Strategy, this leaves the local economy vulnerable to relocations should global macroeconomic conditions or local circumstances change. Continued work to strengthen 'key account' relationships with businesses and the public is a priority for DBC to ensure that FDI clients are firmly embedded within the local economy.
- 3.28 Darlington has had a number of successes in attracting new inward investment in recent years, including Argos Direct's major logistics facility (700,000sq.ft) at Faverdale. The Hitachi plant at Amazon Park, whilst beyond the Darlington BC border, was also considered by TVU to represent a recent inward investment with the potential to deliver significant supply chain and labour market benefits to Darlington.

Knowledge-based Industries

- 3.29 Knowledge-based industries are those sectors of the economy where value-added is derived from the intensity and accumulation of knowledge, often fostered through innovation and increasing use of technology. Firms within this sector tend to grow faster and have greater economic potential than other sectors. As such, the relative representation of such firms is considered an important indicator of an economy's competitiveness and future growth prospects⁸.

⁷ English Index of Multiple Deprivation (2010)

⁸ Based on definition adopted by the Organisation for Economic Co-operation and Development (OECD), includes high technology manufacturing such as pharmaceuticals, computers and aerospace, and services such as telecommunications, financial intermediation, computing and research and development

3.30 18.2% of all businesses in Darlington were classed as knowledge-based in 2010. This is higher than the regional average of 16.9% but below the national average (21.8%)⁹. This would appear to indicate that, within the regional context, Darlington has a relatively strong representation of the types of businesses that are more likely to generate future growth.

SWOT Analysis

3.31 Table 3.1 provides a summary of the analysis contained within the preceding paragraphs. In some instances, it also reflects the findings of the commercial market analysis undertaken by DTZ (and discussed later in the report).

3.32 The information is drawn together in order to identify the economic strengths and weaknesses of Darlington, as well as the key potential opportunities and threats. Clearly, all of these factors offer the potential to influence the Borough’s ability to support the delivery of, and demand for, new employment space in future.

Table 3.1 SWOT Analysis for Darlington

Strengths	Weaknesses
<ul style="list-style-type: none"> • Strong employment growth during the pre recession boom years • Resilient manufacturing industry that has delivered growth in the context of national and regional decline • Excellent connectivity via road (A1(M)) and rail (ECML) • Above average skills base • Good quality of life offer, including attractive rural villages and good schools 	<ul style="list-style-type: none"> • Severe contraction in employment since the onset of the recession • Low levels of business growth indicate poor rates of survival or retention • A number of key employers are perceived as footloose possible risk of becoming a branch plant economy?
Opportunities	Threats
<ul style="list-style-type: none"> • Existing and emerging strengths in advanced manufacturing, distribution, telehealth/telecare • Scope to build on strong levels of business formation and entrepreneurial culture • Major investment by Hitachi at Amazon Park offers potential supply chain benefits • Major mixed use investment with links to the railway station at Central Park 	<ul style="list-style-type: none"> • Competition for inward and domestic investment from neighbouring economic centres including Stockton, Middlesbrough and Newton Aycliffe • A number of employment sites are constrained by car parking and infrastructure issues

Source: NLP Analysis

⁹ UK Competitiveness Index, 2010

4.0

The Market for Employment Premises

4.1

This section provides an overview of the commercial property market within Darlington, considering the key drivers of demand and the attractiveness of the area in comparison to competing locations across the North East. The findings are based primarily upon discussions with a number of commercial agents, developers and landowners active in the area. They have been supplemented by undertaking desk based research, drawing upon websites such as EGi and Rightmove and PROMIS.

The Office Market

4.2

The UK office market has remained subdued over recent years as a continued knock-on effect from underlying economic uncertainty. While overall take-up in the regional office market increased to 86,399 sq m (930,000 sq ft), it remains below the 10 year quarterly average of 92,903 sq m (1,000,000 sq ft).

4.3

The current environment of economic constraint coupled with the number of large requirements satisfied in 2010 (and to a lesser extent 2011) means that overall regional take-up for 2012 is forecast to be subdued. Activity remains focussed on the smaller end of the market with a large proportion of deals being for accommodation under 464.50 sq m (5,000 sq ft).

4.4

Take-up remains driven by lease events such as break clauses and lease expiry, consolidation, corporate cost saving and opportunism. In most cases, tenants are only moving if they have to, or if they have the opportunity to downsize or reduce their costs. There are now an increased number of opportunistic mid-sized professional firms interested in the value and flexibility of the highly specified Grade B space available.

4.5

Despite the increasing proportion of grade B transactions, there is still an abundant overhang of grade B space available and a shortage of supply of Grade A space due to the lack of new developments, with finance and appetite for new speculative office developments having fallen away considerably since 2008. Without a pre-let in place it is unlikely that new development will be brought forward over the short and medium term.

4.6

Regional availability was essentially unchanged in Q3, given the high proportion of churn lettings and the small amount of net absorption overall.

4.7

Overall regional availability is forecast to fall from 2012 over the medium term. However, the fall in total availability is expected to be gradual due to the relatively low proportion of new entrants or expansions expected in the near term. As the amount of available stock begins to fall, headline rents will begin to increase on quality space in the best locations, with landlord incentives also reducing.

4.8

Looking specifically at Darlington, the town is a secondary office location with relatively weak demand. It has traditionally suffered from being a small

commercial market associated with poor quality office stock which is becoming functionally obsolete. This can be contrasted with locations such as Newcastle upon Tyne and Leeds which have experienced substantial rental growth over the last decade.

- 4.9 Historically, Darlington's traditional office core has been concentrated within Darlington Town Centre. However, the centrally located office stock is for the most part dated and does not benefit from onsite parking facilities. Passing rents within the town centre range between £64.58 and £96.87 per sq m (£6 and £9 per sq ft) dependent on location, age, specification and car parking provision.
- 4.10 In recent years market demand for office accommodation in Darlington has been slow and this has been reflected in poor take up rates across the town. This can in part be explained by the dearth of good quality office stock that caters for modern office occupiers.
- 4.11 There have been a number of new office developments completed in Darlington since 2004. These include Morton Palms, Faverdale and Lingfield Point.
- 4.12 Developer, City & Northern invested £10 million in the first phase of Morton Palms working with the site owners, Darlington Borough Council and ONE NorthEast. The first phase included the development of two high specification contemporary office buildings. Hackwath House extends to an approximate Net Internal Area of 3,587.88 sq m (38,524 sq ft) and is occupied by Whesoe Oil & Gas Limited. Stephenson House extends to 3,604.25 sq m (38,000 sq ft). The rents passing are £156.08 per sq m (£14.50 per sq ft).
- 4.13 Pioneer Court is the second phase of the scheme, which was completed in 2007. It comprises 12 self contained units ranging between 260.12 sq m and 473.80 sq m (2,800 sq ft and 5,100 sq ft). The units have been let at £161.46 per sq m (£15.00 per sq ft). In addition there is Pioneer House, which extends to 1,526.10 sq m (16,427 sq ft) and was formerly occupied by Infoserve Limited at a rent of £161.45 per sq m (£15.00 per sq ft).
- 4.14 Infoserve Limited has vacated Pioneer House and DTZ are currently marketing to let. The quoting rent is £161.45 per sq m (£15.00 per sq ft), although significant discounts and rental incentives are available, subject to status and lease length.
- 4.15 Following the deduction of incentives DTZ understand that current net rents at Morton Park are closer to £129.17 per sq m (£12 per sq ft).
- 4.16 Faverdale East Business Park comprises 35 hectares (86 acres) of greenfield development situated to the north of Darlington Town Centre with excellent access to both the A68 and A1 (M). The development comprises a combination of industrial and office buildings. A number of detached office blocks have been completed. Passing rents are currently in the order of £123.79 per sq m (£11.50 per sq ft).

- 4.17 Marchday's Lingfield Point, Darlington, comprises a 43.30 hectare (107 acre) business park, offering employment space from 164.59 sq m to 6,503 sq m (540 sq ft and 70,000 sq ft). It enjoys good communication links being situated close to the A66 and approximately 3.2 kilometres (2 miles) north east of Darlington Town Centre. Lingfield Point offers industrial, warehouse and office accommodation.
- 4.18 The office accommodation at Lingfield Point is situated within converted industrial units. While the units are not traditional office accommodation they are refurbished to a high specification.
- 4.19 Over the last five years Lingfield Point has become established as a key office location in Darlington, with notable deals including the letting of around 6,503 sq m (70,000 sq ft) of space to the Student Loans Company in 2008 and the recent letting of 4,388 sq m (47,232 sq ft) of space to Amec Developments Limited. Following the deduction of incentives DTZ understand that net rents are in the region of £107.65 per sq m (£10 per sq ft).

The Industrial Market

- 4.20 The North East industrial market has experienced significant changes from its traditional reliance on heavy industry of the past to today, where there is now a strong presence of domestic, international and global companies who have chosen to locate throughout the region.
- 4.21 Nissan can be seen as one of the more successful companies with their plant in Washington, Tyne & Wear now recognised as one of Europe's most productive plants and the UK's largest car producer and influencing demand for industrial accommodation across the region.
- 4.22 They continue to be a topic of discussion in the region, having secured the production runs for the Leaf and new Qashqai lines, with a projected growth in production from 2013. Whilst this is yet to transfer into take up, there are registered requirements from Nissan and their suppliers totalling 46,450 sq m (500,000 sq ft) in 9,290 sq m (100,000 sq ft) units.
- 4.23 It has also been announced more recently that they have been awarded the contract to build a new model (currently known as the Invitation). It is anticipated that this could create additional demand for 74,320 sq m (800,000 sq ft) from Nissan and Tier 1 suppliers across the region.
- 4.24 Other positives in the region include the approval of Hitachi's £4.5 billion state contract to build express train carriages. It is envisaged this will create 1,000 jobs and bring a £660 million boost to the North East economy over the next 20 years and will again have knock effects to markets across the region.
- 4.25 Q3 take-up within the North East was 47,194 sq m (508,000 sq ft). This is over three times the Q3 2011 level but represents a fall from Q2 2012 when take-up was 92,902 sq m (1,000,000 sq ft); the highest level since 2009 and over three times the average.

- 4.26 Despite being restricted by a lack of available stock, one Grade A letting was completed in Q3; CMP Products, part of British Engines, bought 79,000 sq ft of warehouse space at Nelson Park, Cramlington. Another key transaction was the letting of 22,947 sq m (247,000 sq ft) of space at Drum Industrial Estate to Simpsons Brothers Transport.
- 4.27 The North East now boasts the second lowest amount of available Grade A space in the UK at 46,451 sq m (500,000 sq ft). This should be somewhat eased over the coming months by the return to the market of 24,154 sq m (260,000 sq ft) at Fox Cover 7 and 8 as a consequence of Cumbrian Seafood's going into administration.
- 4.28 In terms of other market activity, the region has also seen a recent resurgence within the oil industry, with renewed confidence generating growth. There is a large subsea sector supplying equipment used to recover oil and gas from the seabed. Recent forecasts have highlighted an expected average growth rate of 29% over the next two years.
- 4.29 The North East subsea sector serves a global market, with presence across Europe, Africa, North and South America, the Middle East and the Far East.
- 4.30 The renewable and offshore energy sector has also played its part in encouraging growth, with the North East positioning itself as a focal point for associated business and occupiers supporting the industry.
- 4.31 Focusing on Darlington, the industrial market is focused around Faverdale to the west, Lingfield to the east and Durham Tees Valley Airport with smaller, older accommodation positioned on the northern edge of the town centre around Cleveland Street.
- 4.32 Faverdale provides ready access to the A1 and has been successful in attracting logistics businesses including distribution hubs for Argos and Aldi, along with haulier George Allinson Transport.
- 4.33 The Lingfield /Yarm Road area lies on the eastern edge of the town, bordered by the A66 and comprises a broad mix of commercial uses including office and industrial occupiers alongside retailers and a hotel. The position of this general industrial location has meant many of its businesses closely align themselves with the wider Teesside conurbation.
- 4.34 There are proposals to develop further industrial accommodation in the Lingfield/Yarm Road area, with outstanding planning permission for 12,727 sq m (137,000 sq ft) of B1 offices, 120,773 sq m (1.3 million sq ft) of warehouse and factory accommodation, 3,530 sq m (38,000 sq ft) of hybrid business units together with ancillary roadside uses including a hotel and a pub/restaurant.
- 4.35 At Durham Tees Valley Airport the estate has been developed in a piecemeal fashion and, while the obvious connection to the airport provides opportunities to attract occupiers, the estate's position equidistant between Darlington and Stockton also gives opportunity to pull in tenants.

Employment Space in Adjoining Areas

4.36 It is also important to understand the extent of available employment land in adjoining districts and any major new economic developments coming forward there which might compete with the Borough for future demand. A brief review has therefore been undertaken below of the current position in each area.

Stockton-on-Tees

4.37 Located within the Tees Valley, Stockton is situated to the east of Darlington. The largest settlement within the Borough is the town of Stockton. The Borough's ELR was undertaken in 3 stages, with the first completed in-house and Stages 2 and 3 produced by NLP and Storeys: SSP (in 2007-8).

4.38 The work identified a requirement for 340ha of general employment land over a 25 year period, with the total supply of land estimated at 909ha. In order to address this, the ELR made the following recommendations:

- One site of 31ha should be de-allocated from the Borough's employment land portfolio;
- Eight sites totalling 317.68ha should be safeguarded for restricted uses; and
- 26 sites totalling 323.2ha should be retained for employment land uses.

4.39 The ELR concludes that the restricted use sites listed in Table 4.1 should be excluded from the supply of general employment land on the basis that they are restricted for a particular purpose and represent a requirement that is over and above that identified by the demand forecasts used to estimate the future requirement for general employment land. Due to the specific nature of these sites, the ELR states that their retention will not give rise to any adverse effects in terms of over-supply of general employment land.

Table 4.1 Restricted Employment Use Sites

Site	Restricted Use	Adjusted Area (ha)
Durham Tees Valley Airport	Airport	40.35
North Tees Pools	Chemicals	93.97
Chemplex (former ICI) North	Chemicals	32.52
Sand Seals	Chemicals	71.15
Billingham Reach	Port	9.30
Casebourne Site	Port	6.17
Port Clarence	Port	39.63
Haverton Hill	Port	24.59
Total		317.68

4.40 Strong growth prospects were identified in the ELR for some of the Borough's key clusters including chemicals and process industries, renewable energy and engineering, finance and business services and logistics sectors.

4.41 The following sites were identified as being of regional or sub-regional significance:

- Wynyard (104.99ha) – important to the image of Stockton and the development of the sub-regional economy providing high quality office premises and units suitable for large scale warehousing and distribution.
- North Shore (17.94ha) – Flagship regeneration scheme that will help transform a brownfield riverside site providing a high profile, mixed-use development. Identified in the Local Plan Preferred Options (LPPO) as an EZ alongside Belasis Business Park (20.76 ha) and Seal Sands (167.63 ha).
- Port Related Development – Billingham Reach (9.79 ha), Port Clarence (11.36 ha), Haverton Hill (24.59 ha) and the Casebourne (6.17ha) site are all restricted for port related development and it is considered important to retain these.
- Potentially Polluting and Hazardous Industrial Uses – It is considered important to retain North Tees Pools (113.25 ha), Seal Sands (167.63 ha) and the Chemplex (111.69 ha) sites for potentially hazardous and industrial uses.
- Airport (84.24ha) – The study recommended that land for the development of Durham Tees Valley Airport be retained.

Hambleton

- 4.42 The Hambleton Strategic Housing and Employment Land Availability Assessment¹⁰ (SHELAA) (December 2012) states that the sites allocated in the document provide an adequate supply of employment land to 2021.
- 4.43 The SHELAA sets out that there are 122ha of employment land available across 31 sites, most of which are suitable for B1, B2 and B8 uses. However it is highlighted that some of these sites are mixed-use allocations and are therefore intended to deliver housing and recreational space in addition to employment uses. Taking out the mixed-use sites leaves around 80ha (gross) of employment land. This figure is more closely aligned with the CS requirement of 75ha employment land to 2021.
- 4.44 CS Policy CP11 states that most employment development will be encouraged to locate within the development limits of the Service Centres.
- 4.45 Policy DP16 of The Development Policies Development Plan Document (February 2008) states that support will be given to measures including:
- assisting the main industrial clusters represented in the area, particularly food, digital, biomedical and steel/engineering;
 - increasing manufacturing productivity;
 - encouraging local new and young businesses, particularly in key growth sectors such as IT, e-business, digital media and creative technology;
 - provision of high quality sites and mixed use sites; and
 - supporting the tourism sector.
- 4.46 The AMR states that the Council is delivering further targeted premises schemes aimed at high value, high skilled, growth sectors.

County Durham

- 4.47 County Durham is located to the north of Darlington. It is a large and heterogeneous Unitary Authority that until recently comprised of 7 seven separate boroughs. The ELR, produced in 2011/12 by NLP found that the supply of employment land across the County was in the order of 815ha. An assessment of future demand identified a requirement (over the LDF period) of 200-325ha, representing a clear oversupply. As such, the ELR made the following recommendations in order to bring demand and supply broadly into alignment:
- 53 sites comprising of 302ha of employment land to be deallocated;

¹⁰ An assessment listing suitable employment sites falling below the 0.3ha threshold used in the assessment is expected spring 2013.

- 3 sites totalling 227ha to be allocated as restricted use sites¹¹ and to be considered outwith the general supply of employment land due to their unique role and function; and
- 287ha of land to be retained for general employment uses; and
- A further 23-36ha of additional land to be allocated to address qualitative gaps in the supply.

- 4.48 This yields a final portfolio of 310-325ha of land, which is in alignment with the upper bounds of the identified requirement of 200-325ha of land.
- 4.49 Within South Durham – that part of the County with the strongest economic links to Darlington – key employment locations include Aycliffe Industrial Estate, Heighington Lane and NETPark.
- 4.50 Key opportunity sectors for South Durham are considered to include:
- **Advanced manufacturing:** linked to the r&d capabilities at NETPark (including the PETEC Centre) and major investment by Hitachi in the assembly of high speed trains at Heighington Lane;
 - **Energy and Renewables:** linked to research activity at PETEC – widely recognised as a world class facility for low carbon, low cost Organic Photovoltaics.
- 4.51 In addition, the ELR forecasts that South Durham will continue to be an important location for traditional industrial uses, as well as logistics and distribution. The Aycliffe Industrial Estate – one of the largest in the region – is likely to remain a key employment location for such uses.

Richmondshire

- 4.52 Richmondshire lies to the south of Darlington, within North Yorkshire. Part of the District falls within the Yorkshire Dales National Park. Whilst predominantly rural in character it is also home to Catterick Garrison – the largest British Garrison in the UK.
- 4.53 The Council's ELR was produced in 2007 by Over Arup & Partners. The work found that the District had in the order of 51ha of gross vacant land available, focused primarily in the settlements of Colburn and Catterick.
- 4.54 An assessment of demand projected a requirement for an additional 13.8ha of land (over and above that already available) over the period to 2021. In order to meet this demand, the allocation of additional land is required. The ELR recommends that this additional land should be allocated in the Colburn and

¹¹ Heighington Lane/Aycliffe Prestige: 52ha for strategic investment opportunities related to Hitachi. NETPark: 51ha for knowledge-based r&d (including 26ha to be safeguarded for future expansion). Tursdale: 124ha for the development of a rail freight facility and related activity.

Catterick areas in order to support demand arising from the expansion of the garrison and the A1 re-alignment.

- 4.55 The District's *Prosperous Communities Strategy* highlights that Richmondshire's key economic objectives include supporting growth in the following sectors: digital and creative; low carbon; and food and drink.

Competitor Locations

- 4.56 There are a number of established, emerging or potential employment sites in the wider region which will compete with Darlington for enquiries for both office and industrial accommodation in the market place. Whilst it is not possible to fully appraise each site or area, DTZ have included those sites and / or employment areas which DTZ consider are of most relevance to Darlington at a strategic level.

Teesdale Business Park, Stockton-on-Tees

- 4.57 Teesdale Business Park is located adjacent to the A66 and the Tees Barrage, extending to around 182 hectares (450 acres). The scheme was developed on the site of the former Head Wrightsons Engineering Works, with work commencing on the site in the late 1980's. At the time it was one of Europe's largest mixed-use regeneration projects. Consequently the park was received very well, soaking up the backlog of demand for space within the Teesside area,
- 4.58 The Business Park has been successful in attracting a significant number of blue chip organisations including Barclaycard, Abbey National and Churchill Insurance. In addition, a number of Government organisations have been attracted to this area including the Probation Service. Durham University also has a Stockton Campus on the Business Park.
- 4.59 Teesdale Business Park is now almost built out, with Terrace Hill's 3 Acre scheme taking up some of the last available development land.

North Shore, Stockton-on-Tees

- 4.60 Northshore comprises a 23 hectare (56 acre) mixed use regeneration scheme fronting the River Tees in Stockton. The council have drawn up a master plan for the area with an aim to deliver 167,225 sq m (1.8 million sq ft) of offices, leisure, and retail accommodation, in addition to high quality housing. The site has also been earmarked for new facilities required to expand Durham University Queen's Campus.
- 4.61 Phase one is located close to the new Infinity Bridge, which provides a pedestrian and cycle route connecting Teesdale Business Park and the University of Durham's Queens Campus. It will comprise a residential scheme creating family housing. As yet there has been no commercial development on the site.

Wynyard Park, Stockton-on-Tees

- 4.62 The Wynyard Park scheme, located just off the A19 east of Sedgfield, is set on around 280 hectares (700 acres) and has outline planning permission for 685,150 sq m (7,374,893 sq ft) of commercial employment space, of which some 90,000 sq m (968,751 sq ft) has been built out.
- 4.63 The scheme is a key emerging office location within the north east, with the capacity for an estimated 460,000 sq m (4,951,000 sq ft) of office floor space. The site has attracted a number of tenants including; Cap Gemini, SEMTA, Glamal, Amkotron, BGM Solutions, Northgate-IS, NG Bailey, In Person Ltd, Mesh Marketing, Westminster Business Centre, Balfour Beatty, Primary Care Trust, Helios, Kilmartin, Wynyard Park Ltd, Catering Design Ltd, GABA, DBA HR Solutions and SK Chilled Foods.
- 4.64 Wynyard has also become an established industrial location, with Helios having developed out 30,000 sq m (322,917 sq ft) of warehousing space. DTS Clipper has recently taken occupation of 32,143 sq m (346,000 sq ft) of new space at Wynyard, alongside the A19, for a distribution hub for George at Asda. This is an expansionary move from 13,935 sq m (150,000 sq ft) of space in Darlington.

Middlehaven, Middlesbrough

- 4.65 Middlehaven comprises a 32 hectare (80 acre) mixed use scheme situated on the south bank of the River Tees, 0.8 kilometres (0.5 mile) north of Middlesbrough Town Centre.
- 4.66 Middlehaven has been subject to a masterplan prepared by Alsop Architects. The £500 million masterplan launched by Tees Valley Regeneration, proposes the following uses:
- 2,400 homes to be built over 20 years.
 - 74,230 sq m (800,000 sq ft) of offices.
 - A campus for Middlesbrough College.
 - 46,450 sq m (500,000 sq ft) of leisure uses including a hotel/casino, Museum of Digital Media,
 - Shops, restaurants, bars and theatre.
- 4.67 To date two office buildings have been completed on the scheme. The first building to be constructed was Hudson Quay I, which is now fully occupied by the Crown Prosecution Services (CPS) and Hertel. Hudson Quay II, Middlehaven was completed in 2010 and is now occupied by Fabrick Housing group. Since the completion of these buildings development has ceased on the scheme, with developer Bioregional Quintain pulling out of the scheme

Green Lane Industrial Estate, Spennymoor

- 4.68 Green Lane Industrial estate is situated on the eastern edge of Spennymoor. Occupiers include Thorn Lighting, who constructed a new 40,000 sq m (430,000 sq ft) facility on the site in 2008. Residential development has recently been granted on around 10 hectares (24 acres) of the site.

Durham Gate, Bowburn

- 4.69 Durham Gate comprises a large mixed-use regeneration scheme in Bowburn, at Junction 61 of the A1 (M), approximately 6 kilometres (3.7 miles) south east of Durham City Centre. Once complete the 24 hectare (60 acre) business park will provide 40,877 sq m (440,000 sq ft) of offices, a hotel and family pub, 1,858 sq m (20,000 sq ft) of restaurant accommodation, 882 sq m (9,500 sq ft) of retail and 376 houses. Sedgfield Borough Homes are the first occupiers on the scheme.

Aycliffe Business Park/ Heighington Lane, Newton Aycliffe

- 4.70 Newton Aycliffe Business Park is one of County Durham's largest prestige industrial estates providing accommodation for over 200 companies, employing over 10,000 people and covering an area of 400 hectares (988 acres). The estate benefits from excellent road links, being located in close proximity to Junction 59 of the A1 (M), with access to the estate via the A167.
- 4.71 The estate is home to a number of high profile international companies manufacturing a variety of products. Occupiers include Filtronic, 3M, Electrolux Outdoor Products and Hydro Polymers. A number of the units on the estate are relatively poor quality, with selective redevelopment having taken place in recent years.
- 4.72 A key development at Heighington Lane has been the granting of outline planning permission for the delivery of approximately 130,000 sq m (1,400,000 sq ft) of warehouse/distribution space, with unit sizes from 2,787 to 92,000 sq m (30,000 to 1,000,000 sq ft). The scheme, which is known as Amazon Park occupies a 40 hectare site (100 acres). Hitachi will occupy around a third of Amazon Park, with development of a 42,700 sq m (460,000 sq ft) unit due to commence in early 2013.

Belmont Business Park, County Durham

- 4.73 Belmont Business Park is a mixed B1, B2 and B8 Business Park located adjacent to Junction 62 of the A1 (M), located approximately 2.40 kilometres (1.50 miles) east of Durham City Centre. The Park is well located in terms of road infrastructure, being situated between the A1 (M) and the A690 providing direct access to Durham City Centre.

- 4.74 Extending to around 5 hectares (11 acres), the business park is a joint venture between Helios (Belmont) Limited and Whelan Construction. It currently provides over 9,290 sq m (100,000 sq ft) of office accommodation; with occupiers include Bede plc, Capita, Home Housing Association, Indigo Software, Arnott Commercial Insurance, Waterstones, Reuben Page, Birks Sinclair and the Regional Learning and Skills Council.

Aykley Heads, County Durham

- 4.75 Aykley Heads Business Park is located north west of Durham City Centre. Access is provided from Dryburn Road (B6532), which connects with both the A691 and A167, providing good road access communications. The Business Park is in close proximity to County Hall. The Park is resident to Durham Constabulary Headquarters. Other occupiers include Sport England, North East Chamber of Commerce and Sunderland Marine.
- 4.76 A recent development at Aykley Heads is the Rivergreen Centre, which extends to approximately 3,900 sq m (42,000 sq ft). Developed using the latest sustainable construction techniques, the development has achieved an 'excellent' BREEAM rating.

Drum Industrial Estate, Chester-le-Street, County Durham

- 4.77 Drum is an established employment location, benefiting from close proximity to the A1 (M). Given its strategic location it provides easy access to Newcastle, Sunderland, Durham, Darlington and Teesside.
- 4.78 Angel Park is one of the most recent developments on the estate, comprising six high quality production/warehouse units ranging in size between 1,393.50 sq m and 2,787 sq m (15,000 sq ft and 30,000 sq ft).
- 4.79 Drum Park offers the only two large scale industrial units currently available to the market, where developers Evander Properties have two high bay warehouse units of 7,803 and 24,526 sq m (84,000 and 264, 000 sq ft). Current occupiers on Drum Park include Batleys and The Co-operative.

Fox Cover & Spectrum Business Park, Easington, County Durham

- 4.80 Fox Cover and Spectrum Business Park are situated in Seaham, County Durham. The estates were originally granted Enterprise Zone status, providing tax breaks and incentives to developers and various incentives to occupiers such as rate-free occupation. The Enterprise Zone status expired in 2005, however, the benefits for the developers were continued beyond this date provided that building contracts were signed and the developer committed to developing the whole site.

- 4.81 At Spectrum this has led to the development of six of the office buildings, providing around 25,000 sq m (275,000 sq ft) of accommodation. A further 7,200 sq m (77,000 sq ft) of accommodation is proposed. However, the incentives previously offered to occupiers in the EZ ceased in November 2005 and to date just 9,433 sq m (101,538 sq ft) of accommodation has been let. DWP Business and Enterprise North East and Durham County Council are occupiers on the scheme.
- 4.82 At Fox Cover there have been a number of industrial/warehouse units constructed by Grantside Developments. Occupiers include Robertson's Timber Kit, Yearsley and ISL Cold Storage.

Team Valley Trading Estate, Gateshead

- 4.83 The Team Valley Trading Estate occupies a strategic location adjacent to the A1 western bypass in Gateshead. It continues to be one of the prime industrial locations within the region and is largely regarded as the premier estate within the North East. Extending to approximately 275 hectares (680 acres), the estate is host to over 700 businesses, employing over 20,000 people. It competes favourably against the other estates not only around Newcastle and Gateshead, but the region as a whole.
- 4.84 Over 51,000 sq m (550,000 sq ft) of new industrial units have been built here since 1998, with major occupiers including Royal Mail, Redforrest Group, International Innovative Technologies, CB Imports, Gateshead College and Cotswold Manufacturing. There are still in excess of 20 hectares (50 acres) of land ready for development on the Estate and the demolition and redevelopment of older stock is ongoing. Planning permission was granted at the beginning of this year for Dukesway Central, providing up to 18,580 sq m (200,000 sq ft) of B2 or B8 accommodation.

Follingsby Park, Gateshead

- 4.85 Follingsby Park is situated at the heart of Tyne and Wear, central to the commercial centres of Newcastle, Sunderland, Gateshead and Washington. The Estate is situated adjacent to the A194 (M), providing good access to the A1 and A19. Around 19,500 sq m (210,000 sq ft) of industrial floorspace was built speculatively here in 2000 and a substantial amount of space has been delivered in recent years with 9,300 sq m (100,000 sq ft) completed in 2006 and 15,800 sq m (170,000 sq ft) completed in 2007. Northumbria Police have recently completed a 5,667 sq m (61,000 sq ft) unit on the Estate, with other major occupiers including, Iron Mountain, DHL, Royal Mail, Citylink, Gazelle Transport and Spark Response.

Newburn Riverside, Newcastle upon Tyne

- 4.86 Newburn Riverside is a modern business park, situated approximately 7 kilometres (4.5 miles) to the west of Newcastle City Centre. The scheme, which is a joint venture between One North East (assets have now transferred to the HCA) and Langtree, comprises approximately 92 hectares (227 acres) of serviced development land, available in plots ranging from 2 to 16 hectares (5 to 40 acres). At present there are around 42,000 sq m (460,000 sq ft) of built out accommodation, with current occupiers including DEFRA, North East Ambulance Trust, MacFarlane packaging, NHS Strategic Health Centre, Your Homes Newcastle and Stannah Stairlifts.
- 4.87 This site provides Newcastle with a major mixed office and industrial development scheme. However, while the industrial accommodation has proven popular, with a high level of demand from occupiers, the office accommodation has been less successful.
- 4.88 As part of their Core Strategy, we understand that Newcastle City Council is currently considering de-allocating part of Newburn Riverside for employment uses, with proposals for 600 homes.

Newcastle City Centre

- 4.89 Newcastle upon Tyne is the regional capital of the North East and the main office centre between Edinburgh and Leeds. Both the city centre and out-of-town office markets have benefited from strong demand over the last ten years. Despite the recent economic downturn the office market in Newcastle has held up reasonably well due to the limited availability of Grade A office accommodation and an extremely limited development pipeline.

Cobalt and Quorum, North Tyneside

- 4.90 Quorum and Cobalt Business Parks were established as part of the North Tyneside Enterprise Zone created in 1996. With some 232,000 sq m (2,500,000 sq ft) developed across the two sites, there is a significant amount of floorspace available to occupiers. Whilst their Enterprise Zone status has expired, attractive financial incentives continue to attract large corporate occupiers to the parks.
- 4.91 Cobalt is situated on a site extending to 72.92 hectares (175 acres). The development by Highbridge is the UK's largest office park and will comprise around 220,000 sq m (2.4 million sq ft) of space when complete. Current occupiers include Proctor & Gamble, Balfour Beatty, Equinox, Orange, Accenture, CBX and North Tyneside Council.

- 4.92 Quorum Business Park is situated on a site extending to around 19 hectares (48 acres). Its development has been led by Grantside in conjunction with its joint venture partner Tritax Assets Limited. It provides a high specification office environment, situated to the north east of Newcastle City Centre. Once complete it will provide around 139,350 sq m (1,500,000 sq ft) of office floorspace. Current occupiers include IBM, Kids 1st, Tesco Finance, Balfour Beatty and Convergys.

Doxford International Business Park, Sunderland

- 4.93 Doxford International Business Park, is a prestigious 50 hectare (123 acre) business park situated at the intersection of the A19 and A690, benefitting from excellent road communications. The Park was formerly a greenfield site, which was designated as an Enterprise Zone in 1990. It was developed in partnership by Sunderland City Council and Goodman Property (formerly Akeler Developments Limited), with the creation of around 125,000 sq m (1,345,000 sq ft) of office accommodation. There are around 8,000 people employed on the Park, which has several multinational occupiers including Nike, T-Mobile, EDF Energy and Barclays.

Turbine Business Park, Sunderland

- 4.94 Turbine Business Park is an 18 hectare (44 acre) site close to the Nissan car plant. It is strategically placed adjacent to the A19 and fronting the A1231 dual carriageway in Washington. The site has outline planning permission for 66,427 sq m (715,000 sq ft) of accommodation, with a mix of industrial, offices and 'hybrid' office / production units, as well as a hotel and ancillary retail. It is anticipated that Turbine Business Park will be developed as the focus for the Low Carbon Economic Area, providing opportunities for R&D and manufacturing associated with low emissions vehicles.
- 4.95 As part of the £2.5m infrastructure works, Barmston Developments has provided 0.75km of Turbine Way, the new access road to the site which has recently been completed and includes a new traffic lit junction with its intersection with Nissan Way.
- 4.96 Barmston developments, a joint venture between Wilton Developments and Clugston Estates, has secured a deal with Vantec Europe to invest £22.5 million in a 39,112 sq m (421,000 sq ft) distribution facility at Turbine Business Park. This will be the first development in the UK to get underway from the latest round of Enterprise Zones. Vantec Europe was awarded £2.7million from the second round of the Regional Growth Fund, which will support this project.

Pattinson Industrial Estate, Washington

- 4.97 Pattinson Industrial Estate comprises one of the major industrial locations in Washington. The original development dates from 1982. In recent years, however, this has been substantially added to, attracting a number of high profile occupiers including Asda and Freemans. Asda has three food distribution warehouses on the scheme and an additional warehouse for the George clothing brand. It also has a recycling unit on the scheme, with the combined units occupying around 75,000 sq m (807,000 sq ft).
- 4.98 Washington as a whole is a popular location for industrial occupiers, due to Nissan, which has attracted many supply companies to locate in the immediate area. Ferguson Transport has recently acquired a 9,290 sq m (100,000 sq ft) unit on Cherry Blossom Way, Washington, to cope with an increase in inter-site deliveries to Nissan.

Gallowfields Trading Estate

- 4.99 Gallowfields Trading Estate is the primary industrial estate in Richmondshire. The Estate is situated to the north west of Richmond Town Centre and comprises a mixed use industrial/trade counter/office development, with a wide mix of occupiers.
- 4.100 Units on the estate range in age, size and condition. The most recent development on the Estate was undertaken by Richmondshire District Council, with Mowbray House/ Jackson Court being completed in 2003. The scheme comprises a mix of office suites and industrial units.
- 4.101 Demand for space on the estate is relatively strong.

Colburn Business Park

- 4.102 Colburn Business Park is located approximately 2.4 kilometres (1.5 miles) from Richmond. It is accessed off the A6136 Catterick Road and is situated next to Catterick Garrison. Colburn is located 3.5 miles from Junctions 53 and 54 of the A1(M) (to the South East and North East respectively).
- 4.103 The Estate is made up of Bailey and Battalion Court and the Innovate! Centre. A number of plots are also available for design and build opportunities.
- 4.104 Bailey and Battalion Court Bailey provide a range of high quality suites and office buildings from 18.6 sq m to 460 sq m (200 sq ft to 4,951 sq ft). Buildings are capable of being subdivided or combined, with units available to rent or buy. Sanderson Weatherall are currently marketing existing stock and design and build opportunities on the scheme.
- 4.105 The Innovate! Centre is a purpose built centre offering meeting rooms, hot desking and office space, ranging from 18.6 to 72 sq m (200 to 780 sq ft). The property also benefits from a 35 seat conference room. The building is run by Richmondshire District Council and is aimed at attracting 'high growth'

industries such as IT consultancies, PR, marketing and digital/computer based firms.

Standard Way Business Park and Northallerton Business Park

- 4.106 Standard Way Industrial Estate and Northallerton Business Park are situated on the western edge of Northallerton, adjacent to the A167 Darlington Road. The A167 connects to the A684, which provides access to the national road network via the A1, 10 kilometres (6 miles) west and the A19, 8 kilometres (5 miles) to the east.
- 4.107 Standard Way Industrial Estate extends to around 10 hectares (25 acres) and comprises a mix of trade counter and other quasi-retail uses amongst more traditional B1, light industrial and manufacturing occupiers. There are also a number of B8 uses. Units range in size from 46 sq m (500 sq ft) upwards.
- 4.108 Northallerton Business Park is a 7 hectare (18 acre) mixed use site.

Stokesley Business Park

- 4.109 The site provides 9 hectares (22 acres) of office, industrial and distribution accommodation. Units on the Estate typically range in size from around 46 to 929 sq m (500 to 10,000 sq ft).
- 4.110 We are aware that an outline planning application was granted in August 2011 for the development of 7,103 sq m (76,460 sq ft) B1 offices and 1,021 sq m (11,000 sq ft) of industrial accommodation. We understand that a revised site layout is currently being prepared by the applicant and development has not yet commenced on site.

Leeming Bar Industrial Estate and Business Park

- 4.111 Leeming Bar Industrial Estate is located adjacent to the A1, 3.2 kilometres (2 miles) east of Beale and 9 kilometres (6 miles) west of Northallerton, at the junction with the A684. Scotch Corner and the A66 are located around 20 kilometres (13 miles) to the north.
- 4.112 The estate has been developed for a variety of manufacturing and service industries and is identified by Hambleton Borough Council as a key location for investment in the food sector. Existing occupiers include Dalepak, R & R Ice Cream and Vale of Mowbray
- 4.113 To support further development within this sector, 70% the Estate has been allocated for use by food and food related businesses. To support this, Hambleton Borough Council has developed the Food Enterprise Centre. The Food Enterprise Centre offers 2,062 sq m (22,200 sq ft) of lettable space split between 11 individual and affordable units. With the premises ranging in size from 112 sq m (1,200 sq ft) to 279 sq m (3,000 sq ft), they provide the ideal accommodation for both growing and start up businesses

Thirsk Industrial Park

- 4.114 Thirsk Industrial Park is located on the edge of the market town of Thirsk. It is situated adjacent to the A19/A168 dual carriageway, which connects to the A1 (M) approximately 9 kilometres (6 miles) to the south west.
- 4.115 The Estate extends to around 14 hectares (35 acres) and comprises a mixed use light industrial/trade counter/office business park. Units range in size from 93 sq m (1,000 sq ft) upwards. Current occupiers include Teleware, Royal Mail, Scania, Jewson and North Yorkshire Police.

5.0

Review of Current Employment Sites and Premises

Our Approach

5.1

This section of the report provides an assessment of Darlington's current portfolio of employment land to determine its suitability to meet future employment development needs. A total of 35 sites were identified by the local authority for review. These were made up of:

- Existing employment sites currently in use, a number of which contain undeveloped areas of land which would offer potential for the site's expansion; and
- Sites identified within existing local plan documents where existing allocations specifically identify their suitability for B1, B2 or B8 uses.

5.2

The assessment of all sites involved site inspection and a criteria-based appraisal to determine its suitability for differing types of employment uses and its likely attractiveness to the market. The assessment criteria applied are listed below:

- Strategic road access (proximity to motorway or trunk road);
- Local road access (quality of existing access to main roads);
- Proximity to urban areas and access to labour and services;
- Compatibility of adjoining uses;
- Site characteristics and development constraints;
- Market attractiveness; and
- Planning and sustainability factors.

5.3

Each site was assessed against these criteria and given a score between 1 (poor) and 5 (excellent). Information and scoring for each site, along with comments to explain how scores are achieved can be found on individual site assessment sheets that are appended to this report.

5.4

Overall scores for each site were then totalled and used to rank sites, and then broadly group them into categories of poor, average and good quality. It should be emphasised that these rankings and categorisations are purely indicative to provide an estimation of the overall quality of the existing supply of sites and to allow identification of potential opportunities for further expansion over the plan period. It should be further noted that while these site rankings give a good indication of a site's quality and suitability for employment use, they do not reflect potential unknown abnormal development constraints and the suitability of a site for employment use can vary considerably dependent upon the specific use proposed. For instance, not all businesses require a site which performs well against each of the criteria detailed above.

Overview of Sites

- 5.5 Table 5.1 contains a summary of the headline information relating to each site. This includes details of: gross site area (as measured in hectares), the amount of available land within each site as identified through our site inspection; and an adjustment from gross available land to net available land (to reflect land actually available to bring forward new development). It should be noted that the information contained within this table in respect of site areas and available development land is based DTZ's own site inspections and have been calculated by measurement using ESRI ArcView. It should therefore be treated as a guide only.
- 5.6 In terms of the adjustments from gross areas to net areas, DTZ have assumed that greenfield development sites would have a gross to net adjustment of 80% to reflect the need to provide all site infrastructure including roads and services and to provide a barrier and buffer to adjoining land uses. For those sites situated within the urban area of Darlington that comprise previously developed land or are within established employment areas, a gross to net adjustment of 90% has been assumed.
- 5.7 The table below summarises the portfolio of sites that have been considered within this report:-

Table 5.1 Available Employment Land

Site Reference	Site Name	Gross Site Area	Available Land	Gross to Net Adjustment	Net Available Land
1	Faverdale Reserve	177.82	177.82	80%	142.26
2	Faverdale East Business Park	65.49	40.47	80%	32.38
3	Faverdale Industrial Estate	59.06	12.68	90%	11.41
4	Drinkfield	16.99	4.44	90%	4.00
5	Longfield Road	1.89	0	90%	0.00
6	Meynell Road	13.58	0	90%	0.00
7	Central Cross Town Routes	11.27	1	90%	0.90
8	North West Town Centre Fringe	8.78	0	90%	0.00
9	Cleveland Street	14.59	0.9	90%	0.81
10	Albert Hill	16.02	2.08	90%	1.87
11	South East Town Centre Fringe	1.77	1.77	90%	1.59
12	East of Town Centre	71.02	0	90%	0.00

13	Central Park	26.28	2.4	90%	2.16
14	Barton Street	1.33	0	90%	0.00
15	Blackett Road	5.01	0	90%	0.00
16	Red Barns Way	12.00	0	90%	0.00
17	McMullen Road	9.72	7.35	90%	6.62
18	Banks Road	9.69	0.8	90%	0.72
19	McMullen Road Open Space	2.85	0	90%	0.00
20	McMullen Road East	6.32	6.32	90%	5.69
21	Lingfield Point	45.01	8.36	90%	7.52
22	Yarm Road Industrial Estate	74.72	8.23	90%	7.41
23	Yarm Road South Extension	40.80	40.80	90%	32.64
24	Yarm Road South	34.69	0	90%	0.00
25	Morton Park	14.98	0	90%	0.00
26	Morton Palms	11.9	9.09	90%	8.18
27	Yarm Road North	38.2	38.2	80%	30.56
28	Durham Tees Valley Airport North	66.03	12.69	90%	11.42
29	Durham Tees Valley Airport South	39.30	39.3	80%	31.44
30	Durham Tees Valley Airport Extension	18.80	18.8	80%	15.04
31	Heighington Lane North	5.67	5.67	80%	4.54
32	Heighington Lane South	8.02	8.02	80%	6.42
33	Aycliffe	15.33	0	90%	0.00
34	Mowden Hall	3.42	0	80%	0.00
35	Northern West Park	13.00	13.00	80%	10.40
Total		1,016.26	460.19		375.96

Source: DTZ Analysis

5.8

It can be seen from Table 5.1 that the existing portfolio of sites identified by Darlington Council comprises of 35 sites and extends to a total of 1,016.26 hectares (of which the gross available area is approximately 460.19 hectares).

Based on our gross to net adjustments, this is estimated to correspond to a net developable area of **375.96 hectares**.

- 5.9 The following paragraphs provide a short summary assessment of each site. This should be read in conjunction with the site proforma appended to this report.
- 5.10 **Faverdale Reserve** (ELR1) comprises a substantial area of greenfield development land located to the north of the existing Faverdale Estate and adjacent to the A1. This land comprises a substantial part of the overall portfolio of land available within Darlington and as a result, significantly distorts the overall supply of land and the figures reported above. Part of the land situated along its southern boundary has been provided with access directly from Rotary Way, however, the majority of land remains unserviced agricultural fields which are unlikely to come forward until other parts of the Faverdale Industrial Estate has been developed out. Were it to come forward for development in its entirety it would represent a significant urban extension to the town of Darlington.
- 5.11 Previous interest in a small part of the site has been for the construction of a data centre, however, no formal planning application has been granted. Were development to take place in this location DTZ would expect it to focus on the key growth sector of logistics (and by association storage).
- 5.12 **Faverdale East Business Park** (ELR2) comprises land adjoining the Argos Distribution Centre situated at the north eastern corner of Faverdale and adjacent to the East Coast Mainline. Much of this land again comprises greenfield sites which are provided with road access. Were this land to come forward for employment uses, it would likely be in the form of mixed B1, B2 and B8 uses and focused on the key growth sectors of advanced manufacturing and logistics
- 5.13 **Faverdale Industrial Estate** (ELR3) represents one of the most important employment locations within Darlington and is one of the most established of the industrial estates within the town. It comprises a mix of uses and a number of notable occupiers including George Allison Transport. There remains developable land within the estate and the amount of available land has increased as a result of recent demolitions of older stock at the southern area of the estate. It is most likely that these demolitions have resulted as the premises have reached the end of their economic life and the imposition of vacant rates liabilities has meant that they no longer represent viable employment space. Were further land to come forward for employment uses, it would likely be in the form of mixed B1, B2 and B8 uses and focused on the key growth sectors of advanced manufacturing and logistics.
- 5.14 **Drinkfield** (ELR4) comprises land within the Harrogate Hill area of Darlington, adjacent to Faverdale East, albeit separated from Faverdale by the East Coast Mainline. It is therefore a 'stand alone' employment location that is bordered to the east by the East Coast Mainline, to the south and west by residential development and to the north by agricultural land. It is accessed only by the

local highway network and does not have direct access to the major regional road infrastructure. DTZ would not see this land as key to delivering development within any of Darlington's key growth sectors.

- 5.15 The next site is situated at **Lingfield Road** (ELR5), to the south of Drinkfield and again in the Harrogate Hill area of Darlington. Whilst an established employment location, it is surrounded on all sides by residential and is again accessed only by the local road network. DTZ would not see this land as being key to delivering development within any of Darlington's key growth sectors.
- 5.16 ELR6 and ELR7 are both located off **Mendel Road** and adjoin the Bishop Auckland branch line railway. Both are established employment locations and comprise a mixture of traditional B1, B2 and B8 accommodation, along with larger bulky goods retailing space. Accessible via North Road, they are well suited for these quasi retail uses and for those businesses whose customer base is focused around the town centre. DTZ see these sites as having potential for further intensification of existing B1, B2 and B8 uses supplemented by other ancillary uses as required, however, do not view them as being key to delivering development within any of Darlington's key growth sectors.
- 5.17 The area known as **North West Town Centre Fringe** (ELR8) comprises a mix of uses and links Darlington's town centre with suburban residential areas. Existing uses comprise a mixture of retail and employment space, along with residential use, but without a single individual focus point. The area should not be considered a priority for future expansion of B1, B2 or B8 uses, given other land in the portfolio and DTZ would not see this land as key to delivering development within any of Darlington's key growth sectors.
- 5.18 The **Cleveland Street Industrial Estate** (ELR9) is an established employment area and one of the Borough's older estates. It comprises a range of businesses and appears well occupied and likely to prove popular with businesses looking for better value accommodation, within easy reach of Darlington Town Centre. The site is immediately accessed by North Road and is bordered by the River Skerne and East Coast Mainline, which will prevent significant future expansion. There is currently a limited amount of available development land within the estate, however, DTZ consider this site as having medium to long term potential for further intensification of existing B1, B2 and B8 uses supplemented by other ancillary uses as required.
- 5.19 Similarly, the **Albert Hill** industrial area (ELR10) is an older industrial/employment area within the town. Whilst access comes via McMullen Road, accessibility is poor overall in comparison to other employment areas of the town. The site is bordered by the River Skerne, the East Coast Mainline and residential uses, thereby preventing significant future expansion. There is a limited amount of available land identified within the estate.
- 5.20 **The South East Town Centre Fringe** (ELR11) is land lying at the southern periphery of Darlington Town Centre adjacent to the Dolphin Centre and Town

Hall. These areas of land currently comprise car parking that had previously been identified for office development and which in part are to be included within the Terrace Hill proposals for the development of a cinema and leisure complex at Feethams. This site is seen as key to further growth of the town centre and employment growth is likely to be focused on B1 office development that could support growth in telehealth/telecare and the higher value office support functions of the subsea technology and advanced manufacturing industries.

- 5.21 **The East of Town Centre** (ELR12) comprises a mixed use area incorporating a range of employment, leisure and residential uses as well as some civic property. The area currently has limited specific focus. A masterplan has been prepared which sets out a vision for future development of the area and it is clear that this area will, over time, provide an important link between developments in the town centre and developments at Central Park (ELR13) and wider areas of the town. It is also recognised that this area contains Darlington's main railway station (Bank Top) and as such represents an important gateway into Darlington for those arriving into the town. As with the above, this area is seen as key to further growth of the town centre and any employment growth is likely to be focused on B1 office development that could support growth in telehealth/telecare and the higher value office support functions of the subsea technology and advanced manufacturing industries.
- 5.22 **Central Park** (ELR13) lies to the east of the Town Centre Fringe and East Coast Mainline and represents one of the most important strategic development sites within Darlington. At present Central Park incorporates the new Darlington College and Teesside University campuses and a wider masterplan shows a combination of office and residential development to be brought forward in phases. This development will represent one of the more significant growth areas for the town over the plan period and will be important for bringing forward future economic growth with employment development focused on B1 uses.
- 5.23 **Barton Street Industrial Estate** (ELR14) lies to the south of Albert Hill and adjoins McMullen Road. The site is again one of the more established employment areas of Darlington. However, the age of buildings, the estate's position (sandwiched between residential developments) and its access to the surrounding road network mean that it is unlikely that the estate would suit the requirements of modern occupiers. DTZ do not see this land as being key to delivering development within any of Darlington's key growth sectors.
- 5.24 **Blackett Road** (ELR15) incorporates the Lefarge Cement Works along with two retail warehouses occupied by Wickes and Asda. The site is therefore fully developed and provides limited immediate opportunity for further employment space. DTZ do not see this land as being key to delivering development within any of Darlington's key growth sectors.
- 5.25 The land situated at **Red Barns Way** (ELR16) is occupied by AMEC for their training facility and DTZ understand it is to become the home of Darlington Council Depot for large vehicles including Highways Teams following their

relocation from Central Park. The site is also home to the Varley's Grain Processing Plant. Overall, whilst the site is not intensively occupied, it is fully developed at the current time with limited immediate opportunities for large scale employment development. DTZ do not see this land as being key to delivering development within any of Darlington's key growth sectors.

- 5.26 The land that adjoins **McMullen Road** (ELR17) has been developed at its eastern end to provide two car showroom facilities, with the remainder comprising undeveloped land currently available for sale. The prominent position alongside McMullen Road and adjoining the existing employment space off Banks Road means that this site is likely to have potential for employment development, notwithstanding restrictions brought about by current market conditions. Its position means that it is within easy access of the town centre to the west and east out of Darlington, towards the wider Tees Valley urban area.
- 5.27 **McMullen Road Open Space** (ELR19) also adjoins McMullen Road and has been developed to provide car showroom facilities with the only remaining available land comprising a narrow parcel immediately adjacent to McMullen Road. It is not considered that this site represents a strong opportunity for immediate development. DTZ would not see this land as key to delivering development within any of Darlington's key growth sectors.
- 5.28 **McMullen Road East** (ELR20) comprises land adjacent to the wider Lingfield Point development and is accessed off Banks Road and lies immediately opposite the existing **Banks Road Industrial Estate** (ELR18). The site is, however, only accessed through the Lingfield Point development and with significant further land already available within the scheme, it is not considered that this provides a key priority in terms of development opportunities during the plan period. DTZ do not see this land as being key to delivering development within any of Darlington's key growth sectors.
- 5.29 Within **Lingfield Point** (ELR21) itself, work remains ongoing in relation to the conversion and part new build of the large former factory complex, with the greatest area for expansion located at the eastern extent of the Lingfield Point site. This development represents one of the most important employment areas within Darlington and should be a key priority for promoting further employment generating uses through the plan period.
- 5.30 As with Lingfield Point, the **Yarm Road Industrial Estate** (ELR22) comprises one of the most important employment areas of the town and has been identified through our consultation as one of the most popular for a range of occupiers. The estate has been developed in a piecemeal fashion and comprises a range of property and occupiers. Some demolition has taken place in recent years providing small parcels of land within the estate itself but the main area for growth lies to its south western corner adjoining Yarm Road.
- 5.31 **Yarm Road South** (ELR24) lies to the south of the existing Yarm Road Industrial Estate and comprises three large premises each under single occupancy. Beyond these three occupiers, there is a significant amount of

expansion land available (ELR23) which runs to the south and adjoins the Tees Valley Railway line. This land is currently undeveloped and, given its size, represents one of the most significant contributors to the scale of available employment land supply within Darlington. Development at this site could support growth across the key growth sectors of subsea technology, advanced manufacturing and logistics.

- 5.32 **Morton Park** (ELR25) comprises a retail led mixed use development anchored by a Morrisons supermarket and prominently situated at the corner of Yarm Road and the A66. The area provides limited opportunities for immediate development without impacting upon the existing occupiers within the scheme.
- 5.33 **Morton Palms** (ELR26) represents one of Darlington's major out of town office developments, the first two phases of which have proved successful in attracting occupiers. Latter phases have not been brought forward as a result of the significant decline in economic conditions. The site therefore provides significant opportunity for future expansion, subject to improvements in market conditions and focused on B1 office development that could support growth in telehealth/telecare and the higher value office support functions of the subsea technology and advanced manufacturing industries.
- 5.34 At the corner of the A66 and McMullen Road lies **Yarm Road North** (ELR27) which has been branded Link 66 and promoted as a major growth area for future employment development. Its position adjacent to the major regional highway infrastructure means it is well placed for connectivity to both Darlington and the wider Tees Valley and notwithstanding market conditions should prove popular in the long term for employment development. As it is an undeveloped site, it is another major contributor to the scale of supply of employment land within Darlington and any development would likely provide a mix of B1, B2 and B8 uses including within the key growth sectors of subsea technology, advanced manufacturing and logistics.
- 5.35 ELR28, ELR29 and ELR30 are all associated with **Durham Tees Valley Airport** and their success is predicated on the long term growth and expansion of the Airport. ELR28 comprises the existing employment development in and around the airport and incorporates a range of occupiers. Further opportunities for expansion within the estate remain. **Durham Tees Valley Airport South** (ELR29) lies immediately to the south of the Airport runway and can only be accessed through the Airport itself or over land within Stockton on Tees. In isolation, this site presents no significant opportunity for employment development. Finally, the **Airport Expansion Land** (ELR30) lies to the north of the runway and to the west of the existing Airport Terminal and comprises agricultural land available for immediate development. This site presents direct access to the surrounding regional road network. Development in these locations is likely to be focused on the growth of the airport and provide opportunity to support growth in (amongst other uses) air freight/logistics.
- 5.36 **Heighington Lane North** (ELR31) and **South** (ELR32) are located on the southern edge of the Aycliffe Industrial Estate. ELR31 forms part of the existing allocation for Amazon Park which is to incorporate the new Hitachi

train factory, and DTZ understand from local agents that there are ongoing discussions to expand the Amazon Park scheme which may include ELR32 should expansion come forward to the south. It is therefore likely that these sites will be developed out for uses related to the Hitachi plant and its associated supply chain.

- 5.37 To the north of ELR31 and ELR31 is located **Aycliffe Industrial Estate** (ELR33) which comprises an established employment area that has been developed in a piecemeal fashion to provide a range of property and occupiers. The estate appears well developed out with limited opportunities for immediate substantial employment development.
- 5.38 **Mowden Hall** (ELR34) is located within the Cockerton area of Darlington on the town's western fringe. The area is an established residential location and the occupation of this property by the Department of Education is somewhat anomalous given surrounding land uses. DTZ understand that there is potential for the existing occupier to relocate and alternative proposals have been considered for the site including residential development and the development of a Free School. DTZ therefore consider that there is no current opportunity for further employment development within this site and were the property to be vacated by the Department for Education then its redevelopment would almost be certainly for an alternative non B1, B2 or B8 use and in particular residential.
- 5.39 **Northern West Park** (ELR35) is located on the north western fringe of Darlington, adjacent to the A1/A66 junction, and forms part of the next phase of development within the West Park urban extension. DTZ has been advised by the Council that this next phase of develop is to incorporate 700 houses alongside employment development and this development is intended to focus on high quality office uses to meet a perceived shortfall in this type of accommodation. At present the site comprises agricultural land. Employment development focused on office use could indeed contribute to a shortfall in this form of accommodation and DTZ consider it may be suitable for satisfying requirements from SMEs. Subject to the scale and layout of buildings to be brought forward the site could also be suitable for the key growth sectors of telecare or the high value elements of the subsea sector.
- 5.40 Overall, Darlington's portfolio of employment sites comprises a wide variety of land with varying opportunities for future development and that offers the scope to meet the needs of the potential growth sectors identified by DBC. The principal employment areas where development should be encouraged are centred on Faverdale to the west, the town centre, town centre fringe and Central Park and around Yarm Road and Lingfield Point on the eastern fringe of Darlington.

Available Development Land

- 5.41 The following paragraphs give further consideration to the areas that have been identified as available employment land within Table 5.1. In particular they provide a summary of the quality of this land and its suitability for future

employment development over the plan period. Table 5.2 outlines, for each site: the quantity of available land; site appraisal score; and overall assessment of quality.

Table 5.2 Appraisal of Available Land

Site Ref.	Site Name	Gross Site Area	Gross Available Land	Net Available Land	Site Score	Rank
3	Faverdale Industrial Estate	59.06	12.68	11.41	91%	Good
27	Yarm Road North	38.20	38.20	30.56	91%	Good
21	Lingfield Point	45.01	8.36	7.52	89%	Good
22	Yarm Road Industrial Estate	74.72	8.23	7.41	89%	Good
26	Morton Palms	11.09	9.09	8.18	89%	Good
13	Central Park	26.28	2.40	2.16	86%	Good
11	South East Town Centre Fringe	1.77	1.77	1.59	83%	Good
17	McMullen Road	9.72	7.35	6.62	80%	Good
18	Banks Road	9.69	0.80	0.72	80%	Good
23	Yarm Road South Extension	40.80	40.80	32.64	77%	Average
2	Faverdale East Business Park	65.49	40.47	32.38	76%	Average
31	Heighington Lane North	5.67	5.67	4.54	74%	Average
9	Cleveland Street	14.59	0.90	0.81	71%	Average
7	Cross Town Route	11.27	1.00	0.90	71%	Average
32	Heighington Lane South	8.02	8.02	6.42	71%	Average
35	Northern West Park	13.00	13.00	10.40	66%	Average
1	Faverdale Reserve	177.82	177.82	142.26	66%	Average
20	McMullen Road East	6.32	6.32	5.69	63%	Average
10	Albert Hill	16.02	2.08	1.87	57%	Poor
28	Durham Tees Valley Airport North	66.03	12.69	11.42	57%	Poor
30	Airport Extension	18.80	18.80	15.04	57%	Poor
4	Drinkfield	16.99	4.44	4.00	54%	Poor
29	Durham Tees Valley Airport South	39.30	39.30	31.44	37%	Poor

Source: DTZ Analysis

5.42 Within the above table the available sites can be grouped into three categories based upon their site score and quality.

5.43 It can be seen from the table that 9 sites, comprising 76.17 hectares of net available land, were identified as being of good quality. These sites (listed below) should be considered important employment locations and should form the basis for Darlington's future portfolio of employment land:

- Faverdale Industrial Estate;
- Yarm Road North;
- Lingfield Point;
- Yarm Road Industrial Estate;
- Morton Palms;
- Central Park;
- South East Town Centre Fringe;
- McMullen Road; and
- Banks Road.

5.44 9 sites were identified as being of average quality. These sites, which account for a total of 236.04 hectares of net available land, are listed below:

- Yarm Road South Extension;
- Faverdale East Business Park;
- Heighington Lane North;
- Cleveland Street;
- Cross Town Route;
- Heighington Lane South;
- Northern West Park;
- Faverdale Reserve; and
- McMullen Road East.

5.45 These sites all contain some qualitative or locational attributes that would be attractive to prospective occupiers, although in some instances this is offset by particular issues that could make delivery challenging. It is important that all sites are considered within the context of the Borough's existing quantitative oversupply of land and the need to ensure a balanced portfolio of sites. Against this backdrop, these sites are considered to be less important than the Borough's 'good' sites. The study team's approach to identifying the future portfolio of land for Darlington was to prioritise the retention of the good sites and then to retain as many average sites as possible, whilst aiming to ensure an appropriate balance within the supply with respect to: site typology; location; and cost.

5.46 5 sites, relating to a total of 63.77 hectares of net available land, were identified as being of poor quality. Each of the sites scored poorly against a

number of the appraisal criteria, and/or was identified as having significant barriers that would constrain the future delivery of employment premises.

These sites are listed below:

- Albert Hill;
- Durham Tees Valley Airport North;
- Airport Extension;
- Drinkfield; and
- Durham Tees Valley Airport South.

Overview of Premises

- 5.47 This section of the report looks at the quantum of existing employment premises across Darlington, to understand fully the total amount of accommodation, its composition and its distribution across the town. This section will also look at annual take up of premises and the level of accommodation currently vacant to consider how well existing accommodation is meeting current market demands and could adapt to future changes in market conditions.

Approach to Analysis:

- 5.48 For the purpose of this analysis DTZ have used data from the Valuation Office Agency on the number of rateable hereditaments (that is to say, the number of properties identified by the Valuation Office Agency (VOA) as being “rateable”) and the total amount of commercial floorspace by property type.
- 5.49 It is a legal requirement that the rateable values of all non-domestic properties are revalued every five years. The latest revaluation occurred in April 2010 and the VOA notes that the changes occurring for each revaluation have a significant and unavoidable impact on the continuity of the statistics between valuation dates. It is therefore necessary to treat with caution the statistics for each valuation cycle when comparing them directly to the datasets from the immediately preceding period. Nevertheless, it is considered that the comparison between these datasets provides an indication of the trends of both rateable hereditament numbers and floorspace.
- 5.50 The total number of rateable hereditaments provides an indication of the total stock of premises in the market and can be analysed over time to identify the net addition (or reduction) in stock over this period. It should be noted that this does not account for the quality of space, nor does it take account of changes in vacancy rates.
- 5.51 In considering this data DTZ have also utilised an analysis of hereditaments across local authorities which was published by the Office for national Statistics (ONS) between 1999 and 2008 (the last date for which this analysis was published). DTZ have then updated this same analysis for today’s date. It should be noted that the approach of DTZ is based upon the same approach

used by ONS; however, comparison between the studies should only be taken as a guide due to the limitations of the VOA data as referred to above.

Offices

- 5.52 Looking firstly at office accommodation within Darlington, the first analysis undertaken by DTZ considers how the total number of office premises has changed between 1999 and 2008. This analysis is presented for Darlington and the immediately surrounding local authorities.

Table 5.3 Total Premises (1999-2008)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Change	%
Darlington	519	530	538	533	536	535	531	544	591	586	67	13%
Stockton on Tees	662	712	742	778	785	806	789	838	861	903	241	36%
Durham	1518	1519	1607	1690	1728	1806	1729	1869	2083	2151	633	42%
Richmondshire	172	167	177	188	191	200	191	205	217	244	72	42%
Hambleton	412	419	436	455	460	468	472	485	516	574	162	39%
Middlesbrough	823	821	811	805	816	814	797	779	763	761	-62	-8%
Hartlepool	235	250	254	257	254	256	242	282	281	286	51	22%
Redcar & Cleveland	400	434	467	467	512	523	493	494	494	501	101	25%
Total	4741	4852	5032	5173	5282	5408	5244	5496	5806	6006	1265	27%

- 5.53 As can be seen from Table 5.3 the number of office premises in Darlington has grown less than the regional average over the period, recording a relatively low level of growth. Whilst conclusions cannot be drawn from one data set alone this does seem to indicate a market that is stable and meeting the latent requirements being generated within the town.
- 5.54 The largest growth in office premises can be seen within both Stockton and Durham. These markets became dominated during this period by Enterprise Zones that encouraged large scale development through a myriad of tax incentives that divorced the construction of accommodation from market demand. As such the relationship between the supply of accommodation and market requirements became somewhat distorted.
- 5.55 Table 5.4 draws upon the same data sources in order to compare changes in the total amount of office accommodation across the eight local authorities.

Table 5.4 Total Floorspace 1999-2008 ('000 sq.m)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Change	%
Darlington	140	163	161	161	162	169	167	177	185	185	45	32%
Stockton on Tees	212	246	247	264	276	281	271	285	296	298	86	41%
Durham	334	411	426	434	445	452	441	521	524	532	198	59%
Richmondshire	20	20	22	22	22	24	21	24	26	32	12	60%
Hambleton	74	85	89	94	96	97	97	105	106	113	39	53%
Middlesbrough	243	300	289	281	289	289	286	286	292	290	47	19%
Hartlepool	70	77	78	80	81	80	75	78	78	78	8	11%
Redcar & Cleveland	77	153	157	158	165	159	148	150	151	151	74	96%
TOTAL	1170	1455	1469	1494	1536	1551	1506	1626	1658	1679	509	44%

5.56 As can be seen from Tables 5.3 and 5.4, the total amount of office accommodation (in floorspace terms) within Darlington grew at a faster rate than the number of premises. This would indicate a move towards slightly larger premises, perhaps replacing outdated or outmoded older stock. The growth in accommodation within Darlington was, however, below the average across the eight local authorities that were again dominated by Durham and Stockton.

5.57 The above analysis identifies key historic changes in the local market. However, it is also important to consider the current market conditions. DTZ have used the same approach adopted by ONS used in compiling the above statistics in order to establish the total number of office premises and amount of accommodation within Darlington, as at the study date. This again uses the total number of rateable hereditaments as recorded by the VOA.

Table 5.5 Darlington Office Accommodation (2012)

Total Premises	618
Total Floor space	169,379 sq m
Avg. Unit Size	274 sq m

5.58 As shown in the above tables, the total number of premises has risen 5.5% over the last 4 years between 2008 and 2012, whilst total accommodation has fallen to 169,379 sq m (1,823,240 sq ft). This gives an average unit size of 274 sq m (2,949 sq ft).

5.59 This average unit size appears to be broadly consistent with a market of this size. However, in order to consider this data further, Table 5.6 shows the distribution of office premises based on size bands. As can be seen, over half of all premises are 100 sq m (1,076 sq ft) or less with the majority concentrated in the range of 11 sq m to 100 sq m (118 sq ft to 1,076 sq ft)

Table 5.6 Darlington Office Accommodation (2012)

	Size (sq m)								
	0 10	11 25	26 50	51 75	76 100	101 200	201 500	501 1000	1001+
No. Premises	16	98	106	59	55	135	98	23	27

5.60 The concentration of office sizes shown above is indicative of a market comprising primarily of small - and one can assume older - office accommodation with the average unit size distorted by a small number of very large premises. Whilst new build development has gone some way to redressing this balance and driving up the average unit size over the last 10 years, the market does still appear to be distorted towards smaller stock and this may need to be addressed in new build development to be able to cater for the future needs of key growth sectors including the office based support functions for the subsea technology and advanced manufacturing industries, as well as telehealth.

5.61 The distribution of office accommodation within Darlington (on the basis of postcode sectors) is considered in Table 5.7 in order to better understand the key market locations within the Borough and the extent to which this is in alignment with the locational requirements of modern occupiers.

Table 5.7 Location of Office Accommodation

Postcode	Count	Avg. sq m
DL1 1	138	306
DL1 2	12	94
DL1 3	3	189
DL1 4	65	787
DL1 5	124	118
DL2 1	25	39
DL2 2	2	136
DL2 3	3	87
DL3 0	40	182
DL3 6	11	1393
DL3 7	168	143
DL3 8	19	50
DL3 9	7	1476

5.62 The data clearly shows that the majority of office accommodation is concentrated in locations in and around the town centre. When considered alongside the size range discussed previously, this would again points towards the prevalence of small, older stock that will most likely be formed above shops and the subdivision of larger premises.

- 5.63 Overall, a clear picture of the Darlington office market emerges as one that is dominated by small, older spaces concentrated around the town centre, with larger, more modern premises making up a small but noticeable proportion of total stock and concentrated in peripheral locations. Such a spread of office accommodation will typically be suitable for servicing the needs of small and medium sized business within the town, although it may present barriers to attracting larger new business to the Borough and also meeting the growing needs from Darlington's key economic growth sectors.

Office Take Up

- 5.64 Having considered the current supply of accommodation within Darlington, it is important to supplement this with an analysis of the level of office accommodation typically transacted each year. Data published by Estates Gazette (EGi) has been used to inform the analysis undertaken by DTZ and presented below.
- 5.65 The EGi database compiles data on office leases directly from office agents. Their database shows that between 2004 and 2012 average take up of office accommodation in Darlington was 4,794 sq m (51,603 sq ft) per annum with take up in 2012 amounting to 5,593 sq m (60,203 sq ft). It should be noted that, as with any analysis of this type, average figures will be distorted by the occasional large transaction.
- 5.66 The EGi database also records office property currently available within Darlington. Currently listed are office premises totalling 22,072 sq m (237,594 sq ft). This equates to approximately 13% of total stock and, based upon long term averages, indicates that there is currently in the order of 4.6 years supply available.

Warehouses

- 5.67 The following paragraphs consider existing supply of warehouse premises within Darlington. This category as defined by the VOA includes a wide range of industrial accommodation from large distribution depots through to showrooms and small storage premises.
- 5.68 Table 5.8 provides a summary of ONS data regarding the change in the total number of warehouse premises in the Borough between 1999 and 2008. This is benchmarked against data for the seven neighbouring local authorities.

Table 5.8 Total Premises (1999-2008)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Change	%
Darlington	379	382	389	390	392	386	419	442	431	426	47	12%
Stockton on Tees	406	408	407	418	420	409	150	164	159	164	242	60%
Durham	1560	1552	1547	1500	1492	1464	1501	1518	1523	1509	51	3%
Richmondshire	232	232	235	238	235	231	242	250	250	266	34	15%
Hambleton	452	449	437	449	456	454	488	508	548	558	106	23%
Middlesbrough	417	412	401	402	390	391	178	174	176	186	231	55%
Hartlepool	181	189	194	204	204	206	194	199	208	214	33	18%
Redcar & Cleveland	436	446	445	445	436	429	339	344	339	333	103	24%
Total	4063	4070	4055	4046	4025	3970	3511	3599	3634	3656	407	10%

- 5.69 As the table illustrates, a number of authorities experienced a fall in the total number of premises over the period. This is likely to reflect a combination of factors including: the redevelopment of older stock; the de-allocation of some employment accommodation; and the impact of empty rates liability which has encouraged increased demolitions in many instances. Against this overall trend, Darlington recorded a small rise in warehouse premises over the period, mirroring the picture with office accommodation and again potentially indicating a relatively stable market, meeting the requirements of existing occupiers in the town.
- 5.70 Changes in the total amount of warehousing floorspace across each authority are summarised in Table 5.9. This shows that Darlington experienced an increase in the total amount of stock which was far in excess of the regional average. Given that the number of premises has remained relatively fairly consistent, this increase is likely to be influenced by a small number of larger premises coming on stream, possibly driven by a change in occupiers' requirements brought about by business growth or an increase in Darlington's role as a distribution hub.

Table 5.9 Total Floorspace 1999-2008 ('000 sq m)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Change	%
Darlington	321	323	337	334	337	333	339	412	426	473	152	47%
Stockton on Tees	521	527	570	583	587	575	306	308	343	394	-127	-24%
Durham	833	843	873	898	937	969	914	1017	1063	1061	228	27%
Richmondshire	101	104	106	107	105	107	109	111	110	111	10	10%
Hambleton	279	289	290	297	322	320	278	291	327	314	35	13%
Middlesbrough	296	296	296	296	294	310	228	207	211	215	-81	-27%
Hartlepool	102	215	209	223	224	225	130	132	120	111	9	9%
Redcar & Cleveland	140	162	163	166	164	159	148	157	180	186	46	33%
TOTAL	2593	2759	2844	2904	2970	2998	2452	2635	2780	2865	272	10%

5.71 DTZ sought to update the ONS analysis in order to provide a clearer understanding of current market conditions. This exercise was based upon the total rateable hereditaments in Darlington as at this study date.

Table 5.10 Darlington Total Warehouse Accommodation (2012)

Total Premises	394
Total Floor space	484,691sq m
Avg. Unit Size	1,230sq m

5.72 As shown in Table 5.10, the total number of premises has fallen in the intervening four years whilst the amount of accommodation has grown marginally. This reflects the continued trend towards the development of larger property types. Drawing upon the analysis contained within the table, the average unit size is now estimated at 1,230 sq m (13,240 sq ft).

5.73 Table 5.11 provides a summary of the distribution by size of warehousing premises in Darlington. This shows a concentration of accommodation of less than 200 sq m (2,153 sq ft).

Table 5.11 Darlington Warehouse Accommodation - Size Bands (2012)

Size (sq m)	0 50	51 100	101 200	201 300	301 400	401 500	501 1,000	1001 10,000	10,000+
No. Premises	66	49	65	40	29	17	53	71	8

Factory

- 5.74 An analysis of factory premises is set out in the following paragraphs. Factory accommodation is defined by the VOA as including a range of premises from small workshops to very large manufacturing units.
- 5.75 Table 5.12 summarises the change in the total number of premises between 1999 and 2008. ONS data indicates that the total number of premises within Darlington remained relatively static across the decade. Again, this is likely to reflect a relatively stable market, meeting the needs of existing occupiers. Conversely, in areas such as Stockton, Middlesbrough and Redcar, there has been significant growth in the total number of premises.

Table 5.12 Total Premises (1999-2008)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Change	%
Darlington	572	574	567	576	580	574	572	573	581	578	6	1%
Stockton on Tees	750	753	749	754	759	749	1042	1038	1022	1024	274	37%
Durham	2352	2369	2399	2396	2416	2398	2333	2361	2346	2324	-28	-1%
Richmondshire	273	268	275	278	284	298	305	308	314	320	47	17%
Hambleton	568	570	552	573	573	591	589	595	604	601	33	6%
Middlesbrough	603	597	593	583	573	566	791	783	779	759	156	26%
Hartlepool	424	431	437	441	444	449	468	467	464	471	47	11%
Redcar & Cleveland	470	483	505	497	506	515	623	608	616	616	146	31%
Total	6012	6045	6077	6098	6135	6140	6723	6733	6726	6693	681	11%

- 5.76 It is also important to consider the change in factory floorspace over the same period. An analysis of the data (Table 5.13) illustrates that there has been a substantial drop in the overall level of factory floorspace within Darlington. This is likely to reflect both a decline in the relative importance of large scale manufacturing to the local economy and also a potential improvement in efficiencies with modern manufacturing processes often requiring a reduced floorplate.

Table 5.13 Total Floorspace: 1999-2008 ('000 sq m)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Change	%
Darlington	658	650	637	631	623	616	628	623	604	529	-129	-20%
Stockton on Tees	960	977	944	933	935	937	1530	1454	1382	1367	407	42%
Durham	2850	2895	2904	2889	2862	2848	2894	2901	2833	2757	-93	-3%
Richmondshire	95	92	97	96	99	99	97	100	100	94	-1	-1%
Hambleton	361	356	372	388	389	408	464	469	434	454	93	26%
Middlesbrough	401	409	399	391	390	379	448	459	455	443	42	10%
Hartlepool	622	642	626	628	630	647	748	721	784	785	163	26%
Redcar & Cleveland	1321	1414	1410	1408	1401	1405	1704	1833	1602	1609	288	22%
Total	7268	7435	7389	7364	7329	7339	8513	8560	8194	8038	770	11%

- 5.77 Updating the above to reflect the change between 2008 and 2012 reveals that the number of premises has increased (albeit marginally) but that a substantial reduction in the total amount of factory floorspace has also been observed. DTZ believe this may represent the impact of empty rates but will also have been influenced by the rating revaluation with some premises being reclassified as part of this process.

Table 5.14 Darlington Total Factory Accommodation (2012)

Total Premises	581
Total Floor space	390,506sq m
Avg. Unit Size	672sq m

- 5.78 Disaggregating the stock of factory accommodation on the basis of size bands reveals that the majority of premises comprise of 200 sq m and below. This is consistent with the findings discussed above in relation to office and warehouse accommodation and is likely to reflect a demand for smaller production spaces required by small and medium sized enterprises.

Table 5.15 Darlington Factory Accommodation - Size Bands (2012)

Size (sq m)	0-50	51-100	101-200	201-300	301-400	401-500	501-1,000	1001-10,000	10,000+
No. Premises	41	129	210	102	32	12	20	29	6

- 5.79 In addition, an analysis of the spatial distribution of factory accommodation across the Borough is provided in Table 5.16. This highlights the existence of a higher than expected concentration of premises within the DH1 1 postcode. It is understood that this is a legacy of Darlington's industrial heritage being intrinsically linked to the railway and as such, much of the premises that remain will now be located in areas close to the town centre away from the modern industrial locations situated on the edge of town.

Table 5.16 Location of Factory Accommodation

Postcode	Count	Avg. sq m
DL1 1	122	1,135
DL1 2	61	593
DL1 3	2	241
DL1 4	52	1,152
DL1 5	45	86
DL2 1	17	840
DL2 2	6	3,804
DL2 3	1	435
DL3 0	60	3,390
DL3 3	1	125
DL3 6	12	244
DL3 7	14	112
DL3 9	1	280

Industrial Take Up

- 5.80 Having considered the current supply of accommodation within Darlington, it is important to supplement this with an analysis of take-up rates for factory and warehousing space. This analysis draws upon data published by Estates Gazette (EGi) and VOA. It should be noted that Estates Gazette classifies both sectors under the single heading of 'industrial'. Within the analysis presented below the VOA data for factory and warehousing accommodation has, therefore, also been summed to allow for direct comparison.
- 5.81 The EGi database compiles data on industrial leases directly from industrial agents. This reveals that the take-up of industrial accommodation in Darlington averaged 20,332 sq m (218,859 sq ft) per annum between 2001 and 2012. It should be noted that, as with any analysis of this type, average figures will be distorted by the occasional large transaction.
- 5.82 The EGi database also records industrial property currently available within Darlington. Currently listed are industrial premises totalling 89,998 sq m (968,762 sq ft), equating to around 10% of total stock and indicating that there is currently around 4.4 years supply available (based upon the application of long-term averages).

Summary

- Total premises across office, warehouse and factories shows little change between 1999 and 2008, indicating a stable market and one that is well suited to meeting local needs.

- Where growth in accommodation has taken place it has often been at a level well below that observed in neighbouring areas (which have often benefited from Enterprise Zone status). This means competitor locations, most notably Durham and Stockton, have developed a potential competitive advantage by providing a greater range of commercial accommodation.
- The data also suggests neighbouring authorities have been able to demonstrate a greater supply of new build accommodation, particularly within the office sector, that again suggests a qualitative advantage against Darlington.
- Darlington's existing stock is characterised by a high proportion of provision in relatively small office sizes which is again considered to reflect a market primarily geared towards delivering accommodation to local small and medium sized organisations. It also indicates Darlington's limitations in attracting large, footloose requirements and also the ability to supply accommodation to meet the needs of key growth sectors such as the office based support functions for the subsea technology and advanced manufacturing industries, as well as telehealth.
- Much of the office accommodation is focused in the town centre and is likely to be formed above retail units and so providing only modest specification.
- Vacancy rates across office and industrial sectors are relatively low when measured against other regional commercial sectors reflecting the limited new build development that has occurred in recent years but also suggesting an opportunity to deliver new development, subject to economic circumstances.

6.0

Consultation

6.1

The study has been underpinned by extensive stakeholder engagement. This section of the report provides a summary of the main findings emerging from the various consultation exercises undertaken to inform the work:

- Business Survey;
- Discussions with developers and commercial agents active in the Borough; and
- Visioning Workshop.

6.2

In addition, DBC held an open day for developers with a specific focus on opportunities and constraints in the Town Centre Fringe. All attendees were then invited to complete a short questionnaire. NLP and DTZ have been provided with anonymised data from this exercise and this has been used to help shape our recommendations regarding the Town Centre Fringe. The outputs of this exercise are not, however, specifically discussed within this section of the report.

Business Survey

6.3

A survey of Darlington businesses was undertaken by NLP in September/October 2012. Two separate surveys were distributed – one to the general business population and another to a sample of businesses occupying premises in the Town Centre Fringe.

6.4

The 'general' business survey was used to examine a range of issues including:

- Business Background – activity, size and location;
- Current Premises – type, size and suitability; and
- Future Requirements – anticipated land/premises needs and key drivers of locational decisions.

6.5

The survey sent out to Town Centre Fringe occupiers included questions on the issues outlined above. In addition, it sought to understand:

- The importance (or not) of remaining within the Town Centre Fringe; and
- The type of premises and locations businesses would consider if they were to relocate.

6.6

Contact details for a sample of 200 businesses were provided by DBC. The sample provided a broad cross section of businesses by type (focusing on those activities likely to demand B-class premises) and location. Surveys were distributed to this initial sample by NLP. Further efforts to engage the business community in the process included:

- Details of an online survey were published by DBC in the October edition of Inter-Face (the Council's business e-newsletter) with all business encouraged to submit a response; and
- Details of the online survey were circulated by the management team at Lingfield Point to all of their occupiers.

Business Background

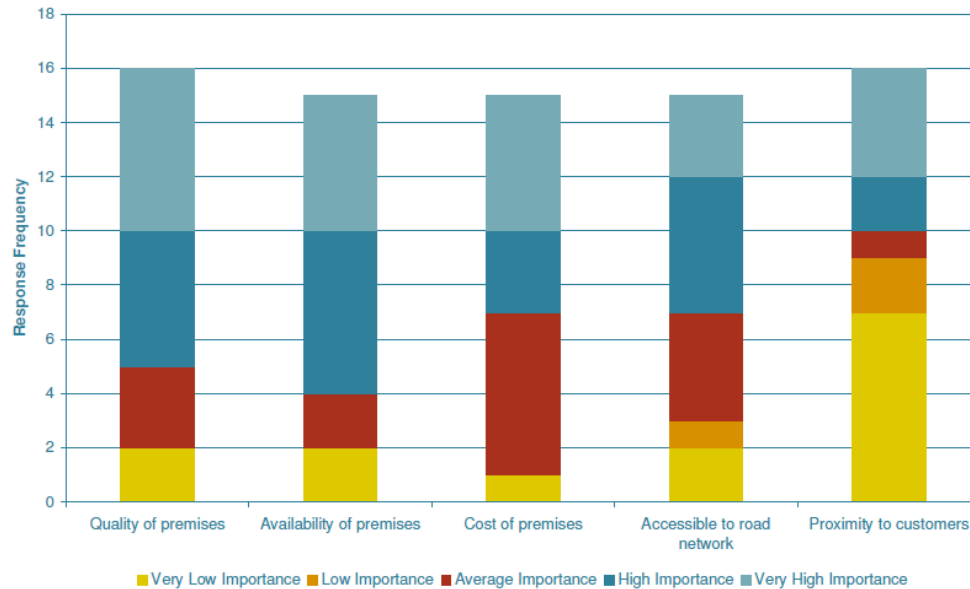
- 6.7 NLP received just 20 completed responses, representing a response rate of just 10% on the basis of the initial sample of 200 businesses. As such, the messages emerging from the survey cannot be considered to be representative of the opinions of the business community as a whole.
- 6.8 Participants included businesses operating across a variety of economic sectors. General manufacturing was particularly well represented, accounting for 25% of the sample.
- 6.9 Businesses ranged in size from those with just 1 employee to those with more than 300. The majority of responses (50%) were from small businesses employing 20 people or less. Interestingly, just one business (5%) indicated that they currently employ fewer people than they did 12 months ago.
- 6.10 More than half (55%) of all participants indicated that they look to national and international markets for the majority (75% or more) of their custom. Whilst the sample size is too small to draw any solid conclusions, this *could* be indicative of an outward facing business base. Interestingly, occupiers in the Town Centre Fringe appear to serve a more localised customer base. Indeed, of the 6 respondents located within the Town Centre Fringe 5 indicated that they look to local and regional markets for *all* of their custom.

Current Premises

- 6.11 Businesses were asked to classify their current premises. 40% of respondents indicated that they occupy office premises, followed by hybrid office/industrial (20%) and warehousing (15%). A further 10% categorised their premises as heavy industrial.
- 6.12 A large proportion (60%) of all participants had relocated to their current premises from elsewhere. Of those relocations, more than half (53%) had moved from premises elsewhere in the same town, whilst a further 18% had remained within Darlington Borough. Businesses currently located within the Town Centre Fringe responding to this question had all moved from elsewhere within the Borough (or town) suggesting a particularly localised market.
- 6.13 The survey sought respondents' views on those factors that had influenced their decision to move to or locate in Darlington. The five most significant issues identified are summarised in Figure 6.1. The graph illustrates that the quality and availability of premises (and to a lesser extent cost) are critical in underpinning such decisions. This highlights the importance of ensuring that Darlington is able to provide a portfolio of premises over the Plan period (and

beyond) that meets the needs of modern occupiers. Accessibility to the strategic road network and proximity to customers were also highlighted as key considerations. The latter emerged as the one key issue for participants within the Town Centre Fringe, with all but one identifying this as important or very important.

Figure 6.1 Factors Influencing Locational Decisions



Source: NLP Business Survey

- 6.14 The survey sought views on the quality and suitability of respondents’ existing business premises. Just over half of all participants (53%) ranked their premises as being of good or excellent quality. The remaining 47% considered their premises to be average. Less than three out of five (59%) indicated that their current building provides the correct amount of floorspace to meet their needs. This figure rose to 83% for respondents within the Town Centre Fringe. Interestingly, more than one in four (29%) stated that their current accommodation is too small to properly service their business needs.

Future Premises

- 6.15 The survey data indicates that 60% of participants expect their business to grow to such an extent that they will require more floorspace at some stage over the next 5 years. Whilst many of these businesses anticipate that they will be able to accommodate this growth on their current site, 57% expect it to result in the need to relocate.
- 6.16 Based upon the limited survey sample, many of those businesses considering the need for new premises would appear to prefer to remain in Darlington. 73% stated that they would like to remain within the Borough. Clearly, however, this is likely to be reliant upon the availability of suitable sites and/or premises.

6.17 Businesses were asked to highlight those factors most likely to impede their ability to expand within the Borough. The most frequently cited responses are summarised below and would appear to demonstrate the importance of ensuring the availability of suitable sites and premises, as well as highlighting the continued influence of the difficult market conditions:

- Lack of suitable premises (47%);
- Market conditions (33%);
- Development costs (27%);
- Lack of suitable land available for development (20%); and
- Labour/skills shortages (13%).

Town Centre Fringe Occupiers

6.18 As outlined previously, a separate survey was circulated amongst a sample of occupiers within the Town Centre Fringe. The survey drew a particularly poor response, with only 7 surveys returned. As such, it is difficult to draw any firm conclusions from the exercise. Nevertheless, a brief qualitative discussion of the key findings is presented below:

- Businesses would prefer to remain within the Town Centre Fringe as part of any redevelopment – the majority of respondents indicated that, in the event of their relocation, their business would benefit from staying in Town Centre Fringe;
- If participants were unable to find alternate premises within the Town Centre Fringe, they would seek a town centre or edge of centre location as the next best alternative; and
- Respondents' preference in relocating would be to move to existing premises (rather than a vacant development site) on a freehold basis.

Commercial Market Views

6.19 DTZ liaised with a selection of local and regional property agents and developers active within the Darlington area, in order to ascertain current views on the Borough's office and industrial markets. The feedback received can be summarised as follows:

Offices

- Over the last 5 years there have been few enquiries for office accommodation in Darlington town centre. This could be due to the limited supply of quality office accommodation in this location and/or the limited number of larger suites.

- Lingfield Point has been the focus of activity over the last five years, with the conversion of former industrial units into office accommodation. While not traditional, the scheme provides good quality refurbished space and benefits from excellent transport links due to the opening of the Eastern Transport Corridor (B6279). There is still a significant amount of office space available in this location.
- Morton Palms is also a significant office location in Darlington, however while this scheme was originally very successful, demand has been subdued in recent years. Accessibility is a key selling point for this location but car parking is an issue.
- Currently sufficient supply of office suites in excess of 279 sq m (3,000 sq ft) but limited availability of smaller suites, with suites in the region of 46 to 186 sq m (500 to 2,000 sq ft) typically being located above shops in Darlington town centre.
- Excellent transport links remain a key selling point for Darlington. Its location on the East Coast Mainline offers excellent connections to Newcastle and Durham in the north and Leeds and London to the south. Access to the A1 (M) and the A66 is also important, facilitating in-migration from the surrounding conurbations for work.
- Stockton is the biggest competitor to Darlington in terms of enquires for large office requirements with a perception that Stockton has a greater supply of good quality offices and greater concentration of large corporate that act as a catalyst for further demand.
- Like Darlington, Stockton does not have a large amount of Grade A office accommodation available but does benefit from a significant supply of employment land suitable for the development of office accommodation.

Industrial

- Over the last five years the industrial market in Darlington has generally been subdued.
- Easter Park's Faverdale East Business Park, which provides around 17,651 sq m (190,000 sq ft) of space, took a considerable period of time to become fully let.
- There are currently a number of larger units available in the market, such as the former Amdega unit and the SCA packaging unit, which have been on the market for a considerable period of time.
- Faverdale 58, a new 24 hectare (60 acre) industrial, warehousing and distribution development has been marketed since 2009 but to date there has been limited interest.

- Link '66', a new 38.20 hectare (94 acre) business park located on the eastern side of Darlington has been marketed since 2009 but again has received limited interest. Likely that this site will be more attractive to local occupiers, serving the wider Tees Valley rather than national occupiers. While the site is served by the Eastern Transport Corridor, connecting the A66, access to the A1 (M) is relatively poor.
- Smaller industrial units around Lingfield Point and at Morton Park generally let well.
- Moving forward potential stimuli for the industrial market in Darlington include Hitachi and Teesport. With regard to Hitachi, it could be argued that there will be sufficient space at Newton Aycliffe to satisfy demand but this will depend on the need of individual occupiers. The skills base available in Darlington may prove attractive to some employers. There may be some opportunities to serve Teesport due to the A66 link but the bulk of demand is likely to be focused in closer proximity to Teesport.
- It is anticipated that the biggest demand going forward will be from existing occupiers looking to expand or relocate. Recent examples of this include Amec who have recommitted to the area.
- The future of the airport will be important in determining future occupational demand in Darlington. If the airport specialises in freight then this should lead to an increase in demand, although it is noted that a recent bid for £5.9 million from the Regional Growth Fund was unsuccessful.
- Faverdale is unique due to its size. There are currently a limited number of locations in the North East that could service a large industrial requirement. Darlington competed for the Clipper Logistics and Hitachi requirements and while unsuccessful, should be well placed to compete for large footloose requirements in the future.
- There may be potential for further 'move on' accommodation for smaller occupiers.
- Excellent transport links remain a key selling point for Darlington. The A1 (M) has been an important stimulus for development at Faverdale, with the area becoming a hub for logistics. National logistical operators favour this area due to the ability to serve both the North East and North Yorkshire market.
- The A66 is extremely important for many industrial occupiers in the area, allowing local businesses to serve the Teesside market where there is a high concentration of customers for many key businesses
- While the location of Darlington on the East Coast Mainline is a unique selling point, it is of limited importance to industrial occupiers, with the main freight line and service point located north in County Durham.

Visioning Workshop

- 6.20 A visioning workshop was held on the October 19th 2012 to help test the emerging findings of the study with a range of local stakeholders. The session was also used to discuss, in broad terms, the future level of demand for employment land that the study should plan for and the trade-off between ambition and realism implicit within the various scenarios considered.
- 6.21 The workshop was facilitated by NLP and DTZ and attended by Council officers, as well as a range of stakeholders from the public and private sector. The session comprised of a brief presentation by the study team, followed by a series of structured discussions focused upon three key topics:
- 1 Economic Perspectives and Future Land Requirements;
 - 2 Employment Portfolio: Sites and Premises; and
 - 3 Challenges and Opportunities in the Town Centre Fringe.
- 6.22 The paragraphs below provide a summary of the key messages that emerged from the event.

Economic Perspectives and Future Land Requirements

- Darlington has the potential to be, in economic terms, more than a market town; however, this must be driven by aspirational planning and economic development policies;
- With this in mind, it is inappropriate to base future land needs on a policy-off employment forecast influenced by the economic downturn. The Council must plan to deliver growth – not economic stagnation;
- It is vital that Darlington has a clearly defined role within the wider economy and property market. This will enable the Borough to differentiate itself and compete effectively in order to realise its potential;
- Where possible, allocations should avoid restricting sites to a single use. Such an approach can make the supply of land inflexible in the face of changing market and economic conditions, thereby stifling development;

Employment Portfolio: Sites and Premises

- This study should avoid allocating any new land in the Borough, given the current scale of oversupply and the potentially harmful impact on existing sites of new allocations;
- Within the context of the Borough's oversupply of land, this study should think positively about the possibility of using residential (and other high value land uses) to cross-subsidise speculative development or the provision of infrastructure on employment sites. This could help to address funding issues that are likely to persist for at least 5-10 years;
- Planning policy and investment strategies should be geared to releasing the potential of the Borough's key employment sites of the future;

- Future office development will be focussed in the Town Centre, Town Centre Fringe and Central Park;
- Faverdale and Link 66 are viewed as the key future industrial locations;
- Whilst recognising the importance of Faverdale, concerns were raised regarding the amount of land that has been allocated for employment uses. It was generally agreed that there is far more land at Faverdale than can be developed out over the period to 2026; and
- Industrial estates on the eastern fringe of the town are most likely to generate interest from occupiers, given the ease of access to Teesside and in particular for the key growth sectors around advanced manufacturing, subsea industries and logistics.

Challenges and Opportunities in the Town Centre Fringe

- The leisure offer in the town is currently relatively poor and opportunities to develop a cultural hub around the Civic Theatre should be explored;
- Residential uses will be critical in the Town Centre Fringe and should form a key component of a mixed-use development;
- Car parking within the area is poor at present. The Council should seek to address this through the provision of additional spaces in order to enhance the appeal of any development opportunities for uses such as retail, leisure and B class employment; and
- Limited Council resources should not be spread too thinly. The initial focus should be on bringing forward Central Park as an anchor development for, and catalyst to further development in, the Town Centre Fringe.

7.0

Economic Drivers

7.1

A body of evidence has been gathered by DBC in order to understand the future growth potential of the Borough's economy and the sectors that are anticipated to drive this growth. This is drawn together within the Council's Economic Strategy, which concludes that:

- Current sectoral strengths include: service sector; manufacturing; advanced engineering; and construction
- Emerging sectoral strengths are forecast to include: digital and media; subsea; and telehealth and telecare.

7.2

This section provides a summary of this evidence.

Economic Potential and Drivers

7.3

Consideration of the Borough's future economic role draws upon the issues and opportunities identified via the assessment of the local economic context, presented at Section 3.0. This work indicated the following competitive advantages and opportunities that could influence the future role of the Darlington economy:

- Excellent connectivity via road and rail;
- Good quality of life offer, including attractive rural villages and good schools;
- An entrepreneurial culture and strong levels of business formation;
- A track record of delivering strong (above national and regional averages) employment growth during the 'boom' years;
- A resilient manufacturing industry, which has recently bucked the national and regional trend of employment contraction;
- Major planned investment at Amazon Park by Hitachi; and
- Major mixed-use investment at Central Park.

7.4

Weaknesses and potential threats identified include:

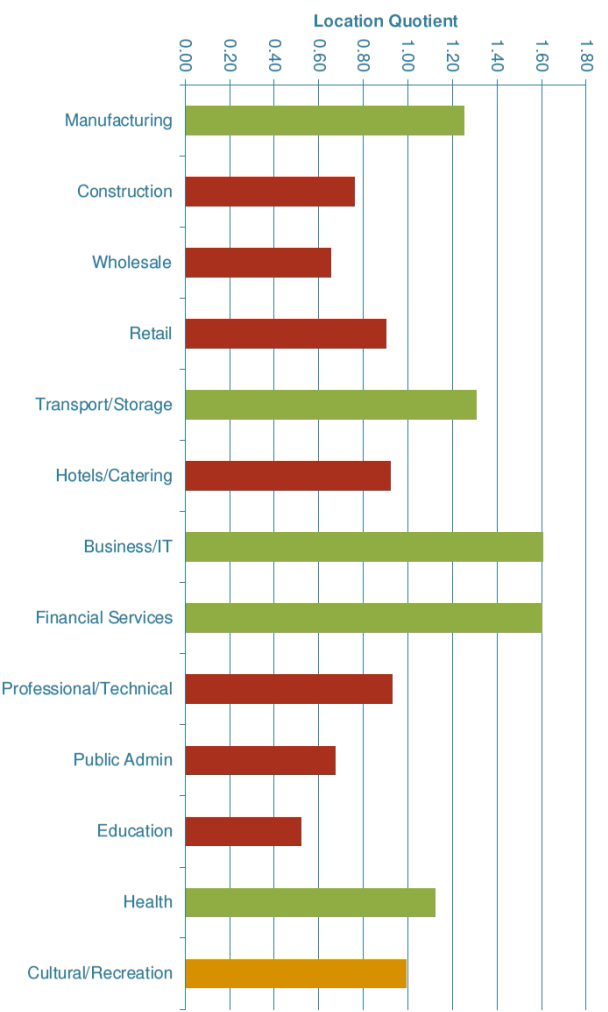
- The 'footloose' nature of a number of key employers;
- Historically low levels of business growth – indicating poor rates of survival or retention;
- Competition from neighbouring economic centres for domestic and inward investment;
- A number of employment sites are constrained by issues of infrastructure and car parking; and
- A severe contraction in employment since the onset of the 2008/9 recession.

Future Potential

7.5 Understanding the relative representation of sectors with respect to local employment, as well as their recent growth performance, can be informative in identifying those sectors most likely to drive future growth.

7.6 Figure 7.1 below assesses the Borough's current sectoral strengths through the use of location quotients, which measure the concentration of employment in an industry at the local authority level relative to the regional average. A value above 1.0 denotes a higher local representation of a sector compared to the North East average (shown in green) and anything below 1.0 signifies an under-representation (shown in red).

Figure 7.1 Location Quotient of Key Sectors in Darlington



Source: Experian / NLP Analysis

7.7 The graph indicates that the Darlington economy has a strong representation of employment in: financial services (location quotient of 1.60); business/IT (1.60); transport and storage (1.31); manufacturing (1.25); and health (1.12).

7.8 The picture presented by this analysis is, however, static. As such, it is useful to supplement this with an understanding of the recent growth performance of these sectors within Darlington in comparison with the regional average.

Taken together with the location quotient analysis set out above, this can give an indication of those sectors which have a competitive advantage in the area and may therefore offer greater scope to drive future growth. Table 7.2 categorises the economic sectors according to both their current representation and growth over the past decade (2002-2012) relative to that of the North East.

7.9 Those sectors at the top of the list in each quadrant are those which have recorded the highest nominal growth, whilst those with asterisks are those

which have actually recorded a decline in jobs (e.g. a sector is categorised as 'high growth' even if it has recorded a decline in jobs, provided the rate of decline was less than that experienced regionally).

Table 7.1 Economic Sectors in Darlington Characterised by Size and Employment Growth

High Representation, Low Growth	High Representation, High Growth
Business Services/IT (+23.1% growth, 2002-2012)	Health (+90.3%) Manufacturing* (4.2%) Transport/Storage (+46.0%) Financial Services (+74.8%)
Low Representation, Low Growth	Low Representation, High Growth
Retail* (22.1%) Hotels & Catering (+4.5%) Public Administration* (17.2%) Education* (19.3%) Wholesale (+7.3%)	Construction (+29.0%)

Source: Experian / NLP Analysis

- 7.10 The top right quadrant of the table shows those sectors with a high representation of employment and that have outperformed the regional average with respect to recent growth. Of particular relevance in understanding the growth potential of the Borough are those that appear to be on an upward trajectory – i.e. those that have recorded positive growth in employment numbers. This includes sectors such as: health, transport/storage and financial services.
- 7.11 The bottom right quadrant of the table contains those sectors that are currently under-represented but have experienced strong growth over the past decade. This highlights that employment in construction has increased significantly over the period (+29.0%).
- 7.12 Business Services/IT, located within the top left quadrant of the table, is currently over-represented, indicating the presence of some degree of competitive advantage. Whilst the sector experienced relatively high levels of employment growth over the period from 2012 (+23.1%) this was below the rate of increase observed regionally.

Growth Sectors

- 7.13 The following paragraphs provide a high level assessment of a number of key sectors which could offer some growth potential within Darlington. These have been identified having regard to the evidence collated by DBC to inform the Council's Economic Strategy, as well as the analysis presented above by NLP. Taken together, this would suggest that the following sectors could be expected to contribute towards delivering local economic growth:

- Financial and business services;
- Digital and media;
- Telehealth and Telecare;
- Advanced engineering;
- Subsea technologies; and
- Transport and logistics.

Financial and Business Services

- 7.14 This is a very broad sector that includes a range of specialist financial, insurance and general business service activities such as: accountancy; legal; architecture; and consultancy. Business location decisions in the sector are driven by factors including: access to markets/suppliers; access to a skilled and diverse workforce; and high quality transport and telecommunications infrastructure. Given the need to attract high calibre staff, quality of life factors such as good housing and cultural facilities are also important.
- 7.15 Darlington offers access to a skilled workforce and an attractive housing stock in semi-rural locations, which can help to attract and retain skilled workers. It also offers good accessibility (in parts of the Borough) via the strategic road network and East Coast Mainline. These factors can help the Borough to attract further investment.
- 7.16 Darlington is home to a number of significant employers in the sector, including RPMI and the Student Loans Company. However, it is important to acknowledge that Darlington is not an established centre in the same way as the nearby cities of Leeds and Newcastle, which could constrain the area's ability to attract footloose investment. The Borough also faces competition from established locations within the Tees Valley, such as Stockton-on-Tees. In order to position itself to attract future occupiers, Darlington must ensure it has a supply of well located sites suitable for high quality B1 office development.

Digital and Media

- 7.17 Digital and Media is a diverse sector comprising a range of activities such as: publishing; graphics; software and web-design. Key locational factors for the sector include: broadband access; and proximity and/or accessibility to major conurbations. The East Coast Mainline provides access to the conurbations, and Darlington is particularly well located for Leeds and Newcastle. The availability of skilled staff and town centre/edge of centre premises with a good cultural image to reflect the creative nature of the sector can also be important. The Borough may fall short of locations such as Leeds and Newcastle (as well as Stockton and Middlesbrough) in relation to providing the vibrant night-time economy often sought by workers in the industry. Major new leisure development at Feethams can help to address this issue over the medium-term.

- 7.18 Research commissioned by DBC indicates Darlington's digital and creative sector is not currently as strong as other localities in the Tees Valley or wider North East. Furthermore, those sub-sectors where concentrations of activity are greatest (publishing and performing arts) are unlikely to drive economic growth.
- 7.19 Notwithstanding the above, the Borough does have some distinctive opportunities. Darlington College has a strong reputation in relation to creative media and journalism, whilst Teesside University's Darlington campus provides a supply of skilled graduates in digital and creative subjects (including: Animation; Games and Computer Graphics; Art and Design; and Computing).
- 7.20 In seeking to deliver future growth of the digital and creative sector, the Borough faces strong competition from locations which offer a higher profile location and a more established offer. Within the Tees Valley, Middlesbrough and Stockton have a stronger representation of digital and creative firms. This reflects the location of Teesside University's core campus, as well as initiatives such as BOHO and Digital City. Elsewhere in the region, Newcastle has a critical mass of activity focussed both within the city centre and in the Ouseburn Valley.
- 7.21 The success of these competitor locations demonstrates the importance of establishing a physical cluster of activity, as well as a strong 'brand' in order to deliver growth. In pursuing the future growth of the digital and media sector, DBC may wish to give consideration to the development of a physical hub to provide a focus for activity, which will in turn help to positively reinforce perceptions of the Borough as a location that is open for business to the sector. Clearly, any such development should have regard to the premises requirements of digital and media businesses, as outlined above and should look to provide good broadband access in a building with an interesting cultural identity (be this a conversion or new build). This should ideally be situated in a town or edge of centre location.

Telehealth and Telecare

- 7.22 DBC has identified telehealth¹² and telecare¹³ as sectors that offer the potential to drive future economic growth. Research commissioned by the Council to explore the scale of the opportunity in greater detail concluded that the Borough has a limited number of potential assets upon which it could seek to develop telehealth and telecare:

¹² Telehealth: the delivery of healthcare at a distance using electronic communication, enabling the patient and health professionals to monitor vital signs such as blood pressure and heart rate

¹³ Telecare: the continuous, automatic and remote monitoring of real-time emergencies and lifestyle changes over time in order to manage the risks associated with independent living

- A number of nationally significant healthcare providers (including Priory Group, Four Seasons and Castlebeck) have their national headquarters based in Darlington;
- The Borough has a strong base of call centre/customer service and outsourcing activity with the infrastructure to provide telecare/telehealth monitoring and support; and
- Baydale Control Systems (based at Morton Palms) are experts in electrical management and control systems and are already engaged in the telehealth/telecare market.

- 7.23 Notwithstanding the above, the research concludes that Darlington lacks the critical mass to develop or attract a major telehealth/telecare presence and that a more joined-up Tees Valley-wide approach may be more appropriate.
- 7.24 It is anticipated that the locational decisions of the sector will be driven by similar considerations to those for a call centre operator: the availability of good quality office premises (possibly on a large, open floorplate) with good broadband connectivity, and access to a large pool of labour.

Advanced Engineering

- 7.25 Business location decisions for advanced manufacturing and engineering reflect the sector's reliance upon higher level technology and skills inputs. Firms typically look to locate in close proximity to the strategic road network (and often export nodes such as ports and airports) and highly skilled staff. The availability of land/premises in a high quality business park environment is also often important, although some organisations prefer to locate on a more traditional industrial estate.
- 7.26 A number of major operators are already located within Darlington, reflecting the skills base, connectivity and industrial legacy of the Borough. They include: AMEC; MechTool Engineering; and Whessoe Oil & Gas. The growth of the offshore and renewables sector in the Tees Valley and Hitachi's planned investment at Amazon Park could generate additional supply chain opportunities within the Borough (although locations in South Durham are also likely to be attractive to the Hitachi supply chain).
- 7.27 It is important to recognise that general manufacturing is, and will continue to be a major employer in the area. It is, however, considered unlikely that it will be a key driver of future employment growth.

Subsea Technologies

- 7.28 The Tees Valley has a number of assets that leave it well placed to compete for investment in sub-sea (and other offshore and renewable energy sectors) including its: reputation for manufacturing excellence; appropriately skilled workforce; and proximity to the North Sea.

- 7.29 Research commissioned by DBC to inform the Council's Economic Strategy concludes that the Borough is unlikely to attract any headline investments by Tier 1 manufacturers. Rather, the work suggests that Darlington's opportunity relates to the potential to establish itself as the commercial centre for such activity within the Tees Valley. Headquarters and regional offices could be attracted to Darlington, providing a gateway to the more land intensive industrial activities taking place elsewhere in the sub-region.
- 7.30 Darlington is well located in relation to a number of leading manufacturers of submersible equipment and has a Teesside University campus with links to the sector. There is already evidence of Darlington's appeal to office-based, knowledge-intensive businesses operating in subsea and related industries, with firms such as AMEC, CTC Marine and Tomkins located within the Borough.
- 7.31 The locational requirements of the subsea sector within Darlington are likely to be broadly similar to those outlined above with respect to financial and business services. The Borough's location on the East Coast Mainline and the presence of Durham Tees Valley Airport are likely to be particularly advantageous.

Transport and Logistics

- 7.32 Key locational factors for transport, distribution and logistics activities include the availability of appropriate sites/premises with access to the strategic road network and large centres of population, as well as an appropriately skilled workforce. Within this context, locations in the west of the Borough, in close proximity to the A1(M) are likely to be more attractive for such uses. This is evidenced by the development of the Argos Distribution Centre at Faverdale East Business Park.
- 7.33 Discussions with agents have indicated, however, that Darlington is only likely to appeal to logistics operators looking for premises from which to serve the North East and North Yorkshire. Those serving the Tees Valley are likely to locate closer to the centre of the sub-region. Similarly, those seeking to serve the North East market or the North East and Scotland, are likely to favour premises further north on the A1(M).
- 7.34 The movement of goods within the Tees Valley could significantly increase in future, as a result of the deep sea container terminal at Teesport and proposals to develop the freight throughput at Durham Tees Valley Airport. It is anticipated that the majority of demand for logistics operations arising from the deep sea container terminal will be located in closer proximity to Teesport and, as such, this is likely to have little impact upon the future requirement for logistics and distribution premises within Darlington.
- 7.35 The future of Durham Tees Valley Airport could, however, play a significant role in determining the rate of growth in logistics within the Borough. Moving forwards, were the airport to specialise in freight (it is noted that a recent bid to the Regional Growth Fund was unsuccessful) this would significantly increase

the strength of Darlington's proposition with respect to logistics, and would be expected to result in a marked upturn in demand for logistics premises.

8.0

Future Requirements for B Class Space

8.1

This section of the report assesses the projected demand for employment land likely to be required in Darlington Borough from 2012 to 2026, equating to the Local Plan period. Consideration is also given to the type of employment space likely to be required.

8.2

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

- 1 forecasts of employment growth in the main B class sectors;
- 2 projecting forward past take-up trends of employment land, with adjustments (if necessary) to reflect changing economic conditions;
- 3 considering population forecasts and future growth of local labour supply and the amount of jobs and employment space that this can support.

8.3

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

Factors affecting Future Employment Space Needs

8.4

Given the differing pictures indicated by the employment-based estimates and past take-up trends, a range of other indicators have also been reviewed to inform a judgement of where the best estimate of future needs should lie. Some of these factors pull in different directions and a balance has to be drawn between them.

8.5

Trends in the national economy will clearly be a significant factor affecting future demand for employment space. The UK is currently experiencing an economic slowdown and financial credit shortage which has culminated in a 'double-dip' recession. Although technically the country is now out of recession (as of November 2012), there is no agreement amongst economists as to when we are likely to see a full economic recovery. However, this study estimates employment space requirements over a 14-year period over which short term fluctuations should even out; furthermore, the past development rates assessed provide information stretching back to 2000/01 and include 4 years of recessionary data since 2007, hence it is considered that they would not need significant further adjustments to reflect the future outlook.

8.6

The need to **replace land or premises lost** (or released) to other uses to maintain the level of the current stock of employment space has been considered. Data provided by DBC Officers suggests that over the 8 year

period 2003/04 to 2010/11, a total of 2.55ha of allocated employment land, and 16.41ha of non-allocated employment land, was developed for alternative non-B class uses, at a rate of 2.37ha per annum. Of this, 86% was subsequently developed for residential use. There remains a need to ensure adequate space exists for the relocation of displaced firms. Some replacement of space lost to housing or other uses may also be needed if the current level of stock is to be maintained, or if any further large sites are to be released to other uses, although use of net take-up rates would assume some losses anyway.

- 8.7 Following discussions with DBC Officers, it is understood that some 25 existing employment sites/allocations (totalling 175ha) are identified in Darlington's current SHLAA as being potentially deliverable/developable for housing over the plan period and may be lost from the employment land portfolio as a result. Of this very high figure, around 78ha relates to existing/derelict former employment sites, with the remainder comprising undeveloped B1/B2/B8 allocations. Whilst it is unlikely that all of these sites will actually come forward for residential use over the Plan period, the sheer number of employment sites considered to be deliverable for housing suggests that once the economy recovers, losses are likely to remain high.
- 8.8 **Vacancy levels** and floorspace availability provide another indicator of the balance between current supply and demand for employment space. A typical vacancy rate in a normal market would be around 8/10% to allow for movement and expansion of firms and a choice of locations. Evidence suggests that vacancy rates for industrial/warehousing properties in the Borough currently stand at around 10%, which appears to indicate that the industrial market is roughly in balance, although there appears to be a slight over-supply of office space given that B1a office floorspace stock has a 13% vacancy rate.
- 8.9 Looking at **commuting patterns**, the 2001 Census suggests that there is a relatively high level of self-containment within the Borough, with 29,960 residents living and working in the Borough, taking up 70% of all jobs in Darlington. A relatively low proportion of employees commute into Darlington on a daily basis to work, primarily from the nearby Boroughs of Stockton (2,510), Middlesbrough (1,160), Hambleton (880) and Richmondshire (755). As of 2011, there were 48,300 jobs based in the Borough, yet 43,900 residents were in employment, suggesting a ratio of 1.1. Darlington is clearly a driver for the sub-regional Tees Valley economy and whilst high levels of in-commuting would be unsustainable, clearly further employment land will be required to maintain the Borough's economic role.
- 8.10 Darlington's future growth will be underpinned by its importance as a key **strategic transport interchange** due to its excellent positioning relative to the national rail and trunk road network. The Borough is perceived as a location of choice within the region for financial and business services but particularly logistics operations. The 69,000 sqm Argos Distribution Centre developed in 2007 at Faverdale East Business Park is the clearest recent example of this.

There will be an opportunity to continue to capitalise on these logistical advantages through the provision of large, well appointed employment sites in the Borough.

- 8.11 An alternate factor which would tend to reduce the amount of additional employment space needed in the future is the ability to achieve economic growth without corresponding increases in demand for employment space or labour, known as '**smart**' or '**landless**' growth. This could reflect increased automation, increased floorspace densities/plot ratios, labour productivity improvements, hot-desking, working from home, or more overtime working by current staff. It is difficult to quantify the extent of this effect.
- 8.12 **Competition** to economic growth in Darlington from surrounding districts and other sub-regional centres such as Middlesbrough and Wynyard in Stockton-on-Tees could constrain future demand and hence the scale of employment land provision. In particular, major developments and the new **Tees Valley Enterprise Zone** [TVEZ] could compete for larger office or more probably industrial relocations. The TVEZ covers all five Tees Valley districts and is made up of 12 individual sites, offering a range of incentives including Business Rate Relief, Enhanced Capital Allowances, Simplified Planning and Superfast Broadband. However, of the 12 sites (covering 424ha), only one is located in Darlington – Central Park, which is funded by Tees Valley Unlimited rather than the Government and offers Business Rate relief. This compares with three sites in each of Hartlepool, Stockton and Redcar & Cleveland, and two in Middlesbrough. This factor may moderate the levels of growth and industrial / office relocations that Darlington could expect to attract.

Growth Scenarios

A. Job Forecasts Model

Methodology

Experian Econometric Modelling

- 8.13 To help inform this ELR, the latest local area-based econometric job forecasts were obtained for Darlington Borough from Experian Business Strategies. Job growth was forecast over the plan period from 2012-2026. Experian's sub-regional economic model takes account of the existing economic structure of each local authority (broken down by economic sector) and the historical relationship between the regional performance of an industry and the performance observed at the local authority level. The Experian model suggested that the Borough would decline by around 100 workforce jobs between 2012 and 2026.
- 8.14 In order to translate the resultant job forecasts into estimates of potential employment space, it was necessary to allocate the level of employment

change forecast for office, industrial, and wholesale/distribution uses as follows:

- The office floorspace requirement is related to job growth/decline in the financial and business service sectors¹⁴;
- The industrial floorspace requirement is related to job growth/decline in the manufacturing sectors¹⁵; and
- The wholesale/distribution floorspace requirement is related to job growth/decline in the two SIC sectors of wholesale and land transport, storage and post¹⁶.

8.15 In order to translate the resulting figures into employment land projections, employment densities (as recommended in the HCA Employment Densities Guide¹⁷) and plot ratios by use class were then applied to the job change figures.

8.16 It was assumed that:

- One B1a general office job requires 12.5 sqm of employment floorspace (GEA);
- One B2 industrial job requires 43 sqm of employment floorspace (GEA);
- One B8 general / smaller warehousing/distribution unit job requires 65 sqm of employment space (GEA); one job in a large scale/high bay distribution unit requires 74 sqm. *Note: whilst it is understood that almost all new logistics development is high bay, as this is viewed as a standard specification, clearly not all demand from transport, storage etc will be for logistics. As such, an assumption has been made that the split will be half and half between general and high bay B8 development.*

8.17 It has been assumed that a gross area of 1ha is required to develop 4,000sqm of out-of-centre office, industrial or warehousing/distribution space (equal to a plot ratio of 40%).

8.18 For town centre office space, previous studies elsewhere in the country (see Arup/Donaldsons' Demand for Employment Land in Greater Manchester, 2006) use 200% as an appropriate plot ratio when calculating employment land requirements in City Centres. This latter figure necessarily assumes an office building of four stories in height, with 50% plot coverage. However, agents suggest that there is no proven demand for town centre offices in

¹⁴ i.e. Media Activities, Computing & Information Services, Telecoms, Finance, Insurance & Pensions, Real Estate, Professional Services, some Administrative & Supportive Services (BRES (SIC 82.1, 82.2, 82.3, 82.9) as % of (SIC 77, 78, 79, 80, 81, 82) and 10% of Public Administration and Defence.

¹⁵ Experian Manufacturing sectors, plus car repair, some construction and waste & remediation activities.

¹⁶ Experian wholesaling less car repairs, retail car sales, plus post/couriers and land transport.

¹⁷ Adapted from HCA OffPAT (2010), Employment Densities Guide, 2nd Edition, converting NIA to GIA/GEA where appropriate and from FTE to jobs

Darlington as there has never been a significant market. As such, agents consider that most demand will be for a fairly low density product. It has been assumed that even if the Council can stimulate a town centre office market, around 70% of office development will remain at a low density (plot ratio 40%), with the remaining 30% at the higher density of 200%.

- 8.19 The demand projections generated via this employment forecasting technique represent a net future requirement for employment levels and do not take into account any future losses to non-employment uses. It is therefore necessary to adjust these figures in order to reconcile them against gross projections generated by analysing historic take up rates.

Sectoral Employment Growth

- 8.20 Before presenting the job growth outcomes from the scenarios it is worth highlighting broad limitations regarding how these outcomes were generated:

- 1 they are predominantly trend-based estimates projecting historic growth patterns into the future;
- 2 they do not reflect job growth across the rest of the economy, e.g. in sectors such as retail, health and education sectors which, in many instances (particularly health and residential care) are key growth sectors for the future;
- 3 such forecasts tend to be most reliable at regional and national scales than at the local economy level, but can indicate the broad scale and direction of economic growth in different sectors and provide some guidance to assess future land requirements;
- 4 It is important to recognise that there is not always a clear cut relationship between employment change and employment land needs. Additional employment space can be needed even if employment itself is falling, for example if a manufacturing firm requires more space to enable greater automation and achieve job reductions through productivity gains.

- 8.21 The Experian Baseline 2012 employment projection for Darlington indicates that overall, there will be slight decline in employment in the 38 defined sectors for the period 2012-26 of around 100 (-0.2%), although this masks significant decline in a number of existing sectors including manufacturing (-2,560 or -46% overall), and particularly metal products; accommodation and food services (-14%); and public administration and defence (-12%) sectors. However, these losses are outweighed by strong increases in sectors including land transport (+7%); recreation (+23%); Professional Services (+14%); Administration and support services (+10%); Other Private Services (19%); Education (+12%); Health (+11%) and Residential Care & Social Work (+14%).

Table 8.1 Projected Employment Change 2012-26, Experian Baseline (2012)

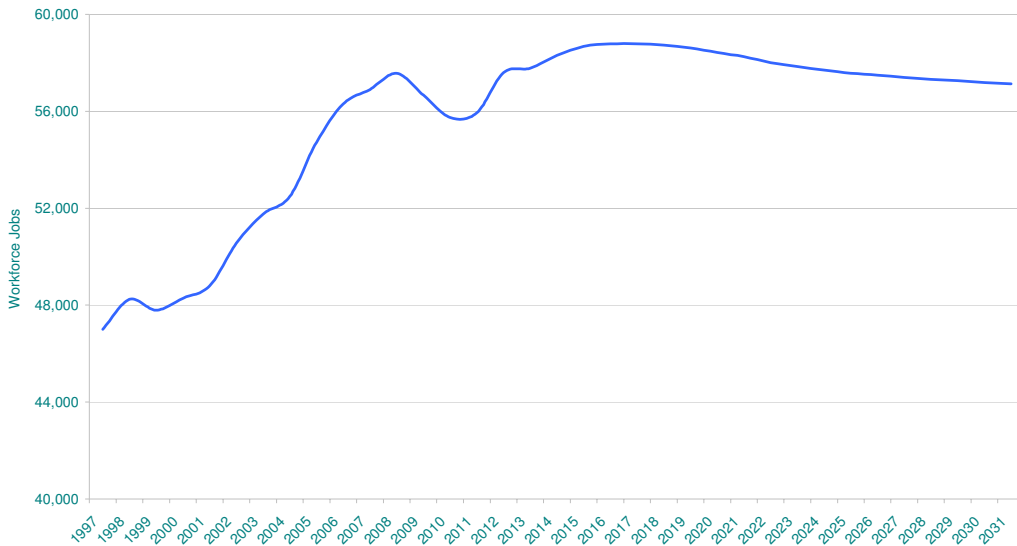
Industrial Sector	Total Job Growth 2012 26	% Growth
Agriculture, Forestry & Fishing	130	32.5%
Extraction & Mining	0.4	16.0%
Food, Drink & Tobacco	30	14.3%
Textiles & Clothing	50	71.4%
Wood & Paper	210	29.2%
Printing and Recorded Media	0	0.0%
Fuel Refining	0	0.0%
Chemicals	240	36.9%
Pharmaceuticals	0	0.0%
Non Metallic Products	10	14.3%
Metal Products	1,900	92.2%
Computer & Electronic Products	0	0.0%
Machinery & Equipment	0	0.0%
Transport Equipment	20	2.0%
Other Manufacturing	120	20.0%
Utilities	30	21.4%
Construction of Buildings	60	5.8%
Civil Engineering	30	7.3%
Specialised Construction Activities	210	6.5%
Wholesale	160	6.2%
Retail	100	1.8%
Land Transport, Storage & Post	260	7.4%
Air & Water Transport	0	0.0%
Accommodation & Food Services	500	13.9%
Recreation	410	23.4%
Media Activities	60	18.2%
Telecoms	350	10.6%
Computing & Information Services	30	15.0%
Finance	60	2.8%
Insurance & Pensions	0	0.0%
Real Estate	30	4.9%
Professional Services	430	14.2%
Administrative & Supportive Services	350	9.6%
Other Private Services	250	19.4%
Public Administration & Defence	220	12.1%
Education	370	11.8%
Health	710	10.8%
Residential Care & Social Work	530	13.9%
TOTAL	100	0.2%

Industrial Sector	Total Job Growth 2012-26	% Growth
	>10% Growth	>10% Decline

8.22

Figure 8.1 summarises the level of total net employment change forecast over the period 2012 to 2026 for Darlington Borough under the Experian growth scenario.

Figure 8.1 Total Employment Growth in Darlington Borough



Source: Experian / NLP analysis

8.23

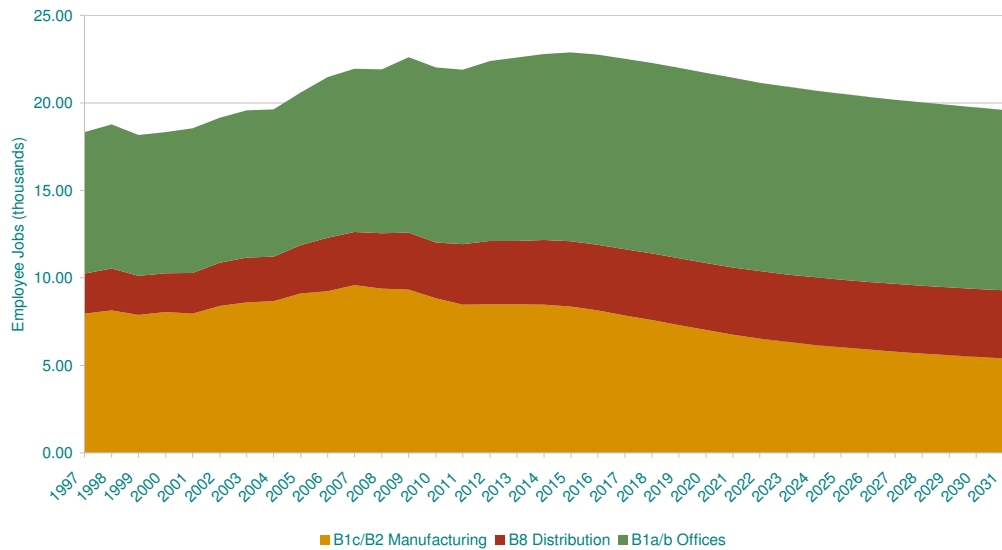
Table 8.2 and Figure 8.2 set out the projected change in employment within the B-class categories over the period 2012-26. B1a office growth is forecast to increase by around 285 jobs over the 14 year plan period, compared to a significant drop in industrial jobs of almost 2,600 and a moderate increase of 255 jobs likely to relate to warehousing and distribution. Table 8.2 also demonstrates the extent to which the economy could be particularly reliant on employment growth in sectors not traditionally associated with B-class employment land.

Table 8.2 B-Class Employment Growth Forecast 2012-26

	B1a Office	B1b/c B2 Industrial	B8 Storage Distribution	Non B Uses	All
Experian Baseline	+285	2,595	+255	+1,960	100

Source: Experian / NLP analysis

Figure 8.2 B-class Employment Growth in Darlington (employment)



Source: Experian / NLP analysis

- 8.24 It is again stressed that whilst econometric forecasts can provide a helpful starting point as to the likely future requirements for employment space, some degree of caution needs to be applied, due to the wide range of factors that shape economic outcomes locally. Clearly, the starting point for this assessment, 2012, represents a time when productivity in the economy was recovering slowly from a historical low point, and hence the forecast has had to factor in the continued economic slowdown.

- 8.25 These adjusted job growth forecasts were subsequently translated into employment land requirements through the application of standard employment densities, vacancy rates and plot ratios, using the methodology set out earlier in this section¹⁸. For Darlington, this generates a net employment land requirement of -22.8ha, or -90,415 sqm for the period 2012-2026 as indicated in Table 8.3. The table also indicates that much of the growth will take place in the short term as the economy slowly recovers from the downturn, before gradually declining in the medium to long term (primarily as a result of continued restructuring in the manufacturing sectors).

¹⁸ Note: it is generally recognised that there is a complex relationship between job decline in manufacturing sectors and how this reduces the need for factory floorspace over time. In certain circumstances, it has been appropriate for ELRs to assume that the decline in B2 jobs will not directly translate into a comparable decline for B2 floorspace, and a suitable adjustment is made to the forecasts. However, in Darlington, comparison between the Experian job forecasts and the Commercial and Industrial Floorspace and Rateable Value Statistics suggests that the relationship is not clear-cut, with B2 jobs/floorspace fluctuating significantly in recent years, with no clear observable pattern. On this basis, no adjustment was made to offset B2 job decline with comparable B2 floorspace loss.

Table 8.3 Net Employment Floorspace / Land Forecasts 2012-26 (ha)

Experian Baseline	B1a Office		B1b/c B2 Industrial		B8 Storage Distribution		Total	
	Floorspace (sqm)	Land (ha)	Floorspace (sqm)	Land (ha)	Floorspace (sqm)	Land (ha)	Floorspace (sqm)	Land (ha)
Short Term (2012-16)	7,079	1.35	15,808	3.95	0,427	2.61	1,698	0.00
Medium Term (2016-21)	356	0.07	59,033	14.76	5,975	1.49	53,414	13.33
Long Term (2021-26)	3,151	0.60	36,852	9.21	1,303	0.33	38,699	9.49
TOTAL (2012-26)	3,573	0.68	111,692	27.92	7,705	4.43	90,415	22.82

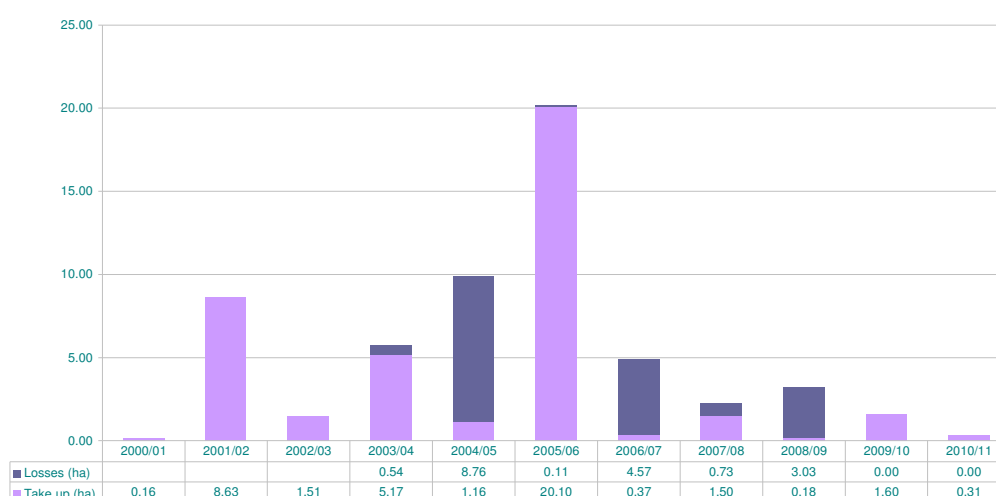
Source: Experian / NLP analysis

Past Take-up Rates – Results

8.26

The take-up of commercial office/industrial space in Darlington Borough has been obtained from a detailed analysis undertaken by DTZ and DBC Officers. The data indicates that in the past 11 years, 40.69ha of allocated/ committed employment land had been taken up for development, which equates to 3.70ha per year. A significant proportion of this development relates to the construction of the 69,000 sqm Argos Distribution Centre in 2005/06. Taking this into account, and looking at a narrower time frame to exclude the recession (i.e. 2000/01-2007/08), the amount of employment land delivered on an annual basis increases to 4.83ha. Based on individual planning application data provided by DBC, it appears that the vast majority of development land came forward for B8 warehousing use (81% of the total), with around 12% being developed purely for B2 industrial and just 7% for B1 office.

Figure 8.3 Employment Land Development Rates (ha) within Darlington 2000/01 to 2010/11



Source: DTZ / DBC (September 2012)

- 8.27 In terms of losses, over the time period for which detailed information was available (2003/04-2010/11), some 18.96ha of employment land was lost to non B-class uses (primarily residential), with 2.55ha coming forward for other uses on allocated employment land, and the remaining 16.41ha on existing/disused former industrial land. Most of the land that was redeveloped for non-B class uses was originally allocated/occupied by B8 warehousing and storage uses – 86% of the total, compared with 7% for B1 office and just 6% of B2 industrial land.
- 8.28 At a very basic level, projecting the 4.83ha employment land take up pre-recession forward to 2026 could suggest a requirement for around **67.6ha** (net) of employment land. It is recognised that this presumption is based on a limited data source and does not factor in the likely impacts of a depressed demand arising from the economic downturn, which could continue to reduce take-up in the short to medium term. Looking at the whole dataset, including the weaker take up rate post 2007/08, suggests a lower net figure of **51.8ha** 2012-26. The breakdown for the two scenarios are presented in Table 8.4, where the past split of take up by B1a, B2 and B8 (7.4%, 11.6% and 81.0% respectively) has been applied to provide an indicative sectoral breakdown.

Table 8.4 B-Class Past Take Up Forecasts 2012-26

Past Take Up		B1a Office	B1b/c B2 Industrial	B8 Storage Distribution	All
Pre recession	Floorspace (sqm)	14,204	22,288	155,737	192,229
	Land (ha)	4.99	7.83	54.73	67.55
Including Recessionary data	Floorspace (sqm)	10,982	17,233	120,412	148,627
	Land (ha)	3.83	6.00	41.96	51.79

Source: NLP analysis

Gross Employment Space/Land Projections

- 8.29 It is necessary to adjust the net employment land projections in order to reconcile them against gross projections generated by analysing the likely amount of land that could be lost for planning purposes. An alternative approach would be to analyse historic losses for planning purposes and taking a judgement regarding the extent to which these are likely to continue in future. As discussed at the start of this section, data provided by DBC Officers suggests that over the past 8 years, a total of 2.55ha of allocated employment land, and 16.41ha of non-allocated employment land, was developed for alternative non-B class uses, at an average annual rate of 2.37ha per annum (of which around 86.4% was lost from B8 use; 7.4% from B1a office and the remaining 6.2% was lost from B2 industrial use). The pre-recession annual average was slightly higher, at 3.6ha per annum to 2007/08.

8.30 There is an argument that not all such losses of employment land should necessarily be replaced or reflected in an increased gross land requirement. This would be on the basis that Darlington's stock of employment land contains some older sites less likely to meet future needs and is of a scale that reflects past industrial patterns, rather than the amounts of land needed in future.

8.31 However, against this argument is the fact that a considerable number of existing employment sites and allocations (totalling around 175ha) are identified in Darlington's current SHLAA as being potentially deliverable for housing over the plan period and may be lost from the employment land portfolio. Furthermore, there is the likelihood that other 'windfall' sites are also likely to be lost over the next 14 years that have yet to be picked up in the SHLAA. It is suggested that the 'planned' rate of losses, 2.4ha, remains a reasonable basis to go forward, although this should be monitored by DBC over the next few years and adjusted as necessary.

8.32 In summary, by factoring in the likely net losses of employment land (+33.2ha/50.5ha including/excluding recessionary data) to the net projections presented above (ranging from -22.8ha to +67.6ha) would generate a **gross employment land requirement of between 10.4ha and 118.0ha for the period 2012-26.**

Adjusting the Margin of Choice

8.33 Even where the identified demand for employment land is likely to decrease, it is considered that allowance should be made for new development coming forward to reduce the risk of stagnation and further decline in the market and cater for unforeseen requirements. Consequently, it is desirable to allocate more land than is likely to be used, as some land may not come forward for development in the short to medium term (if at all). This is particularly the case for those sites which have been carried over from past plan periods and those with significant constraints to overcome.

8.34 It is standard practice to allow for a degree of flexibility, or '**margin of choice**', in the allocations by applying a stated factor in the demand calculations. This reflects the need for a fairly generous additional allowance on top of the initial estimate of employment space needs for a number of reasons, including:

- as a margin for error given the uncertainties in the forecasting process;
- to allow developers and occupiers a reasonable choice of sites;
- to allow for reasonable vacancy levels to facilitate 'churn' in the market;
- to give some flexibility and decanting space while older premises are redeveloped and new premises are coming forward; and
- to cope with factors such as some allocated sites not coming forward and some redundant industrial sites not being suited for new employment uses.

8.35 A conservative margin of choice equal to 2 years worth of past take up was applied. This is considered to be an appropriate and relatively modest margin of choice on the basis that this allows for flexibility in terms of the likely 1-2 years lag between the grant of planning permission and the implementation of the scheme, and would reduce the risk of oversupply of employment land in the Borough.

8.36 **Consequently, by adding on an allowance for replacement of losses and factoring in two years of take up to allow a margin for choice, this results in a gross total requirement of approximately 17.9ha–127.7ha between 2012 and 2026.**

8.37 The econometric model steps are summarised in Figure 8.4. The same steps described above to convert the net employment projections from net to gross (with a 2 year margin of choice) have been applied to the net historic take up figures described above for consistency.

Figure 8.4 Methodology for Defining Gross Requirement



Source: NLP

8.38 The full breakdown is illustrated in Table 8.5-Table 8.8, and Figure 8.5.

Table 8.5 SHORT TERM Gross Employment Land Comparisons 2012-2016

		B1a	B1b/c/B2	B8	TOTAL
Experian Baseline	2012-2016 (net)	1.35	-3.95	2.61	0.00
	2012-2016 (gross)	2.05	-3.36	10.80	9.48
	+ Flexibility factor	2.20	3.12	12.51	11.59
Take Up Rates (incl. recession)	2012-2016 (net)	1.09	1.72	11.99	14.80
	2012-2016 (gross)	1.79	2.30	20.18	24.28
	+ Flexibility factor	1.95	2.55	21.89	26.39
Take Up Rates (pre-recession)	2012-2016 (net)	1.43	2.24	15.64	19.30
	2012-2016 (gross)	2.49	3.13	28.09	33.72
	+ Flexibility factor	2.70	3.45	30.33	36.47

Table 8.6 MEDIUM TERM Gross Employment Land Comparisons 2016-2021

		B1a	B1b/c/B2	B8	TOTAL
Experian Baseline	2012-2016 (net)	-0.07	-14.76	1.49	-13.33
	2012-2016 (gross)	0.81	-14.02	11.73	-1.48
	+ Flexibility factor	1.00	13.72	13.88	1.16
Take Up Rates (incl. recession)	2012-2016 (net)	1.37	2.14	14.99	18.50
	2012-2016 (gross)	2.24	2.88	25.22	30.35
	+ Flexibility factor	2.44	3.18	27.37	32.99
Take Up Rates (pre-recession)	2012-2016 (net)	1.78	2.80	19.55	24.13
	2012-2016 (gross)	3.12	3.91	35.12	42.15
	+ Flexibility factor	3.37	4.31	37.91	45.59

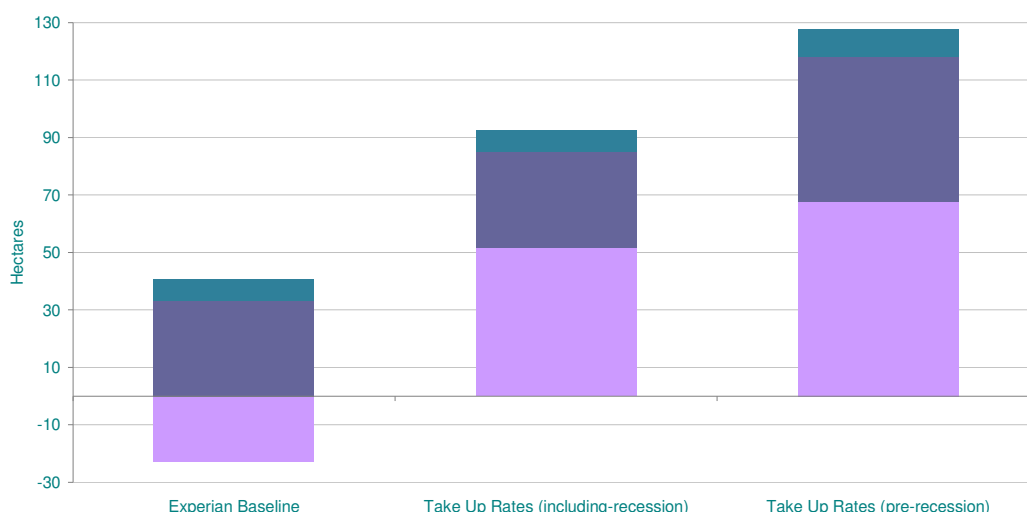
Table 8.7 LONG TERM Gross Employment Land Comparisons 2021-2026

		B1a	B1b/c/B2	B8	TOTAL
Experian Baseline		-0.60	-9.21	0.33	-9.49
	2012-2016 (gross)	0.28	-8.48	10.57	2.36
	+ Flexibility factor	0.47	8.17	12.71	5.01
Take Up Rates (incl. recession)	2012-2016 (net)	1.37	2.14	14.99	18.50
	2012-2016 (gross)	2.24	2.88	25.22	30.35
	+ Flexibility factor	2.44	3.18	27.37	32.99
Take Up Rates (pre-recession)	2012-2016 (net)	1.78	2.80	19.55	24.13
		3.12	3.91	35.12	42.15
	+ Flexibility factor	3.37	4.31	37.91	45.59

Table 8.8 ALL Gross Employment Land Comparisons 2012-2016

		B1a	B1b/c/B2	B8	TOTAL
Experian Baseline	2012-2016 (net)	0.68	-27.92	4.43	-22.82
	+ Flexibility factor	3.67	25.00	39.10	17.76
Take Up Rates (incl. recession)	2012-2016 (net)	3.83	6.00	41.96	51.79
	2012-2016 (gross)	6.28	8.06	70.63	84.97
	+ Flexibility factor	6.83	8.91	76.62	92.37
Take Up Rates (pre-recession)	2012-2016 (net)	4.99	7.83	54.73	67.55
	2012-2016 (gross)	8.73	10.95	98.33	118.01
	+ Flexibility factor	9.44	12.07	106.15	127.66

Figure 8.5 Employment Land Projections 2012-26 (ha)



8.39 In summary, the range of indicative total gross land requirements to 2026, factoring in a 2-year margin of choice, results in the following range of demand projections:

- Experian Baseline: 17.8ha
- Take Up Rates (including recession): 92.4ha
- Take Up Rates (excluding recession): 127.7ha

Sensitivity Tests

8.40 Clearly the level of future demand for B-use class land projected by the employment-based projections differs from the figures suggested by an application of past take up rates. The projections are largely trend-based; in particular, the Experian scenario reflects the position at the ‘bottom’ of the market. The past take up rates have clearly been at least partly recorded during an unprecedented boom in the commercial market nationally, and reflect the ‘predict and provide’ approach formerly used to inform ELRs. In reality, it is likely that the actual performance of Darlington’s economy and

commercial property market will lie somewhere between the econometric projection and past take up.

- 8.41 In order to provide a clearer steer as to what level of growth the Borough should be planning for, it is important to apply a series of reality checks.

Adjustments to Plot Ratios

- 8.42 The estimates of land requirements are clearly highly sensitive to the various assumptions used. The job/floorspace ratios and plot ratios adopted here reflected those in the ODPM guidance¹⁹. At present, it is assumed that the plot ratio²⁰ of 40% is applied to 70% of the office space; all industrial space and all warehousing, with the remaining office space subject to a higher town centre density of 200%. A sensitivity test was modelled that explored the implications of taking a plot ratio of 200% for all B1a office space (i.e. 4 floors with 50% plot coverage, or 2 floors with 100% plot coverage), with the plot ratios for B2/B8 held constant at 40%. This would make only a slight difference to the overall gross requirements, of 0.5ha for the Experian Baseline scenario. On this basis, it is considered reasonable to assume that the majority of future office development in the Borough will be at plot ratios closer to 40% than 200%.

Adjustments to the Margin of Choice

- 8.43 Another more significant assumption in terms of sensitivity is the 2-year safety margin added. This increases requirements for the Experian and Take Up (including recession) scenarios by 7.4ha, and by 9.7ha for the pre-recession take up rate scenario. However, a 2-year margin of choice may ordinarily be seen as being reasonable, particularly in the light of the ongoing recession and the need to provide market ready sites to prevent occupiers from moving beyond the Borough when searching for appropriate sites. In addition, there are a number of potentially good quality employment areas that are not in a position to be developed without infrastructure coming forward over the medium to long term; hence an increased margin of choice would help to provide a balanced portfolio. In summary, it is considered reasonable to retain a 2-year margin of choice to 2026.

Labour Supply Analyses

- 8.44 For purposes of comparison, the level of **labour supply** projected for Darlington has also been considered, since this could impact upon the

¹⁹ Employment Land Reviews Guidance Note, ODPM (2004)

²⁰ A plot ratio is the total building square footage (building area) divided by the site size square meterage (area of the plot). Therefore, a plot ratio of 150% would indicate that the total floor area of a building is 1.5 times the gross area of the plot on which it is constructed. For practical purposes, this would equate to a 3 storey building with fifty percent plot coverage, the remaining plot area being occupied, for example, by access roads, parking and landscaping.

Borough's ability to attract businesses and future job growth. The following labour supply scenario has been considered:

- ONS 2010-based SNPP population growth:** The ONS projections, published in 2012, forecast that the population of Darlington will increase by 6,000 residents between 2012-26. In 2010, 63.1% of Darlington's population was aged 16-64, whilst the latest economic activity rate for the Borough equates to 75.1%²¹. Allowing for the fact that Darlington has a net influx of commuters (with a labour force ratio of 1.13 in 2011²²), and on the assumption that these inputs remain constant over the Plan period, this would suggest that the net additional labour supply would total around 3,210 over 14 years. Assuming a ratio of 1:1 labour supply:jobs, this would suggest that the net job growth Darlington should plan to accommodate under this scenario would be in the order of +3,210 between 2012 and 2026.

8.45 Based on the Experian figures, around 35% of these workers are likely to work in B class jobs which further reduces the number of B-class workers. By applying the same proportion of jobs for each B-class sector as per the Experian forecasts in 2026 (i.e. 52% of jobs by 2026 are likely to be office related; 29% industrial and the remaining 19% in warehousing) and applying the same employment densities and plot ratios, the labour supply scenario could result in a net requirement of 49.3ha, as illustrated in Table 8.9.

Table 8.9 Labour Supply Assessment 2012-26

ONS SNPP 2010 based population projections	Net Job Growth 2012-26	Net Floorspace Requirements	Land requirements (net)	Employment land lost	Margin of choice	Land requirements (gross)
B1a Office	590	7,376	1.40	2.45	0.54	4.39
B1b/c/B2 Industrial	329	14,153	3.54	2.06	0.86	6.46
B8 warehousing	215	14,975	3.74	28.67	6.00	38.42
Total	1,135	36,504	8.68	33.18	7.40	49.26

8.46 The labour supply forecast sits between the Experian Baseline and the take up rates forecast (including the recessionary data), although it is some way below the 128ha net projection based on past take up pre-recession.

²¹ ONS annual population survey Apr 2011-Mar 2012

²² 43,900 resi in employment (NOMIS economically active, in employment Jan-Dec 2011) / BRES 2011 workplace based employment: 49,524 in Darlington

Summary

8.47

This section has appraised a range of employment land projections for Darlington Borough using a variety of methodologies. It is important to identify an appropriate level of need that achieves a balance between market realism and economic and planning policy objectives. A range of qualitative and quantitative factors have been considered within this report that can help to inform a judgment on the appropriate level of need, with the key issues set out below:

- Darlington has many advantages as an industrial and logistics location, with ready access to the national road and rail network and competitive business rates. There has also been recent growth in business services and noticeably knowledge-based industries. However, the Borough faces a number of challenges not least rising unemployment rates, pockets of high deprivation and relatively few residents in professional and managerial jobs and higher numbers of semi and lower-skilled residents;
- Future job growth projections for Darlington are modest in the medium to long term;
- The Borough has an opportunity to develop a competitive advantage based on the new Tees Valley Enterprise Zone (whilst recognising that most of the sites are located in nearby Teesside Boroughs), alongside aspirations to diversify the portfolio to allow for further development in Business Services;
- Take up rates in the Borough in recent years have been moderate, at 3.7ha per annum (rising to 4.8ha per annum if the recent recessionary years are excluded), whilst losses have averaged 2.37ha in the long term (rising to 3.6ha pre 2008/09);
- Labour supply analyses indicate that the population is likely to grow by around 6,000 residents over the plan period, which could indicate a need for around 50ha (gross) to 2026.

8.48

Based upon the above, it is considered that a justifiable and defensible estimate of demand over the period 2012-26 could be in the order of **110ha**. This figure reflects the view that Darlington should plan for an aspirational but realistic future – a view reinforced by attendees at the recent Stakeholder Visioning Workshop. It is recognised that it will be difficult for Darlington to deliver the rates of growth observed in the boom years that preceded the recession. However, in contrast to this, there are clear risks associated with allocating too little land, not least the very high number of existing/allocated employment sites that could be vulnerable to being redeveloped for housing in future years. Around 110ha is therefore felt to strike an appropriate balance.

9.0 The Demand/Supply Balance

- 9.1 This section of the report draws together the earlier forecasts of future employment land needs for B class uses, as well as estimates of available development land and committed supply, in order to identify the balance of demand and supply. This analysis will enable the need for any further provision (or the removal of any surpluses) to be identified in both quantitative and qualitative terms.

Quantitative Factors

- 9.2 Section 8.0 highlighted that approximately 110ha of available employment land would be required in Darlington over the period to 2026 in order to support the growth of the Borough's economy. The land supply required to meet this need will come from the following sources:

- 1 Allocated employment development land without planning permission;
- 2 Undeveloped plots within industrial estates without planning permission;
- 3 Employment space with extant planning permission; and
- 4 Windfall sites, underused employment sites and the intensification of existing employment premises. The amount of land likely to come forward from such sources is not clear – nor is it sufficiently certain to come forward to justify it being quantified as part of the demand/supply balance.

Available Land vs. Demand

- 9.3 As set out in Section 8.0, it is anticipated that future demand in Darlington could require the allocation of 110ha of available employment land across the Borough. The existing portfolio of sites assessed by DTZ as part of this study, and discussed in Section 5.0, currently comprises 375.96ha of available land. In purely quantitative terms, this represents an oversupply of more than 265ha. Put simply, current supply equates to more than three times the level of projected demand.
- 9.4 As highlighted in the preceding sections, the current position of oversupply is skewed by a small number of large allocations, namely land at: Faverdale; Yarm Road; and Durham Tees Valley Airport.

Pipeline Supply

- 9.5 Taking account of committed employment space, the table overleaf illustrates that the gross amount of potential new B class land with extant permission at December 2012 stood at 17.1ha. This represents more than 3 years of future supply on the basis of historic take-up.

Table 9.1 Development Pipeline for Darlington

	Office	Warehousing	Industrial	Other	Total
Land	0.6ha	0ha	14.0ha	2.6ha	17.1ha

Source: Darlington Borough Council December 2012

- 9.6 The two largest sites within the development pipeline – comprising of 13.9ha of gross land – are currently allocated and have been assessed within this report as part of the available supply of land (ELR22 and ELR31). As such, there are very few, if any, extant permissions for development on windfall employment sites at present.
- 9.7 There are also, however, a number of applications in the pipeline that could ultimately result in the loss of existing/allocated employment land within Darlington. As of December 2012, this figure was estimated at 1.8ha.
- 9.8 Taking account of the above, it is estimated that the amount of employment land in the pipeline equates to an overall net gain of 15.3ha. This comprises primarily of land at ELR22 and ELR31, both of which have been assessed as part of the Borough's stock of available land.

Restricted Use Sites

- 9.9 It is considered that the land at Durham Tees Valley Airport should not be regarded as part of the general portfolio of employment land. Land at the airport offers the potential to serve a unique function within the Tees Valley economy and as a consequence should be protected from coming forward for employment uses that could be accommodated on general sites elsewhere. The principle of restricted use sites was established by the North East Regional Strategy, which safeguarded land for particular purposes including airport-related uses.
- 9.10 The land at Durham Tees Valley Airport offers the opportunity to attract sectors or end users that have distinctive requirements with respect to the scale, location or particular attributes of a site. In particular, it provides an opportunity to attract airport-related occupiers, particularly in the event that the airport becomes a specialist freight operation.
- 9.11 It is therefore recommended that the three employment sites at Durham Tees Valley Airport, comprising a total of 57.90ha of available land, are retained for airport related use only. These sites are:
- Durham Tees Valley Airport North (ELR28): 11.42ha;
 - Durham Tees Valley Airport South (ELR29): 31.44ha; and
 - Durham Tees Valley Airport Extension (ELR30): 15.04ha.
- 9.12 As previously discussed, ELR29 represents the poorest of the three areas of land available at Durham Tees Valley Airport. This is reflected in the site

appraisal scores and is a function of the accessibility constraints associated with the land. ELR29 is located to the south of the airport's runway, with no access to the rear. As such, the land would need to be accessed by crossing the runway at present.

- 9.13 Notwithstanding the site assessment findings, the Council is currently working with the Peel Group to sustain a viable regional airport. Peel are advancing proposals to open up land to the south of the runway for airport related employment uses as part of a package of measures to sustain the airport. It is understood that Peel are actively seeking funding to provide road access. As such, it is recommended that the land be retained for airport related use only for the time being.
- 9.14 As discussed previously, Darlington currently has 375.96ha of available employment land. Removing 57.90ha for airport-related uses as outlined above would see this figure fall to 318.06ha.

Potential for Release of Sites

- 9.15 NPPF is clear that local authorities should avoid stockpiling employment land by rolling forward inappropriate allocations when updating their planning policies. Indeed, Paragraph 22 of the document states that:
"Planning policies should avoid the long term protection of sites allocated for employment use where there is no reasonable prospect of a site being used for that purpose."
- 9.16 Taking this into account, and having regard to the clear quantitative imbalance between supply and demand within Darlington, it is evident that there is a need to significantly reduce the stock of allocated and available employment land. Forecast demand over the Plan period is estimated to be in the order of 110ha and this study seeks to bring the availability of land into alignment with this figure.
- 9.17 A significant proportion of the Borough's existing portfolio is made up of poor or average quality employment sites, as highlighted in Section 5.0. In considering potential candidate sites for deallocation, NLP and DTZ have sought to focus on these sites, in order to prioritise the retention of Darlington's better quality employment locations and those sites best suited to meeting the needs of the key growth sectors.
- 9.18 Notwithstanding the above, it is important to note that NLP and DTZ have not necessarily sought to simply deallocate those sites recording the lowest site assessment scores. This reflects the need to ensure an appropriate qualitative balance within the overall portfolio of land. It is recognised that poorer quality sites can often serve an important local function in supporting local employment and meeting the need for low value, local premises.
- 9.19 Within this context, the following recommendations are made concerning the removal of certain sites (in full or in part) from the employment land portfolio (Table 9.2). A recommendation to deallocate existing employment land does

not prohibit DBC from granting permission for B class development should an application be received for a proposal that can demonstrate that it meets strategic economic, planning or regeneration priorities. Nevertheless, the study team do not consider it necessary (or appropriate) at this time to *rely upon and plan for* the sites listed below to meet the Borough’s future employment needs.

Table 9.2 Proposed Deallocations

Site Ref	Site Name	Recommendation	Net Land Available (Ha)	Unavailable/ Recommended for Deallocation (Ha)	Adjusted Net Land Availability (Ha)
1	Faverdale Reserve	Deallocate 120.45ha. Retain the remaining 21.81ha for use <i>beyond</i> the Plan Period	142.26	120.45	21.81
2	Faverdale East Business Park	Deallocate 23.92ha. Retain the remaining 8.46ha	32.38	23.92	8.46
4	Drinkfield	Deallocate	4.00	4.00	0.00
19	McMullen Road Open Space	Deallocate	0.00	0.00	0.00
20	McMullen Road East	Deallocate	5.69	5.69	0.00
Total			215.77	154.06	30.27

Source: NLP & DTZ Analysis

9.20

It can be seen from the table that 154.06ha of land has been recommended for deallocation from the existing supply. The deallocations are proposed from the following 5 sites:

- Faverdale Reserve (ELR1): represents the largest single contributor to the existing oversupply of land within the Borough and serves to significantly distort the demand-supply balance. Whilst the site benefits from a good location (adjacent to the A1) it is only serviced in part. Given the availability of land elsewhere at Faverdale, it is recommended that 120.45ha of land at ELR1 be deallocated. A further 21.81ha of land at the site is recommended for retention (the land currently in DBC ownership and immediately adjacent to Rotary Way) although it is suggested that this should be safeguarded for development beyond the Plan period. Given the availability of land at Faverdale and elsewhere in Darlington DTZ do not consider that the deletion of this land would impact on the ability to meet the future needs of Darlington's key economic growth sectors.
- Faverdale East Business Park (ELR2): as with ELR1 the site comprises a significant proportion of Darlington's overall stock of land and distorts the demand-supply balance. Whilst it is recognised that Faverdale is an important employment location, it is noted that 11.41ha of land is already available on the industrial estate the south west (ELR3) and within this context it is considered unlikely that 32.38ha of land at Faverdale East could be delivered to 2026. It is recommended that a parcel of land located in the south western corner of the site and totalling 8.46ha is retained, with the remainder deallocated. This parcel of land is preferable to the remainder of the site because it is serviced by road infrastructure and lies immediately adjacent to Faverdale Industrial Estate. It is considered that the retention of 8.46ha of land, when assessed within the context of available land at ELR3, is sufficient to meet anticipated demand at the site over the Plan period and can still provide a significant opportunity for growth in core sectors and most notably logistics, given its proximity to the A1.
- Drinkfield (ELR4): this 4ha site is recommended for deallocation in its entirety. The site is accessed by the local road network only and is in close proximity to an existing residential estate. As such, it scored poorly within the site assessment exercise and given the scale of oversupply within the Borough is not considered a priority location for future employment growth.
- McMullen Road Open Space (ELR19): a small parcel of undeveloped land remains following the development of car showroom facilities. However, the remaining land is narrow and is not considered to be available for development. It is recommended that this site (comprising 0ha of available land) be deallocated.

- McMullen Road East (ELR20): lies adjacent to and is accessed through the existing Lingfield Point development meaning any development here would be perceived by the market as being part of Lingfield Point. Given the significant availability of land within Lingfield Point the delivery of this land is not considered a priority for the future employment growth of the Borough. It is recommended that the site, comprising 5.69ha of available land, be deallocated.

9.21 As discussed at Paragraph 9.14, the safeguarding of land for airport-related uses leaves Darlington with 318.06ha of available land for general employment uses. The deallocation of the 5 sites outlined above, would see this reduce to 164ha.

Safeguarding Land Beyond 2026

9.22 There is, therefore, a clear need to further reduce the supply of employment land in the Borough to ensure that it is in alignment with the anticipated level of demand over the period to 2026. However, in further rationalising the portfolio, it is important not to lose sight of the need for Darlington to support further employment growth beyond 2026 and the importance of good quality, well located sites in facilitating this.

9.23 It is therefore recommended that land is safeguarded beyond the Plan period in 2 key employment locations:

- Faverdale Reserve (ELR1): it is recommended that 21.81ha of land adjacent to Rotary Way, as discussed in Paragraph 9.20, is safeguarded beyond 2026; and
- Yarm Road South (ELR23): it is recommended that land to the west of the rail line totalling 29.12ha of land be safeguarded beyond 2026. The land to the east of the rail line (3.39ha), which forms an extension to Morton Palms is to be retained as part of the Borough's portfolio over the Plan period.

9.24 The above recommendations would result in a total of 50.93ha of land being safeguarded for employment uses beyond 2026. NLP and DTZ consider that sufficient land in the surrounding areas have been allocated to meet demand over the next 14 years. However, the study team recognises the importance of these key employment locations and the need to ensure that they can continue to support economic growth beyond the lifetime of the current plan. These sites could be brought forward sooner than anticipated in the event that demand proves to be far higher than projected, thereby affording the Borough a greater degree of flexibility and responsiveness in the supply of employment land.

9.25 Removing these sites from the portfolio of land to be allocated over the Plan period, gives a total available supply of 112.96ha. This is broadly in accordance with the forecast level of future demand – projected to be in the order of 110ha.

Table 9.3 Summary Land Supply Position

Available Land	375.96
<i>Less Restricted Use Sites (@ 57.90)</i>	318.06
<i>Less Proposed Deallocations (@154.06ha)</i>	164.00
<i>Less Land Safeguarded Beyond 2026 (@ 50.93ha)</i>	112.96
Total Supply	112.96

Source: NLP & DTZ Analysis

Site Availability and a Five Year Supply

- 9.26 Clearly in determining an appropriate portfolio of employment land for the Borough, it is important to ensure that this comprises of sites that are capable of being delivered over the Plan period. Guidance produced for the South East of England emphasises the need for LPAs to ensure the provision of a rolling 5 year supply of employment sites and this is reflected in the following analysis to demonstrate the availability of sufficient land to meet Darlington's employment land requirements in the short term.

Five Year Demand

- 9.27 The future requirement for employment land over the 14 year study period (2012-2026) is projected to be in the order of 110ha. If it is assumed that demand for B class employment space were to be spread evenly across this time period, then this would translate to a 5 year land requirement of 39ha.
- 9.28 It could, however, be argued that the demand profile will not be uniform over the Plan period. Current restrictions on the availability of credit continue to constrain development activity and the Office for Budgetary Responsibility recently downgraded its economic growth projections for the UK over the short term. As such, demand in the first 5 years of the study period could conceivably be lower than outlined above, with any shortfall being offset by higher requirements in the later phases of the Plan period.

Five Year Supply Assessment

- 9.29 An attempt has been made to understand which of those sites within the recommended portfolio are readily available and unconstrained and therefore capable of meeting this 5 year target. Drawing upon the site assessment work undertaken by DTZ, sites have been categorised as follows:
- Unconstrained and immediately available (0-5 years);
 - Modest constraints (6-10 years); and
 - Major constraints (11+ years).

9.30 A site by site analysis can be found appended to this report, with the headline findings summarised in Table 9.4. This demonstrates that Darlington has an estimated 53ha of immediately available employment land. This is considered more than sufficient to meet anticipated demand over the first 5 years of the Plan period.

Table 9.4 Indicative Delivery Strategy

5 Year Demand	Immediately Available (0 5 years)	Modest Constraints (6 10 years)	Major Constraints (11+ years)
39ha	53.00ha	46.57ha	13.39ha

Source: NLP & DTZ Analysis

9.31 It should be noted that the indicative delivery strategy outlined above is largely an academic exercise that ignores the state of the economy and development cycles. As such, it would be a mistake to be excessively reliant upon these timescales. Clearly, in the real world the market plays an important role in determining when sites will be brought forward. It is recommended that DBC monitors the availability of employment sites on an annual basis with a view to maintaining a minimum 5 year supply of immediately available development sites.

Qualitative Gaps

9.32 Having considered the existing portfolio of land and premises we consider there to be the following qualitative gaps in the existing supply with respect to the office and industrial sectors.

Office Market

9.33 It is noted through our analysis and consultation that Darlington's existing office supply can be characterised as follows:

- Concentration of offices in and around the town centre
- Large proportion of offices held in smaller, older suites that offer modest specification in comparison to more modern developments
- Largest new build development located on east edge of the town
- Vacancy rates modest in comparison to neighbouring locations
- Limited supply of office accommodation on the western side of Darlington, near to the A1.

9.34 When the existing market is compared against neighbouring, competing locations and also against the demand from the key economic growth sectors we consider there to be the following qualitative gaps:

- There is a shortage of larger, Grade A office accommodation when measured against neighbouring areas of Stockton, Middlesbrough and Durham and this would inhibit the ability to attract larger occupiers to the town
- There is limited supply of good quality incubator space within Darlington suitable for small and medium sized enterprises
- There is a particular shortage of quality office accommodation in the town centre; however, development in this location should be balanced against the ongoing desire for out of town offices.

9.35 To address these gaps DTZ consider there to be opportunity for further new build office development over the plan period and recommend that this is focused in areas such as South East Town Centre Fringe (ELR11), East of Town Centre (ELR12), Central Park (ELR13) and Morton Palms (ELR26).

9.36 In developing new office accommodation DTZ recommend that it should cater for the following three core qualitative gaps:

- New business start ups – such provision is critical in order to facilitate the growth of the indigenous business base. At present it is understood that rates of business formation and entrepreneurial activity are high, and the Borough's stock of land and premises should seek to reflect this. Start-up businesses typically require small flexible accommodation which is fully serviced and available on easy in easy out terms and often in Incubator 'Hubs'
- Move on accommodation – as new start up businesses grow they will need new, good quality accommodation to expand into that offers a number of the flexibilities detailed above and avoids the restrictions of longer term institutional leases. Evidence gathered to inform the development of DBC's Economic Strategy suggests that businesses starting up and growing within Darlington typically move elsewhere when seeking new premises of 250-600sq.ft. The provision of move on accommodation in this size range that meets the specification requirements of occupiers as detailed above would help to reduce this outflow of businesses and jobs. DTZ consider there to be an acute shortage of this type of accommodation at present, particularly outside of the town centre

- Large corporate offices – this relates specifically to the large open floor plate offices typically sought by corporate occupiers. Such provision would help Darlington to market itself more effectively to inward investors with office requirements. Typically large open floor plate office requirements have been delivered in large out of town business parks and locally only Morton Palms has sought to meet this market. While market conditions may restrict further development of this accommodation in the short term, over the medium to long term Darlington should plan to encourage the delivery of such property to assist in attracting new organisations to the town and in particular to meet the needs of the key growth sectors such as higher value office support functions of the subsea technology and advanced manufacturing industries as well as telehealth. Accommodation of this nature is considered to be in particularly short supply in locations in and around the town centre.

Industrial Market

9.37 Having reviewed the Borough's current stock of land suitable for industrial use the existing portfolio can be characterised as follows:

- The key industrial locations are those with direct access to the major highway infrastructure of the A1 and A66
- Estates on the eastern side of Darlington are typically in greatest demand
- There is a concentration of smaller older premises in locations closer to the town centre
- Any large scale requirements within the advanced manufacturing or subsea sectors would need to be delivered through new build development with limited existing accommodation likely to be suitable
- Vacancy rates are modest when compared against neighbouring competing locations giving potential for new development over the plan period.

9.38 When the existing market is compared against neighbouring, competing locations and also against the demand from the key economic growth sectors, it is considered that the following qualitative gaps exist:

- Land should be protected near to the main highway infrastructure that is capable of meeting the larger requirements within the advanced manufacturing or subsea sectors
- While there is a need to preserve some industrial/warehouse accommodation near to the town centre, future growth should be focused on the estates at Faverdale, Lingfield and Yarm Road
- There is a need to enhance the quality of accommodation particularly for small and medium sized occupiers

- 9.39 Overall it is therefore considered that there is an opportunity to review some of Darlington's older, poorer quality estates with a view to – in the long term – identifying potential opportunities to relocate existing business to key employment areas around Faverdale (ELR3) and the areas around McMullen Road, Lingfield Point and Yarm Road.
- 9.40 Such a process would focus activity in Darlington's key employment hubs and slowly allow much of Darlington's older more dated stock to be removed improving the overall balance of the portfolio which at present is often focused around smaller older stock in areas traditionally linked to Darlington's railway industry. Clearly, DBC would need to have regard to the overall balance of demand and supply should any existing estates be rationalised or removed from the portfolio and this may require a response in the form of the allocation of additional land in demonstrably strong market locations.
- 9.41 In developing new office accommodation DTZ recommend that it should seek to address the following qualitative gaps:
- Intelligence compiled by DBC and underpinning the development of the Council's Economic Strategy identifies a need to respond – in land and premises terms – to the outflow of businesses seeking premises of 250-600sq.ft. Opportunities should be sought to bring forward good quality accommodation in this size range that caters for small and medium sized businesses and is located in Darlington's primary industrial estates
 - In addition to smaller unit sizes provision should be made for greater move on space either through new build development or subdivision and refurbishment of larger, older buildings
 - Land should be protected adjacent to the main highway and rail infrastructure to support development within the advanced manufacturing and subsea sectors
 - The airport provides an important distribution hub that can link Teesport, Hitachi and many of the large manufacturing businesses with national and international markets. The safeguarding of land for airport uses should therefore be used as means to support rather than restrict this growth.

10.0 Viability and Delivery

Viability and Mitigation

- 10.1 Having identified those sites to comprise Darlington's employment land portfolio over the period to 2026, this section considers the viability of those sites and potential barriers to their development.
- 10.2 Within the current market, the single biggest factor impacting upon the delivery of new development is financial viability. The significant downturn in underlying economic conditions experienced over the last five years has resulted in a corresponding downturn in property markets locally, regionally and nationally. Today, office and industrial sectors remain extremely subdued – despite small improvements in market conditions within the industrial sector over the last twelve months – and it is expected that this situation will continue for a considerable period of time.
- 10.3 The Autumn Statement made by the Government indicates that austerity measures will continue until at least 2018 and over this period it is anticipated that levels of economic growth will remain muted with downside risks remaining high. If this proves to be the case, it can reasonably be expected that property markets (particularly in regional economies) will remain subdued over a similar timeframe, with continued uncertainties regarding the viability of commercial property development.
- 10.4 A decline in net rental income over the last five years has had a particularly pronounced effect upon commercial development. In DTZ's experience, while landlords have often sought to maintain headline rents, incentive packages have increased substantially to attract new occupiers and tenants have been able to negotiate greater than average flexibility on the terms upon which new leases are taken. When this flexibility is reflected in headline rents, the net rent received by many landlords over the last five years will have fallen.
- 10.5 Correspondingly, demand within investment markets for commercial assets has become highly polarised with demand remaining for prime assets and assets that deliver strong income security from good covenant occupiers. More secondary assets, and particularly those in the regional economies, have seen demand fall and as a result yields for each of the main commercial property assets have shifted outwards by several basis points.
- 10.6 This change in investment yield, coupled with the decline in net rental incomes has resulted in substantial falls in overall capital values.
- 10.7 As well as changes in property values, we have also seen fluctuations in commercial build costs since the onset of recession. The BCIS database, compiled by the RICS, documents that average build costs have risen by around 9% nationally over the last three years and it is forecast that over the next three years build costs will grow by a further 8% from today's levels. As build costs have increased, and revenues fallen, it is easy to see how what

would once have been viable development no longer delivers a commercial return and many ongoing and proposed schemes have stalled as a consequence.

- 10.8 Darlington is not immune to this downturn in market conditions and it is for this reason that many of the Borough's key opportunities have not come forward in recent years, or have done so at slower rates than anticipated. Based upon current economic forecasts, many remain unlikely to be delivered in the short term and this will remain the single biggest barrier to the delivery of new employment accommodation
- 10.9 To bring forward development, without substantial pre-lets to strong corporate occupiers, DTZ consider there to be three options available:
- 1 DBC could provide investment into the commercial market and offset any development shortfall. This would be in the form of guaranteeing occupancy costs, underwriting build costs or taking a commercial stake in the development and seeking a return once the building is fully let and an investment can be sold on the open market. Such opportunities may be available for specific assets, however, they are likely to require capital investment up front from the local authority with the potential that this may not be returned for some considerable period of time. Given the budgetary restraint and cut backs that are no doubt being felt within the Council at the current time, DTZ are unaware as to whether this presents a viable solution;
 - 2 DBC could seek Government funding to facilitate development. It is noted that significant Government funding has been removed as a consequence of the austerity measures. Nevertheless, there may be an opportunity to draw down funding from the Regional Growth Fund if the net additional economic benefits of development can be clearly demonstrated. The Local Authority should therefore remain in dialogue with Tees Valley Unlimited (the Local Enterprise Partnership) over the opportunities for such funding.
 - 3 DBC could be to seek to subsidise development through the disposal of existing employment land. This may include the opportunity to sell part or parts of an existing employment site for other uses including retail and residential with a land receipt being used by the developer to fund new commercial property.
- 10.10 Notwithstanding opportunities for funding, DTZ consider that the Local Authority's role going forward would be to actively promote Darlington as 'Open for Business' and provide whatever means is necessary to facilitate business growth. Included within this is the realisation there will need to be flexibility and pragmatism within the planning process to ensure developments can be brought forward.
- 10.11 This report has recommended a number of employment sites be de-allocated in order to rationalise the Borough's portfolio and align demand with supply. This rationalisation has been undertaken to help support the viability of the

retained portfolio over the short, medium and long term. In identifying the retained portfolio the study has sought to focus on the Borough's key development sites – those which are best suited to meet the needs of emerging property markets over the short, medium and long term and thereby offer the greatest potential to deliver economic growth.

10.12 The de-allocations proposed within Section 8.0 allow the Council to begin the process of long term planning in secondary locations where we consider the long term future of the area will be for uses other than traditional B class employment. In such locations, DBC may wish to pursue alternative uses in order to bring added vibrancy to a local area and assist in preserving prime employment sites for the longer term.

10.13 Turning specifically to the issue of viability and delivery in relation to those sites recommended for retention as part of the Borough's future portfolio, the following is noted:

- Within the Faverdale area of Darlington, we have sought to recommend the retention of the areas of land that DTZ consider being most suited to delivering long term economic growth and meeting the likely needs of future occupiers. It is clear that this area is a key location within Darlington's overall land portfolio given the limited amounts of employment land within western Darlington and particularly in areas with direct links to the A1(M). In particular, DTZ consider the area to have further potential for logistics development alongside more general business development in Use Classes B1, B2 and B8. While these uses should be the focus of the retained estate going forward, it is important that the Council remain flexible in its approach to planning and is prepared to promote alternative uses that are clearly shown to support or enhance the wider Faverdale Estate as a business location, as well as provide facilities that benefit both Faverdale and the surrounding neighbourhoods. It should also be noted that within Faverdale there are opportunities to encourage relocations from some of the town's older estates, making use of the available employment land and property and begin the process of decanting occupiers away from some of Darlington's older employment accommodation.
- The Cross Town Routes are considered to play a functional role within Darlington's overall employment portfolio, providing affordable accommodation in areas close to the town centre. There are, however, obvious limitations in the ability to grow these estates beyond their existing form with limited development land available and restrictions brought about by the surrounding road and rail network, the River Skerne and surrounding land uses (most particularly residential). DTZ therefore consider that in elements of the Cross Town Route sites there are opportunities to consider potential relocation of some occupiers over the medium and long term from these estates to the priority areas around Faverdale and to the east of Darlington at Lingfield and Yarm Road.

- Within the Town Centre Fringe, DTZ consider this area to provide a key link between the town centre and the outer suburban areas of Darlington and in particular between the town centre and the proposed new and important development at Central Park. Furthermore, the Town Centre Fringe also offers a key entrance point to the town for visitors and businesses alike and steps should be taken wherever possible to enhance this key gateway. DTZ therefore consider that within the Town Centre Fringe there is opportunity for further commercial development as part of a wider mixed use masterplan. However, the overall success of this area will likely be predicated on the overall growth and success of proposals in and around the town centre and also the ability to bring forward proposals within Central Park.
- Central Park is an important strategic growth area for the town that is likely to be anchored by growth in Darlington College and the Campus of Teesside University, but supported by ancillary office and residential uses. Every effort should therefore be made by the Council to ensure delivery of this accommodation.
- Within east Darlington, consultation with businesses and agents has shown that the schemes surrounding Lingfield Point and the estates of Yarm Road are priority business areas for the town and those that generate the greatest level of interest on the open market. These are therefore considered to be key locations and a priority within Darlington's overall employment land portfolio. In particular, it is important to emphasise the links between Darlington and the wider Teesside conurbation and the ability for Darlington to link into the overall growth objectives being developed through Tees Valley Unlimited. In particular, DTZ believe that it would be important to promote further B1, B2 and B8 development within the retained sites identified. Nevertheless, as with Faverdale, other alternative uses should also be considered by the Local Authority where it can be clearly shown that these improve or enhance the overall area.
- The success of the employment portfolio at Durham Tees Valley Airport will be determined by the long term vision for the future growth of the airport. From our consultation and own research it is clear that at the moment there remains a great deal of uncertainty over what future role the airport will play and it will be vital that this is finalised by Darlington in conjunction with the other Tees Valley authorities as a matter of priority. In terms of employment land, the study team has sought to retain the land that would be most suitable for future employment development, with this land restricted to development for employment uses related to the airport's growth only.

Physical Barriers to Development

10.14

While the greatest single barrier to new development remains due to underlying economic and property market conditions, Darlington Borough Council have shown a desire to address any physical barriers in the existing

portfolio where these are hindering the ability to attract new occupiers or allow businesses to grow.

10.15

In DTZ's experience of working with occupiers and landlords of commercial property, some of the largest physical barriers to new development are as follows:

1. Access/Connectivity

The ability for industrial and office occupiers to access their customer and supplier base is often critical to a business's success and so in the case of Darlington this would include access to the key routes of the A1 and A66, the East Coast Mainline and Durham Tees Valley Airport. Consultation has particularly highlighted the importance of access to the wider Tees Valley.

Where known traffic congestion points are situated then intervention should be considered.

2. Enhancing Quality of Accommodation

There is a noted qualitative shortfall in both industrial and office sectors and across all size brackets. Whilst new build development should address this, there are also opportunities to consider refurbishment of older estates where this is economically beneficial.

3. Electrical Capacity

To be able to attract occupiers within the subsea and advanced manufacturing sectors, as well as within other 'heavy' industries, estates will need to deliver sufficient electrical capacity for businesses to run processes efficiently.

Consideration could therefore be given to supporting the capacity on the key priority estates.

4. Car Parking

The limitations on car parking availability, particularly in out of town locations, have resulted in parking on roadsides and other informal arrangements that have a detrimental effect on estates.

Consideration could therefore be given to the construction of new car parking or temporary car parking on undeveloped land.

5. Broadband Connectivity

Previous research by the DBC has identified restrictions in Broadband connectivity within specific locations in Darlington. To enable growth in a number of the key growth sectors it will be imperative to ensure that Darlington has access to superfast broadband to enable it to remain competitive against other areas of the region.

10.16

As a guide to the typical costs of addressing the above DTZ have summarised in the table below the typical budgetary cost that should be assumed. This gives an indication of the base price for a particular item excluding preliminaries, professional fees, finance or abnormal costs.

Table 10.1 Key Constraints: Indicative Cost Estimates

Item	Cost
Access/Connectivity	
New estate roads	£1,200 per m fully serviced and with street lighting
Improving access	Roundabout (single carriageway) £75,000 Roundabout (duel carriageway) £250,000 Signalised Junction (single carriageway) £90,000 Signalised Junction (duel carriageway) £150,000
Enhancing Quality of Accommodation	
Upgrading office accommodation	£200 - £350 per sq m (GIA)
Upgrading industrial accommodation	£20 - £50 per sq m (GIA)
Electrical Capacity	
Electrical Substation	<p>The cost of upgrading electrical capacity can vary significantly dependent on the specific requirements and as such would be best assessed in conjunction with a specific occupier.</p> <p>Typically where sufficient capacity can be found in the local area an upgrade to provide less than 275kVA would cost as little as around £10,000 and is a relatively straightforward process focussed around an upgrade of cabling. To provide more than 275kVA would likely require a new transformer and incur cost in the order of £80,000 to £100,000.</p> <p>If insufficient power is located in the local area this would require additional cost to route back through the network until such a supply can be found. This will be particularly relevant for energy intensive uses, including those in many heavy manufacturing processes. In such circumstances these costs can only be accurately ascertained through consultation with the power companies however DTZ are aware can reach seven figure sums.</p>
Car Parking	
Temporary Car Parking	£25 - £50 per sq m
Permanent Car Parking	£75 per sq m or £1,650 per space

Broadband Connectivity

Broadband

For businesses to be able to grow in high tech industries it is imperative that superfast broadband is made available as widely as possible and as a result central government has sought means to support such a roll out with particular focus on the new round of Enterprise Zones.

Darlington should therefore position itself to benefit from such roll out and address those areas of the town where connectivity has been identified by the Council as poor.

Without specific examples available it is difficult to quantify the costs associated with such a roll out, particularly given the number of variables involved, and DTZ recommend that the Council continued a dialogue with providers to monitor how they can offer support and quicken the process of providing such services to the town.

Source: DTZ Analysis

10.17

Whilst the above provides high level guidance, DTZ have also considered in greater detail the costs associated with a small number of particular constraints. This work is summarised in Table 10.2.

Table 10.2 Mitigation Strategies for Key Constraints

EXAMPLE 1 Expanding Car Parking at Morton Palms	
Potential Constraint	Limited car parking in the Morton Palms/Yarm Road area has caused double parking on the estate road of Morton Palms which detracts from the estate and may impact on the ability to attract new occupiers.
Potential Solution	<p>Creation of a temporary car park on one of the undeveloped plots of land. This car park would alleviate the short term car parking issue and still be made available for development of office accommodation as the market demands. It could also be used to generate short term income from the estate.</p> <p>Measuring the development plots using Promap DTZ find that if an area of 1 hectare (2.47 acres) was made available (sufficient for around 200 250 cars) would cost in the order of £575,000, assuming £50 per sq m build cost and allowances for professional fees and contingency</p>
EXAMPLE 2 Refurbishment of Secondary Employment Premises	
Potential Constraint	The study has identified a need for improving the quality of industrial accommodation in some locations and particularly for SMEs
Potential Solution	If DTZ take as an example a vacant industrial premises situated on Faverdale Industrial Estate that extends to 2,988 sq m (32,150 sq ft). The cost of subdivision to provide smaller units and refurbishment would likely be equivalent to £30 per sq m, which, after allowances for professional fees and contingency would give a conversion of cost of around £100,000.

Source: DTZ Analysis

- 10.18 In considering the above it should be noted that investment in any of these items does not guarantee the ability to secure occupiers and the benefits of investment should be measured objectively against what could be achieved through funding alternative options. For example, direct support to companies themselves, which could in turn generate demand for new accommodation.

Facilitating Delivery through the Planning Process

- 10.19 As outlined above, current market conditions make the delivery of employment land and premises challenging. Nevertheless, the provision of good quality workspace that meets the needs of occupiers is vital in promoting economic growth and attracting/retaining business occupiers. Financial viability is the key constraint to development at present and the preceding paragraphs provide some advice regarding appropriate mechanisms for addressing the issue. Notwithstanding this, a number of planning and policy tools can also be effective in helping to encourage development.
- 10.20 The paragraphs below provide an overview of key measures available to LPAs at present. These are presented for consideration and further exploration by DBC. It should, however, be noted that these measures will not be appropriate in every case and delivery strategies should be tailored to meet the specific needs and challenges of individual development sites.

Increasing Planning Certainty

- 10.21 The publication of a planning document which can create greater certainty for potential developers can have a positive impact on bringing forward new employment sites. Such an approach is often already adopted by local authorities and can take the form of an Area Action Plan, Supplementary Planning Document or Development Brief. Documents should be used to provide clarity with respect to the development constraints of a site – including abnormal costs – and approaches to overcoming these, as well as specifying the mix and scale of uses which would be acceptable.
- 10.22 It is critical that documents of this nature are market facing and present a positive but realistic investment prospectus for a site.

Local Development Orders

- 10.23 Local Development Orders (LDOs) can be adopted by local authorities in order to allow specified types of development within defined employment areas, without the need to obtain planning permission. An LDO needs to be prepared in partnership with tenants and land owners and could allow, for example, the construction of new industrial buildings or the sub-division or refurbishment of existing buildings without the need for owners/developers to go through the planning process. This can help to stimulate the upgrading of premises within existing industrial estates.

- 10.24 The introduction of an LDO can also support the delivery new premises by increasing certainty for developers, thereby making it easier to raise development finance and giving them greater confidence to proceed.

Business Improvement Districts

- 10.25 Business Improvement Districts (BIDs) can help to facilitate the enhancement of existing employment areas. BIDs are established for a defined area – such as an industrial estate – within which, after a ballot, businesses agree to pay a levy to fund improvements. Typically this applies over a defined period, such as 5 years.
- 10.26 Many BIDs for employment areas focus upon improving security, landscaping and road access/parking, rather than the direct modernisation of premises. Such interventions can, however, make an estate more attractive and encourage businesses to invest in the upgrading of premises, as well as helping an area to attract new occupiers.

11.0 Key Policy Choices

11.1 This section draws together the preceding analysis in order to outline the final portfolio of land that it is recommended DBC allocate through the Local Plan process. A detailed discussion of key locations – specifically identified by DBC within the study brief – is also presented for the Council to consider in informing future policy development.

Future Portfolio of Land

11.2 Darlington requires a portfolio of employment land in the order of 110ha over the period to 2026. At present, it is estimated that the supply comprises a total of 375.96ha of net available land. In order to bring this in line with projected future need, it is recommended that:

- 3 sites totalling 57.90ha are restricted for airport-related uses only
 - ELR28 – Durham Tees Valley Airport North
 - ELR29 – Durham Tees Valley Airport South
 - ELR30 – Durham Tees Valley Airport Extension
- 5 sites totalling 154.06ha are deallocated
 - ELR1 Faverdale Reserve (partial)
 - ELR2 Faverdale East Business Park (partial)
 - ELR4 Drinkfield
 - ELR19 McMullen Road Open Space
 - ELR20 McMullen Road East
- 2 sites are safeguarded for employment uses beyond the Plan period
 - ELR1 Faverdale Reserve (partial)
 - ELR23 Yarm Road South (partial)

11.3 Overall, the above recommendations yield a future portfolio of 112.96ha, as summarised in Table 11.1.

Table 11.1 Recommendations and Future Land Portfolio

Demand	110ha
Available Land	375.96ha
Less Restricted Use Sites (@ 57.90ha)	318.06ha
Less Deallocations (@ 154.06ha)	164.00ha
Less Land Safeguarded Beyond 2026 (@50.93ha)	112.96ha
Total Supply	112.96ha

Source: NLP & DTZ Analysis

Site Specific Analysis

11.4 As highlighted in Paragraph 11.1, the Council's brief for the study specifically requested a detailed analysis of four locations currently in employment use, with a particular focus on their constraints, opportunities and future role and function. The four sites identified are listed below, with analysis presented in the following paragraphs:

- Town Centre Fringe;
- Former Cross Town Routes;
- Faverdale Industrial Estate; and
- Morton Palms.

Town Centre Fringe

11.5 The study team was asked to assess the potential to relocate existing businesses from the Town Centre Fringe, as well as considering the suitability and viability of different areas of the Town Centre Fringe for commercial and employment development (either in isolation or as part of mixed use schemes). DTZ has therefore undertaken a review of the existing uses within the area and considered these against known proposals for development; either within the Town Centre Fringe or within the key adjoining areas of the town centre and Central Park.

Town Centre Fringe Overview

11.6 The Town Centre Fringe is identified within planning policy as a sustainable strategic location where development and regeneration activity will be concentrated over the next 15 years, providing around 650 new homes and 23,225 sq m (250,000 sq ft) of commercial space. It is therefore clear that the Town Centre Fringe represents a significant growth area for Darlington.

11.7 At present the area contains a variety of important uses, although their collective impact is limited due to the physical characteristics of the Town Centre Fringe and limited connectivity between some of the elements. Current uses include both civic and cultural, as well as residential, commercial and leisure.

Analysis of Employment Potential

11.8 DTZ consider the Town Centre Fringe to provide a key link between the town centre and the suburban areas of Darlington including Darlington Memorial Hospital and the proposed development at Central Park.

11.9 The Central Park scheme is anchored by Darlington College and the Campus of Teesside University and complimented by a combination of office and residential development. The link between this important scheme, the town centre and Darlington's main railway station will therefore be made through the

Town Centre Fringe and it is therefore important that any development in the Town Centre Fringe reflects the likely demands of the users of Central Park.

- 11.10 Furthermore, the areas to the north west of the Town Centre Fringe provide an important link along Woodland Road towards Darlington Memorial Hospital and again, it will be important to consider how this link can be enhanced over the long term.
- 11.11 The Town Centre Fringe also contains Darlington's main railway station (Bank Top) and therefore provides a key entrance point to the town for both leisure and business users. It will be vital to ensure that on arrival into Darlington, visitors are greeted by an attractive and vibrant town and that an appropriate image of Darlington is created the moment people enter this key gateway.
- 11.12 Looking at key uses within the Town Centre Fringe, DTZ consider the uses cited below to be appropriate.

Offices

- 11.13 At present, Darlington's main office offer is focussed upon older secondary space located in and around the town centre. Provision typically comprises of smaller suites located above retail and other uses and finished to a relatively modest specification. While some more modern development has taken place in the Town Centre Fringe, this is relatively limited in scale with the only major office developments having taken place on the eastern periphery of Darlington in and around Lingfield Point and Morton Palms.
- 11.14 DTZ therefore consider there to be further opportunity for office development and in particular to provide accommodation for new business start ups, move on space for small and medium sized enterprises and larger corporate floor plates to attract occupiers into Darlington from other areas of the Teesside conurbation and wider North East region.

Leisure

- 11.15 DBC recently appointed Terrace Hill as the preferred developer of the cinema and leisure complex adjacent to the Town Hall. It will be important to provide opportunities to link in to this development and provide greater vibrancy to the southern areas of the Town Centre Fringe that lie adjacent to the town centre.

Residential

- 11.16 As has been identified within the Council's own planning policy, delivery of residential accommodation within the Town Centre Fringe will be vital to provide vibrancy to the area and to provide a customer base from which to support further commercial uses. It is likely that residential uses would be in the form of a combination of apartments and small starter homes.

Ancillary Retail

- 11.17 It will be important to balance the needs of retail accommodation against the overall viability of the town centre, but it should be acknowledged that retail will form part of further development within the Town Centre Fringe as an ancillary use to other commercial and residential uses.

Civic/Cultural Quarter

- 11.18 An opportunity also exists in the areas surrounding Darlington's Civic Theatre to provide a cultural hub at the centre of the Town Centre Fringe that supports artistic and cultural uses and provides an opportunity to draw people into the area.

Live/Work Units

- 11.19 As a specific requirement of DBC's brief, DTZ has been asked to consider the potential for Live/Work units in and around the Town Centre Fringe. Drawing upon our knowledge of the area, experience of the Live/Work market and discussions with occupiers and developers, DTZ do not consider there to be a specific need to deliver this type of accommodation. Furthermore, the majority of occupiers requiring accommodation to both live and work within will typically meet these needs either through traditional housing stock or will seek to convert existing premises as they require them and to their own specific needs. Delivery of a new build product aimed at the Live/Work market runs the risk that it fails to meet requirements either as an acceptable place for people to live and raise their families or for work accommodation and will normally have to compromise on the delivery of one of the two elements. As such, the provision of Live/Work units is not considered to be a priority for any new build development within the Town Centre Fringe.

Barriers to Development

- 11.20 Within the current market, the single biggest factor impacting upon the delivery of new development is financial viability. The significant downturn in underlying economic conditions experienced over the last five years has resulted in a corresponding downturn in property markets at the local, regional and national level. Today, office and industrial sectors remain extremely subdued, despite small improvements in market conditions within the industrial sector over the last twelve months and it is expected that this situation will continue for a considerable period of time.
- 11.21 Indeed, the Autumn Statement made by the Government indicates that austerity will continue until at least 2018 and economic growth is projected to be modest over this period with downside risks remaining high. If this proves to be the case, it can reasonably be expected that property markets – particularly in the regional economies – will remain subdued over a similar timeframe, with continued uncertainties over the viability of commercial property development.

11.22 Over this period it will therefore be difficult to deliver development of commercial accommodation without financial assistance from the public sector. With limited funding available, DTZ recommend that the local authority undertakes the preparatory work necessary to deliver development in the Town Centre Fringe when conditions do begin to improve.

11.23 Instead, where resources are available to support development DTZ would recommend that these are focused on schemes to improve the Town Centre and Central Park as the success of these two projects will in themselves be the greatest catalyst to development in the Town Centre Fringe.

Opportunities for Development

11.24 DTZ has reviewed the emerging high level masterplan prepared by DBC for the Town Centre Fringe and do not intend to provide a detailed critique in this report. Instead DTZ have focused on those areas of the Town Centre Fringe that may be able to be brought forward initially, notwithstanding market conditions.

11.25 Having reviewed and considered the Town Centre Fringe, DTZ has identified a number of opportunities which are discussed in the following paragraphs.

Infrastructure Improvements

11.26 Proposed infrastructure improvements (including around the River Skerne and inner ring road) are considered to represent an important step in breaking down the barriers between the Town Centre Fringe and surrounding areas and providing greater linkages from the town centre through the Town Centre Fringe to areas such as Central Park. These linkages will be critical in encouraging the private sector to bring forward development in the area. It is therefore recommended that these are brought forward in the short to medium term.

11.27 In addition to the above it is considered that further opportunities exist to deliver improvements to the public realm and enhance the overall character of the area through investment in shop frontages and streetscape and the inclusion of temporary 'pocket parks'.

11.28 The existing street frontages along Victoria Road and Parkgate are currently dominated by the signage of occupiers with little coherent theme and little sympathy to the buildings they occupy. The area therefore has the feel of an environment suffering from a lack of investment. These routes represent major access points into and out of the town centre and are often the first views visitors will receive of Darlington. It is therefore recommended that negotiations are held with local landlords and occupiers over ways in which to improve each street and that options for improvement are developed in liaison with a professionally qualified landscape architect.

11.29 With respect to 'Pocket Parks' it is noted that Newcastle's Business Improvement District has delivered a number of small urban parks aimed at

bringing colour and vibrancy to underutilised and often derelict pieces of land. These temporary structures have worked well in drawing people to an area and making use of underutilised assets while development is stalled. DTZ believe that a similar strategy could be adopted in the Town Centre Fringe on key sites adjacent to the major routes through the area.

South West Town Centre Fringe

- 11.30 Within the area around the South West of the Town Centre Fringe, adjacent to the Town Hall and Terrace Hill's proposed leisure development, DTZ consider there to be further opportunities for development within the short term and to grow the town centre.
- 11.31 These areas have previously been considered for major office development with potential relocations for the Department of Children, Schools and Families (now the Department for Education) and CTC Marine. Whilst these have not been delivered, DTZ believe opportunities remain to bring forward good quality office accommodation in and around the town centre.
- 11.32 The key to the delivery of such accommodation could be the potential future of the Town Hall. It is understood from attending the Town Centre Fringe Developers' Day that there are continued uncertainties over the long term viability of the Town Hall given the potential repair and refurbishment liabilities and opportunities may therefore need to be considered for a new Town Hall. Were it decided that this is the appropriate way forward, a new Town Hall could provide an excellent catalyst for a new office development in the South West Town Centre Fringe, acting as an anchor tenant to deliver viability and freeing up land for other uses sympathetic to the location.
- 11.33 In order to facilitate development in the South West Town Centre Fringe, it is likely that there will be a need for business relocations, including occupiers considered unsuitable for the local area. In particular DTZ has identified the land occupied by the Police Station, Fire Station and Royal Mail depot to be key priorities for relocation. All three of these occupiers occupy large, prominent sites close to the Town Centre that could well be relocated to other areas of the town, including some of the retained employment land portfolio.
- 11.34 DTZ therefore recommend that the Council consider developing a site specific masterplan for this area of the Town Centre Fringe to determine how new build office development (including, where appropriate, the delivery of a new Town Hall) could be incorporated, reflecting the infrastructure improvements to be delivered and Terrace Hill's leisure proposals.

Borough Road

- 11.35 The Borough Road area of the Town Centre Fringe lies adjacent to the East Coast Mainline. Within this area, the existing industrial estate and depot are considered to provide limited benefit to the existing stock of employment space and offer an opportunity to encourage other uses into the area. Furthermore, occupiers within this estate could provide a vital opportunity to relocate and

provide occupier demand for some of the retained portfolio particularly around Cleveland Industrial Estate, McMullen Road, Faverdale and Yarm Road. Within this area, DTZ would expect the most viable proposition to be a residential led mixed use development incorporating leisure and retail uses to support the residential scheme, whilst also providing facilities for existing occupiers.

North West Town Centre Fringe

- 11.36 Within the areas surrounded by Four Riggs, Gladstone Street and St Augustine's Way, DTZ consider there to be an opportunity to look at bringing forward a strategic mixed use development incorporating office, residential and retail accommodation.
- 11.37 At the moment this area comprises a number of under-utilised parcels of land (many of which are under the ownership of DBC) and has no coherent structure in terms of use or pedestrian flow. DTZ therefore consider there to be an opportunity to reconsider the role and function of this area and in particular seek opportunities to bring forward a mixed use scheme that makes greater use of the proximity to North Lodge Park and links the Hope Town area to the north with the town centre.
- 11.38 In order to ensure the viability of any such scheme it is likely to be predicated on delivering a high proportion of residential accommodation with revenue from land sales then used to cross subsidise commercial elements.
- 11.39 Through such an approach, capital can then be invested in commercial development in the area surrounding Northgate Tower and the Council's own offices, thereby providing an opportunity for further business development. It is understood that Northgate Tower is currently being marketed with limited interest; however, this could provide an opportunity for the Council to acquire the property at a low value and provide serviced accommodation aimed at small and medium sized enterprises and those moving on from starter units. This would help to address an identified qualitative shortfall with the Borough's existing stock of employment space.

Former Cross Town Route Sites

- 11.40 This section assesses the potential for further employment development in the area known as the Cross Town Route and the desirability and deliverability of this against opportunities for alternative land uses.

Overview

- 11.41 The area known as the Cross Town Route sits immediately to the north of Darlington Town Centre Fringe, between North Road, Albert Road/Cleveland Street and the East Coast and Bishop Auckland railway lines.
- 11.42 This area is well located within the urban area of Darlington and is surrounded by a range of commercial, industrial, residential and retail uses. The area

would most likely have been originally developed due to its proximity to the railway line and North Road Station and will have gone through a process of significant redevelopment over the years, as the importance of the railways to the local economy has reduced.

11.43 Today, the Cross Town Route incorporates the area adjoining the Bishop Auckland branch line railway south of Albert Road and can be considered in two distinct parts.

11.44 The first part lies to the west of the River Skerne and adjacent to North Road and today is, in the main, a cleared site of around 1 hectare (2.47 acres) which is available for immediate development. The second part lies to the west of the River Skerne and includes a variety of buildings that have been developed in a piecemeal fashion, date from a variety of eras and are finished to varying standards. Development in this parcel of land is, however, restricted in part due to its topography to the south eastern area.

Analysis of employment potential

11.45 The following paragraphs consider the strengths and weaknesses of existing employment uses within the Cross Town Route site when measured against the wider portfolio and the opportunities either to enhance the existing employment offer or, where appropriate, for alternative uses.

11.46 Looking firstly at strengths, DTZ consider the sites to offer:

Location

11.47 The site is well established within the local market for employment uses with a number of occupiers having been located in these estates for a considerable period of time.

11.48 With the proximity to the town centre, the area is ideally located for serving the town centre and the northern suburbs of Darlington and therefore will form an ideal location for businesses whose customer base is focused in these areas and who do not require ready access to areas outside of Darlington or the regional highway network.

Access

11.49 The site benefits from direct access to North Road with traffic flows and access having been significantly improved by the recent junction upgrades and meaning that the site could be easily accessed from the town centre and north towards the A1. The site does however have limited access to the east and towards Teesside due to the restricted passage under the East Coast Mainline via Cleveland Street.

Occupancy costs

11.50 The secondary nature of this employment location and the age and style of the premises situated within the estate means occupancy costs including rent,

rates and service charge will typically be below those of other employment areas of the town. This estate therefore provides opportunities for cheaper accommodation which is readily accessible to the town centre and would prove popular with many businesses.

- 11.51 DTZ consider the following to be key weaknesses of the Cross Town Route site:

HGV access

- 11.52 Whilst access from the north, west and town centre is good (as previously discussed) access to the east is poor. Furthermore, access from the local routes is often congested and access particularly around the East Coast mainline tunnel is poor, specifically for heavy goods vehicles. This will prove problematic for a number of occupiers.

Railway Line

- 11.53 The railway network that borders the site on two sides provides a significant barrier to future expansion and also restricts the scope for improvements to the road access, limiting the growth potential for this site and restricting improvement options to the redevelopment of existing accommodation.

Alternative Location

- 11.54 Darlington has a ready supply of employment land (as demonstrated elsewhere in this report) and significant available sites capable of housing future new build office and industrial accommodation. As a result, this will attract the majority of future demand.

Title

- 11.55 Typically, such sites are under fragmented ownership, either by the businesses that occupy the accommodation or by local investors and developers. This fragmentation significantly reduces the opportunities for large scale redevelopment or investment in the estate with owners often having competing views and aspirations as to the direction in which they would wish to see any redevelopment take place.

Age of premises

- 11.56 The age and style of some buildings in the estate is such that while they do provide lower cost accommodation for occupiers, ongoing maintenance and management costs are likely to be significantly higher than more modern premises. In addition, the specification of existing buildings are likely to be unsuitable for many occupiers and will present challenges in terms of Energy Performance Certification and Empty Rates Liability.
- 11.57 Energy Performance Certificates have been a requirement for all vacant commercial premises since April 2008 and it is proposed that with effect from

April 2018 all those premises graded F and below will be unable to be let in the commercial market. In older estates, where many of the premises are dated and offer particularly limited specification, it is expected that some may be at risk from this new legislation, were their energy performance assessed. While this will not impact upon those premises which are owner occupied, those which are held for investment purposes and let on the open market may be forced to consider redevelopment or refurbishment options after April 2018 which may be uneconomic given underlying market conditions. Were this to occur, this may lead to a decline in these estates where plans are not put in place to address them.

- 11.58 Empty Rates Liability came into force in April 2008 and provided landlords with the requirement to pay rates on empty industrial premises which have been vacant for a period of six months or more. This cost, in poor market conditions, has provided a significant burden to landlords and forced many to pursue demolition where they have been unable to secure tenants or agree rate relief with the local authority. Units within these estates are likely to be at risk of demolition where they become vacant for prolonged periods of time.

Recommendations

- 11.59 DTZ have considered the existing employment accommodation within the Cross Town Route site, measuring it against current market conditions and other premises and land available within the wider Darlington market.
- 11.60 It is clear from this analysis that this is a well established industrial location and the Cleveland Industrial Estate opposite shows that the area is popular with occupiers, many of whom will be attracted to the area due to its below average occupancy costs and its proximity to the town centre. Whilst the standard of accommodation and surrounding environment is poorer than many of the more modern estates on the edge of town, and access from the east is poor, it appears clear that there would be potential in a continuation or enhancement of the commercial accommodation within the Cross Town Route.
- 11.61 Before considering in more detail the opportunities for future development in the Cross Town Route it should be noted that any development will be hindered by current market conditions as underlying economic market conditions remain challenging for occupiers, investors, developers and funders to commercial property sectors. The latest forecasts are such that these conditions are likely to remain over the short and potentially into the medium term which will severely restrict the potential opportunities for redevelopment with occupiers remaining cautious over growth and developers remaining restricted by limited demand and access to development finance. This will severely restrict development of employment space in all locations and will be most acutely felt in those secondary estates such as the Cross Town Route.
- 11.62 In terms of future development DTZ believe it appropriate to look at the site in its two distinct constituent parts.

- 11.63 With respect to the land east of the River Skerne this appears to be an important employment location and it is clear that there should be continued promotion of employment growth under Use Classes B1, B2 and B8 both here and in the opposite Cleveland Industrial Estate with both representing good secondary industrial estates within the wider Darlington market.
- 11.64 Following investment in the North Road junction, access has been enhanced giving scope for further small scale development within both these sites and, perhaps more importantly, an intensification of existing uses to further enhance their profile. This is particularly relevant to those areas bordering the river and near the Bishop Auckland railway line that presently appear underutilised.
- 11.65 In considering new development, DTZ would recommend that the Local Authority take a pragmatic approach to planning in the Cross Town Route allowing flexibility in terms of scale, massing and use to reflect changes in market demand over time so as not to restrict or inhibit the growth of existing businesses within these locations. A more mixed use approach would therefore be favourable that continues to promote B1, B2 and B8 uses but also allows for alternative ancillary uses to come forward where these can be clearly shown to complement the existing premises and desirability of these sites.
- 11.66 It should be noted that with future development in the Town Centre Fringe the Cross Town Route, along with the Cleveland Industrial Estate, will present an ideal opportunity to relocate occupiers who have a desire to remain close to the town centre but whose occupation is not conducive to realising the potential of development in the Town Centre Fringe.
- 11.67 In terms of land to the west of the River Skerne this land presents a greater range of opportunities due to it being predominantly cleared and available for immediate development. The range of uses that could be considered also increases due to the recent junction improvements and its prominence and visibility to North Road and as the area is separated from the main industrial estate by the river it can be brought forward in isolation from this existing use.
- 11.68 In terms of future development DTZ do not consider this site to have potential for further B1, B2 and B8 uses for much the same reasons raised in relation to the wider site. The area could offer potential for relocation of tenants from the Town Centre and Town Centre Fringe if this can facilitate delivery of the wider masterplan in these areas. Also, with the proximity to the North Road junction, there is likely to be potential demand for industrial or trade counter users who provide a small element of ancillary retailing from their accommodation and benefit from the prominence and traffic flows.
- 11.69 As an alternative to continued commercial use, consideration could also be given to alternative uses – particularly focussed on retail. Notwithstanding restrictions brought about by land conditions and highway capacity issues, uses that could come forward in this location include use classes A1 (Shops – including retail warehouses), A3 Food & Drink or A4 Drinking Establishment (such as family pub). These uses are likely to prove more viable in the short

term when compared against office and industrial uses. DBC may wish to explore whether they could deliver a capital receipt or planning gain that can help support investment in existing employment stock or stalled development projects.

Faverdale

- 11.70 The following paragraphs summarise the assessment of the southern, older part of the Faverdale Industrial Estate undertaken by DTZ. This area comprises the oldest part of the estate. DTZ have considered how this area might be improved or enhanced to reflect changes in employment demand and potential future growth over the medium and long term.

Overview

- 11.71 The Faverdale Industrial Estate is a well established and prominent industrial estate situated on the north western fringe of Darlington. It is well connected to the A1 via the A68 and also well connected to the town centre via Cockerton. While growth in the estate in recent years has been focused on the northern area of Faverdale – through developments including the Aldi and Argos distribution depots – the southern area of the estate has provided a home for a number of high profile occupiers. In recent years the southernmost area of the estate has been impacted by the downturn in market conditions and the implementation of vacant rates liability which, combined, have resulted in a number of properties becoming vacant and landlords pursuing the route of demolition to limit their holding costs while consideration is given to alternative uses.

Analysis of employment uses

- 11.72 To assess the relative value of the older southern area of the Faverdale Industrial Estate and the potential for future development of employment accommodation, DTZ have undertaken an assessment of the estate's strengths and weaknesses.
- 11.73 DTZ consider the southern area of Faverdale Industrial Estate to have a number of strengths, as outlined below:

Established location

- 11.74 The area is well established as one of the key employment areas of the town as evidenced by occupiers such as Aldi and George Allerton Transport being located within the estate. It is likely occupiers have been attracted to the area given its proximity to the A1, as well as ready access to the town centre giving links to markets both within Darlington and wider neighbouring boroughs.

Vacant land

- 11.75 A number of large buildings have been demolished within the southern area of the estate in recent years, most likely as a result of the down turn in market conditions and the imposition of vacant rates liability. This presents a number of immediate opportunities for redevelopment within the estate itself and that with the exception of market conditions, present few challenges were development to be brought forward.
- 11.76 DTZ consider the Faverdale Industrial Estate to have a number of weaknesses as outlined below.

Access to Tees Valley

- 11.77 Whilst access from the A1 and town centre is good, access to the east of Darlington (and in particular to the wider Tees Valley area) is poor, with many of the links across Darlington being congested and restrictive for modern heavy goods vehicles. With many businesses in Darlington reliant on the wider Tees Valley economy, Faverdale would be of limited suitability to such occupiers which will present barriers to demand from some sectors.

Available land

- 11.78 Whilst there is obvious benefit in having land available for immediate development, as discussed above, Faverdale provides a significant amount of both undeveloped and previously developed land. A wider discussion on the de-allocation of elements of this land is presented elsewhere within this report. Nevertheless, it is clear that whilst there is an oversupply of land available for development where requirements do come forward, these older areas of the estate will suffer in comparison to the other greenfield locations. Requirements are therefore likely to be delivered in areas other than Faverdale.

Recommendations

- 11.79 DTZ have reviewed and assessed the relative value of the southern older part of the Faverdale Industrial Estate against the wider employment land portfolio within Darlington to assess potential opportunities for future development both within the employment sectors and other market sectors for the short, medium and long term.
- 11.80 In providing this advice it should be noted that property and underlying economic market conditions remain challenging for occupiers, investors, developers and funders to commercial property sectors. The latest forecasts are such that these conditions are likely to remain over the short and potentially into the medium term. While market conditions remain subdued this will severely restrict the potential opportunities for redevelopment with occupiers remaining cautious over growth and funders and developers remaining restricted by limited demand and access to development finance. This will constrain the development of employment space.

- 11.81 Looking specifically at Faverdale, DTZ's analysis of land at the southern area of this estate shows it to be an important part of the Darlington employment land mix and should be retained as a key employment area for the town going forward given its location and ready access to the A1 and town centre and the profile provided by the number of large scale occupiers already located within the southern and northern areas of the wider Faverdale Estate. Any activity by the local authority should therefore be to promote and enhance the growth of the estate wherever possible.
- 11.82 Whilst it is clear that this will remain a key employment location, there is opportunity to refocus and potentially intensify use within the southern area of the estate and seek to enhance the existing mix through the pursuit of alternative complementary uses. These would be intended to support, rather than conflict with existing uses and provide amenity value to both the wider existing estate and surrounding areas. Alternative uses may include retail (Use Class A1, A2 or A3), further B1 business (Use Class B1), hotel (Use Class C1) or other sui generis uses where they can be shown to positively impact on the wider area. The success of Team Valley demonstrates the potential impact that such an approach can have to maintaining a vibrant employment location.
- 11.83 Beyond the Plan period, where an intensification of the uses cannot be successfully achieved in part of the southern estate, consideration may be given to the de-allocation of parts of the employment land, particularly to the south of Faverdale Road. However, DTZ do not recommend this is considered in the short term and should only be considered where it can be shown to be beneficial to the wider estate. De-allocation should instead be focused on the expansion land to the north and other areas of Darlington.
- 11.84 In seeking to enhance the wider mix of units in the southern area of Faverdale Industrial Estate, the local authority's role should be to promote the estate to the wider region and support developers and investors in bringing occupiers to the estate through flexibility and pragmatism in the planning process. DTZ do not consider at this stage that financial assistance is required from the local authority to deliver development with market conditions meaning that financial input from the local authority would not represent value for money and instead greater importance should be given to financial assistance aimed at locations including the town centre, Central Park and the Cross Town Route.

Morton Palms

- 11.85 The following paragraphs consider the Morton Palms office development situated on the eastern edge of Darlington, looking at the strengths of this estate within the wider portfolio and seeking to understand why it has struggled in recent years to attract new occupiers and why further phases of development have not been delivered.

Overview of Morton Palms

- 11.86 Morton Palms represents a prestigious out of town Business Park located on the eastern edge of Darlington at the junction of the A66 and Yarm Road. It is one of Darlington's few out of town office developments and also one of the few developments that has brought forward Grade A office accommodation of any significant scale within the town over recent years. The scheme is built in two phases and today extends to approximately 4,671 sq m (50,279 sq ft).
- 11.87 DTZ understand from speaking to local agents that when originally completed, the first phases of development let well and appeared to meet an identified demand from the market for good quality out of town office accommodation. In particular, it has been commented that the Park was ideally located with many employees on the estate coming to Morton Palms from areas outside of Darlington. As such, being located close to the A66 meant it was within easy reach of many areas of Teesside and North Yorkshire and being out of town with car parking was also important as a result.
- 11.88 In addition, until development of this space, Darlington's office market provided limited new build accommodation of any significant scale or quality and again therefore, the development within Morton Palms provided a genuine alternative to much of the existing office stock within the town.
- 11.89 It is clear, however, that demand for accommodation in this location has slowed significantly in recent years with few active ongoing requirements for new accommodation. DTZ understand that some tenants are seeking to sub-let within the scheme.

Market Context

- 11.90 As discussed above, on completion, the Morton Palms scheme proved relatively successful in attracting occupiers and successfully disposed of accommodation to a number of high profile occupiers.
- 11.91 More recently, the estate has failed to attract any further tenants and this declining market demand mirrors a wider decline in office market conditions. As discussed in Section 10.0, property markets have declined significantly in recent years as a result of declines in underlying economic conditions and it is expected that these conditions will remain for some considerable period of time with the Government announcing (as part of the Autumn Statement) further austerity measures lasting up to 2018.
- 11.92 During this market decline, we have seen rents fall, yields increase and reductions in the overall capital value of commercial assets. This, coupled with a rise in build costs, has meant new build office development is often now unviable. Furthermore, we have seen many businesses seek to downsize their operations looking to make property efficiencies using less space to accommodate more staff, pursuing rounds of redundancy to reduce staff costs and also taking the opportunity to negotiate more favourable occupancy costs with landlords by either relocating to cheaper accommodation or re-negotiating

rents and service charges. It is likely that these factors will have been experienced within the Morton Palms scheme resulting in the contraction of some of the businesses within the Park and other occupiers seeking to make cost savings.

11.93 As a result of these factors, DTZ understand that the developer has mothballed further phases of development awaiting such time as market conditions improve. At present, there is an unwillingness to invest further capital in a project that cannot guarantee a return in the short term.

11.94 Demand for the Morton Palms Estate has also impacted upon wider office demand across the Tees Valley urban area. Many of the largest property requirements within the office sector are often not tied to a single individual location and therefore DTZ consider opportunities across an entire conurbation which in this instance will include areas across the Tees Valley, north into Durham and south into North Yorkshire. It is therefore apparent that there are significant vacancies in accommodation within other neighbouring areas and in particular Stockton on Tees, where modern office accommodation is often available at significantly reduced rents. As a result, tenants who wish to see savings on their property costs have an opportunity to consider a variety of different properties and this will result in some instances with tenants relocating from areas of Darlington, including Morton Palms.

11.95 In addition, many of the very largest property requirements that often form the cornerstone of a major office park will consider opportunities on a far wider scale and also often across an entire region. Within the North East, this will therefore take into account the Tees Valley, but also the former Enterprise Zone areas of East Durham and Tyneside where significant tax advantages mean that incentive packages can be made available and are known to extend to as much as five years rent free on a ten year term certain. Faced with these opportunities, Morton Palms has been unable to compete with such financial packages and tenants are left with an obvious decision to relocate to the lowest property cost within their search area.

Opportunities for Morton Palms

11.96 Having reviewed the wider employment portfolio, DTZ believe that Morton Palms should remain a major employment location and it makes a vital contribution to the overall employment land portfolio and specifically with respect to the delivery of B1 business space.

11.97 The single biggest factor limiting its success in recent years is a result of underlying market conditions and limited viability in delivering commercial accommodation at the current time. As discussed in Section 10.0, to bring forward new commercial accommodation in the short term would require subsidy either through loan or gap to deliver accommodation or subsidise rental incentives and therefore with ongoing austerity still impacting severely on local authorities, including Darlington, and limited Government funding available, there are few opportunities with which this can be delivered.

11.98 In the short term however, DTZ have identified a number of issues for consideration:

Car Parking

11.99 One of the obvious factors impacting on Morton Palms at the current time is the car parking along Alderman Best Way, which restricts movement through the estate and means it presents poorly to new visitors. DTZ would therefore suggest that dialogue be held with the landowner to determine the potential for converting one of the undeveloped plots into temporary car parking to remove the cars from the road and also provide an opportunity for short term income until market conditions improve.

Ancillary Uses

11.100 Consideration should also be given to allowing other non B1 uses into the estate where it could be shown that these are of benefit to the estate as a whole. Such uses could include small retail/café uses to provide additional facilities to existing tenants, hotel development or a large gym/leisure complex. Each of these is considered to bring benefits to Morton Palms, its existing tenants and occupiers of neighbouring estates.

Council Requirement

11.101 As has been commented upon in previous sections, it is known that DBC is currently considering potential long term solutions for its own occupation including the Town Hall. Depending upon the outcome of this process, a situation may arise at some point in the future whereby the Council would seek to relocate non core services to an out of town location such as Morton Palms. This could provide the catalyst from which a new phase of development could be brought forward.

Tees Valley Unlimited

11.102 The Tees Valley LEP has published a business plan that sets out its aims and ambitions and the priority to deliver strategic growth focused on four key areas of: advance manufacturing; digital; healthcare; and logistics. Careful consideration should therefore be given to the role that a business park such as Morton Palms could play with any or indeed all of these sectors. Furthermore TVU also set out within their Key Objectives the need to develop infrastructure in place and secure inward investment to the region. Again, DTZ would recommend that dialogue is held with TVU at the earliest opportunity to see what funding streams and opportunities may be available through their ongoing work.

Monitoring

11.103 The ODPM document Local Development Framework Monitoring: A Good Practice Guide states that “*survey, monitoring and review are crucial to the*

successful delivery of Local Development Frameworks.” This Business Sites and Premises Review has identified a projected future land requirement that is based upon an analysis of historic take-up, as well as employment and labour growth forecasts. It is essential that regular monitoring of the employment land situation in the Borough is undertaken to determine how Darlington is performing against the preferred scenario and whether any revisions to the portfolio of land are required as a consequence.

11.104

The CLG Employment Land Review Guidance Note sets out the minimum recommended employment monitoring to be undertaken by local authorities. This is focused primarily upon information relating to the local supply and demand for employment land and includes:

- 1 Employment land and premises database (recording B1a, B1b, B1c, B2, B8 or suis generis);
- 2 Employment permissions granted by type;
- 3 Employment permissions implemented by type and matched to allocated sites;
- 4 Permissions and development of sites and premises previously in employment use for non-employment uses;
- 5 Employment land and premises available and recent transactions;
- 6 Employment premises enquiries;
- 7 Employer requirements and aspirations (to be gauged via periodic surveys or forum and focus group events).

11.105

It is recommended that as a minimum, DBC puts in place a system to monitor the above where these are not already established. Based upon the evidence provided to NLP and DTZ to inform the production of this report, it is clear that DBC currently have in place systems to monitor issues 1-5.

11.106

However, it is considered advisable that a wider overall view is taken to the monitoring of employment land in the Borough, which takes account of additional output and contextual information. The key variables that could be included are discussed below.

11.107

The employment land projections set out within this document have been derived using **employment densities** recommended by the OffPAT and HCA 2010 research. In updating the Borough’s employment land evidence base in future, the Council may wish to adopt locally derived employment densities. This can only be achieved by monitoring trends over time or looking back at the employment density on key sites in the Borough. The Council’s Economic Development team, or Tees Valley Unlimited, should already record the number of jobs created by successful inward investment enquiries. Matching this information at a site specific level to gross internal floorspace figures and the type of employment created (with respect to B-Use Classes) would enable locally derived employment densities to be constructed. The costs and benefits of this additional monitoring is obviously a matter for further consideration by DBC.

- 11.108 Additionally, this study generally applies a standard **plot ratio** of 0.4, based on the assumption that an employment generating building occupies 40% of the total plot of land (although it has been assumed that a proportion of town centre office provision will be at a higher density). In updating the employment land evidence base or formulating employment land policies, however, DBC may prefer to apply different plot ratios to different parts of the Borough. This can be achieved by recording both the total site area and net developed area for all planning applications and then analysing a sample of the applications submitted in different locations. It should be noted that monitoring this data is a resource intensive exercise, and again, would require DBC to consider the costs and benefits.
- 11.109 Understanding **market trends** is an essential component of the employment land evidence base and an analysis of current market trends has been provided by DTZ as part of this study, drawing upon consultation with commercial agents active in the Borough and the wider Tees Valley. However, it is important that this is regularly updated. It is therefore recommended that the Council continue to monitor this by commissioning annual market trends reports from a commercial property agent.
- 11.110 It should be noted that a proportion of the employment development that will occur in Darlington will not require planning permission and as a consequence will not be picked up by monitoring planning applications. Such development is likely to include a change of use permitted under the Use Classes Order or the refurbishment of existing vacant or under utilised premises.
- 11.111 Development of this nature is difficult to monitor. However, occupiers are required to inform the local valuation office of any change in the nature of their business and it is therefore recommended that the Council considers using business rates information to provide an understanding of **recycling and refurbishment**. In addition, an analysis of market trends can be used to supplement this, providing an understanding of the upgrading of existing stock compared to levels of new build.
- 11.112 Additionally, it is recommended that in monitoring the take-up of employment land by type, the Council records the source of the development land (e.g. Local Plan allocation or windfall site). This will aid DBC's understanding of the contribution to the employment land supply made by **windfalls**.

12.0

Conclusions

12.1

There are a number of overriding conclusions from the study. These are summarised below and discussed in the paragraphs that follow:

- 1 Darlington has strong economic ties with the Tees Valley, South Durham and North Yorkshire;
- 2 The Borough's economy has proved to be highly cyclical in recent years – experiencing strong job growth during the 'boom' years and a severe contraction post-recession;
- 3 The local economy does, however, have a number of sectoral strengths, as well as growth opportunities;
- 4 Embedding major 'footloose' businesses within the local economy is a key priority for the Borough;
- 5 Darlington is a secondary office location, although the area's office stock has been enhanced by a number of recent developments;
- 6 A significant supply of available employment land has been identified within the Borough;
- 7 It is recommended that the Borough plan for the provision of circa 110ha of general employment land to 2026; and
- 8 Following a review of Darlington's existing supply, it is recommended that DBC's future portfolio of general employment land should comprise of 17 sites totaling 112.96ha.

1) Darlington has strong economic ties with the Tees Valley, South Durham and North Yorkshire;

12.2

The Borough is located at the western end of the Tees Valley and is dominated in terms of population and employment share by the historic market town of Darlington. As a consequence of its location, and excellent connectivity (by road via the A1(M) and by rail via the East Coast Mainline) the Borough's influence extends beyond the city region. An analysis of travel-to-work data would suggest that the authority falls within a functional economic area comprising of itself, Stockton-on-Tees and the former Borough of Sedgefield (albeit with strong linkages to the remainder of the Tees Valley and parts of North Yorkshire).

2) The Borough's economy has proved to be highly cyclical in recent years – experiencing strong job growth during the boom years and a severe contraction post-recession;

12.3

An analysis of employment change over time reveals a stark contrast in Darlington's economic performance pre and post-recession:

- The number of employee jobs increased by 12% between 2000 and 2008 – a far higher rate of growth than both the national (6%) and regional (7%) averages; but

- A more severe contraction in employee jobs has been observed locally since 2008 (-7%) in comparison with Great Britain (-2%) and the North East (-5%).

12.4 This would suggest that the impact of the economic downturn has been particularly pronounced within the Borough, but that Darlington has proved capable in the recent past of delivering strong employment growth. Over the period 2000-2010, the sectors that delivered the greatest increase in employment at the local level were: health; business services; transport; and banking/insurance. Local manufacturing has also been comparatively resilient, posting a small increase in employment in contrast with national and regional decline.

12.5 Levels of entrepreneurial activity within the Borough appear to be strong, with high rates of self-employment and business formation. At present, however, this appears to be offset by lower rates of business survival (or retention).

3) The local economy does, however, have a number of sectoral strengths, as well as growth opportunities;

12.6 DBC has commissioned a number of reports to understand the future growth potential of the Borough's economy and the sectors anticipated to drive this growth. This work is drawn together within the Council's Economic Strategy, which concludes that:

- Current sectoral strengths include: service sector; manufacturing; advanced engineering; and construction; and
- Emerging sectoral strengths are forecast to include: digital and media; subsea; and telehealth and telecare.

12.7 This broadly reflects the key strengths identified by NLP in undertaking an analysis of current representation and historic growth performance by sector. It is noted, however, that the Borough faces strong competition from other, neighbouring, authorities with respect to a number of the sectors.

4) Embedding major 'footloose' businesses within the local economy is a key priority for the Borough;

12.8 Discussions with Tees Valley Unlimited in relation to the inward investment performance of Darlington have indicated that the Borough has traditionally been particularly successful in establishing strong relationships with existing FDI clients, giving rise to continued investment over time. This ability to forge strong relationships with FDI clients is vitally important to the long term health of the local economy, given that a number of key employers could be categorised as being relatively 'footloose'.

5) Darlington is a secondary office location, although the area's office stock has been enhanced by a number of recent developments;

12.9 In relation to the commercial office market, Darlington is viewed as a secondary location with relatively weak levels of demand. The Borough's

office core has traditionally been concentrated within Darlington Town Centre and much of this area's stock is becoming functionally obsolete. In recent years, however, modern office premises have been provided at locations such as Morton Palms, Faverdale and Lingfield Point.

- 12.10 The Borough's industrial market is focused around: Faverdale to the west; Lingfield to the east; and Durham Tees Valley Airport. Some provision of smaller, older accommodation is also concentrated on the northern edge of Darlington Town Centre around Cleveland Street.

6) A significant supply of available employment land has been identified within the Borough;

- 12.11 Site assessment work has indicated that Darlington currently has 375.96ha of net available land. This existing level of supply is skewed by a small number of large allocations, including land at: Faverdale; Yarm Road; and Durham Tees Valley Airport.

7) It is recommended that the Borough plan for the provision of circa 110ha (gross) of general employment land to 2026; and

- 12.12 Drawing upon analysis of a range of forecasting techniques (including: labour demand; labour supply; and historic take-up) it is recommended that DBC plan to provide in the order 110ha of general employment land for development over the period to 2026. This level of demand is considered to strike an appropriate balance economic aspiration and commercial realism.

8) Following a review of Darlington's existing supply, it is recommended that DBC's future portfolio of general employment land should comprise of 17 sites totaling 112.96ha.

- 12.13 35 employment sites were assessed by DTZ, indicating the availability of 375.96ha of employment land. This is significantly higher than the projected level of demand over the period to 2026 (110ha). It was therefore necessary to consider reducing the portfolio of land in order to address this significant quantitative oversupply.
- 12.14 A detailed assessment indicates that 154.06ha of land, relating to 5 sites, could be deallocated – either in full or in part.
- 12.15 In addition, 3 sites at Durham Tees Valley Airport were removed from the general portfolio of employment land, to be safeguarded for airport-related uses. The land at the airport offers the potential to serve a unique function within the Tees Valley economy and should be protected from coming forward for employment uses that could be accommodated on general sites elsewhere.
- 12.16 It is recommended that a further 50.93ha, across 2 sites, is retained beyond the plan period,
- 12.17 The recommendations outlined above would leave 112.96ha of land to be retained for general employment development over the period to 2026. This is considered to be in alignment with projected demand for 110ha. Moreover, the

portfolio of general employment land (comprising 17 sites) is considered to be well balanced (by type and location) and provides the flexibility required to meet the needs of the variety of potential growth sectors identified by DBC.