



Darlington Office Workplace Study



Darlington Borough Council

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Prepared by

Ian Ramsay, Consultant

Helen Reardon, Associate Director

Checked by

Brett Devenish, Director

Authorised by

Brett Devenish, Director

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1 Introduction

- 1.1 Darlington Borough Council (“the Council”) is a dynamic, ambitious local authority that is keen to evolve and change to meet its objectives. As a small unitary authority, the Council have achieved a lot in challenging times and want to be in a strong and robust position to face the future. They have set a clear ambition of ‘delivering success for Darlington’ and want to ensure that everything possible is done to achieve this aim.
- 1.2 This is an exciting time for Darlington. They adopted a new Local Plan in 2022 which gives a strategic direction for the development of the borough, and were successful in securing several funding interventions that have helped to pump-prime and deliver key investments, including £24m from the government’s Towns Fund Programme.
- 1.3 The government’s decision to relocate 1,500 civil service jobs to the town is a tremendous opportunity. The Darlington Economic Campus (DEC) will include various government departments including:
- HM Treasury (HMT)
 - Department for Levelling Up, Housing and Communities (DLUHC)
 - Department for International Trade (DIT)
 - Office for National Statistics (ONS)
 - Competition and Markets Authority (CMA)
 - Department for Digital, Culture, Media and Sport (DDCMS)
 - Department for Business, Energy and Industrial Strategy (DBEI)
- 1.4 The Council do face challenges. Darlington is one of the smallest local authorities in England, and whilst it is home to more than 3,000 businesses, 87% of these are micro enterprises with fewer than 10 members of staff.
- 1.5 The DEC has agreed a long-term lease with DBC to occupy the only Grade A Office building in the town centre Feethams House. The building was completed in 2020 and provides 31,000 sqft located in the centre of the town. They will be creating further space on a new development site identified at Brunswick Street. The Council has received numerous enquiries from organisations requiring to be near the DEC within the town centre boundary. Unfortunately, there is not adequate space of sufficient quality to meet these requirements. The Council has identified several opportunities which would benefit from comprehensive empirical research to support the need for further investment, which is the purpose of this study.

Purpose of Study & Methodology

- 1.6 The purpose of the study is to determine and quantify the requirement for Grade A office space in Darlington, on the back of the HM Treasury relocation announcement. The review will focus on the availability of office space, particularly the availability (or lack thereof) of Grade A space. We will consider the availability of Grade B space, which could be refurbished to provide good quality accommodation, or house smaller companies that may wish to locate into the region.
- 1.7 AspinallVerdi have led the production of this study, with support from Lichfields and Dodds Brown.
- 1.8 In recognising the significant economic growth that the HMT relocation could bring to Darlington, we have agreed the following methodology:
- Provide an overview of the current office market – setting the context on a national and regional level as to how the sector is changing following the Covid-19 pandemic, and how this may influence the future accommodation needs in Darlington.
 - Provide a robust baseline of existing office workspace provision in Darlington, assessing the fitness for purpose, which builds on and updates the findings in the Office and Industrial Availability Study (2019), noted above, taking into consideration the following:
 - i Quality, quantity, scale and location of current provision
 - ii Ratio of occupied /un-occupied space
 - iii Sector composition of existing companies occupying offices
 - Identify the demand requirements for office workspace in Darlington.
 - i The analysis will take into account the changing economic profile of both Darlington and the wider Tees Valley region, as well as macro-economic factors and identify, by sector, the detailed nature of current and expected workspace demand in terms of type, size and level of specification of the accommodation required and also where (in terms of locations within Darlington) the demand for such accommodation is best located.
 - ii Analysis will include existing business growth needs and aspirational growth in jobs creation over next 5-10 years at a Tees Valley and local level, using Worksace and Experian to model potential future floorspace requirement scenarios.
 - Gap analysis, including the position of existing sites in meeting future needs and the identification of possible suitable additional sites for the development of office workspaces in Darlington to meet future demand.
 - Provide a list of suggested interventions to address gap analysis findings aligned to the vision for Darlington and wider Tees Valley aspirations for growth in both business counts and jobs.

- Examine case studies of similar government relocations in other UK locations, considering the short- and long-term economic impacts on the town/city and property market since the relocation.

Structure of the Report

1.9 The following provides an overview of the contents of each chapter:

- Chapter 2 – Baseline Analysis – Darlington Economy: sets the context for the study, looking at the area's economic performance and the strategies and policies that aim to improve that performance, analyse the current office market and its trends.
- Chapter 3 – Strategic Economic Development Projects: an overview of key projects that will have a significant impact upon the Darlington economy over the next decade.
- Chapter 4 – Regional Trends – Property market Overview: Current property market context and key transactions for the office property market sector in the Tees Valley Region.
- Chapter 5 – Accommodation Trends: an analysis of space by use type using VOA data and take-up from Co-star to assess accommodation trends over the last 20 years in Hartlepool and the Tees Valley.
- Chapter 6 – Sectoral and Quality Analysis of Darlington Accommodation: findings from a desktop analysis of quality of accommodation in the office sector in Darlington. Occupancy of existing space is also analysed based upon sectors of employment.
- Chapter 7 – Demand: an analysis of Experian datasets to identify a range of floorspace scenarios that could be expected over the next 10 years.
- Chapter 8 – Case Studies – a review of 5 towns/cities that have seen large scale government relocations in the last 20 years, and an assessment of the short- and long-term economic effects.
- Chapter 9 – Development Viability: indicative analysis on the financial viability of three hypothetical development scenarios for industrial and office development Hartlepool.
- Chapter 10 – Conclusion and Recommendations: a range of considerations and recommendations for intervention by sector and location.

2 Baseline Analysis – Darlington Economy

- 2.1 This section provides a baseline assessment of the Darlington economy, putting it into context with the wider Tees Valley regional and national position.

Tees Valley

- 2.2 The Tees Valley region comprises the five authorities of Darlington, Hartlepool, Redcar and Cleveland, Middlesbrough and Stockton-on-Tees (see Figure 2-1). The Tees Valley is a highly urbanised area, with an estimated residential population of 674,000 in a land area of circa 300 square miles. The approximate populations of the various authorities can be seen below:

- Hartlepool – 93,000
- Darlington – 108,000
- Middlesbrough – 145,000
- Redcar and Cleveland – 140,000
- Stockton-on-Tees – 200,000

- 2.3 The region is predominantly urban and is described as polymodal i.e. multiple centres without a single focal point. Stockton and Middlesbrough are essentially a single area which forms the focus in terms of population and jobs in the region. Some areas are less well integrated into the region by transport infrastructure i.e. Darlington and Hartlepool.

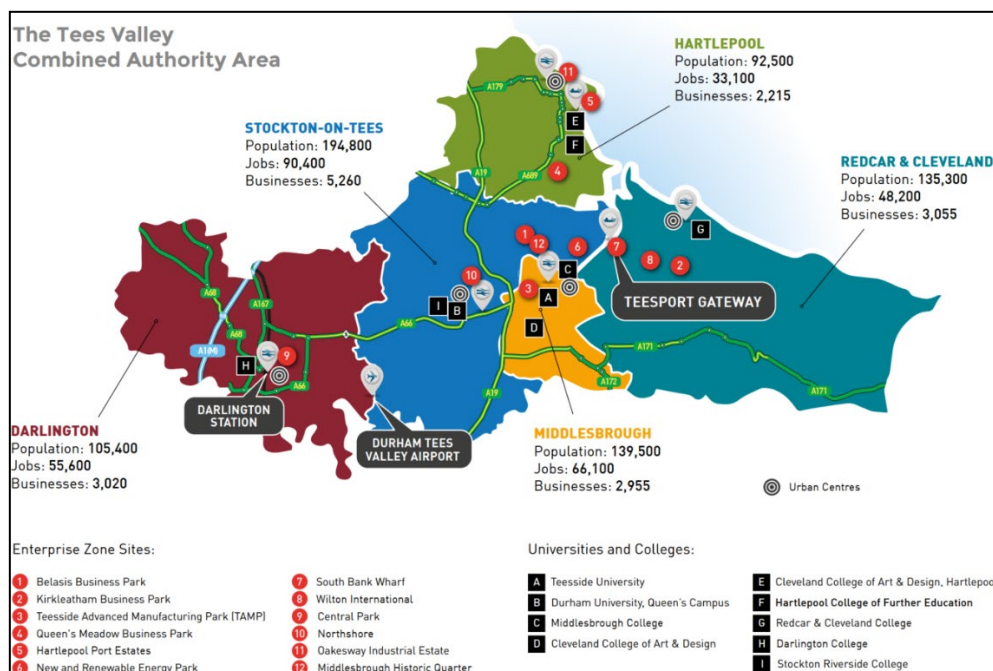
- 2.4 Below is a brief overview of the local authorities comprising the Tees Valley Combined Authority:

- **Hartlepool:** located along the coast to the north east of the region is Hartlepool. Of all the local authorities it is the furthest away from the urban core of Middlesbrough and Stockton as well as the road and rail connections in Darlington. Hartlepool benefits from having a port which has been one of the UK's top ten ports (by tonnage handled) for almost 50 years, making it significantly important to Hartlepool and the wider Tees Valley. Hartlepool also has a nuclear power station which is a significant employer in the area.
- **Darlington:** in the west of the region is Darlington. Darlington is well serviced by major roads with the A66, which links to the rest of the region, and the A1(M) which connects to the strategic motorway network, being the most important. Darlington also benefits from having a train station on the East Coast Mainline which links both north to Newcastle, Edinburgh etc and south to London.
- **Stockton on Tees:** is the largest local authority area by population. In terms of transport the A66 runs directly through the middle of the area from Darlington towards Middlesbrough, the A19 also runs north up towards Hartlepool Borough. Tees Valley Airport is located on the borough's border with Darlington to the west. There are a number

of train stations which provide services from Northern Rail, Grand Central and Transpennine Express.

- **Middlesbrough:** lies at the heart of the Tees Valley region directly adjacent to Stockton on Tees. Combined with Stockton on Tees many see Middlesbrough as the closest thing the area has to a city. Being in the centre of the region Middlesbrough has good access to the whole area. Additionally, Middlesbrough also has a train station which is serviced by the Transpennine Express and Northern Rail.
- **Redcar and Cleveland:** is to the east of the region and is made up of a number of small settlements including Redcar, Saltburn and Guisborough. The area is less urban than the rest of the region. In terms of transport, it is connected by road to the west and east by the A171, and has multiple stations connected by a local Northern Rail service.

Figure 2-1 Tees Valley Region – 5 authorities of the TVCA

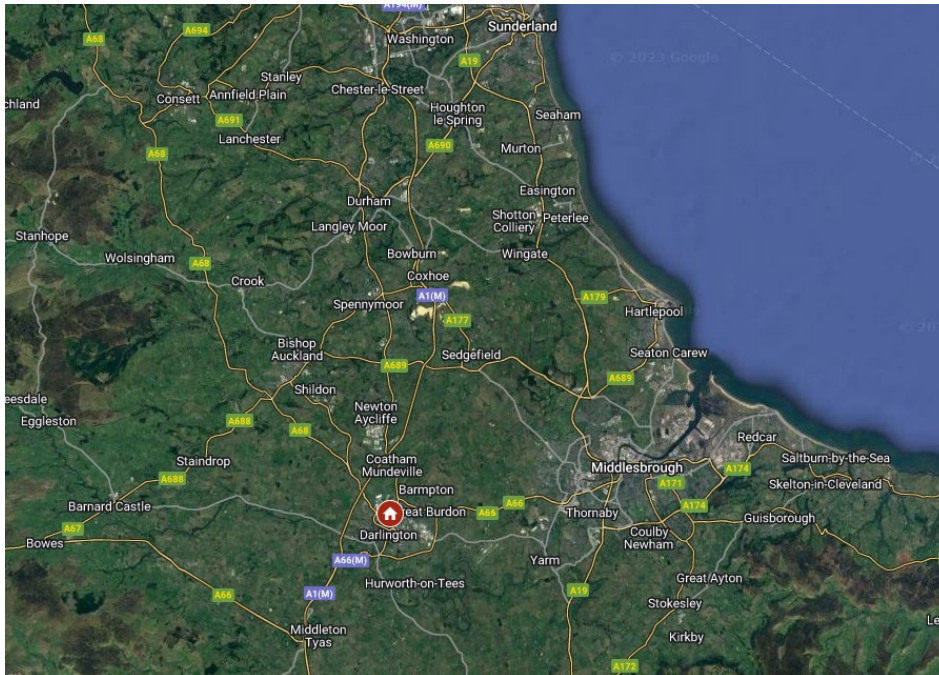


Source: TVCA (2016)

Darlington

- 2.5 Located close to the River Tees, Darlington is circa 37 miles south of Newcastle Upon Tyne and circa 67 miles north of Leeds. Due to its close location to major roads, it is very well connected to the wider north east region.
- 2.6 Figure 2-2 shows the location of Darlington in relation to the wider north east region.

Figure 2-2: Borough of Darlington Location Plan



Source: Google My Maps, 2023

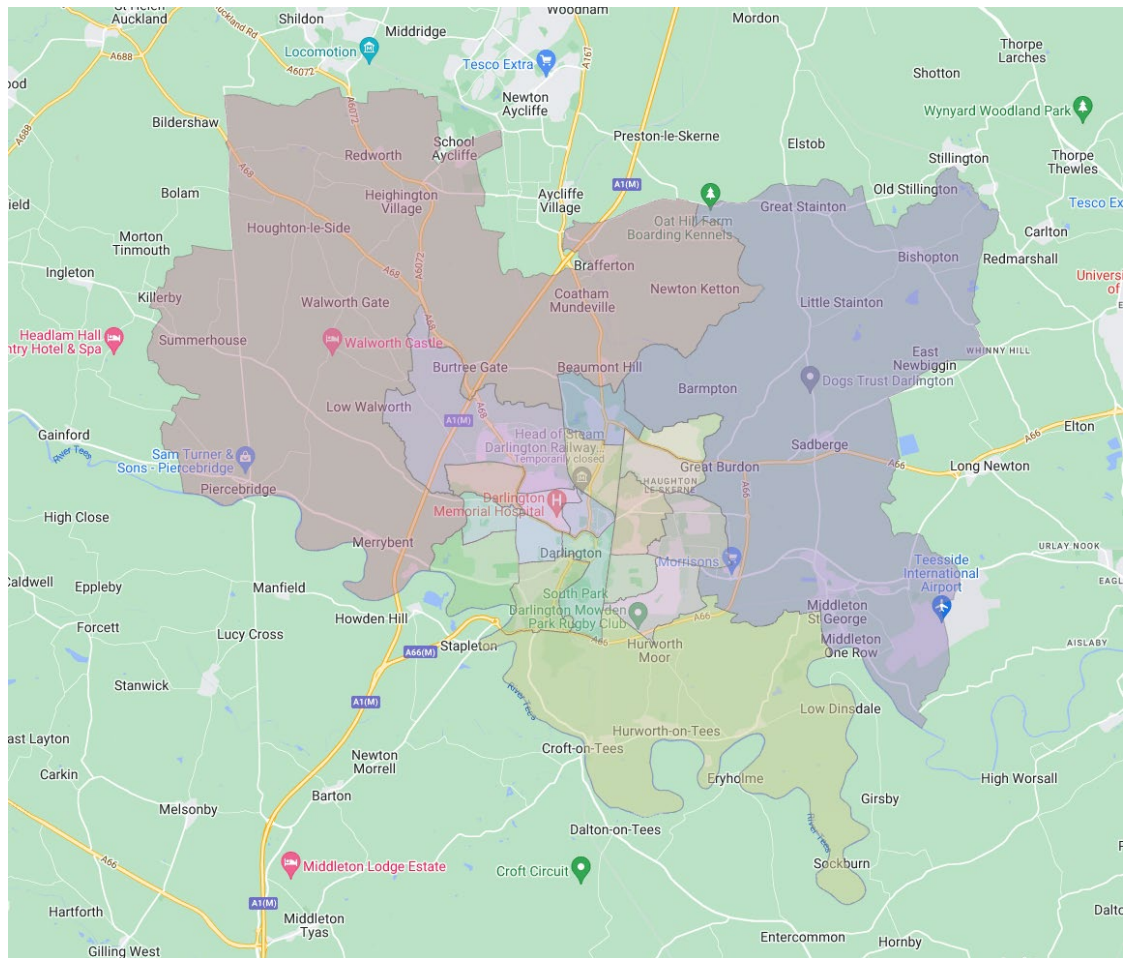
2.7 Figure 2-3 highlights the boundary of Darlington itself, whilst Figure 2-4 shows the various wards that makeup Darlington.

Figure 2-3: Darlington Boundary



Source: Google My Maps, 2023

Figure 2-4: Darlington ward map



Source: Darlington Borough Council, 2023

Economic Development Strategies/Policies

2.8 In this section we briefly review the recent performance of the Tees Valley and Darlington economy, to summarise the economic challenges and opportunities facing the area, and consider the implications for business property. Our main information source is the Combined Authority's Tees Valley Economic Assessment (2018) (TVCA) and Darlington Local Plan (2022) (DLP), which provides detailed analysis covering many aspects of the local economy. All the data we refer to is sourced from these documents unless otherwise specified.

Tees Valley Strategic Economic Plan 2016-2026

2.9 The strategic economic plan was created by Tees Valley Combined Authority and the Tees Valley Local Enterprise Partnership. The aim is for the region to become a 'high value, low-carbon, diverse and inclusive economy'. The plan has identified six main strategic priorities:

- Business Growth – ‘Further increase jobs and business density through targeted support to create and attract new companies and to grow businesses and sectors with high growth potential.’
- Research, Development, Innovation and Energy – ‘Further enhance productivity in all core sectors through the commercialisation of knowledge.’
- Education, Employment and Skill – ‘Ensure a labour market which meets the needs of local business and supports the lifetime opportunities of all our residents.’
- Culture and Tourism – ‘Change the external perceptions of Tees Valley through the arts, cultural and leisure offer, create places that attract and retain businesses and business leaders, and make the area an attractive place to live, work and visit.’
- Transport and Infrastructure – ‘Facilitate local, regional, national and international road, rail and broadband connectivity through collaborative investment in physical infrastructure.’

2.10 Regarding the proposed funding sources, £223 million of investment has been secured since 2011, from sources such as the European Structural and Investment Fund. Tees Valley has also secured over £96 million through the first two rounds of the Local Growth Fund. Following detailed negotiations between the Tees Valley Local Authorities and Government, a devolution deal worth £450 million over 30 years was signed in October 2015, equivalent to an additional £15 million per year. There is further opportunity as part of the Northern Powerhouse, between the government and northern regions which are contributing to the economic growth of the area.

2.11 Figure 2-5 below shows a brief summary of the targets for the region and anticipates ‘what success looks like in 2026.’¹

Figure 2-5 - SEP - 'What Success Looks Like'



¹ [Tees Valley Strategic Economic Plan](#), 2016

Source: Tees Valley Strategic Economic Plan, 2016

Tees Valley Investment Plan (2019)

- 2.12 A Tees Valley Combined Authority Investment Plan was agreed in March 2017 and set out investment priorities for the period till 2021. A refreshed Investment Plan was agreed in January 2019 and sets out the investment strategy for the period 2019-2029. The investment plan will be reviewed annually in order to adapt to changes in the economy and integrate new funding and investment opportunities.
- 2.13 A sum of £588 million is included in this investment plan and will assist in delivering significant benefits to the region. The impact of delivering the investment plan would be 16,475 new jobs and £1.4 billion of addition annual output in the Tees Valley area, with the focus matching the six priority areas as set out in the Tees Valley Strategic Economic Plan. The overall ambitions of this plan are set out below;
- 'Ensuring that residents, no matter where they live in the Tees Valley, can access all job opportunities.'
 - 'Ensuring we have an appropriately skilled workforce for business needs today and in the future.'
 - 'Ensuring that there is a supportive business environment where businesses can start-up, grow and innovate.'
- 2.14 The Investment Plan prioritises six growth themes within the document;
- Transport
 - Education, Employment and Skill
 - Business Growth
 - Culture and Tourism
 - Research, Development and Innovation
 - Place
- 2.15 Since 2016 there are an additional 130 business within Tees Valley, with there being 17,230 business enterprises in 2018, including 17,150 SME's. The Local Industrial Strategy will identify productivity challenges and opportunities. It will be used to access external funding to target productivity improvements, such as through the Industrial Strategy Challenge Funds. Due to high levels of uncertainty, it is critical to facilitate a supportive business environment to encourage inward investment, grow existing business and create new business.
- 2.16 Tees Valley is establishing itself at the forefront of the clean growth agenda with the development of significant UK energy assets and focus on the areas listed below;
- Advance Manufacturing – Advance materials, Low carbon, engineering design, offshore.

- Process and Energy – Carbon capture, utilisation and storage, sustainable chemical energy for waste including polymers and hydrogen and Biorefining, formulation and biotechnology.
 - Healthcare – Biologics and biopharmaceuticals and digital care and assistive technology
 - Digital – Animation, computer gaming, simulation and visualisation and industrial digitalisation.
- 2.17 Recently the Tees Valley area has also been at the forefront of delivering the Rolls Royce Nuclear Power Plant, with Teesworks in Redcar being nominated to deliver the power station. The Investment Plan highlights that by having a ready nuclear licensed site in Hartlepool, Tees Valley is 'oven ready' for future development in the nuclear sector. The area has also been recognised by the UK Atomic Energy Authority (UKAEA) and Rolls-Royce who have engaged in early discussion with both the Combined Authority and Hartlepool Borough Council.

2.18 Table 2-1 below show the investment plan priorities at a glance which is included in the document.

Table 2-1 - Investment Plan Priorities

Transport	Education, Employment and Skills	Business Growth (including enabling infrastructure)	Culture and Tourism	Research, Development, & Innovation	Place
<p>Integrated transport – £256.7m, together with £306.5m (inc. LTP & Con Fares – passported to LAs)</p>	<p>£55m (£15m capital and £40m revenue), together with £290m devolved Adult Education Budget</p>	<p>£30m – programmes £116.5m – sites and premises projects</p>	<p>£20m – programme £40m – capital projects</p>	<p>£20m – programme / projects</p>	<p>£50m – programme</p>
<p>Local journeys:</p> <ul style="list-style-type: none"> Urban Traffic Management Control System Meeting individual needs – “wheels to work” across Tees Valley Cycle and walking networks Low emission vehicles Hydrogen fuelling stations Connect Tees Valley marketing and information <p>Potential bus improvements including:</p> <ul style="list-style-type: none"> Bus improvement corridors and key hubs / stations Ongoing consideration of bus franchising Bus shelters Community transport Dial a ride <p>International transport:</p> <ul style="list-style-type: none"> <i>Durham Tees Valley Airport development programme – £74.6m</i> 	<p>E, E & S Programmes:</p> <ul style="list-style-type: none"> Supporting education innovation and collaboration Skills Academy for Teachers Developing a skills system for business growth Addressing long-term unemployment and 15-19 programme Careers and Enterprise activity Business Challenge and Workforce Planning Technical education including apprenticeships and T Levels Pathways to Work Adult Education Budget Higher level skills Digital Skills <p>Specialist sector developments:</p> <ul style="list-style-type: none"> Northern School of Art Middlesbrough Relocation <p>Other capital projects:</p> <ul style="list-style-type: none"> Hartlepool ISQ Phase 2 Skills capital and infrastructure investment 	<p>Business Compass:</p> <ul style="list-style-type: none"> Start-up advice and support Growth Hub (advisory / business development service) Access to finance Grants for inward investment and business growth Equity and loan investment Scale-up and growth / productivity programmes Sponsorship and events including Business Summit <p>Inward investment:</p> <ul style="list-style-type: none"> Promoting the Tees Valley as a business location including through the Invest Tees Valley brand Conferences and exhibitions Sponsorship and events <p>Sites and Premises Programme (including infrastructure)</p> <ul style="list-style-type: none"> <i>STDC site (infrastructure and land acquisition) – £56.5m</i> <i>Riverside Northshore Development – up to £20m</i> Darlington Sports Village Delivery against the recommendations of the Sites and Premises study currently being undertaken <i>Revitalising Redcar – up to £20m</i> <p>Sector Support:</p> <ul style="list-style-type: none"> Tees Valley Digital including industrial digitalisation <i>Boho Next Generation – up to £20m</i> 	<p>City of Culture Development Programme (including building cultural capacity)</p> <p>Destination Marketing Programme:</p> <ul style="list-style-type: none"> Promoting the Tees Valley as a visitor destination – including through the Enjoy Tees Valley brand Festivals and events programme <p>Maritime:</p> <ul style="list-style-type: none"> <i>Hartlepool Waterfront (including NMRN) – up to £20m</i> <p>Heritage:</p> <ul style="list-style-type: none"> <i>Stockton and Darlington Railway Heritage – up to £20m</i> 	<p>Research and innovation programme covering the following priorities:</p> <ul style="list-style-type: none"> Energy production, storage and efficiency Significant carbon reduction Sector and supply chain support Commercialisation of innovative technologies <p>Initial projects to be considered include:</p> <ul style="list-style-type: none"> CPI Healthcare Futures Centre TWI / Teesside University Hydrogen Innovation and Skills Accelerator Hydrogen Gas Networks Cluster decarbonisation MPI pilot Thermochemical Processing facility Medical / digital opportunities 	<p>Indigenous Growth Programme</p>

Source: Tees Valley Investment Plan, 2019

Tees Valley Economic Assessment (2021)

- 2.19 The Tees Valley Economic Assessment 2021 is the core document produced by the Combined Authority and is focused on economic development in the Tees Valley. The document analysed the key areas highlighted below;
- Economy and Productivity – economic conditions, innovation activity, business base and key sectors
 - Skills and Labour Market – attainment, employment and future demand
 - Growth Enablers – connectivity, education, place and culture
- 2.20 The Economic Assessment is updated annually. It reflects the priorities in the Tees Valley Strategic Economic Plan, the Local Industrial Strategy and the Investment Plan. These priorities fall under the categories listed below:
- Business Growth
 - Research, Development, Innovation and Energy
 - Education, Employment and Skill
 - Culture and Tourism
 - Transport and Infrastructure

Tees Valley Office and Industrial Workspace Availability Study 2020

- 2.21 The Tees Valley Office and Industrial Workspace Availability Study 2020 was produced by AspinallVerdi with Peter Brett Associates to inform the Tees Valley business accommodation programme to help drive economic growth within the region.
- 2.22 The Key issues in relation to Darlington from the report are highlighted below:
- Darlington has an excellent logistical location due to its strategic position next to the A1 and close vicinity to Teesside international airport, meaning there may be the scope to provide logistics space for air and road freight around the airport.
 - Due to its location on the East Coast Main Line, Darlington (along with Middlesbrough) is considered the best location for offices in Tees Valley. However, due to the lack of suitable stock and weak occupier demand (large corporate occupiers preferring to be located in the larger regional cities).
 - Of all the 5 districts in the Tees Valley, Darlington had the lowest unemployment rate (just over 4%) and the lowest proportion of its population that are neither working nor available for work.
 - In 2019 Darlington had 1.3 million sqft total stock in office space, with 8% of this space being vacant.

Tees Valley Local Industrial Strategy July 2019 (Local Draft)

- 2.23 The Tees Valley Local Industrial Strategy sets out an ambitious plan to transform the economic performance of the area and drive an increase in productivity. It builds on the distinctiveness of the local economy and responds to the opportunities and challenges that flow from this. It centres around Tees Valley's niche offer in relation to clean energy, low carbon and hydrogen – aspects of the Clean Growth agenda.
- 2.24 The Local Industrial Strategy identifies an overarching ambition, of Tees Valley being a global leader in clean energy, low carbon and hydrogen. The area will aim to achieve a net zero carbon industrial cluster by 2040, providing jobs with long-term prospects that local people can access.
- 2.25 The strategy sets out interventions organised around five core themes:
- Lead the way as an exemplar region for clean energy, low carbon and hydrogen.
 - Develop pioneering capabilities in industrial digitalisation and ensure implementation of digital applications at scale.
 - Leverage the full potential of our innovation ecosystem in support of building innovation capability, R&D capability, commercialisation, business creation and growth.
 - Grow and widen the pipeline of talent to support our competitive advantages and help more local people into jobs with good long-term prospects.
 - Attract investment and establish a global reputation for Tees Valley as a vibrant and thriving place to be, with world leading opportunities in clean energy, low carbon and hydrogen.
- 2.26 The Strategy recognises that Darlington is the gateway to Tees Valley with its connections to the A1(M) and the East Coast mainline. Consequentially, the strategy looks at improving the train station and growing the logistic distribution centres within the area. The report also outlines that Darlington is home to major engineering and specialist services companies as well as having a strong foundation in the life sciences sector which should be expanded upon going forwards.

Darlington Council Plan 2020 - 2023

- 2.27 The Darlington Council Plan 2020 – 2023 sets out the Council's ambition for the area during this time period. There are multiple objectives from the Plan, however, the key aim is to generate economic growth. The document recognises that whilst the Council can create the conditions and opportunities for growth, much of the investment required for this growth will come from the private sector as well as collaboration with the Tees Valley Combined Authority.
- 2.28 Some of the relevant key actions from the plan are highlighted below:
- Finalise plans for the Rail Heritage Quarter and initiate implementation of the plans together with partners.

- Work with the Tees Valley Combined Authority to deliver improved transport links with Darlington and the Tees Valley.
- Work with the Tees Valley Combined Authority to develop a sustainable Teesside International Airport.
- Deliver the Town Centre Strategy leading to a diversified and successful town centre.
- Develop Key economic sites to be investor ready at Central Park, Ingenium Park and Faverdale.
- Encourage new investment in the Borough and maximise employment opportunities for Darlington residents.

Darlington Local Plan (2022)

2.29 The Darlington Local Plan was adopted in early 2022 and sets out policies regarding office and employment space in the Borough, including economic targets for the area. The Borough's economy has performed strongly over recent years shifting from its past reliance on manufacturing to one with a wider, more resilient base. Specialist engineering, the (now dominant) service sector (business and professional services) and public sector employment (public administration, healthcare and education) are the most significant employers. The Borough has a projected 'increasing potential' workforce, with relatively high skills and higher education achievements, and has economic activity and overall employment rates consistently above sub-regional and regional levels.²

2.30 The Local Plan sets ambitions to create economic growth through further employment options and to achieve 7000 net additional jobs between 2016-2036, this requires suitable and flexible locations that have been indemnified in the plan. A summary of the aims and objectives in the Local Plan to support the ambition are shown below:

- Attract investment and create employment development opportunities in sustainable locations.
- Provide a range of sites capable of delivering economic growth.
- Support clusters of economic activity in the context of the Tees Valley Strategic Economic Plan and Council's Economic Strategy.
- Promote and strengthen Darlington Town Centre.
- Diversify and protect the rural economy in the Borough's countryside.
- Deliver strategic infrastructure to support economic growth.

² Darlington Borough Local Plan, 2022

Economic Strategy for Darlington (2012-2026)

2.31 The document was launched as part of a commitment to stimulate growth in the local economy, by addressing issues and actions that have been highlighted by local businesses as important. These issues include:

- Fix current issues first – current issues must be prioritised such as the quality of key junctions in the road network and the capacity of the local broadband infrastructure.
- Put the right conditions in place – this is necessary to help businesses start and to grow. It will be achieved by providing the premises and facilities for new and existing businesses to move into, create more apprenticeships and provide specialist business advice.
- Seek new opportunities – this is geared towards encouraging new, high growth, businesses to come to Darlington by promoting Darlington as the optimum place to be.
- Encourage continuing partnership and dialogue – between businesses, the public and the voluntary sector.

2.32 The action plan identifies four themes for the document, shown in Figure 2-6:

Figure 2-6 - Action Plan 2012-2026



Source: Economic Strategy for Darlington, 2022

2.33 The strategy document also lists key challengers to Darlington's economy:

- Negative perception of Darlington can make it difficult to attract people to live and work in the Borough.

- Darlington has the lowest workplace and residential based earnings in the Tees Valley area.
- An increasing proportion of young people not in work, education or training and young graduates often leave the area to seek better opportunities.
- Local employers are suggesting young people are not 'work ready'.
- Businesses often move out of the Borough when seeking new premises.
- There remain significant differences between the more prosperous and less prosperous areas, with specific wards experiencing their highest levels of worklessness.

Darlington Employment Land Review 2017 (2019 Update)

- 2.34 The Employment Land Review (ELR) was done to assess the supply of employment land within Darlington, having regard to the need and demand for employment land within the Borough. The document will be used to inform the emerging policies and proposed allocations of Darlington's Local Plan, specifically those contained within the employment land allocations and retentions which prepare the Borough for economic growth opportunities and investment potential. The ELR is the most relevant basis for retaining or dismissing employment sites from the policy map and *Section 7 Employment for Growth* (from the Local Plan 2016-36).
- 2.35 The ELR focuses on employment space that fell under Use Class B in 2019, covering B1 (Commercial offices, R&D and Light industry Business space) B2 (General Industrial and B8 (Storage or Distribution centres). The report identified that 7,000 jobs in these sectors are to be created in Darlington by 2036 and that 120,000 sqm of employment space is needed for these Use Classes by 2036.
- 2.36 The ELR also indicated that supply for Use Class B space in Darlington outweighed demand and that of the 29 sites in Darlington assessed with regards to their quality and suitability as employment sites for B1, B2 and B8 space; 11 were identified as excellent; 10 as good, 5 as average; 3 as poor quality. Of these 29 identified employment sites, there is a total area of 683.06 ha of which the gross available area is 225.85 ha. The ELR estimated that this corresponds to a gross available area of 158.1 ha.
- 2.37 It is important to note that as the ELR was written in 2019, the Use Classes referred to in the report are not aligned with the 2021 reform which resulted in significant changes to the Use Class Order.

Levelling Up Strategy

- 2.38 The Levelling Up Darlington Plan³ aims to clearly outline a collective approach to addressing local inequalities and how the Borough will complement action being taken at a national level to ensure that all of Darlington can benefit.
- 2.39 With regards to economic development, the plan outlines that it is essential to attract more quality jobs of all skill levels to Darlington and to assist people from more deprived communities to access them. To do this the Darlington Borough Council Inward Investment Team has been attracting employers to Darlington, bringing a greater volume of quality jobs to the area. However, there has been a gap in the skill of the workforce to fill these higher quality jobs, with analysis before the pandemic in 2019 revealing that a significant issue faced by Darlington was underemployment rather than unemployment i.e. people in low paid insecure employment with fluctuating income. To counter this issue an adult learning facility is being developed as part of the Towns Fund Initiative. The focus of the facility will be career development with the facility providing tailored pre-employment courses with input from local employers. Further information on the adult learning facility can be seen in the Town Investment Plan (2020) section of the report.

Town Centre Strategy 2019 – 2030

- 2.40 The Town Centre Strategy aims to deliver positive change to Darlington with a particular focus on the vitality of the town centre, Darlington's heritage, supporting economic growth, improving the health and wellbeing of the population and by making a Darlington a great place to live, work and visit.
- 2.41 The document was necessary as the last Town Centre Strategy was written in 2012, since then the landscape of town centres has changed with the make-up of high streets across the UK shifting significantly in this time. Therefore, the 2019 version of this document was created to reflect the need for business investment as being at the heart of town centre development, as well as demonstrating the importance of the town centre to the wider economic strategy for the borough.
- 2.42 The report highlights that on top of the town centre population it serves a further 100,000 within a 15-minute drive. Despite this large population, there have been significant closures of prominent retail outlets (Marks and Spencer's, BHS) on the high street which have detracted from the town centres vibrancy. Since 2017 the town centre has lost over 13,000 sqm of retail space, with 10,000 sqm of that retail space remaining vacant at the time the strategy was published (2019). Consequentially, the report highlights that alternative uses for this space, such as office space, must be considered to help reinvigorate the town centre. Additionally, the document goes

³ <https://www.darlington.gov.uk/media/17575/levelling-up-darlington-plan-stronger-communities.pdf>

on to highlight that a specific aim of the strategy is to create a range of quality office and business accommodation for established businesses and start-up enterprises.

2.43 With regards to business development, the strategy specifically states that:

- 3,000 sqm of new high quality office space will be delivered at Feethams.
- Work will be done with partners to deliver a new hotel.
- A 'town centre first' policy will be actively implemented for appropriate office accommodation while continuing to support office accommodation development at key growth sites.

3 Strategic Economic Development Projects

- 3.1 In this section we highlight the key projects that will have a significant impact on the Darlington economy over the next decade.

Darlington Economic Campus

- 3.2 The recently announced Darlington Economic Campus will see several government departments move their offices to a site located on the former car park on Brunswick Street and looks to provide 1,600 job roles across these departments. The campus will build up over several years with the aim to have up to 300 Treasury role located on the campus by 2025. The list of government departments relocating to Darlington are shown below:

- HM Treasury
- The office for National Statistics
- Department for international Trade
- Department for Business, Energy and Industrial Strategy
- Department for Levelling Up, Housing and Communities
- Department for Culture, Media and Sport
- Competition and Markets Authority

- 3.3 A long-term temporary office will be used until the economic campus is built on the permanent site on Brunswick Street. In the summer of 2022 Feethams House opened as the current and temporary office for the economic campus.⁴

Darlington Railway Station

- 3.4 Work is currently underway to develop Darlington railway station, with £125m being invested into the development. The scheme includes a multi-storey car park, transport interchange, gateway entrance connected to Central Park and new platforms which will accommodate current and future services to improve local and national transport links. Figure 3-1 below shows the new design for the station.
- 3.5 Darlington is a key station on the East Coast Mainline, with connections locally and to London and Edinburgh. It has been noted by the Council that the current station has no capacity to accommodate additional trains and is congested which in turn negatively impacts operations and train services. An additional station building is required on Neasham Road to accommodate both east-bound and London-bound trains. In order to upgrade the station funding has been sought from central government and The Combined Authority (TVCA).

⁴ HM Treasury Careers, 2022

Figure 3-1 - Darlington Railway Station Redevelopment



Source: Darlington Council, 2022

Darlington Central Park (Local Plan ref 368)

- 3.6 The Central Park scheme is a 30-hectare site between Haughton Road, Yarm Road, Hundens Lane and the railway line. The project looks to create a mixture of residential, commercial and educational developments. Central Park is one of the schemes included in the Tees Valley Enterprise Zone, which placed an emphasis on attracting digital and biological industries to the area.
- 3.7 Figure 3-2 below shows the masterplan for the site, with the buildings shaded in white signifying proposed developments yet to be completed, whilst those that are shaded in dark grey are completed buildings. It can be seen that the Darlington College and Teesside University buildings are operational whilst a significant number of the residential units have also been built along the north east and east edges of the area.
- 3.8 The smaller of the two dark grey buildings in the south west corner of Figure 3-2 is the Business Central building, a 4 storey facility designed to attract growing start up firms focused on digital, biologics and advanced manufacturing sectors⁵. However, the building also caters to a wide variety of other business types and has tenants such as Anthony Jones Properties (estate agents), First Mortgage Darlington (mortgage brokers) and Chetaru (marketing agency). Business Central also provides flexible office space on a weekly basis as well as coworking space and meeting rooms that can be hired. As well as Business Central, there is also the sister site of

⁵ <https://pandhs.co.uk/projects/business-central-darlington>. 27/04/23

Innovation Central which will offer similar services to Business Central along with sharing facilities. Innovation Central only opened in October of 2022⁶, therefore is not yet at full capacity.

- 3.9 Immediately next to the Business Central building is the Centre for Process Innovation, a national Biologics manufacturing centre which provides companies with open access to facilities and expertise to help them develop, prove and commercialise new and improved processes and technologies for biologics manufacture⁷.

Figure 3-2: Central Park Masterplan



Source: Darlington Council, 2022

Ingenium Parc (Local Plan ref 356)

⁶ <https://www.darlington.gov.uk/your-council/news/news-item/?id=1804>. 27/04/23

⁷ <https://www.ses-ltd.co.uk/case-study/centre-for-process-innovation-cpi/>. 27/04/23

- 3.10 Ingenium Parc is a development site situated on Salters Lane near Yarm Road. It is set to become Darlington's premier location for industrial development in the borough.
- 3.11 The site covers an area of 40 ha and will cost £5,000,000. It will provide highway improvements enabling infrastructure and ecological mitigation at Ingenium Parc. The Local Growth Fund (LGF) and the National Productivity Investment Fund (NPIF) will fund the project. This investment will lead to the development of up to 100,00sqm of employment space and will also result in over 2000 jobs by 2036 providing a significant boost to the Darlington economy.
- 3.12 Figure 3-3 shows the masterplan for Ingenium Parc and highlights that its development will be split across 3 phases.⁸

Figure 3-3: Ingenium Parc Masterplan



Source: Darlington Borough Council, 2023.

- 3.13 The site benefits from being circa 2 miles from Darlington town centre, close to the A66 Trunk Road which in turn provides good access to the regional motorway network and beyond. Additionally, the site is circa 5 miles from Tees Valley Airport providing connectivity into international markets.

⁸ <https://www.darlington.gov.uk/environment-and-planning/planning/projects-and-schemes/ingenium-parc/>. 27/04/23

Lingfield Park / East of Lingfield (Local Plan ref 80)

- 3.14 The 10.3 ha site is located on the East side of Darlington between Lingfield Point to the west and Symmetry Park to the east. The northern boundary is with Tornado Way and the southern boundary is with Yarm Road Industrial Estate.

Link 66 / Symmetry Park / (Local Plan ref 367)

- 3.15 Symmetry Park has a very good strategic location, being positioned adjacent to the A66 which provides direct links to the A19, A1(M), Teesport and Teesside International Airport
- 3.16 According to Policy E1 of The Local Plan (2022), Symmetry Park has a total site area of 36.03 ha, a gross site area of 13.10 ha and a net available area of 9.17 ha. Section 1.4.3 identifies the site as a strategic location for employment whilst Section 10.5.11 highlights that there will be a link road connecting the B6279 Tornado Way to Yarm Road as part of Symmetry Park.
- 3.17 In 2019, 150,000 sqft of space was let to Amazon⁹ at Symmetry Park, with Amazon aiming to hire over 1,000 employees at the site¹⁰. The site has outline planning consent for a further 630,000 sqft and associated roadside uses.

Figure 3-4 - Symmetry Park plan



Source: Tritax Symmetry, 2023

Town Investment Plan (2020)

⁹ <https://tritaxsymmetry.com/projects/symmetry-park-darlington/>. 09/05/23

¹⁰ <https://tritaxsymmetry.com/latest-news/symmetry-park-darlington-welcomes-amazon-creating-1000-jobs/>. 09/05/23

3.18 The Darlington Town Investment Plan was submitted to government in July 2020 and resulted in £23.3m of funding from the governments Town's Fund being secured to spend on projects to revitalise and improve the town¹¹. The plan identified the following key challenges faced by Darlington:

- The lowest workplace and residence-based earnings in the Tees Valley.
- A high proportion of young people, 18-24, not in work, education or training (NEETs) whilst local graduates often leave the Borough to find "good jobs".
- Adult in-work poverty.
- Issues of basic literacy and numeracy including digital skills.
- There remain significant differences between prosperous and less prosperous areas.
- Poor quality housing stock.
- High numbers of empty properties in the town centre.
- Over reliance on retail in the town centre.
- Low levels of commercial property in the town centre.
- Only 220 residential properties, giving an unbalanced town centre.
- A need to address declining levels of town centre footfall.
- The challenge of regenerating the town centre when recent large-scale retail led schemes have failed.

3.19 To overcome these challenges, the Town Investment Plan's primary focus is economic growth through urban regeneration, developing skills and enterprise and improving the connectivity of the Borough. The key areas of Darlington where this will be implemented in order to have the greatest overall impact is the Town Centre, North Road Gateway and Victoria Road Gateway.

3.20 The Town Investment Plan specifically highlighted that an adult learning facility was required to help address the deficit of skilled workers necessary to counter the economic challenges faced by Darlington. Consequentially, the Council was able to secure funding to purchase the landmark Priestgate building in the town centre in 2022¹². The Ground floor of the building will be converted into an adult learning facility.

Levelling Up Fund bid (unsuccessful)

3.21 In 2022 the Council submitted an unsuccessful bid for £20m in funding from the Levelling Up Fund. The bid was to accelerate levelling up across the borough, helping on projects such as the £35m Rail Heritage Quarter development and complement plans to improve Northgate, Darlington's most deprived ward.

¹¹ <https://www.darlington.gov.uk/business-and-licensing/business/town-centre/the-towns-fund/>. 28/04/23

¹² <https://www.holdthefrontpage.co.uk/2022/news/council-completes-buyout-of-dailys-historic-home/>. 28/04/23

3.22 There were three key parts to the bid with the focus being on:

- Regeneration – specifically focusing on the Northgate ward and supporting work being done by the Towns Fund to bring internationally recognised heritage assets back into use as well as improving urban green spaces housing opportunities and job creation.
- Transport – tackling congestion and delivering improvements to public transport, pedestrian paths and cycling routes.
- Culture – enhancing the offer of the Rail Heritage Quarter development and building on pride in the borough ahead of the Bicentenary celebration of the Stockton and Darlington railway¹³.

Darlington Library Refurbishment

3.23 In 2021 a £3.2m restoration project commenced on the Grade II listed Darlington library¹⁴. The building dates back to 1885 and was close to closing permanently in 2016, however, a change in view will now see a restoration that will involve a new roof being installed, asbestos removal, structural repairs and the modernizing of the facility by changing the internal structure as well as improving the digital infrastructure. To help with the modernizing of the facility, £225,000 of funding from Arts Council England was acquired and specifically used to improve the digital offering at the library¹⁵.

¹³ <https://www.darlington.gov.uk/your-council/news/news-item/?id=1779>. 28/04/23

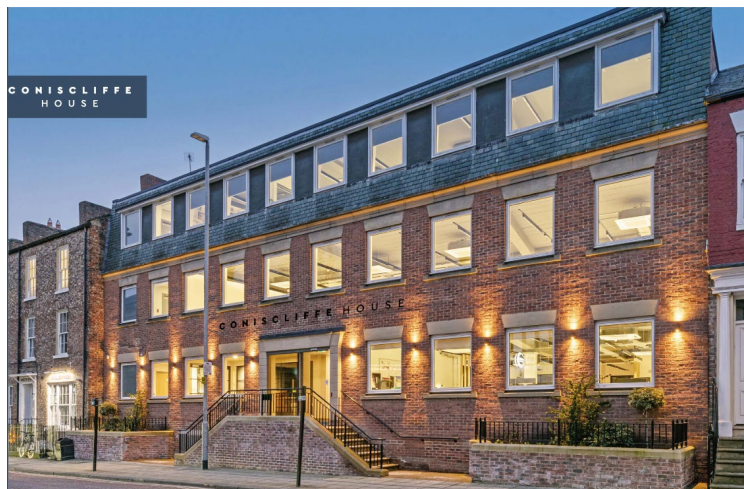
¹⁴ <https://www.thenorthernecho.co.uk/news/20217095.inside-darlington-crown-street-library-3-2m-restoration/>. 28/04/23

¹⁵ <https://www.darlington.gov.uk/your-council/news/news-item/?id=1887>. 28/04/23

Coniscliffe House refurb

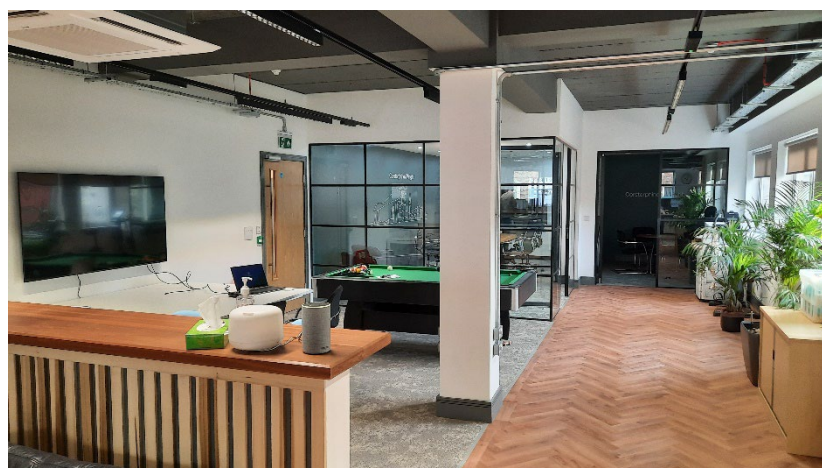
3.24 With a prime location in Darlington town centre, Coniscliffe House formerly comprised of traditional office space. In 2022 it was modernised and turned into 18,500 sqft of hybrid Grade A office space. There is a wide variety of suites available at Coniscliffe House with space ranging from 400 sqft to 1,100 sqft with a rent of circa £16.50 psf¹⁶. It is often difficult to deliver a high quality refurbishment that is close to the standards to be expected from a new build, but Coniscliffe House is a good example of the type of job that can be done.

Figure 3-5: Coniscliffe House



Source: Land team, 2023

Figure 3-6 - Refurbished accommodation at Coniscliffe House



Source: AspinallVerdi, 2023

¹⁶ <http://www.landteam.co.uk/coniscliffe-house-darlington/pr11>. 28/04/23

4 Regional Trends – Property market Overview

- 4.1 In this section, we set out the current property market context and key transactions for the industrial and office property market sectors in the Tees Valley Region. This section provides valuable insights into the demand and supply issues across the region and how investment in Darlington may be influenced by regional activity.

Office Market Trends

- 4.2 Prior to the pandemic, office occupiers were beginning to adopt agile working and a flight to quality was already underway. The main driver for this was to aid staff retention and attract new staff, both demanding a better work life balance and working environment than previous generations.
- 4.3 Understanding current and future occupier trends is important when assessing the suitability of the existing accommodation supply in Darlington and deciding how future accommodation demands and needs will be met and how this will affect the office market.
- 4.4 We set out below some of the key emerging occupier and market trends and provide some specific recent examples within the Tees Valley, highlighting some of the lessons learned.

A Flight To quality

- 4.5 One of the most prevalent trends post Covid has been the acceleration of the flight to quality Grade A accommodation. Organisations and employees are placing greater value on the quality of the office and its immediate environment. Organisations need to attract and retain the best talent in an increasingly constrained labour market. As a result, many have upgraded their accommodation either by refurbishment of their existing space or relocation to a Grade A building.

Adoption of Hybrid working

- 4.6 The extent to which organisations have adopted hybrid working post Covid varies depending on the nature of the organisation and specific roles performed by the employees. GWA's Global Work From Home Experience Survey showed employees preferred to work from home on average, 2-2.5 days per week. Remote working is here to stay, and employers have had to embrace this to retain and attract staff.

Reduction in Floorspace

- 4.7 A consequence of the hybrid model is that some organisations have been able to reduce the amount of floor space they occupy, with staff booking desks on a rotational basis. The

opportunities for organisations to rationalise their floor space is often tied to lease events and this trend is expected to continue as occupier's lease events come around.

Central and Easily Accessible Locations

- 4.8 One of the consequences of hybrid and remote working, combined with the current constraints of the labour market is that organisations are recruiting from a wider geographical area. Employees who are no longer required to attend the office every day at set hours are willing to commute greater distances. In turn this has led to organisations seeking offices in more central and easily accessible locations. The larger the workforce the more this becomes a key factor.

Sustainability

- 4.9 Sustainability was already becoming a key occupier requirement pre Covid. The ongoing energy crisis and the proposed tightening of the MEES regulations has brought sustainability to the forefront of occupier's requirements. Most large corporates will now only consider office buildings which are rated BREEAM Excellent. Utility costs will form a larger proportion of the overall occupational costs for existing buildings compared to new builds. Even buildings constructed as recently as 10 to 15 years ago will struggle to complete with new builds without significant retrofitting.

Changing purpose of the Office

- 4.10 The purpose of the office is changing to creating a welcoming environment that staff want to come to rather than have to come to. A greater emphasis on collaboration and social spaces, provision of a range of work stations, conferencing spaces and amenities that promote staff wellbeing. Many of these features can be incorporated into an occupier's fit out but some of the fundamentals start with the quality of the building and its location.

Healthy Buildings

- 4.11 The pandemic has highlighted the importance of healthy building design and operation.
- 4.12 Good quality modern heating, ventilation and air conditioning systems that provide consistent reliable conditions are now considered essential.

Tees Valley Office Case Studies

4.13 Recent letting activity within the Tees Valley illustrates some of the above trends.

Northshore One, Stockton-on-Tees

4.14 The building was constructed in 2015 as the new HQ for Thirteen Housing Group. Following the adoption of hybrid working models across the organisation in 2019, Thirteen Housing Group decided to consolidate its HQ functions at Hudson Quay in Middlesbrough and rent out its offices at Northshore.

Figure 4-1 - Northshore One



Source: Thirteen Group, 2022

- 4.15 The building was adapted for multi occupation and rebranded Northshore One. It is located in a stunning elevated position overlooking the river Tees just upstream from the Tees Barrage and adjacent the Infinity Bridge. It provides 35,000 sqft Grade A accommodation with a central atrium housing a café and a range of meeting rooms. The building was brought to the market in 2021 and has since been let to a number of global organisations who had existing representation in the Tees Valley and were seeking better quality accommodation post pandemic.
- 4.16 Emmerson took 3,500 sqft having previously occupied 6,000 sqft of Grade B offices at Riverside Park in Middlesbrough.
- 4.17 WSP took 2,500 sqft having previously occupied 6,000 sqft of Grade B offices at Riverside Park in Middlesbrough. They have since extended their occupation to 5,000 sqft to accommodate future expansion and provide a base for staff from a wider geographical area.

- 4.18 Wood Group have taken 15,000 sqft. They relocated from Lingfield Point in Darlington where they had previously occupied 30,000 sqft.

Key Lessons Learned

- Grade A space is highly sought after by companies looking to upgrade their accommodation post pandemic.
- Hybrid working models post Covid have reduced the amount of floor space some occupiers require.
- Occupiers are expecting a great level of amenities.
- The quality of the physical environment around the building is important, including an element of outdoor space or a close connection to an outdoor space such as parks and gardens.
- Occupiers were prepared to pay the asking rent of £16 per sqft.

Centre Square, Middlesbrough

- 4.19 Centre square was conceived as part of Middlesbrough Council's investment strategy for the town centre.
- 4.20 It was as a result of experiencing an exodus of office occupiers from Middlesbrough Town Centre over a period of 20 years. This exodus was primarily due to the lack of any new Grade A office accommodation in the town centre. (There had been no new Grade A developments in Middlesbrough since the development of Hudson Quay in the early 2000's) Not only had Middlesbrough lost existing occupiers but had also been unable to attract new occupiers. Dodds Brown identified that 200,000 sqft of office requirements had been lost to other locations between 2016 and 2019 due to a lack of Grade A office accommodation in the town centre.
- 4.21 Independent research including a report by Centre for Cities indicated that successful regions in the future would be those that attract knowledge intensive jobs. These employers are increasingly attracted to town and city centres due to their infrastructure and amenities. To attract the best staff they need to offer them an attractive working environment, good transport links and easy access to amenities. Centre for Cities identified a correlation between density of employment and productivity and innovation.
- 4.22 Middlesbrough has the highest concentration of knowledge intensive jobs in the Tees Valley, thus it was the best place to attract these companies and jobs.

Rationale

- To Address the lack of Grade A office space available in Middlesbrough town centre.

- The scale of the development provides the city with the opportunity to create a new hub and a motor to drive the local economy.
- Its location enables it to leverage the existing wide range of amenities and transport infrastructure.
- Its proximity to Teesside University and Middlesbrough College helps employers source qualified staff and training.
- Its size provides the critical mass to provide ongoing support to occupiers.

Project Specification

4.23 The Centre Square masterplan is shown in the following image:

Figure 4-2 - Centre Square Masterplan



Source: Middlesbrough Council, 2023

4.24 The floor areas are set out in the following table:

Table 4-1 - Centre Square Floor Areas

Building	Total Floor Space (sq. ft)	Net Internal Areas (sq. ft)
1	67,490	60,044
2	40,255	33,852
3	84,417	71,525
4	18,600	14,508
5	25,518	19,515
6	46,789	39,840

Source: Dodds Brown, 2023

Delivery Mechanism

- 4.25 Phase 1 included 1 and 2 Centre Square and was developed by Ashall Projects in partnership with Middlesbrough Council. MBC took a 35-year wrapper lease on both buildings. This enabled forward funding by an institutional investor at significantly enhanced yields and reduced risk to the developer.
- 4.26 The 2nd phase 6 Centre square has been funded by TVCA and included a pre let to Axa.
- 4.27 Phase 1 was completed in summer 2019. Phase 2 was completed in Jan 2023.

Outcomes

- 4.28 The scheme completed just before the global pandemic but was a success in one of the most challenging occupational markets since the financial crisis in 2008. In 2020/21 88% of the floor space was let setting new headline rents for Middlesbrough of £18 per sqft.
- 4.29 The buildings were let to the following occupiers:
- Causeway, XPS, First Source and Park Square Barristers who were all existing occupiers in Middlesbrough and who were all looking to expand and provide better quality space for their staff. All would have relocated elsewhere had Centre Square not been available.
 - GB Bank, Fraser Nash and Dere Street Barristers who are all new occupiers to Middlesbrough.
- 4.30 Following the success of 1 and 2 Centre Square, Ashall Developments are now on site with 6 Centre Square, which is due to be completed in January 2023. Part ground, first and second floors, totalling 23,898 sqft have been pre-let to Axa. This is an amalgamation of their existing Middlesbrough town centre and Teesdale Business Park offices. Part ground floor and 3rd floor totalling 15,000 sqft will be available to let. All lettings completed to date are shown in the following table:

Table 4-2 - Centre Square Letting Timeline

Building	Tenant	Area (Sq. ft.)	Rent (psf)
1	Causeway Technologies	12,221	£18.00
1	First Source	35,661	£18.00
2	XPS Pensions	11,939	£18.00
2	GB Bank	11,010	£18.00
2	Fraser Nash	2, 123	£21.00
2	Dere Street Barristers	1,200	£21.00
6	AXA	23,898	£18.00
6	Available now	15,000	£21.00

Source: Dodds Brown, 2023

4.31 Success Factors and Key Lessons:

- Without a supply of good quality Grade A office space occupiers seeking to expand and upgrade to better accommodation and footloose inward investment requirements will go elsewhere.
- Occupiers are prepared to pay higher rental levels for better quality accommodation.
- A central location with good transport links and proximity to a range of amenities is a key attraction.
- The quality of the public realm around the buildings is of increasing importance.
- The clustering effect of having number of Grade A buildings together is an attraction and enables developers to better provide some additional shared amenities.
- Once a location has Grade A space available in the market place, it comes onto the radar of office occupiers and footloose inward investment requirements.
- 1,102 jobs were retained in Middlesbrough Town Centre that were at risk of going elsewhere.
- 321 new jobs added with more to come in the future.
- Well integrated into the wider surrounding town centre.

Wellington Place, Leeds

- 4.32 We have included Wellington Place in Leeds as one of the case studies as we consider it to be an exemplar of a modern city centre office development. What was initially considered as a fringe office location is now the most sought-after office location in the city.

Figure 4-3 - Wellington Place site layout



Source: wellingtonplace.co.uk, 2023

Project Description

- 4.33 Wellington Place has successfully created an outstanding new urban quarter for Leeds City Centre.
- 4.34 The 21-acre site combines Grade A office space with retail, leisure, a range of facilities and quality landscaped outdoor spaces creating a welcoming neighbourhood and vibrant business community.
- 4.35 Key Highlights:
- Home to over 30 businesses in over 1 million sq. ft of space across 9 buildings.
 - Best in class Grade A office accommodation.
 - Excellent range of facilities and amenities including bars, restaurants, cafes, shops and medical practice.
 - Tower Square, one of the largest public spaces in Leeds with landscaped gardens surrounding a Grade II listed former lifting tower.
 - Wide, traffic free boulevards and landscaped avenues linking all parts of the estate.
 - Regular events and activities, including workplace choirs, street food stalls, live music, health and fitness, networking events and more.

Table 4-3 - Wellington Place Development Timeline

Date	Building	Total sq. ft (NIA)
2008	1	Residential
2008	2	120,000
2010	Major public realm investment	
2014	10	34,000
2016	5	76,000
2016	6	105,000
2018	3	114,000
2019	7&8	378,000
2022	4	156,000
2023	11&12	254,879
Planned Future Phases		
	9	183,264
	13	Hotel
	14a	98,000
	14b	MSCP

Source: Dodds Brown, 2023

Delivery

- 4.36 Developer MEPC, privately funded by Federated Hermes Investment Management and Canada Pension Plan Investment Board.
- 4.37 Initial phases were developed with pre lets subsequent buildings were developed speculatively.
- 4.38 First phase achieved lettings at £25 per sqft.
- 4.39 £36 per sqft has been achieved on recent lettings and expect to be asking rent of £38 - £40 per sqft on the next phase.

Outcomes

- 4.40 16,000 people are now living and working at Wellington Place. It has helped establish Leeds City Centre as one of the best office locations in the UK.
- 4.41 In 2017 it was selected as the location for UK Gov hub and home to HMRC and HNS Digital Hub. It has been successfully integrated and linked to the adjacent town centre.
- 4.42 Success factors and Key Lessons
- Importance of providing the best-in-class quality office buildings. Current buildings are BREEAM excellent, EPC A Rated, Target Net Zero (operational) which are fundamental requirements now form most corporate occupiers to satisfy their corporate responsibility commitments.
 - Quality public realm has been critical to the overall design of the scheme from an early stage. This has not only helped provide an attractive environment which is now considered

essential for staff wellbeing but it has also helped integrate the scheme with the wider city centre.

- Wellbeing and Community has been integral to the success of the scheme. This has been achieved by having a dedicated on-site management team delivering a wide range of events, services and amenities that occupiers value.
- Phasing of the scheme has been very well considered, in that there has always been the next available accommodation coming to the market as the previous phase is completed and let. This has ensured that the scheme has not missed out on key occupier requirements as they have come to the market.
- A proven track record of progression and delivery has helped build momentum and confidence.
- A coherent and comprehensive masterplan has helped sell the vision of the future.
- Due to the upfront investment in the public realm and the way the scheme has been phased occupiers have never felt they have been working in a “building site”.

Riverside Sunderland

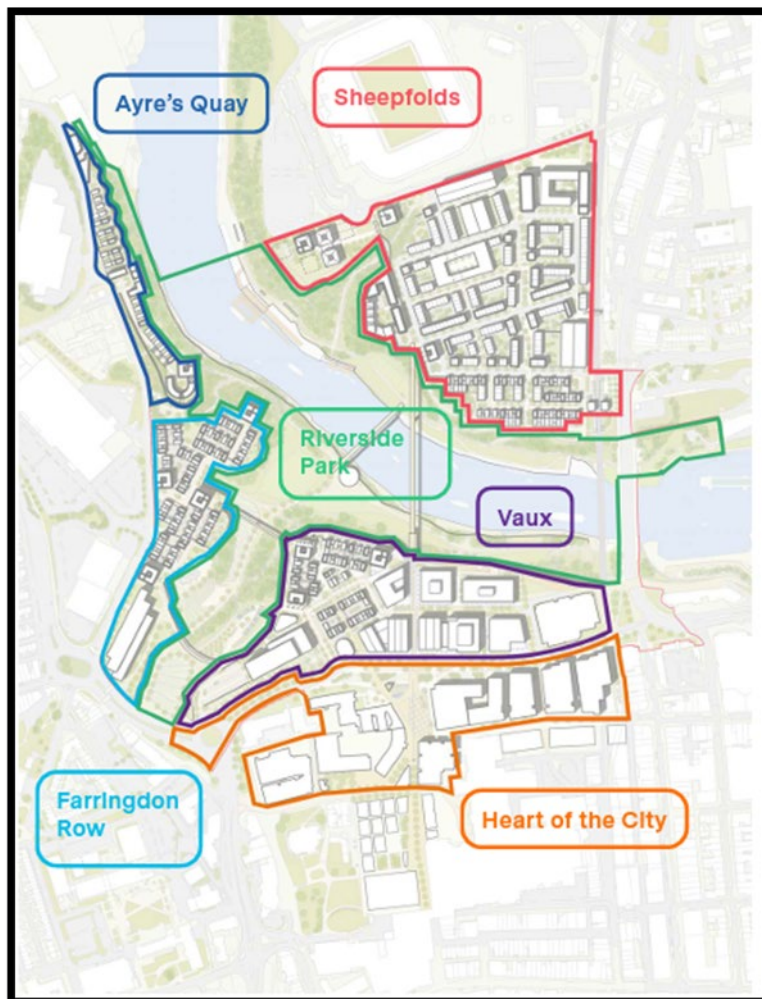
- 4.43 Initially focused on the former Vaux Brewery site following closure of the Brewery in 1999. Sunderland City Council successfully blocked the redevelopment of the site for a Tesco hypermarket and eventually acquired the site in 2014. Having understood the potential of the site for a wider regeneration scheme that could revitalise the City Centre a masterplan was drawn up in 2019 covering a 33.2 hectare site spanning both sides of the River Wear.

Figure 4-4 - Riverside Sunderland Masterplan Artists Impression



Source: Sunderland City Council

Figure 4-5 - Riverside Masterplan



Source: Sunderland Council

4.44 A comprehensive masterplan, published in 2019 clearly sets out the vision and ambition to deliver the following outcomes:

- 19.5 acres of developable land
- First carbon neutral urban quarter in the UK
- 1,000 new homes in 4 new riverside neighbourhoods.
- A School, nurseries, and other community facilities.
- More than one million square feet of Grade A office accommodation within a new Central Business District (CBD), projected to bring 8,000-10,000 jobs
- Development site for a life sciences/healthcare facility
- New civic buildings, City Hall, and Culture House.
- Landscaped riverside park.
- Two new bridges across the River Wear.

- 4.45 We have focused our observations on the Grade A office element of the scheme.
- 4.46 The new CBD will be delivered in phases. The first phase will be on the north side of St Mary's Way in the Vaux district with the second phase to the south of St Mary's Way on four repurposed retail sites linking into High Street West.

Figure 4-6 - CBD Development Phasing



Source: Sunderland Council, 2023

Table 4-4 - CBD Development timeline

Phase One – Vaux district		
Date	Building	Total sq. ft (GIA)
2019	Plot 11 (The Beam)	68,017
2019	Plot 13-14 (City Hall)	191,115
Planned Future Phases		
2024	Plot 16 (Faber)	73,033
2024	Plot 17-18 (Maker)	83,905
2024 - 2030	Plot 15	154,558
2024-2030	Plot 12	97,951
Vaux Subtotal		668,579
Phase Two – Heart of the City		
2024-2030	Plots 19-22	432,395
CBD Total		1,100,974

4.47 Key Rationale for a new CBD

- Historic lack of investment in the city centre.
- Centre for Cities report (2018) identified Sunderland City Centre as weak, with too much retail floor space (46% compared to UK average of 26%) and not enough office floor space (21% compared to UK average 50%)
- Poor quality of existing office stock.
- Office market failure with no new development.
- Contribution to private sector employment at an all-time low.
- Aim is to reverse long term trends and re-establish the city centre as a successful and dynamic business location.
- Creation of a new Central Business District for the city, providing more than 1 million sqft of Grade A office space, bringing 8,000 – 10,000 jobs which will generate footfall and expenditure across the city centre.
- Repurpose some of the surplus retail space on High Street West.

Delivery

- 4.48 Phase 1, The Beam, was originally delivered in partnership with Carilion, where a number of council owned assets were transferred into an investment vehicle. After Carilion fell into administration Sunderland Council took over ownership and completed the scheme themselves with funding from Prudential.
- 4.49 City Hall and Faber and Maker have been delivered in partnership with Legal and General with Sunderland City Council taking a 35 year occupational lease on the whole of City Hall. The development agreement includes for L&G to deliver Faber and Maker as speculative developments. The original plan was to deliver the buildings sequentially, with a trigger for starting construction of the second building being 50% occupancy of the first. However as a pre let was agreed with RSA on Faber the decision was taken to commence construction of both buildings concurrently. The strategy is that subsequent phases will be developed speculatively once the preceding building is 50% let.
- 4.50 Subsequent phases are shown on the masterplan and development timeline.
- 4.51 The CBD will be complemented by a major employment site (Life Sciences Facility) at the west end of St Mary's Boulevard and a space for small businesses and start-ups in Sheepfolds.
- 4.52 St Mary's Boulevard will be upgraded to create a green boulevard, including a new public square and open spaces linking the site with the heart of the city. Parking will be concentrated at either end of the site to minimise the impact of cars.

4.53 The lettings and rental levels shown in Table 4-5 have been achieved. Ocado were a footloose inward investment requirement. Asset 55, Penshaw View and RSA were all existing occupiers in Sunderland that were at risk of relocating elsewhere due to a lack of available Grade A accommodation. We understand that Northern Screen has agreed terms to take a lease within the scheme.

4.54 Penshaw View have subsequently vacated and this ground floor unit is being repurposed as retail/F&B space now the development is reached a critical mass to sustain such a use.

Table 4-5 - Letting Timeline

Building	Tenant	Size sqft	Rent per sqft
The Beam	Ocado	20,000	£15.00
The Beam	Assett 55	10,000	£15.00
The Beam	Penshaw View	5,000	£15.00
City Hall	Sunderland City Council	120,000	£22.00
City Hall	DWP, Gentoo Housing, Sunderland College	50,000	£22.00
City Hall	Available now	20,000	£22.00
Faber	Floors 2 and 3 Pre-Let to RSA	37,000	£24.00
Faber	Available from Jan 2024	33,698	Asking rent £24
Maker	Available from Jan 2024	83,905	Asking Rent £24

Source: Dodds Brown, 2023

4.55 The buildings have been developed to Grade A standards with the following features.

- BREEAM Excellent
- EPC – A Rating
- Double height receptions
- Exposed ceiling finish
- Large open plan flexible floor plates from 2,500 sqft upwards
- Raised access floors
- Cycle storage, showers, lockers and changing facilities.
- Air conditioning.
- Ground floor Food and Beverage units.
- Occupation density of 1:8 sq. m
- Dedicated car parking at a ratio of 3 spaces per 1,000 sqft this reduces to 2 spaces per 1,000 sqft after 5 years to reduce the dependence on the car.
- Superfast connectivity (Wired Certified Platinum)
- Well Certification

4.56 Success Factors and key lessons

- A comprehensive and visionary masterplan for the wider area has created confidence and certainty.
- The mixed use nature of the overall scheme, incorporating housing, culture, offices and a riverside park, creating a vibrant and sustainable community has made it an attractive destination for businesses.
- Maximising the natural asset of the river valley to create a riverside park
- Creating anchor attractions such as City Hall and the Culture House within the CBD attracts additional visitors, generating additional footfall and vibrancy, helping create a destination and a location occupiers want to be part of.
- The investment in public realm and urban design has been critical in creating the right environment occupiers want to locate to – The environment and surrounding location is as important to occupiers as the quality of the building.
- Buildings are all best in class Grade A standard, with flexible floor plates starting from 2,500 sqft. This ensures the buildings can attract both footloose inward investment requirements as well as smaller local requirements.
- The speed of delivery and the continuity has been impressive. This has been achieved through good leadership, clear strategy and direction and having the right staff and decision makers in the right roles within the Council, together with always having a focus on the next phase so that momentum is not lost.
- A focus on quality and sustainability.

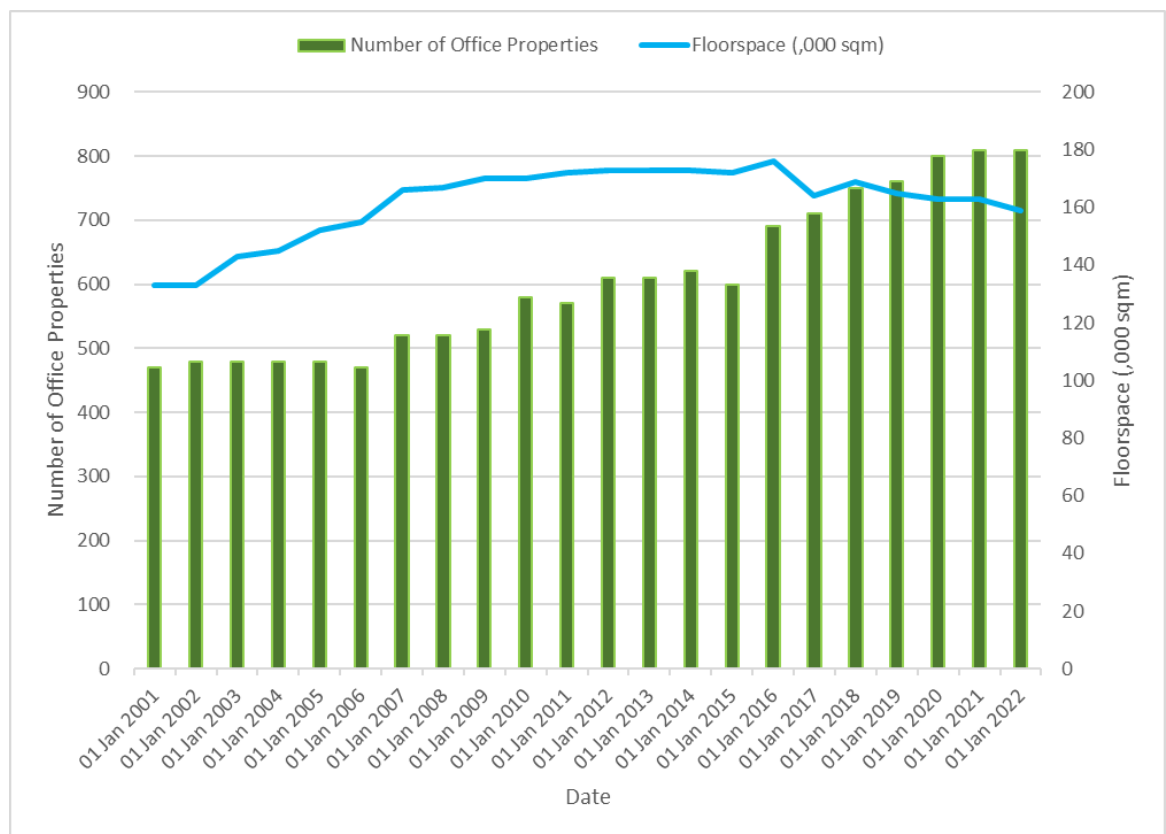
5 Accommodation Trends

- 5.1 In this section, we undertake analysis of space by use type using Valuation Office Agency (VOA) data and take-up from Co-star to assess accommodation trends over the last 20 years in Darlington and the Tees Valley.
- 5.2 We have analysed data from the Valuation Office Agency on the quantum of available space, and how this has changed over the last 20 years in Darlington.

Supply

- 5.3 Figure 5-1 shows how the office accommodation has changed since 2001.

Figure 5-1 - Office Accommodation Change by Year



Source: Valuation Office Agency, 2022

- 5.4 The VOA data shows us that whilst the number of offices has increased in the last 10 years, from circa 600 to circa 800 properties, the floorspace has decreased in that time.
- 5.5 In isolation, this could indicate that a number of larger offices have been decommissioned/demolished, and at the same time a number of smaller premises have opened up, for instance business centres aimed at SMEs with smaller floorplates.

- 5.6 There is a caveat to the VOA data, as the data above is based on when the property entered the rating list, usually on first occupation, as opposed to when they are built. It may also be affected by properties being taken out of the rating list, then re-entering after refurbishment.
- 5.7 Nevertheless, the data provides a useful picture of the trends in office space.
- 5.8 We also present in the following table the number of offices and floorspace of the other Tees Valley authorities for comparative purposes:

Table 5-1 - Comparison of properties and floorspaces across the Tees Valley

Authority	No. of properties	Percentage	Floorspace (,000 sqm)	Percentage
Darlington UA	810	19.1%	159	20.9%
Hartlepool UA	500	11.8%	58	7.6%
Middlesbrough UA	960	22.6%	163	21.4%
Redcar and Cleveland UA	670	15.8%	120	15.7%
Stockton-on-Tees UA	1,310	30.8%	262	34.4%
Total	4,250		762	

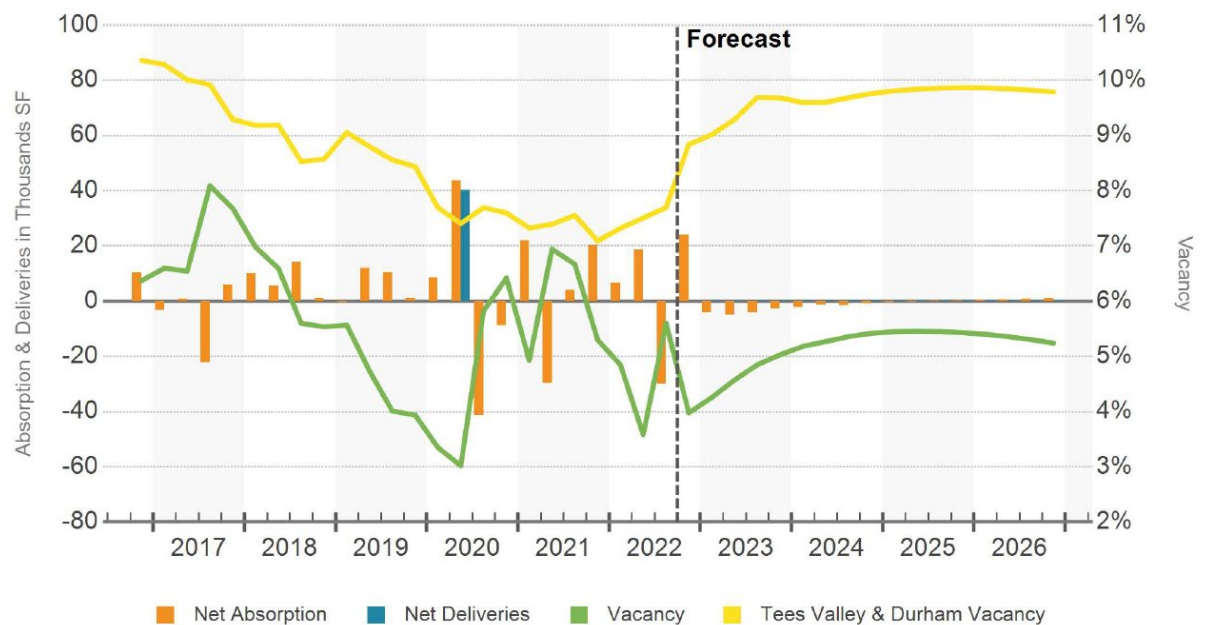
Source: Valuation Office Agency, 2022

- 5.9 The table shows that Darlington ranks 3rd out of 5 in both the number of offices, and the amount of floorspace across the Tees Valley.
- 5.10 As the 4th largest authority in terms of population, this illustrates that Darlington is already punching above its weight in terms of employment space.

Absorption

5.11 We will now look at letting activity in the Darlington Office Sector.

Figure 5-2 - Darlington Net Office Absorption, Net Deliveries and Vacancy



Source: CoStar, 2023

5.12 The above figure provides the following key takeaways:

- There has been only one new office development in the last 5 years in Darlington (Feethams House, shown blue).
- Absorption (take-up less vacancies) has been relatively flat in recent years – positives and negatives roughly even out.
- The vacancy rate of c. 5% is significantly lower than the Tees Valley average of c. 8%.
- Very little activity is forecast over the next 5 years.

5.13 CoStar also provides data on rental and sale values:

- The Market Rent across all offices is reported as £10.40 psf.
- For '3 Star' offices (relatively modern offices, but not to Grade A standards), the Market Rent is reported as £10.56 psf.
- For '4 & 5 Star' offices (similar to the Grade A categorisation), the Market Rent is reported as £16.54 psf.
- Average yields for office transactions are reported as 9.4%.

Conclusions

- 5.14 Whilst there is limited investment activity and no new development in the office market this is likely to reflect the imperfect nature of the market and lack of data is reflective of limited activity. The data available does not take account of any off-market activity. It also doesn't reflect latent demand. The data among the existing stock does suggest that there is latent demand for new office accommodation.

6 Sectoral and Quality Analysis of Darlington Accommodation

6.1 This section presents findings from a desktop analysis of quality of accommodation in the office sector in Darlington. Occupancy of existing space is also analysed based upon sectors of employment.

Office Accommodation Approach to Quality Analysis

6.2 In order to provide some comparison as to the quality of the existing commercial space we have sought to provide some broad categorisations, based on the use of the terms Grade A, B or C.

6.3 Whilst the property market does use Grade A, B or C as descriptions, there are no formal definitions in place. However, for the purposes of this study we have defined the categories as follows in respect office workspace:

- **Grade A:** Brand new or completely refurbished accommodation which usually attracts prime rental values for a location. Providing a high specification, meeting the needs of modern occupiers in all respects. Will have good floor to ceiling heights, good levels of natural light, LED lighting, raised access floors, DDA compliant, Modern HVAC system, energy efficient and have good facilities. Will require no modifications to meet MEES post 2030.
- **Grade B:** Second-hand accommodation which is lower specification than grade A and as such offers a more affordable option currently adequate for less demanding occupiers. With some refurbishment or modification could fully meet the needs of modern occupiers and achieve Grade A status. Unlikely to comply with MEES post 2030 without some upgrading.
- **Grade C:** Accommodation which likely to be more than 20 years old and of a lower specification. Capable of refurbishment and upgrading to Grade B but could never achieve a Grade A rating. Will not comply with MEES post 2030 without major upgrading and investment.

Minimum Energy Efficiency Standards (MEES)

6.4 The MEES came into force on 1st April 2018. The minimum energy efficiency standard is currently set at an EPC rating of E. Landlords are required to ensure compliance before a lease is granted. From 1 April 2023 MEES will be extended to cover all leases, including where a lease is already in place and not just for new leases. The Government proposes the following new compliance windows; The first being from 1 April 2025 where all commercial buildings will have to have a valid EPC. From 1 April 2027 the minimum rating would rise to a 'C' rating and from 1 April 2030 the minimum rating would rise to a 'B' rating.

- 6.5 According to EG data 6 million sqft of commercial floor space in the North East currently falls short of the minimum E rating.
- 6.6 In terms of assessing the suitability of the current stock of commercial premises in Darlington we have included in the baseline a copy of the current EPC assessment where these are available.

Office Property Baseline Analysis

- 6.7 In this section Dodds Brown have provided analysis of the following Darlington office locations:
- Town Centre (we have excluded offices under 1,000 sqft unless they are within one of the main business centre offerings)
 - Morton Palms
 - Yarm Road
 - Lingfield Point
 - Central Park
 - Faverdale
- 6.8 Each area has its own characteristics, and the analysis varies considerably between each area.

Town Centre

- 6.9 Darlington Town Centre contains 52,155 square meters (561,402 sqft) of office accommodation.
- 6.10 Our analysis shows that there is a current vacancy rate of 17.71%
- 6.11 Of the accommodation that is vacant, 1.41% is Grade A, 16.66% is Grade B and 69.14% is Grade C.
- 6.12 This shows the lack of availability of Grade A space and the limited availability of Grade B space. We have excluded the former Northern Echo Building from this as it has yet to be refurbished and come to the market. These figures highlight the difficulty in letting Grade C space, which will become increasingly more difficult as the future compliance deadlines for MEES compliance gets closer.
- 6.13 We have assessed the quality of the accommodation and the breakdown between the respective grades are as follows:

Table 6-1 - Town Centre Accommodation Quality

Grade	Percentage
Grade A	14.41%
Grade B	26.58%
Grade C	53.64%

Source: Dodds Brown

- 6.14 Significantly just over half the accommodation is assessed as Grade C. This is a concern as this accommodation is likely to need significant refurbishment and upgrading to comply with MEES Regulation prior to the new compliance deadlines in 2027 and 2030.
- 6.15 The Grade C graded accommodation includes the Town Hall, some of the older business centres such as Enterprise House and Forsyth House and a significant number of converted Victorian and Georgian town houses.
- 6.16 The number of businesses still occupying Grade C space is likely to be a symptom of the lack of available Grade A or B accommodation within the town centre over a number of years creating a “log jam” in the market. With the trend for businesses looking to move to better quality accommodation post Covid it suggests there could be significant latent demand from existing businesses to upgrade to Grade A or B accommodation.
- 6.17 Overall, the office accommodation is well distributed throughout the town centre, however there are two clusters which we consider to be the prime and most successful locations:

Feethams: including Feethams House, Beaumont House, the Town Hall, and the Department of Education.

- 6.18 Feethams House was completed in 2020 and provides 33,000 sqft of Grade A offices over five floors.
- 6.19 A floor was initially let to Deep Ocean, who were in the process of relocating from Coniscliffe House when they went into administration. The building was then let in its entirety to HM Gov as a cross Government hub, branded the Darlington Economic Campus, accommodating staff from HM Treasury, ONS, Department for Education, DTI, BEIS and Department for Levelling Up, Housing and Communities.
- 6.20 UK Gov have acquired a site on Brunswick Street for a larger building to house the DEC however we understand Feethams House is likely to be retained as part of the DEC campus even after the new building is completed at the Brunswick Street site.
- 6.21 The Department of Education occupy Bishopsgate House a Grade A building which opened in 2015 adjacent to the Town Hall and fronting St Cuthberts Ways and the River Skerne.
- 6.22 Darlington Borough Council’s Town Hall extends to 81,417 sqft. and occupies a dominant position with the town centre between Feethams House, the Department of Education and Feethams leisure scheme.
- 6.23 With hybrid working DBC is only occupying about 40% of the building and we understand is unlikely to utilise the full building in the future.

Coniscliffe Road/ Grange Road

6.24 The most notable activity with the town centre recently has been the refurbishment of Coniscliffe House. The building extends to 18,352 sqft and was left empty following the relocation of Deep Ocean in 2020. The owners have undertaken an extensive refurbishment and modernisation programme to deliver Grade A standard EPC A rated offices with contemporary common areas and break out facilities to suit the demands of modern occupiers. Within 12 month the building has been 90% let. Occupiers that have taken space in the building include existing Darlington businesses looking to relocate to better quality accommodation and also companies new to Darlington. This demonstrates the demand from occupiers for better quality accommodation. We understand a rent of circa £14 psf has been achieved. Occupiers like the location due to the proximity to the town centre facilities and the café's, bars, and restaurants on Coniscliffe and Grange Roads.



Total Office Floor Space	Sqm	52,155	sqft	561,402
	Grade A			14.43%

Quality of floorspace by Grade	Grade B		26.58%	
	Grade C		53.64%	
Occupancy level	Occupied	82.29%	Vacant	17.71%
Occupancy by Sector (% of total floor space)	New Energy		2.56%	
	Advance Manufacturing		0.00%	
	Digital		0.80%	
	Creative Cultural & Leisure		1.83%	
	Logistics		0.17%	
	Healthcare		9.06%	
	Biologics		0.00%	
	Professional & Business services		27.35%	
	Construction		0.23%	
	Primary Sector		0.00%	
	Other Manufacturing		0.00%	
	Other Private Services		0.35%	
	Other Public Services		40.64%	

Morton Palms

- 6.25 Morton Palms Business Park is a well located out of town business park situated adjacent to the A67 eastern bypass and with good access to the major road network and the airport.
- 6.26 The park consists of two large office buildings developed in the early 2000's, Stephenson House, and Technology House. And the more recent Pioneer Court, a development of 13 individual office buildings.
- 6.27 The Park provides good quality modern accommodation in a range of floor plates from 1,100 sqft to 10,000 sqft with good on-site parking ratios.
- 6.28 Stephenson House and Technology House provide larger floor plates with Pioneer Court providing smaller floorplates with the benefit of businesses having their own front door.
- 6.29 The Park has few amenities within its boundary and relies on the adjacent Morrison Supermarket and retail park.
- 6.30 Major occupiers include Whesoe Engineering Limited, Baltic Apprenticeships, Square One Law, and Recognition PR.
- 6.31 We have assessed 12.68% of the accommodation as Grade A, these relate to some of the Pioneer Court suites that have been refurbished and have an EPC B rating. The remaining accommodation, 87.32% is classed as Grade B but could be increased to an A rating with minor refurbishment.
- 6.32 The vacancy rate is currently at 12.68%. Recently available units have let quickly and have achieved rental levels of c£15 per sqft
- 6.33 The park has 13.6 acres of land available for development.

LOCATION:	Morton Palms Business Park
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Total Office Floor Space	Sqm	11,127	sqft	119,772
Quality of floorspace by Grade	Grade A			12.68%
	Grade B			87.32%
	Grade C			0%
Occupancy level	Occupied	89.46%	Vacant	11.68%
Occupancy by sector (% of total floor space)	New Energy			0.00%
	Advance Manufacturing			22.96%
	Digital			0.00%
	Creative Cultural & Leisure			1.99%
	Logistics			0.00%
	Healthcare			3.85%
	Biologics			0.005%
	Professional & Business services			28.65%
	Construction			3.84%
	Primary Sector			0.00%
Other Private Services			0.00%	
Other Public Services			27.03%	

Yarm Road

- 6.34 Yarm Road Industrial Estate and Business Park combines a mix of industrial and office premises which are interspersed together with no distinct boundary or identity between the offices and the industrial elements.
- 6.35 The park is located to the east of the town, adjacent to Morton Palms Business Park and has good access to the A66 eastern bypass.
- 6.36 The park contains some of Darlington's largest employers namely EE and Cummins.
- 6.37 EE occupy four buildings which make up a campus of over 13,585 square meters (146,228 sqft). The buildings underwent a comprehensive refurbishment programme in 2016.

6.38 We have assessed 99.51% of the accommodation as Grade B quality and the occupancy is currently at 100%

LOCATION:		Yarm Road Industrial Estate and Business Park		
				
Total Office Floor Space	Sqm	22,467	sqft	241,844
Quality of floorspace by Grade	Grade A			%
	Grade B			99.51%
	Grade C			0.49%
Occupancy level	Occupied	100%	Vacant	0%
Occupancy by sector (% of total floor space)	New Energy			0.00%
	Advance Manufacturing			13.58%
	Digital			61.65%
	Creative Cultural & Leisure			0.00%
	Logistics			8.81%
	Healthcare			2.48%
	Biologics			0.00%
	Professional & Business services			8.77%
	Construction			0.00%
	Primary Sector			0.00%
	Other Private Services			4.68%
Other Public Services			0.00%	

Lingfield Point

- 6.39 Lingfield Point is an 85-acre business park created from the former Paton and Baldwins wool factory.
- 6.40 The site is well located adjacent to the A66 and only two miles from the town centre.
- 6.41 Now home to over 51 business employing over 3,000 people, the park provides a wide range of office and industrial properties within a campus style and offers a range of onsite facilities and amenities, including café, children's nursery, concierge, security, and a regular events programme.
- 6.42 The former industrial and office buildings have been refurbished to a high standard and provide a range of workspaces from small, serviced offices to large single floor plates, particularly suitable for call centres.
- 6.43 The park is home to the Student Loans Company and Capita.
- 6.44 Wood, one of the park's larger occupiers, recently relocated to better quality offices at Northshore One in Stockton which better aligns with their new hybrid working model.
- 6.45 There is currently more vacant space within the park than there has been for some time at 37.92%, primarily due to the recent departure of Wood who had occupied 46,000 sqft. However, the owners Frogmore report a good level of interest from potential occupiers and existing tenant's committing to extending their leases.
- 6.46 We have assessed all the space at Lingfield as Grade B but at the higher end of the scale.



Total Office Floor Space	Sqm	21,720	sqft	233,776
Quality of floorspace by Grade	Grade A			0%
	Grade B			100%
	Grade C			0%
Occupancy level	Occupied	62.08%	Vacant	37.92%
Occupancy by sector (% of total floor space)	New Energy			0.00%
	Advance Manufacturing			0.00%
	Digital			19.31%
	Creative Cultural & Leisure			0.00%
	Logistics			0.00%
	Healthcare			0.00%
	Biologics			0.00%
	Professional & Business services			42.77%
	Construction			0.00%
	Primary Sector			0.00%
	Other Private Services			0.00%
	Other Public Services			0.00%

Central Park

- 6.47 Central Park is located on the edge of Darlington Town Centre directly opposite the Darlington train station.
- 6.48 The site is one of the key regeneration areas for Darlington and extends to 74 acres in total.
- 6.49 The park is home to Darlington College, Teesside University's Darlington Campus, CPI's National Biologics Manufacturing Centre, and Teesside University's National Horizons Centre. This is a strategic asset for Darlington providing facilities of national importance in Biologics innovation, biosciences, and healthcare research.
- 6.50 The northern half of the site is focused on the educational campus with the southern half of the site focused on commercial development.
- 6.51 DBC have developed Business Central and Innovation Central which provides Grade A standard office accommodation and laboratories from 100-650, combined with co working space, break out areas, café, and meeting rooms.
- 6.52 Business Central is currently 90% occupied. Innovation Central only opened 4 months ago and is currently 20% occupied.
- 6.53 The park has a number of development plots ready for development and the park will benefit significantly from the redevelopment of Darlington Train Station, with the new gateway entrance to the station being located directly opposite the southern end of the site.



Total Office Floor Space	Sqm	8,667	sqft	93,300
Quality of floorspace by Grade	Grade A			100%
	Grade B			0.00%
	Grade C			0.00%
Occupancy level	Occupied	85.69%	Vacant	14.31%
Occupancy by sector (% of total floor space)	New Energy			0.00%
	Advance Manufacturing			0.00%
	Digital			0.00%

	Creative Cultural & Leisure	0.00%
	Logistics	0.00%
	Healthcare	0.00%
	Biologics	61.41%
	Professional & Business services	24.28%
	Construction	0.00%
	Primary Sector	0.00%
	Other Private Services	0.00%
	Other Public Services	0.00%

Faverdale

- 6.54 Faverdale Industrial Estate is situated to the north west of Darlington close to junction 58 of the A1(M)
- 6.55 Faverdale is the main location of logistic businesses and is home to a number of large distribution warehouses including Sainsbury's, Argos and Aldi. There is also a large allocation of strategic industrial land at Faverdale for future development.
- 6.56 In terms of office accommodation there are some small infill office buildings within the industrial estate, but this is not a recognised office location and is very much subsidiary to the main industrial focus of the estate.
- 6.57 Of the accommodation on the estate 54.07% is assessed as Grade B and 45.93% is assessed as Grade C.
- 6.58 The current vacancy rate is 9.94%



Total Office Floor Space	Sqm	4,795	sqft	51,613
	Grade A			0%

Quality of floorspace by Grade	Grade B		54.07%	
	Grade C		45.93%	
Occupancy level	Occupied	9.94%	Vacant	90.06%
Occupancy by sector (% of total floor space)	New Energy		0.00%	
	Advance Manufacturing		0.00%	
	Digital		37.47%	
	Creative Cultural & Leisure		1.79%	
	Logistics		2.60%	
	Healthcare		1.65%	
	Biologics		0.00%	
	Professional & Business services		38.30%	
	Construction		8.25%	
	Primary Sector		0.00%	
	Other Private Services		0.00%	
	Other Public Services		0.00%	

Office Accommodation Sectoral Analysis Summary

6.59 The total floorspace across the sites in this section is shown in the following table:

Total Office Floor Space	Sqm	122,189	sqft	1,315,235
Quality of floorspace by Grade	Grade A		14.93%	
	Grade B		57.13%	
	Grade C		27.93%	
Occupancy level	Occupied	83.36%	Vacant	16.64%
Occupancy by sector (% of total floor space)	New Energy		1.11%	
	Advance Manufacturing		4.62%	
	Digital		16.76%	
	Creative Cultural & Leisure		0.01%	
	Logistics		1.82%	
	Healthcare		4.79%	
	Biologics		4.40%	
	Professional & Business services		25.48%	
	Construction		0.78%	
	Primary Sector		0.00%	
	Other Private Services		1.02%	
Other Public Services		20.01%		

6.60 Our combined analysis shows that overall Darlington has 1,315,235 sqft of office floor space. In term of quality, we have assessed that 13.76% is Grade A, 62.36% is Grade B and 23.88% is Grade C.

6.61 Our analysis shows a current vacancy rate of 16.64%.

6.62 A summary of the current availability by quality is assessed in the table below:

Table 6-2 - Current Availability – office accommodation

Location	Grade A (sqft)	Grade B (sqft)	Grade C (sqft)	Grade A %	Grade B %	Grade C %
Town Centre	1,402	10,371	43,040	2.25%	16.66%	69.14
Morton Palms	2,493	11,500	0	17.81%	82.18%	0.00%
Yarm Road	0	0	0	0	0	0
Lingfield Point	26,000	62,657	0	29.33%	70.67%	0
Central Park	13,351	0	0	100%	0	0
Faverdale	0	4,883	246	0	95.19%	4.81%
Combined	17,246	89,411	43,286	11%	59%	28%

Source: Dodds Brown, 2023

6.63 We would highlight the following Key Findings:

- There is a lack of Grade A accommodation available overall but especially within the town centre.
- Within the town centre a high proportion of occupiers are in poor quality Grade C accommodation.
- In line with the trend for businesses to relocate to better quality accommodation there is potentially significant latent demand from existing occupiers to upgrade to better accommodation.
- The refurbishment and recent lettings at Coniscliffe House prove there is demand for a better-quality product.
- There will be a significant challenge to upgrade the poorer accommodation to meet future MEES compliance.
- There is no over reliance on one business sector, with Professional and Business Services, Public Sector and Digital the most prevalent.

7 Demand

7.1 This section provides analysis of Experian datasets to identify a range of floorspace scenarios that could be expected over the next 10 years.

Demand Projections

7.2 To help inform an assessment of future office floorspace needs in Darlington over the period 2022 to 2032, a number of alternative scenarios have been considered. The scenarios, which are summarised below, principally reflect different assumptions regarding the future growth potential of the Borough's economy:

- **Scenario 1:** Experian Baseline. Underpinned by the latest¹⁷ policy-neutral forecasts of employment growth published by Experian (December 2022). Data published by Experian is provided on the basis of 38 sectors (see Appendix 1). The work is consistent with Experian's November 2022 UK macro forecasts;
- **Scenario 2:** Moderated Baseline (Experian). Underpinned by the same employment forecasts used to inform Scenario 1, albeit with any negative change in employment (by sector) assumed to have no impact on future space needs. This differs from Scenario 1, which assumes that contractions in employment will serve to reduce future premises requirements;
- **Scenario 3:** Policy-On (1,050 direct jobs). Considers the direct, indirect and induced employment impacts of public sector investment at the Darlington Economic Campus (DEC). Analysis is based upon the 1,050 direct public sector jobs to be created at DEC from 2022 to 2032. Figures are added onto the baseline figures derived under Scenario 1; and
- **Scenario 4:** Policy-On (1,600 direct jobs). Adopts the same approach outlined above with respect to Scenario 3. Analysis is, however, based upon the employment impacts of the 1,600 direct public sector jobs to be created at DEC by 2032 (including 550 already in situ).

Scenario 1: Experian Baseline

7.3 Employment growth forecasts for Darlington were obtained from Experian's Regional Planning Service. The forecasts take into account regional and national macroeconomic trends/outlook to estimate future economic performance at the local authority level.

7.4 Employment forecasts of this type are recognised as a valuable input to studies of this nature, providing an indication of the broad scale and direction of future employment change by sector.

¹⁷ Latest figures available at the time demand forecasting work was undertaken (February 2023)

There are, however, limitations to the use of such forecasts, particularly during periods of economic uncertainty:

- National macroeconomic assumptions are taken as a starting point and then disaggregated to the regional and local level, having regard to the existing sectoral mix and recent economic performance of the area. Local authority data is typically, therefore, less reliable than at the national and regional level; and
- The 'top down' nature of the forecasts means that they do not take account of specific policy priorities or interventions which could influence future employment change at the local level, including the DEC proposals.

7.5 The Experian forecast indicates that, in total, Darlington could experience an increase of 200 workforce jobs across all sectors between 2022 and 2032. This is estimated to include an increase of 115 workforce jobs in office-based sectors (up from 14,250 in 2022 to 14,365 in 2032). Employment in office-based sectors has been estimated by Lichfields. It has been assumed that – of the 38 sectors included within Experian's forecasts – those listed below could generate demand for office space. An analysis of 4-digit Standard Industrial Classification data from the Business Register and Employment Survey (published by ONS) has also been used to form a view (based upon data at the local authority level) regarding the percentage share of jobs in each sector likely to correspond with office users:

- Administrative and Support Services;
- Computing and Information Services;
- Finance;
- Insurance and Pensions;
- Media Activities;
- Professional Services;
- Public Administration and Defence;
- Real Estate; and
- Telecoms.

7.6 It should be noted the Experian forecasts regarding total (+200 workforce jobs) and office-based (+115 workforce jobs) employment growth appear to be conservative when assessed against past trends. Indeed, an analysis of historic employment data from Experian indicates that between 1997 and 2022:

- Total employment increased by 6,200 workforce jobs (equivalent to an average increase of 250 jobs per annum). This is significantly higher than the average annual growth of 20 jobs per annum forecast (by Experian) to occur over the next 10 years; and

- Office-based employment increased by 3,785 workforce jobs (equivalent to an average increase of 150 jobs per annum). This is significantly higher than the average growth of c.10 jobs per annum forecast (by Experian) to occur over the next 10 years.
- 7.7 The extent to which the employment growth assumptions underpinning the four scenarios align with past trends is considered further in Figure 7-1.

Scenario 2: Moderated Baseline (Experian)

- 7.8 Scenario 2 takes, as its starting point, the same Experian forecasts (from December 2022) which underpin Scenario 1. This alternative, moderated scenario has been developed because anticipated contractions in employment (within certain sectors) act as a drag on the overall office floorspace needs derived under Scenario 1. As such, it is intended to provide an estimate of floorspace needs in the event that requirements at the sector level remain constant despite a contraction in employment.
- 7.9 Table 7-1 outlines the adjustments applied by Lichfields in developing Scenario 2 and provides an overview of how the sectoral employment forecasts differ from those identified under Scenario 1. Where a contraction in office-based employment is forecast by Experian, this has instead been held at zero under Scenario 2. Those cells held constant under this approach are shown in orange in the table.
- 7.10 As shown in Table 7-1, the Moderated Baseline identifies a need to deliver enough office space to meet the requirements of an additional 315 workforce jobs over the period 2022 to 2032. This represents a gross job change figure, which disregards (for the purposes of planning for future office needs) forecast contractions in employment in the Finance and Telecoms sectors. Whilst the likelihood of these employment losses occurring is not (at this stage) called into question, the modelling assumes that any such losses would not generate any negative demand for employment space to offset against the positive requirements associated with growing sectors (such as Administrative and Support Services, Professional Service and Public Administration and Defence).

Table 7-1 - Forecast Employment Change by Sector, 2022-2032 (office-based sectors only)

Sector	Change in Workforce Jobs	
	Scenario 1 Experian Baseline	Scenario 2 Moderated Baseline
Administrative & Support Services	+25	+25
Computing & Information Services	0	0
Finance	-100	0
Insurance & Pensions	0	0
Media Activities	0	0
Professional Services	+195	+195
Public Administration & Defence	+90	+90
Real Estate	0	0
Telecoms	-100	0
Total	+115 (net)	+315 (gross)

Source: Experian (December 2022) / Lichfields analysis

NB: figures may not sum due to rounding

Scenario 3: Policy-On (1,050 Direct Jobs)

- 7.11 In addition to the baseline forecasts described in the preceding paragraphs, Lichfields has also been asked by Darlington Borough Council to consider the job growth and office space implications within the local authority area of two Policy-On scenarios. Both scenarios consider the potential for the Darlington Economic Campus (DEC) proposals to generate additional demand from businesses within the DEC supply chain or those looking to position themselves to access supply chain opportunities in future. As such, the Policy-On scenarios (Scenarios 3 and 4) seek to assess the impact of this key investment in the local economy in a way that the policy-neutral Experian forecasts (Scenarios 1 and 2) are unlikely to. Understanding this impact is critically important in ensuring that Darlington is able to position itself to capitalise on these wider investment opportunities and maximise the local economic benefits generated by the DEC.
- 7.12 The DEC emerged as a concept in March 2021 when Rishi Sunak (then Chancellor of the Exchequer) unveiled plans to establish HM Treasury's northern headquarters in Darlington. Proposals for the DEC now include a number of key Government departments, such as: HM Treasury; Department for International Trade (DIT); Department for Levelling Up, Housing and

Communities (DLUHC); Office for National Statistics (ONS); Department for Business, Energy & Industrial Strategy (BEIS); Department for Culture, Media and Sport (DCMS); Competition and Markets Authority (CMS); and Department for Education. Data provided to Lichfields (by Darlington Borough Council) shows that there are currently 550 direct workforce jobs located at the DEC and that this is anticipated to increase to 1,600 by 2032. This corresponds to a net increase of 1,050 direct workforce jobs between 2022 and 2032.

7.13 The wider employment impacts of the DEC are considered within the *Darlington City Hub: Social Impact and Value Analysis*. The report suggests that an employment multiplier of 1.1 can be applied to the direct jobs created at the DEC to assess the spin-off effects in the local economy. This multiplier figure is understood to align with the analytical approach adopted by the Government Property Agency (GPA), as well as academic research. The *Darlington City Hub: Social Impact and Value Analysis* states that:

“results from academic research suggest that for every 10 civil service roles created in an area, 11 private sector roles are created.”

7.14 Based upon the above, the 1,050 additional direct jobs to be created at the DEC to 2032 could be expected to generate a further 1,155 indirect¹⁸ and induced¹⁹ jobs in the Darlington economy. As such, the total employment impact of the DEC is estimated at 2,205 workforce jobs.

7.15 Given that the sectoral focus of the indirect and induced jobs is likely to differ significantly, it has been necessary to further disaggregate the employment estimates. A review of data²⁰ for a range of office-based sectors indicates that, on average, 86% of all multiplier impacts are observed in the supply chain (with induced effects accounting for the remaining 14%). Applying this proportionate split to the 1,155 indirect and induced jobs derived above yields the following breakdown:

- **1,050 direct jobs:** these jobs will be created within those Government departments listed above and located within the DEC. It should be noted that these jobs *are not* included in the jobs figures used to inform Lichfields’ assessment of future office floorspace needs. This is because the property requirements of the direct jobs supported by the DEC are already provided for (at Feethams House and – looking to the future – new purpose-built development at Brunswick Street).
- **995 indirect jobs:** those supported in the wider supply chain as a result of public sector investment at the DEC. Having regard to the nature of the direct employment impacts, it has been assumed that the indirect impacts will be observed in office-based sectors (such

¹⁸ Jobs supported in the supply chain

¹⁹ Jobs supported by the wage spending of direct and indirect workers

²⁰ Based upon *Supply, Use and Input-Output Tables (2019)* published by the Scottish Government. Data for England/UK is not available at a sufficiently granular level to distinguish between indirect and induced effects.

as Knowledge-Intensive Business Services) and will generate additional demand for premises within Darlington; and

- **160 induced jobs:** those jobs supported by the wage spending of direct and indirect workers. Taking this into account, it has been assumed that any induced employment effects are likely to be focussed on activities such as shopping, leisure activities and eating/drinking out. As a result, these jobs *are not* expected to influence the future demand for office space in the Borough.
- 7.16 Adding the 1,050 direct jobs and the 995 indirect jobs derived above to the 115 office jobs included within the Experian baseline forecasts (Scenario 1) indicates that office jobs in Darlington could be expected to increase by a total of 2,160 workforce jobs between 2022 and 2032.
- 7.17 It should, however, be noted that the 1,050 direct jobs created at the DEC are not included in any estimates of future office floorspace needs in Darlington presented later in this chapter. This approach reflects the fact that the space requirements of direct employees have already been planned for (as outlined above).

Scenario 4: Policy-On (1,600 Direct Jobs)

- 7.18 Scenario 4 applies a similar methodology (and core assumptions) as outlined above with respect to Scenario 3. The key difference between the two relates to the number of direct jobs at the DEC captured within the analysis. Whilst Scenario 3 considers the spin-off impacts associated with the 1,050 direct jobs to be created between 2022 and 2032, Scenario 4 considers the impacts associated with all 1,600 direct jobs to be located at the DEC by the end of the study period.
- 7.19 This is predicated on the assumption that no substantive investment in the DEC supply chain has been attracted to Darlington to date and that this is more likely to materialise as the direct jobs at the DEC approach critical mass. This would appear to be supported by the following:
- Darlington Borough Council's Business Investment Team advise that – to date – little private sector investment has been attracted to the town as a result of the DEC. The one exception to this being Square One Law LLP, who have recently taken space on Morton Palms Business Park. This is expected to change in the medium-term, however, with interest in the town from office occupiers improving markedly. It is understood that – over the last 12 months – the Business Investment Team has received between 10 and 15 inquiries for office space from businesses not currently located in Darlington and seeking premises close to the DEC. In total, these requirements amounted to more than 67,500sq.ft (6,270sq.m) of floorspace, with the majority of prospective occupiers seeking new or Grade A offices;

- Feedback from the Stakeholder Workshop held on 8th February 2023 suggested that there has been little evidence of any significant inward investment linked to DEC supply chain opportunities to date, but that the initial tranche of jobs “*only arrived recently and it will take time for any spin-off effects to be observed.*” Another workshop attendee suggested that businesses were unlikely to invest before seeing “*spades in the ground*” due to a fear that Government might reverse any decision regarding the DEC. Within this context, the recent commitment to delivering a purpose-built facility on Brunswick Street was viewed as a potential catalyst to supply chain investment; and
 - Research by the Centre for Cities²¹ considers the impact of the BBC’s relocation to Salford. This suggests that the announcement of the proposed move had no effect on supply chain jobs, which only began to locate in the area once the BBC was established at scale (with an initial 1,400 jobs).
- 7.20 Applying an employment multiplier of 1.1 to the 1,600 direct jobs to be created at the DEC indicates that the proposals could generate a further 1,760 indirect and induced jobs within Darlington. As such, the total employment impact of the DEC is estimated at 3,360 workforce jobs. Disaggregating indirect and induced employment, using the same approach described in relation to Scenario 3, results in the following breakdown of jobs:
- **1,600 direct jobs;**
 - **1,515 indirect jobs; and**
 - **245 induced jobs.**
- 7.21 Adding the 1,600 direct jobs and the 1,515 indirect jobs derived above to the 115 office jobs included within the Experian baseline forecasts (Scenario 1) indicates that office jobs in Darlington could be expected to increase by a total of 3,230 workforce jobs by 2032. As outlined above, however, 550 of the 1,600 direct jobs are already located in Darlington. Adjusting for this reduces the uplift in workforce jobs to 2,680 (2022 to 2032).
- 7.22 In addition to the above, it is also important to note that the 1,050 direct jobs created at the DEC are not included in any estimates of future office floorspace needs in Darlington presented later in this chapter. This approach reflects the fact that the space requirements of direct employees have already been planned for (as previously discussed).

Employment Change by Scenario

- 7.23 Drawing together the analysis from the preceding paragraphs, Table 7-2 provides a summary of the total employment growth estimates (2022 to 2032) generated under each of the four scenarios considered. Figures for Scenario 1 are based upon baseline forecasts from Experian

²¹ *Should we move public sector jobs out of London?* Centre for Cities, 2017

and capture employment change across all sectors of the economy. In contrast, Scenario 2 only captures increases in office-based sectors, whilst Scenarios 3 and 4 capture the direct, indirect and induced employment effects of anticipated investment at the DEC (as well as the baseline growth in office-based sectors modelled under Scenario 1). As such, Scenario 1 is not directly comparable with Scenarios 2, 3 and 4 in relation to both total employment change and employment change in other (non-office) sectors.

7.24 With respect to employment change in office-based sectors, it can be seen from the table that forecast growth over the period 2022 to 2032 ranges from +115 workforce jobs (under Scenario 1) to +2,680 workforce jobs (under Scenario 4).

Table 7-2 - Forecast Employment Growth by Scenario (2022-2032)

	Scenario 1 (Experian Baseline)	Scenario 2 (Moderated Baseline)	Scenario 3 (Policy-On: 1,050 jobs)	Scenario 4 (Policy-On: 1,600 jobs)
Office Sectors	+115	+315	+2,160 ²²	+2,680 ²³
Other Sectors	+85	N/A	+160 ²⁴	245 ²⁵
Total	+200	N/A	N/A	N/A

Source: Experian / DBC / Lichfield's analysis

7.25 Given the scale of difference between the figures in Table 7-2, it is helpful to benchmark them against historic levels of employment growth in Darlington. This can assist the Council in arriving at a view regarding the realism/achievability of each. This is considered in Figure 7-1. The chart shows that, based upon past trends data from Experian, office-based employment in Darlington increased by 3,785 workforce jobs over the 25-year period from 1997 to 2022. This corresponds to an average increase of approximately 150 jobs per annum.

7.26 Figure 7-1 appears to suggest that the overall trajectory of the 'Past Trends' line sits somewhere between Scenarios 1 and 2 (which fail to match historic employment growth) and Scenarios 3 and 4 (which exceed historic rates of employment change). Annualising the forecast change in office employment underpinning each scenario identifies the following average annual growth figures with respect to office employment:

- Scenario 1: +10 office jobs per annum;
- Scenario 2: +30 office jobs per annum;
- Scenario 3: +215 office jobs per annum; and

²² Includes 1,050 direct jobs at the DEC

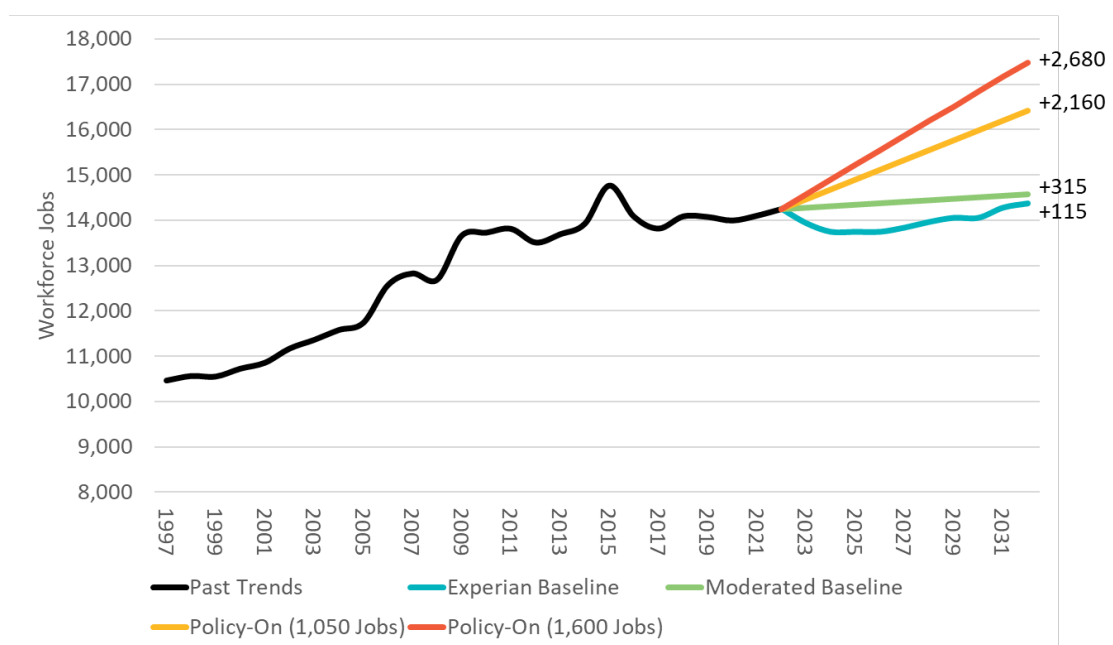
²³ Includes 1,050 direct jobs at the DEC

²⁴ Induced employment only

²⁵ Induced employment only

- Scenario 4: +270 office jobs per annum.
- 7.27 This would appear to suggest that Scenario 3 (+215 jobs per annum) aligns most closely with past trends in office employment (+150 jobs per annum). It could be argued, however, that the scale of difference between the two fails to adequately reflect the potential economic uplift in Darlington that could be facilitated by investment at the DEC and a pro-active commercial property strategy which aims to position the Borough to both:
- Capture the supply chain opportunities which could be generated by the DEC; and
 - Compete more effectively for footloose investment in office-based sectors, as a result of an increased profile and the availability of good quality floorspace.

Figure 7-1 - Office Employment Growth by Scenario vs Past Trends



Source: Lichfields

Employment Floorspace Requirements

- 7.28 In translating the employment growth figures in Table 2-1 into anticipated office floorspace requirements, direct employment at the DEC has first been removed from Scenarios 3 and 4. This results in recalibrated office job growth estimates of 1,110 and 1,630 respectively. The following assumptions were then applied:
- An employment density of 12.5sq.m per workforce job. This has been derived from the Homes and Communities Agency’s *Employment Density Guide: 3rd Edition*. The document represents the latest comprehensive evidence regarding the average amount of floorspace occupied by workers in different sectors of the economy; and

- An allowance of 8% was added to all positive employment floorspace requirements, to reflect ideal levels of vacancy in commercial property markets.

7.29 The net floorspace requirements generated by applying these assumptions to anticipated employment change are summarised in Table 7-3. This illustrates that Darlington could require between 1,560sq.m and 22,015sq.m of additional office floorspace over the period 2022 to 2032 to meet future growth in employment.

Table 7-3 - Net Office Floorspace Requirements by Scenario (2022-2032)

	Scenario 1 (Experian Baseline)	Scenario 2 (Moderated Baseline)	Scenario 3 (Policy-On: 1,050 jobs)	Scenario 4 (Policy-On: 1,600 jobs)
Office Employment	+115	+315	+1,110	+1,630
Employment Density	12.5sq.m per workforce job			
Net Floorspace	+1,450sq.m	+3,950sq.m	+13,890sq.m	+20,390sq.m
Net Floorspace (+8% allowance)	+1,560sq.m	+4,260sq.m	+14,995sq.m	+22,015sq.m

Source: Lichfields analysis

7.30 It should be noted that the figures presented in Table 7-3 do not include a safety margin or any allowance for loss replacement/churn. These adjustments would typically be applied – or at least considered – when identifying gross planning requirements through evidence-based studies to inform Local Plans (i.e. Employment Land Reviews or Economic Development Needs Assessments).

7.31 It should also be acknowledged that, whilst Scenarios 3 and 4 seek to model supply chain demand linked to the DEC proposals, none of the scenarios consider:

- How the enhanced profile of Darlington (in part as a result of the DEC) and an appropriate supply of high-quality office stock could help position the town to compete more successfully for footloose investment²⁶; and
- The possible scale of such demand and the resultant impact on future office space needs in the Borough.

²⁶ Investment unrelated to the DEC and related supply opportunities and which has a high degree of flexibility regarding location

7.32 The impact of recent development activity in Middlesbrough and Sunderland (discussed elsewhere in this report) clearly highlights that the availability of Grade A office space can improve the visibility and appeal of locations with respect to footloose inward investment requirements. Stakeholders in attendance at the workshop held on 8th February 2023 felt that, to date, Darlington has not been on the radar of such occupiers. It was suggested, however, that the delivery of the DEC could help to address this by raising the town's profile and improving perceptions of the area as an office location:

"Darlington does not attract 'floating' office investors as there is no product available."

"Darlington has not been on the national/regional shortlists of big office occupiers. This is because the town has not been perceived externally as having the right profile or product. The first of these issues is beginning to change as a result of the DEC."

7.33 The availability of good quality office space is critical to attracting footloose investment opportunities and maximising the potential for the DEC to serve as a launchpad for wider economic growth. Attendees at the Stakeholder Workshop felt that Darlington has the potential to present a strong proposition to prospective office investors (within the context of other Tees Valley locations), provided that the area's property offer is addressed:

"Darlington should be the easiest 'sell' to office occupiers across the Tees Valley. It has a good town centre and benefits from excellent connectivity as a result of the East Coast Main Line and the A1(M)."

7.34 Should the Council wish to actively plan to capture investment from footloose office occupiers in future, it is likely that the authority will need to deliver a quantum of office floorspace in excess of the requirements identified in Table 7-3. Whilst it is difficult to quantify the scale of any such needs, the Centre Square, Middlesbrough and Riverside, Sunderland case studies presented elsewhere in this report provide a useful starting point (whilst also demonstrating that the size of individual opportunities can vary markedly):

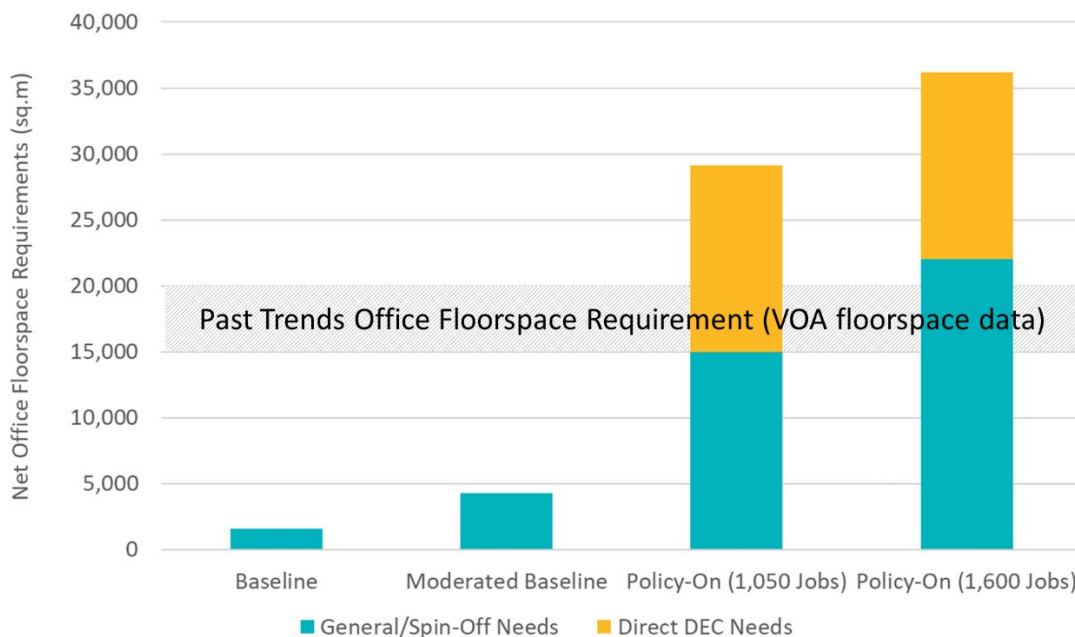
- Centre Square: having previously suffered from a dearth of Grade A office stock in the town centre, Centre Square has helped to reposition Middlesbrough within the market. Delivered in two phases, between 2019 and 2023, the development has already attracted three occupiers that are new to Middlesbrough. In total, GB Bank (11,010sq.ft or 1,023sq.m), Fraser Nash (2,123sq.ft or 197sq.m) and Dere Street Barristers (1,200sq.ft or 111sq.m) have taken 14,333sq.ft (1,332sq.m) in a period less than four years; and
- Riverside: development to create a new Central Business District on the site of the former Vaux brewery commenced in 2019. To date, the site has attracted one major footloose office occupier, with Ocado taking 20,000sq.ft of space (1,858sq.m).

Reality Check Against Market Review

- 7.35 Given the range of potential requirements generated by the four scenarios presented above, it is helpful to consider how reasonable each appears in the context of the local commercial property market.
- 7.36 As set out in Figure 5-1, the latest data from the Valuation Office Agency (VOA) indicates that Darlington contained 163,000sq.m of office floorspace in 2020/21. This represented an increase of 30,000sq.m or 22.5% when benchmarked against the stock of space in the Borough in 2000/01.
- 7.37 Annualising these growth rates – and projecting them forward over the period 2022 to 2032 – provides an indication of the level of office floorspace that Darlington would need to provide over the next 10 years simply to meet past trends in delivery. This analysis indicates that:
- Applying an absolute floorspace change of +1,500sq.m per annum yields a future requirement of 15,000sq.m; and
 - Applying a growth rate of 1.13%²⁷ per annum yields a future requirement of 19,385sq.m.
- 7.38 The level of need implied by a continuation of past trends – derived above – is shown in Figure 7-2 (denoted using the grey hatched band). This is presented alongside the floorspace requirements identified under Scenarios 1 to 4 (denoted using the blue columns). This highlights that:
- Scenario 1 (Experian Baseline) and Scenario 2 (Moderated Baseline) result in floorspace requirements significantly below past trends;
 - Scenario 3 generates a level of floorspace demand in alignment with the lower bound of the past trend requirements; and
 - Scenario 4 is the only scenario that generates a requirement which exceeds past trends.

²⁷ 1.13% = 22.5% / 20 years

Figure 7-2 - Net Office Floorspace Requirements vs Past Trends (2022-2032)



Source: Lichfields analysis

7.39 When comparing projected future demand with past trends, it is important to recognise, however, that the DEC proposals will themselves result in a significant level of development activity. To reflect this, the floorspace requirements associated with the additional 1,050 workforce jobs to be created at the DEC by 2032 are also shown in Figure 7-2 (denoted using the orange columns) to give a ‘total’ demand figure under Scenarios 3 and 4. No such adjustments have been made to Scenarios 1 and 2, as neither explicitly takes into account the property market impacts of the DEC. Allowing for the delivery of new space to meet the direct jobs created at the DEC, it can be seen that office floorspace requirements exceed past trends under both Scenarios 3 and 4.

7.40 As set out above, Darlington contains 163,000sq.m of office floorspace (based on 2020/21 data). An alternative approach to assessing the scale of ambition associated with each scenario would, therefore, be to benchmark the anticipated growth in demand against the current stock of space. This analysis is summarised in Table 7-4, which highlights that demand for an additional 1,560sq.m of office space under Scenario 1 would represent an increase equivalent to 1.0% of current stock. In contrast, Scenario 4, which identifies a requirement for 22,015sq.m of addition office space would result in a 13.5% increase, rising to 22.2% if the floorspace needs associated with direct employment at the DEC are also taken into account.

Table 7-4 - Office Floorspace Requirements (2022-32) as a Percentage of Current Stock

	Current Stock	Excl. DEC		Incl. DEC	
		Forecast Need	Need as % of Stock	Forecast Need	Need as % of Stock
Scenario 1: Experian Baseline	163,000sq.m	1,560sq.m	1.0%	N/A	N/A
Scenario 2: Moderated Baseline		4,260sq.m	2.6%	N/A	N/A
Scenario 3: Policy- On (1,050 jobs)		14,995sq.m	9.2%	29,170sq.m	17.9%
Scenario 4: Policy- On (1,600 jobs)		22,015sq.m	13.5%	36,190sq.m	22.2%

Source: VOA / Lichfields analysis

- 7.42 Ultimately, any decision regarding the appropriate level of office floorspace to plan for in Darlington to 2032 is a matter for the Local Authority. Should the Council elect to plan for a level of demand towards the top of the range identified in Table 7-4 (or beyond) it will be important to ensure that this is supported by the delivery of the right *type* of space, in the right *location*. This will help to maximise the appeal of space to the market and enhance the strategy’s prospects of success.
- 7.43 The type of employment space likely to be demanded by prospective occupiers is considered elsewhere within this report. With respect to location, however, the available evidence suggests that any space seeking to capture spin-off opportunities linked to the DEC will need to be within the town centre, in close proximity to the campus itself. Research by the Centre for Cities,²⁸ which explored the impact of the BBC’s relocation to Salford indicates that the supply chain benefits observed were highly localised. The analysis considered three separate geographies: MediaCity UK (the area of Salford which the BBC relocated to); a 1-mile distance ring from the BBC site; and a 2-mile distance ring from the BBC site. The research concluded that *“there has been little measurable impact beyond MediaCity UK”* and goes on to state that:
- “While there has clearly been an impact of the BBC move within MediaCity UK, there is little evidence of this stretching much beyond the immediate site.*
- “What impact there has been is most obvious when looking at media jobs. While there was a large growth in jobs in this sector in MediaCityUK...the 1-mile ring around MediaCityUK showed*

²⁸ *Should we move public sector jobs out of London?* Centre for Cities, 2017

that there were no media businesses located in the sector in 2011 in the area, and this remained the case in 2016.”

- 7.44 The importance of town centre premises was also emphasised by those in attendance at the Stakeholder Workshop held on 8th February 2023. It is acknowledged, however, that the feedback received by stakeholders related more to Darlington’s future ability to capture footloose office occupiers – rather than those attracted to the area specifically by the DEC:

“Darlington risks losing out on regional office requirements if it is unable to offer good quality, town centre premises. Potential occupiers are likely to look to an alternative town centre – rather than an out-of-town location in the Borough – if no town centre space is available in Darlington.”

Consultation Feedback

- 7.45 A workshop was held in February 2023 with a range of stakeholders, including representatives from the Council, TVCA and local businesses (in the professional services sector). A follow-up discussion was held with local office agents. The following themes emerged from the discussions.

Availability

- 7.46 There is limited choice of Grade A accommodation. Large corporate occupiers want ready-made space to move into. The majority don’t have the inclination or time to develop their own premises.
- 7.47 A number of businesses who had been in poor quality accommodation and/or have outgrown their space have been actively searching for better quality premises. One was moving to Coniscliffe House which was an excellent example of the quality of space that can be created from a refurbishment. If not for that property becoming available, they would have been very short of alternative options. Others are still looking having outgrown their current space.

Location

- 7.48 There was a strong consensus that the town centre should be the focus of future office development. This would help with recruitment and retention of staff (see below), easy access to the train station for connections with national colleagues and clients – particularly those on the LNER mainline including London.
- 7.49 There is lots of collaboration across professional services businesses, example cited of solicitors being close to banks. By being in close proximity, it encourages a hub of businesses and they can deliver complimentary services easier. It also presents a public face of the business to clients.

- 7.50 Lingfield Point was also viewed as being at risk of losing occupiers due to its out-of-town location and poor quality and EPC ratings – although we would note that our research in Section 6 indicated the majority of the space was Grade B and not in immediate need of refurbishment. Nevertheless, given the demographic of the companies in the workshop, the preference for town centre space was clear.
- 7.51 Morton Palms is generally owner-occupied, so it's less likely those businesses would move to the town centre, but there is a risk of other businesses moving to the town centre leaving more vacant buildings out-of-town.

Employee Recruitment & Retention

- 7.52 With the expansion of employers offering remote or hybrid working, companies increasingly have to be able to offer a range of facilities in order to attract the best employees. It is about more than creating a critical mass of office development. Being located in the town centre near to shops and food/beverage venues, gives their employees more options for their lunch and early evenings. Therefore, most would choose a town centre location over an out-of-town site.
- 7.53 Modern offices also allow better office facilities such as improved break-out and collaboration space.
- 7.54 Whilst the green agenda is pushing for a modal shift away from car use, that isn't always practical. Due to the geography of the Tees Valley, it is likely that many recruits will still need to travel by car, therefore the employers stressed that the provision of car parking is still important. Brand new multi-storey car parks have been developed at new employment sites at Newcastle Helix and Sunderland Riverside for instance. Parking spaces should be available on business rates, not retail tariffs.
- 7.55 Close linkages with the college and university are also tangible benefits that businesses are looking for to grow their talent pool.

Viability

- 7.56 Local agents discussed the difficulty in getting schemes to stack up financially. This is the case even in Newcastle, so delivering new schemes in other north east towns would not be possible without financial intervention.
- 7.57 Commitment to a wider ongoing programme of development (similar to Sunderland) providing follow-on space rather than just a one-off build is essential in order to encourage ongoing interest. This also encourages rental growth, as the rental tone can increase as each building follows on successfully from the last. Without the product, the town will struggle to attract floating or 'foot-loose' occupiers. The group believed that one reason that Feethams House struggled initially

was due to its isolation. As a result, potential enquiries may have completely bypassed Darlington in their considerations.

- 7.58 One consequence of providing new Grade A space is that businesses in older accommodation can't afford the steep rental increase. However, businesses in Grade B space may be able to step up to Grade A, freeing their premises up for tenants to move into with a more modest rental increase.
- 7.59 Refurbishment of the Council's Civic Centre could be a viable financial alternative.
- 7.60 The steep spike in build costs over the last couple of years has resulted in a big impact on viability, although hopefully this will ease soon.

Ambition for Growth

- 7.61 Having discussed the growth ambitions, the consensus was that the Council should aim for higher than the Policy On scenario, in order to show ambition. The DEC investment in itself is just a springboard, and the investment won't come by itself if the Council don't put every effort in to capitalising this and push the town forward,
- 7.62 Interest should also increase when the relocation can be physically seen on site and on completion. There is always scepticism with government announcements like this until the outputs are clearly visible.
- 7.63 The Council should continue to push the benefits of Darlington as they did for the DEC relocation e.g. house prices, to encourage more inward investments and relocation. The TVCA also need to be at the forefront of promoting the town, as well as the government in committing to bring ongoing work and growth on the back of the initial relocation and investment.

Active Requirements

- 7.64 As one of the leading agents operating in the Tees Valley, Dodds Brown keep a track of all active requirements in the area. Current requirements are set out in Table 7-5.
- 7.65 As can be seen, there are limited requirements specifically for Darlington, but of the two that are, they either are in the same sector at the DEC (Deloitte), or likely to be (JLL Client).
- 7.66 The list also demonstrates the volume of footloose requirements that are available at any one time considering the Tees Valley as a base of operations.
- 7.67 The total floorspace requirement is 120,000 to 168,000 sqft. Put in the context of the floorspace ambition set out elsewhere in this report, the figure is healthy.
- 7.68 Noting the comments however, it is clear that some of these requirements will be time-limited. Therefore, the lack of immediate or in-development space puts Darlington at risk of missing out

to the wider Tees Valley or beyond on these requirements. No doubt new requirements will arise over time, so the current lack of Grade A space is not a significant cause for concern at this time. If no new accommodation starts development however, then the footloose enquiries, particularly those linked to the DEC, will just stop considering Darlington as a potential location as the market knows there is no upcoming space.

Table 7-5 - Tees Valley Property Requirements

Company:	Company Category:	Floor Space Requirement (Sq. Ft)	Current Location:	Reason for Relocation:	Lease Event	Comments
REED	Employment / Recruitment Agency	20,000 - 50,000	Various	Consolidation of satellite offices and future expansion	unknown	Looking within 15 mile radius of Middlesbrough. Preference to purchase, will purchase part let buildings. Quality space and environment with good parking, access and comms. Currently busy progressing an acquisition in Liverpool will pick up Tees Valley again once Liverpool is done.
Gaming Developer	Digital	6,000-8,000	Middlesbrough	Expansion	Apr 24	Gaming developer expanding and looking for larger and better quality accommodation. Currently in Middlesbrough and lease expires Apr 2024. Looking at Darlington town centre as a Hub as now recruiting staff from further afield (Newcastle and Leeds as well as Teesside) therefore needs a more easily accessible location for these staff. Also looking a "spoke" location in Manchester to access talent pool in the north west.
Call Centre Enquiry via TVCA	Call Centre	8,000-10,000	N/A	Inward investment	N/A	100 person call centre enquiry via TVCA. Footloose requirement. Have requested labour market data from TVCA for the Tees Valley.
Cushman Wakefield	Gov Dept	40,000	Unknown	Unknown	N/A	Requirement for North Yorkshire. Search area focused on North Yorkshire rather than Tees Valley. Unlikely to find anything in North Yorkshire of this size but would consider Darlington

Client of JLL	Gov Dept	4-5,000	N/A	N/A	N/A	Likely to be Gov Dept linked to Treasury. Requirement is for Darlington town centre, but nothing available of this size so may consider alternative locations. Must be Town Centre location.
Confidential client requirement JLL	Unknown	30-40,000	Unknown	Unknown	Unknown	North East wide search request for client for occupation in by Q3 2023. Building must be BREEAM excellent or above)
Deloitte	Financial	12,000-15,000	N/A	service new contract	N/A	Looking for office for c200 staff for new Tees Valley office. Currently recruiting 15 staff per month from Tees Valley area and plan to open a TV office when this total gets to 200. (12-18 month timeframe). Understand strong preference for Darlington
Total		120,000 - 168,000				

Source: Dodds Brown, 2023

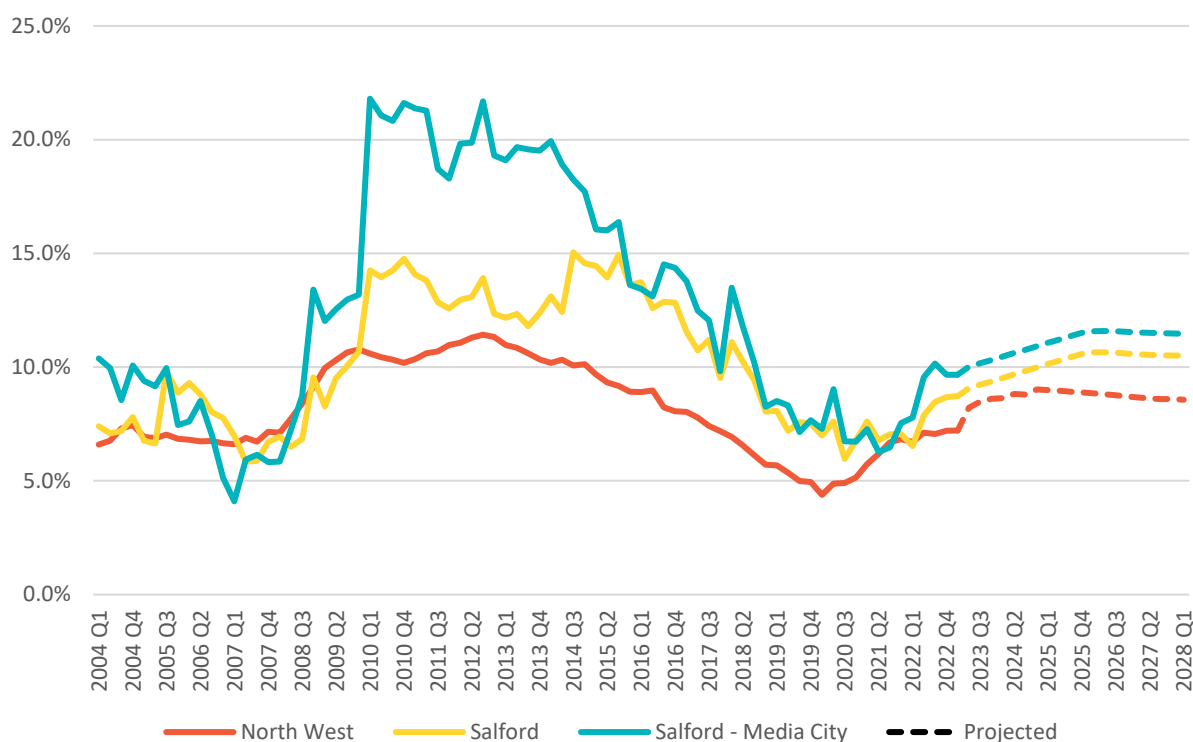
8 Case Studies

- 8.1 In assessing the impact of such a large decentralisation of government staff, it is important to consider other similar decants, to determine the effects they have had on their local economy.
- 8.2 In this section, we consider a number of case studies, including:
- BBC Relocation to Salford
 - ONS Relocation to Newport
 - Met. Office Relocation to Exeter
 - GCHQ Relocation to Manchester
 - Home Office Relocation to Stoke
- 8.3 We have looked at formal reports and papers, statistical analysis, and consultation with key figures in the local area where possible.

BBC – Salford

- 8.4 Up until 1982 Salford Quays had been the site of the Manchester Docks. Following the closure of the Docks, Salford City Council purchased the area and redeveloped it under the Salford Quays Development Plan. Following the 2004 Lyons Review, which looked at the location of public sector jobs and had a stated aim of boosting regional economic growth, it was decided to shift a large number of civil service jobs out of the South East.
- 8.5 This included moving part of the BBC's national operations to the Quays, placing the BBC at the heart of a long-term regeneration scheme for the area. In 2011 the BBC started moving jobs to the Quays and the area was redeveloped and rebranded MediaCityUK. The BBC is the anchor tenant, with other notable tenants including ITV and the University of Salford.
- 8.6
- 8.7 Figure 8-1 highlights how the vacancy rate has changed in the region from 2004.

Figure 8-1 - Vacancy rate change around Media City



Source: CoStar and Experian, May 2023

- 8.8 Vacancy rates for office space within Media City have been consistently higher than the corresponding rates across Salford and the North West throughout the assessed time period. A sharp rise in 2010 (Q1) led to a peak vacancy rate of 21.8% in Media City, followed by a gradual decline in subsequent years. Prior to the relocation of the BBC, Media City demonstrated notably high vacancy rates of 19.8% (Q1 2021) relative to the Salford (13.0%) and regional average (11.1%).
- 8.9 The latest available data indicates that the vacancy rates of office space in Media City are 9.7% (Q4 2022). This is slightly higher than the corresponding figures across Salford (8.7%) and the North West (7.2%).
- 8.10 From the announcement of the BBC move in 2006 to the actual moving of jobs in 2011, the total number of jobs in MediaCityUK fell by around 930²⁹, led by contractions in publicly funded and manufacturing sectors. There was an increase in the number of media jobs, but this was minimal and by 2011 there were only 186 jobs in this sector in MediaCityUK.
- 8.11 From 2011 to 2016 there was a 43% (4,600) increase in jobs. 86% (3,900) of these came from the media sector, with 2,000 of these coming directly from the BBC. Even without the jobs that came directly from the BBC, there was still a circa 1,900 increase in media sector jobs in MediaCityUK from 2011 to 2016.

²⁹ 'Should we move public sector jobs out of London?' - Centre for Cities, 2017

- 8.12 During this time there was also an increase in Hotel & Hospitality (+ 340) and Knowledge Intensive Business Services (+ 1,090). At the same time, there was a decrease in retail (- 350) and other job sectors (- 430).
- 8.13 Whilst the above figures are impressive, it must be understood that a large proportion of these new jobs arose from displacement and were relocated from elsewhere. When including the BBC, around 3,365 jobs in the area in 2016 were from Businesses that were based outside MediaCityUK in 2011. This equates to roughly 75% of the total net new jobs created in the area from 2011 to 2016.
- 8.14 Not including the BBC, the majority (1,200) of the relocated jobs came from within Greater Manchester, with there only being 145 new jobs in MediaCityUK that came from outside of Greater Manchester.
- 8.15 On top of this, jobs in new branches of existing firms in related industries accounted for around 1,500 jobs within MediaCityUK in 2016. This is a significant amount, but it is not clear whether this is a result of jobs outside of the area being displaced here or whether these new positions arose naturally due to the growth of the media and other related job sectors within MediaCityUK.
- 8.16 There was also the creation of new jobs through new firms coming into existence within the area from 2011. Jobs in new branches of new firms accounted for around 1,500 jobs in 2016, of these, 860 were in related industries, with 370 of these being from media businesses. These figures provide a clear indication of growth related to the expanding media sector within the area, however, it can also be argued that these numbers would have occurred within other areas of the country had there not been so many jobs displaced to MediaCityUK.
- 8.17 Overall, of the jobs in MediaCityUK in 2016 that were not there in 2011, around 5,400 of them were from industries in or related to the BBC. 2,000 of these were from the BBC itself, 1,505 were from new branches of existing businesses that were based elsewhere, 1,040 were from businesses that moved from elsewhere, mainly from elsewhere within Greater Manchester, and 860 were from new businesses.
- 8.18 This demonstrates that there has been a clear impact within MediaCityUK itself. Despite there being significant displacement of media jobs in other areas of Greater Manchester, the overall growth of jobs in this sector in Greater Manchester from 2011 to 2016 was significant with there being a 72% growth in total job numbers, going from 4,520 to 7,760.
- 8.19 When the BBC is removed from these figures, there is still a 27% net jobs growth, nearly doubling the UK average of 15%. Looking at the businesses in related industries and removing those that relocated within Greater Manchester means that the BBC's move brought up to around 4,420 jobs to the city region. This is equivalent to 0.3% of all jobs in Greater Manchester in 2016.

8.20 Table 8-1 provides a wider overview of growth in the job market in Salford and the North West since 1997, whilst also looking specifically at the change following the relocation to Media City up to 2022.

Table 8-1 - Job growth in Salford, the North West and UK

Job growth	1997 - Pre-relocation (2010)	1997-2005	2006-2010	Relocation (2011) - Present
Jobs Growth - All Jobs (North West)	22,401	220,080	- 21,560	442,250
Jobs Growth - Media Jobs (North West)	3,840	6,360	- 2,700	- 960
Jobs Growth - All Jobs (Salford)	10,700	10,100	- 300	23,000
Jobs Growth - Media Jobs (Salford)	1,300	300	900	4,800
Jobs Growth - All Jobs (UK)	2,733,510	2,686,500	- 353,740	3,906,930
Jobs Growth - Media Jobs (UK)	35,420	41,070	- 13,740	49,040

Source: CoStar and Experian, May 2023

8.21 The data shows that media jobs grew significantly in Salford following the relocation (by 4,800) and that media sector jobs growth post-announcement was considerable (by 900).

8.22 The tables below expand upon the information from Table 8-1 relating to employment figures in Salford specifically and look at how the jobs in certain use classes have changed over time.

Table 8-2 - Employment figures in Salford 1997 - 2005

Job type	1997	2005	Absolute Change	% Change	Annual Change
E(g)(i)/(ii)	25,120	29,533	4,413	18%	2.0%
E(g)(iii)	6,916	6,923	7	0%	0.0%
B2	13,857	9,758	- 4,099	-30%	-4.3%
B8	11,895	12,317	422	4%	0.4%
Other	57,412	66,768	9,356	16%	1.9%
Employment Jobs	57,788	58,532	744	1%	0.2%
Total Jobs (including non-employment jobs)	115,200	125,300	10,100	9%	1.1%

Source: CoStar and Experian, May 2023

Table 8-3 - Employment figures in Salford 2006 - 2010

Job type	2006	2010	Absolute Change	% Change	Annual Change
E(g)(i)/(ii)	30,329	30,332	3	0%	0.0%
E(g)(iii)	6,569	5,885	-684	-10%	-2.7%
B2	9,413	7,284	-2,129	-23%	-6.2%
B8	12,317	11,310	-1,007	-8%	-2.1%
Other	67,573	71,089	3,517	5%	1.3%
Employment Jobs	58,627	54,811	-3,817	-7%	-1.7%
Total Jobs (including non-employment jobs)	126,200	125,900	-300	0%	-0.1%

Source: CoStar and Experian, May 2023

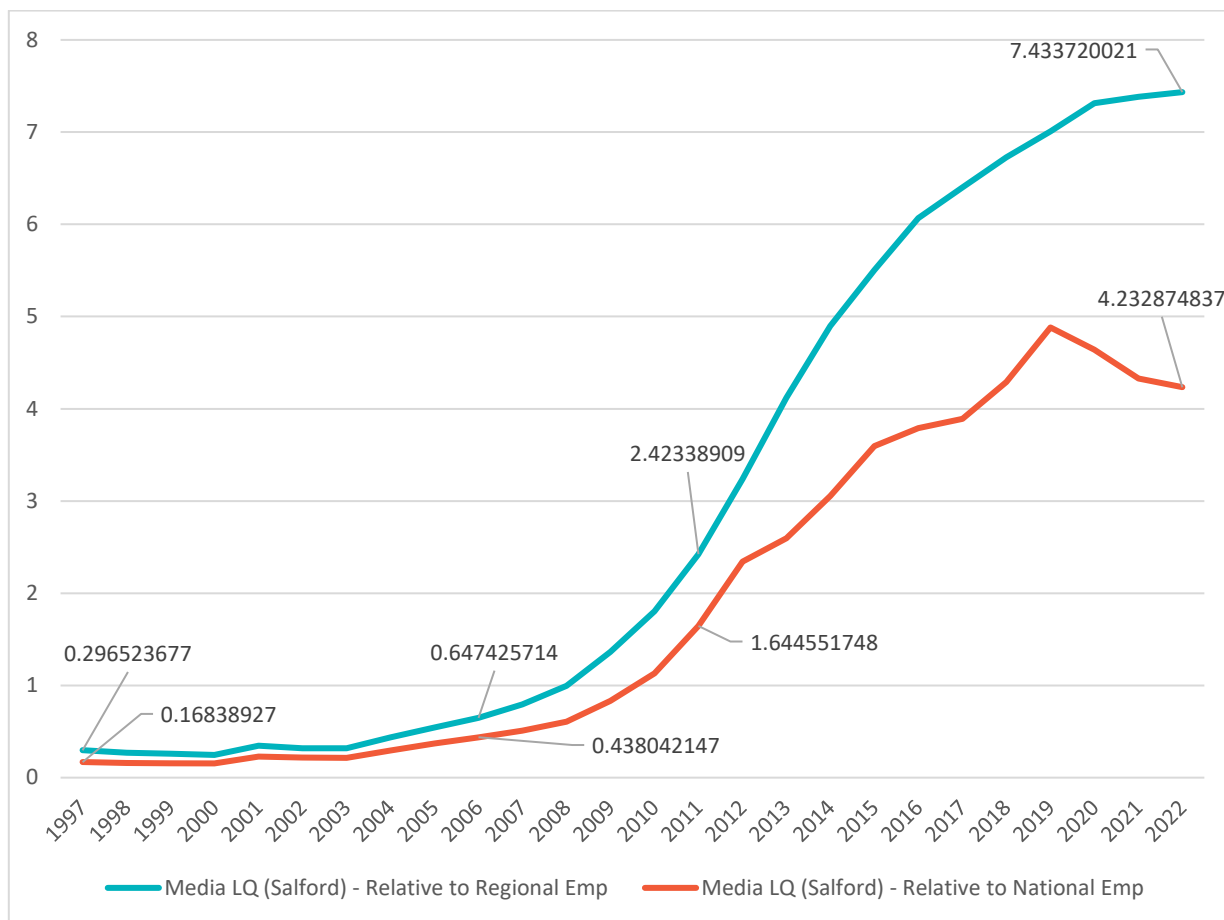
Table 8-4 - Employment figures in Salford - 2011 - 2022

Job type	2011	2022	Absolute Change	% Change	Annual Change
E(g)(i)/(ii)	30,746	38,829	8,083	26%	2.1%
E(g)(iii)	5,759	5,258	-501	-9%	-0.8%
B2	7,643	6,667	-976	-13%	-1.2%
B8	11,310	12,233	923	8%	0.7%
Other	71,142	86,613	15,472	22%	1.8%
Employment Jobs	55,458	62,987	7,528	14%	1.2%
Total Jobs (including non-employment jobs)	126,600	149,600	23,000	18%	1.5%

Source: CoStar and Experian, May 2023

- 8.23 Figure 8-2 below shows the Location Quotient (LQ) of media jobs in Salford relative to regional and national levels. LQ quantifies how concentrated a particular industry is in a region compared to a larger reference region (national or regional).

Figure 8-2 - Media sector Location Quotient (LQ) in Salford

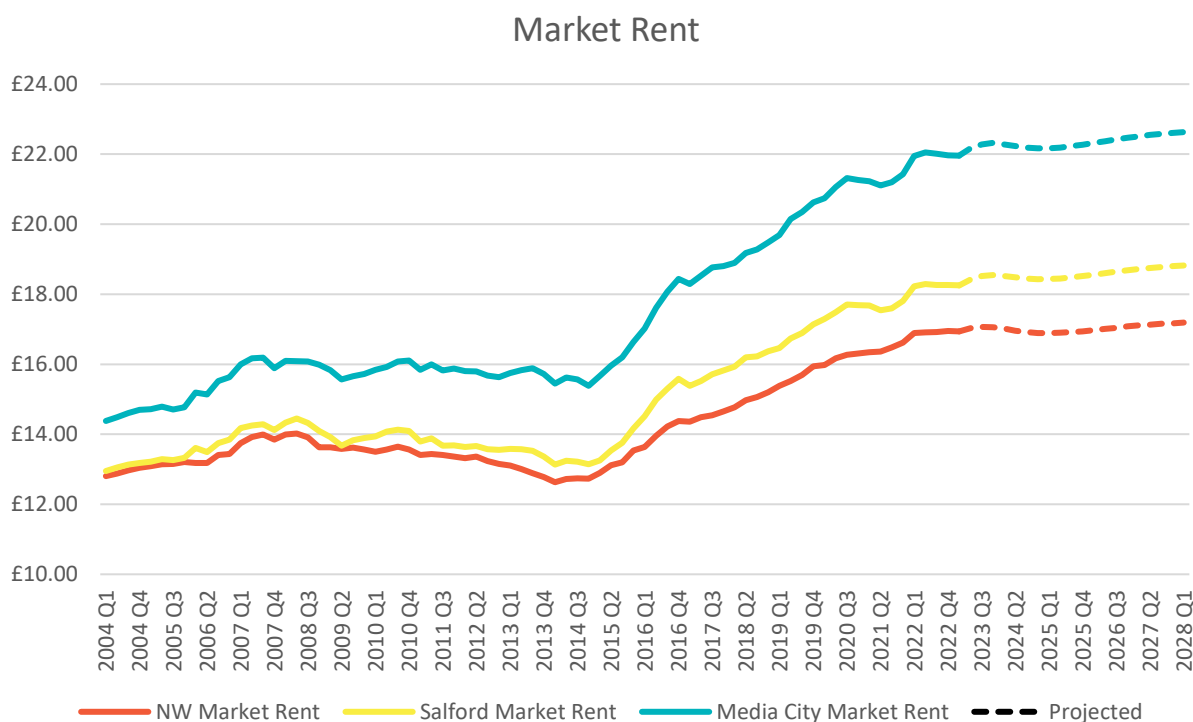


Source: CoStar and Experian, May 2023

- 8.24 The LQ analysis shows that Salford has developed a strong sector concentration relative to both the regional and national position.
- 8.25 Key dates have been highlighted in Figure 8-2 to show the impact on LQ following events such as the BBC relocation to the site.
- 8.26 The BBC's move to Salford has been assisted by the fact that the area has multiple external factors that have helped to facilitate an effective relocation. For example, Manchester has a skilled labour market and the second highest student population outside of London, providing a steady supply of capable and interested workers. This is highlighted by the fact that the University of Salford has its media related courses and research located on site at MediaCityUK.
- 8.27 Prior to the BBC relocation, there was a small cluster of media related industry within Salford, even though this was small it still provided a foundation upon which the BBC could expand upon and help grow this industry sector within the area. If there had been no media cluster in Salford then it would have been much more challenging for the BBC to grow this sector upon its arrival in the area.

- 8.28 Another government department, Business, Energy & Industrial Strategy, plans to move 400 jobs to Salford by 2025.
- 8.29 Clearly the BBC relocation to Salford has had a positive impact in media and related job sectors within Manchester. It is difficult to assess the impact this has had on the wider market though as even though there has been an increase in sectors like Hospitality around MediaCityUK, it is not clear whether this is a direct result of the growing media sector or a natural growth arising from the economic regeneration of the Quays that would have happened regardless of whether the BBC relocated here.
- 8.30 Figure 8-3 below shows how market rents have changed in Media City, Salford and the North West since 2004.

Figure 8-3 - Market rent comparisons



Source: CoStar and Experian, May 2023

- 8.31 Market rent in Media City is shown to be consistently higher than Salford and the North West. Throughout the assessed period, differences in market rent prices have remained broadly similar with low levels of divergence. It is therefore difficult to attribute any change in rent prices in Media City as an impact of the BBC relocation. Furthermore, any change in market rents in the immediate period after the BBC relocation was modest.

- 8.32 Notwithstanding, market rents in Media City have risen by £6.17, from £15.80 to £21.97 (Q1 2012 to Q4 2022). This is in comparison to £4.62 rise in Salford and a £3.63 rise across the North West.
- 8.33 Despite the actual moving of jobs starting in 2011 it is difficult to assess the true long term legacy of the move as the impact is currently very much insulated within MediaCityUK and will likely take many more years to spread throughout the rest of Manchester. We have already seen the start of this with the move directly accounting for 0.3% of all the jobs within Greater Manchester in 2016. This must be caveated with the fact that a significant number of these jobs arose from displacement, however, the concentration of all these jobs within MediaCityUK with the BBC at the heart of it appears to be providing a very solid foundation from which there is stronger growth within this sector compared to when the various media related jobs were spread throughout Greater Manchester.

Office for National Statistics – Newport

- 8.34 Following the 2004 Lyons Review, it was decided to shift a large number of civil service jobs out of the South East. Consequentially the ONS was relocated from London to Newport, but unlike other moves at the time, where most government departments kept advisors and senior staff in London, the ONS moved the majority of their jobs to Newport and made it their new base of operation.
- 8.35 In 2005-06 1,000 jobs were relocated from London to Newport, where there was already an established site with 1,400 staff. Of the jobs relocated from London, only about 10% of the employees followed their job to Newport, with there only being 7 civil servants in senior positions to relocate to Newport. Consequentially, a great deal of experience and knowledge was lost from the ONS, with evidence in the Bean review suggesting that this directly led to a decrease in the quality of work provided.
- 8.36 The remaining 90% of the jobs were filled, although this was likely by employees who were less skilled and experienced than their London counterparts. This is because London has a very deep Labour market with many opportunities in statistical and skill-based work in the area. This was not the case in Newport in 2006, with 12% of the jobs there being knowledge based, placing it 47th out of 62 cities³⁰.
- 8.37 There were also relatively few statistical based jobs in Newport meaning that outside of the ONS there would have been limited job opportunities as well as chances for career progression, research suggests these are key factors in attracting highly skilled labourers, therefore Newport was at a disadvantage in this regard.

³⁰ 'Assessing the impacts of public sector relocation on local economies' – what works centre for local economic growth.

- 8.38 Centre for Cities identified this as an important factor in attracting and retaining skilled workers³¹..
- 8.39 In 2015, an internal review of the ONS found that there had been a loss of internal expertise – which fits with the above narrative about a shallower pool of workers.³²
- 8.40 Table 8-5 shows how the job market changed in Newport, both prior to the ONS relocation there and following its move there.

Table 8-5 - Employment change in Newport, Wales and the UK

Job growth	1997 - Pre-relocation (2010)	1997-2004	2006-2010	Relocation (2005) - Present
Jobs Growth - All Jobs (Wales)	14,789	125,130	- 29,490	96,440
Jobs Growth - Public Administration/Professional Service Jobs (Wales)	12,110	17,220	- 1,300	3,170
Jobs Growth - All Jobs (Newport)	500	3,000	- 4,400	4,900
Jobs Growth - Public Administration/Professional Service Jobs (Newport)	1,900	1,500	200	900
Jobs Growth - All Jobs (UK)	2,733,510	2,276,000	- 353,740	4,119,730
Jobs Growth - Public Administration/Professional Service Jobs (UK)	96,570	171,520	- 83,600	- 182,150

Source: Experian, May 2023

- 8.41 The analysis shows that public administration/professional service jobs grew significantly in Newport following the relocation (by 900) and that public administration/professional service jobs had exhibited significant growth before the relocation (by 1,500).
- 8.42 The tables below expand upon the data from Table 8-5 relating to employment figures in Newport specifically and look at how the jobs in certain use classes have changed over time.

³¹ 'The Great British Brain Drain: where graduates move and why' - Centre for Cities, 2016

³² <https://www.walesonline.co.uk/business/business-news/ons-stay-newport-long-term-10949400>

Table 8-6 - Employment figures in Newport 1997 - 2004

Job type	1997	2004	Absolute Change	% Change	Annual Change
E(g)(i)/(ii)	14,627	16,468	1,841	13%	1.7%
E(g)(iii)	5,780	4,830	-950	-16%	-2.5%
B2	14,797	11,136	-3,662	-25%	-4.0%
B8	4,428	4,769	341	8%	1.1%
Other	39,767	45,197	5,430	14%	1.8%
Employment Jobs	39,633	37,203	-2,430	-6%	-0.9%
Total Jobs (including non-employment jobs)	79,400	82,400	3,000	4%	0.5%

Source: CoStar and Experian, May 2023

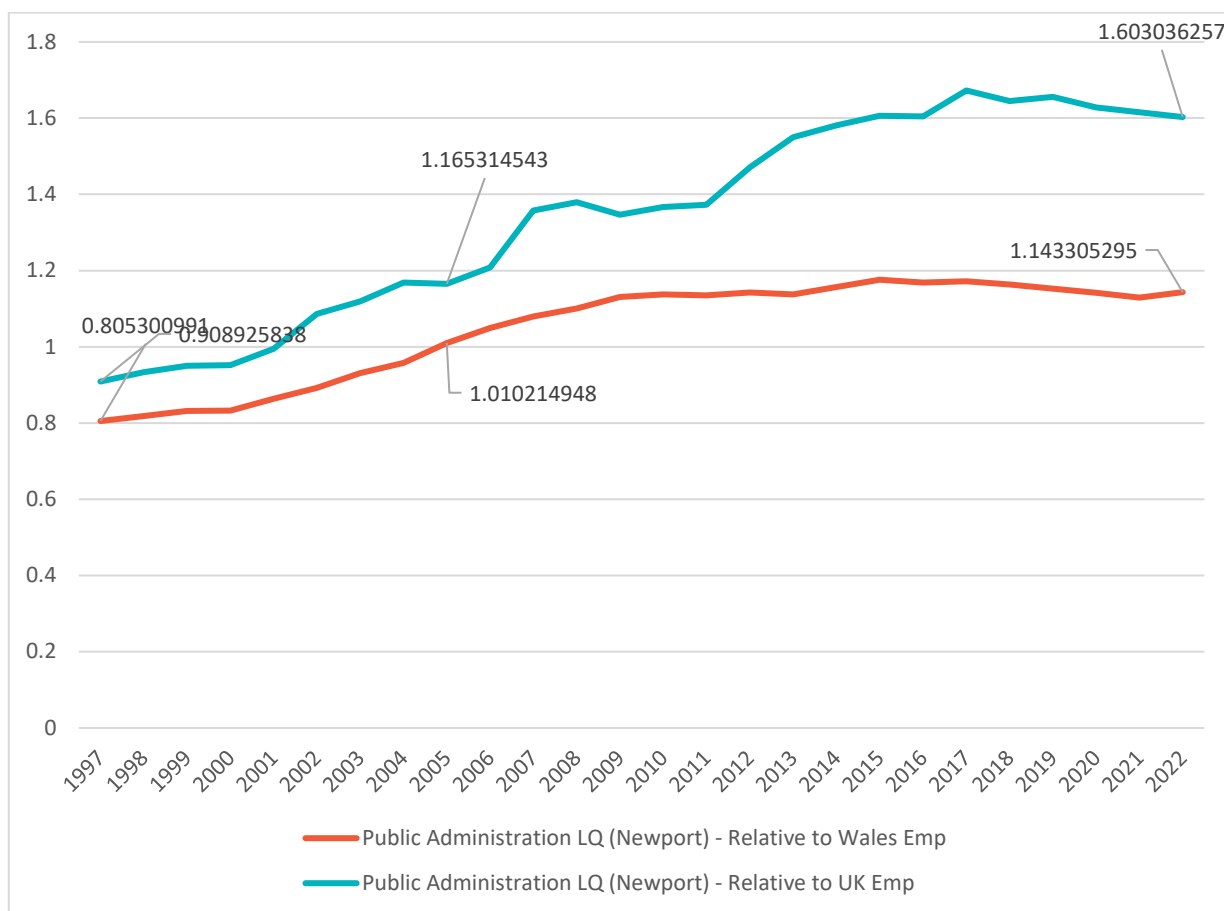
Table 8-7 - Employment figures in Newport 2005 - 2022

Job type	2005	2022	Absolute Change	% Change	Annual Change
E(g)(i)/(ii)	17,336	19,358	2,023	12%	0.7%
E(g)(iii)	4,722	4,089	-633	-13%	-0.8%
B2	10,811	7,713	-3,098	-29%	-2.0%
B8	4,877	6,433	1,557	32%	1.6%
Other	46,955	52,006	5,052	11%	0.6%
Employment Jobs	37,745	37,594	-152	0%	0.0%
Total Jobs (including non-employment jobs)	84,700	89,600	4,900	6%	0.3%

Source: CoStar and Experian, May 2023

- 8.43 An LQ analysis in Figure 8-4 shows how the concentration of Public Administration jobs has changed over time in Newport relative to Wales and the UK.

Figure 8-4 - LQ analysis of Newport



Source: CoStar and Experian, May 2023

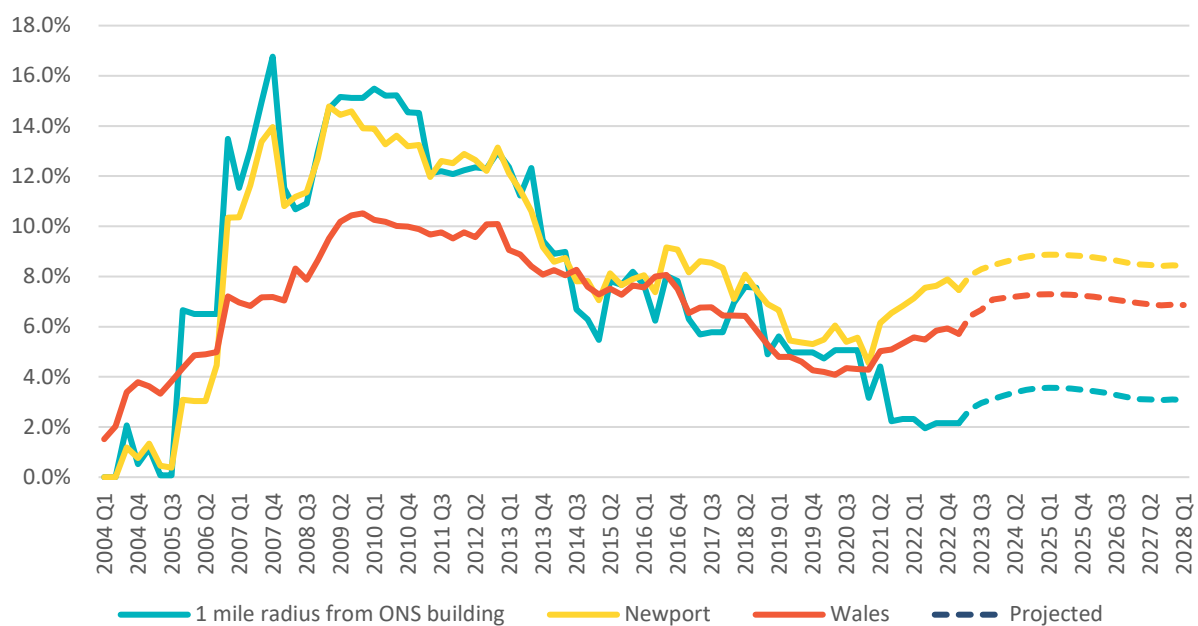
- 8.44 The LQ analysis demonstrates that Newport has improved its Public Administration concentration, showing growth relative to both the regional and national positions.
- 8.45 Key dates have been highlighted in Figure 8-4 to show how the relocation of the ONS has impacted the LQ.
- 8.46 Whilst it is undeniable that bringing 1,000 jobs to Newport had a positive economic impact due to the sheer number of jobs created, the move does not appear to have had the desired effect on the wider economy. The ONS campus is located in an out of town site which has limited demand for local services such as shops and restaurants. There are some local services sustained by the ONS but not many.
- 8.47 Additionally, due to the sensitive nature of the work done by the ONS, there is little interaction with external bodies. For example, the relocation of the BBC to Salford will have contributed to the wider economy through the creation of demand in jobs related to media such as catering, lighting, makeup etc. This is simply not possible with the ONS due to the insulated type of work.
- 8.48 Data examining vacancy rates in Newport and at the ONS site specifically suggests that the introduction of the ONS has had a positive impact on vacancy rates. Prior to the ONS relocation,

the Vacancy rates within a 1 mile radius of the site of the ONS building were higher than the average rates for Newport and Wales. In the immediate aftermath of the relocation, vacancy at the ONS site increased dramatically, reaching a peak of just over 16% in 2008 Q1, whilst at the same time the figure was 14% in Newport and around 7% in Wales.

8.49 Following this there was a general downward trend leading to a vacancy rate of just over 2% in 2023 for the ONS site, whilst the rate was 6% for Wales and just under 8% for Newport. This does need to be understood within context though, as previously highlighted, the ONS is at an isolated out of town site that does not have many other businesses around it, therefore whilst the vacancy rate of the ONS and its 1 mile radius may be lower than Newport and the rest of Wales, it is only a very insulated area that is benefitting. This does benefit Newport as a whole, but also suggests that if the ONS had a superior location in the heart of Newport, then there could have been a greater cumulative effect on reducing the vacancy rate within Newport.

8.50 Figure 8-5 highlights how vacancy rates around the site area have changed and contrasts this change to Newport and Wales.

Figure 8-5 - ONS building and surrounding area vacancy rate



Source: CoStar and Experian, May 2023

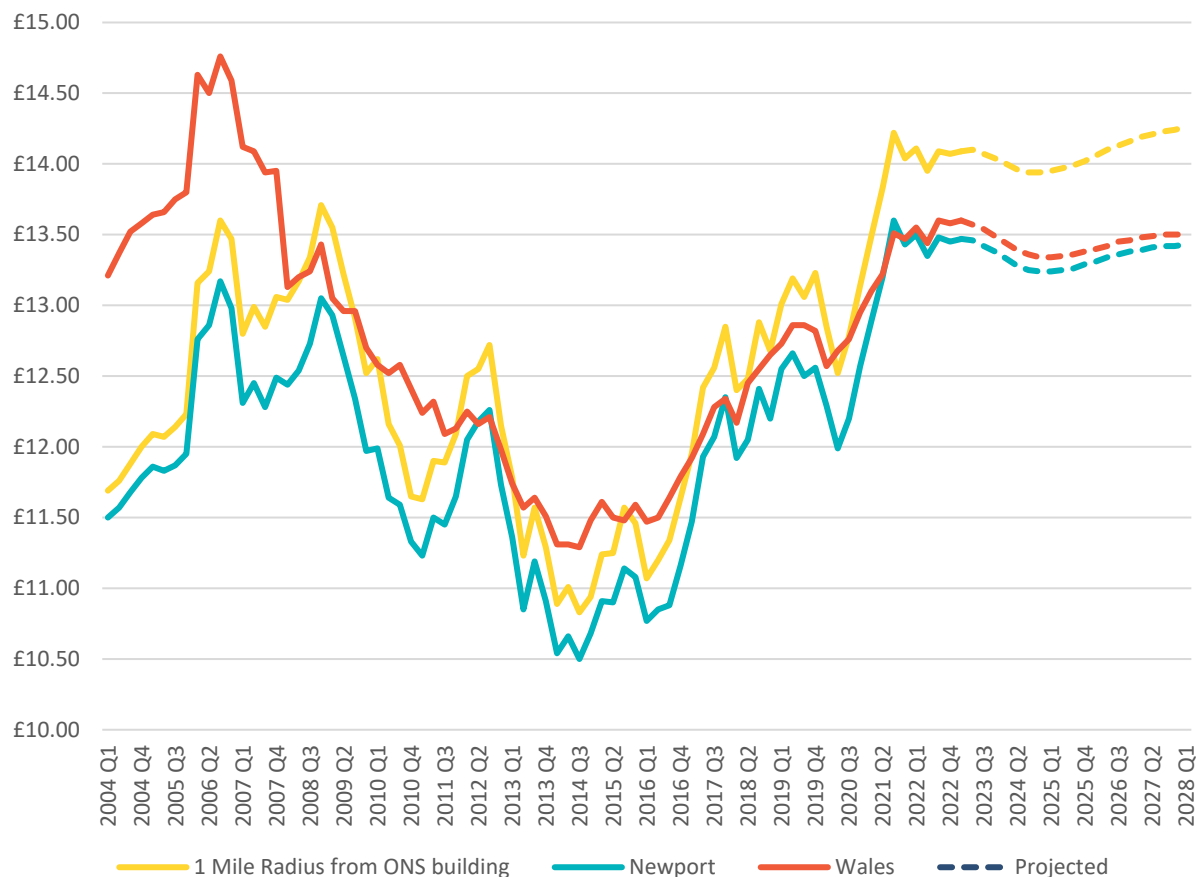
8.51 Prior to the ONS relocation in 2004 Q1, the market rents for the 1 mile radius of the ONS building were £11.69 psf, well below the average for Wales (£13.21 psf) and slightly above the Newport average of £11.50 psf. Following the ONS relocation, the area within a 1 mile radius of the site received a boost and overtook the average rents in Wales to reach a figure of £13.71 in 2008 Q4.

8.52 This was followed by a drastic drop as a result of the Global Financial Crash culminating in a low of £10.83 psf in 2014 Q3. At this time the rent was still higher than the average for Newport

(£10.50 psf) but lower than the average for Wales (£11.29 psf). Since then, rents have steadily risen with the area within a 1 mile radius of the site reaching £14.09 psf in 2023 Q1 taking it above the average figure for Wales (£13.60 psf) and Newport (£13.47 psf).

8.53 Figure 8-6 shows how rental figures around the ONS site have changed in relation to Wales and Newport.

Figure 8-6 - Rental changes at ONS site, Newport and Wales



Source: CoStar and Experian, May 2023

8.54 A c.7% rise in rates was experienced in the immediate two year period (Q1 2007 - Q4 2008) following the relocation of the ONS building, however this was preceded by a c.15% decline between Q4 2008 - Q4 2010.

8.55 Market rents in the impact area are 5% higher than Newport and 4% higher than Wales in the latest reporting period (Q1 2023).

8.56 This clearly demonstrates that the ONS relocation has had a positive impact on the economy in terms of the rental market value at the site, however, it also contributes to the recurring theme that the benefit is isolated to the site and has done little to strengthen the overall market in Newport.

- 8.57 The overall impact of the ONS relocation to Newport is therefore primarily limited to the jobs themselves, with the move failing to have the desired impact on stimulating the wider economy. However, due to the nature of the work done by the ONS, it was not the best body to choose if the ultimate goal was to bring a wider economic benefit to Newport. This was compounded by the lack of due diligence performed with regards to identifying an undersupply of skilled workers in the market. This is exemplified by the view that the quality of work and services provided by the ONS suffered following its move to Newport. If the ONS had been moved to a more highly skilled market, with more statistical based jobs outside of the ONS then perhaps this would not have been the case.

Met. Office – Exeter

- 8.58 The Met. Office announced its decision to move from its Bracknell Headquarters to a new facility in Exeter in November 2000. The project was completed in December 2003 and the Met. Office moved in by January 2004. The £80 million 31,400 sqm site is spread across 3 floors containing 13,000 sqm of Office space with the remainder of the facility consisting of 2 power grids, 2 supercomputers and numerous other facilities. At the time of the announcement the Met. Office had roughly 2,000 employees across various offices in the UK, by 2005, there were 1,087 working at the new facility in Exeter.

Consultation with the Chief Executive of Exeter Council

- 8.59 Karime Hassan was the Head of Planning Services at the time of the Met. Office relocation and provided the following insights based upon the initial move and reflections upon growth and outcomes for the city since it was established.
- 8.60 ‘The relocation was very successful for the city, the Met Office and for the region. It established Exeter as a serious place to do business. It helped build confidence and momentum behind a growth agenda. It built partnership working across levels of local government and regional work. It provided a significant pool of skilled employment opportunities that made Devon a potential location to move to for employment.

Boosting housing supply and economic growth

- 8.61 The move kick started the housing market and sped up the need to provide housing supply to meet a sub-regional demand for economically active population.
- 8.62 Exeter went from a city uncomfortable with change to a city consistently one of the fastest growing cities in the UK. We saw a rapid growth in jobs and higher paying jobs, and GVA growth out of step with the rest of the region.
- 8.63 Housing impact was across the sub-region as the travel to work catchment grew.

- 8.64 Exeter Science Park as a concept started with the Met Office & University as anchor partners. Met office eventually pulled out as a partner (they were not allowed to make profit) but were always closely involved.

Management and Partnership Approach

- 8.65 Exeter's growth has been layered over time and reinforced by each new investment. The council worked hard to build collaboration and have been a key factor in the creation of place based leadership to align the skills agenda, with infrastructure investment, strategic housing supply, creation of a strong cultural and leisure offer, and a "can do" enabling business environment. Branding was a key factor, once the relocation was agreed the council quickly set to work in reviewing the branding of the relocation and investment opportunities.

'We have consistently showed the Met Office a lot of love and have never taken them for granted. The key success factors were: Local leadership, we wanted it, strong partnerships, helped by regional development agency and strong local government support both county and district.'

- 8.66 Practical project management skills were very important on both sides. The Met Office appointed a relocation director which gave a focus. The City Council director worked closely with the Met Office relocation director taking a strategic approach but with an eye for the operational detail which was key to successful delivery

'People matter, getting the right people to lead the project will help translate goals into reality'

- 8.67 Collaboration with regional partners was very important, the county director of transport was involved to unlock issues with highways and commercial networks were involved including the Chamber of Commerce and development community to gain support from local business.

- 8.68 Exeter started to see the multiplier effects in relation to development of hotels and associated housing growth.

Education and Skills

- 8.69 The arrival of the Met Office exposed the poor quality of the state schools at that time. It led to all the secondary schools being rebuilt with PFI funding, the school system was changed from lower, middle and upper schools to a traditional secondary school approach. Because the City Council has these issues already in line of sight they used the Met Office to focus the county council to confront the issue of the poor performance.

- 8.70 As a result of the Met. Relocation it created a demand for mathematical modelling and data analytics. It built a partnership with the university of Exeter and caused them to think about their focus in areas of maths, living systems and especially climate sciences.

- 8.71 Connections were made with local educational institutions including the university and college to identify training provision to bridge the skills gap. The college are now rated as outstanding as a result of improvements made since.
- 8.72 The university are now growing an innovation campus and have a focus on maths and climate sciences.

Property and Infrastructure

- 8.73 To support the skills agenda and create a truly transformational change there was a need to take some risks, this required development of some speculative office accommodation to move from a low-wage to a knowledge-based economy.
- 8.74 The Met Office relocation strengthened the case for city centre development and focused decision makers on getting a city centre redevelopment over the line. The only major city centre office speculative redevelopment (The Senate) happened after the Met Office relocation.
- 'The office requirement question is interesting, the main for Exeter was not so much the numbers of people coming, but the opportunity of a highly skilled work force located locally that altered the critical mass of local job opportunities, having the name Met Office in Exeter was important'.*
- 8.75 The sub-regional travel to work catchment area was also important. The city questioned decisions around investment based upon the ability to produce positive spin offs such as quality of the offer in the high street, improvements across all the institutions.
- 8.76 RDA funding was secured for motorway improvements required to address access issues and expand the travel to work area. Between the 2001 and 2011 census Exeter recorded a 29% increase in the travel to work area which is now the second largest in the country. Exeter achieved their vision of becoming the regional capital. Now this growth is focused upon the global scale under the Exeter vision for 2040 which aims to address health inequalities and life expectancy and continue to promote the opportunities presented by the regional strengths of the university and Met. Office.

Challenges

- 8.77 The council needed to be willing to take on risks and sometimes these risks were unpopular. In order to create transformational change and attract a new form of business to the area there was some dissatisfaction in the local business community, this required effort and collaboration with existing businesses, as discussed, the Chamber of Commerce were closely involved. Key concerns from business were loss of staff to higher paid jobs and a need to keep pace with increasing labour costs. This has been overcome by a clear and controlled narrative around the

benefits of growth in the economy leading to higher GVA for the region and the subsequent benefits to local business and wider, more resilient employment market.

'The civil service would offer a much wider opportunity for transferable skills'

8.78 There were issues with identification of land supply for economic growth and get employment land moving through the planning process.

Economic Outcomes – University of Plymouth Economic Impact Study

8.79 A 2005 report by the South West Economy Centre, University of Plymouth, revealed that the facility generates approximately 1,710 full time jobs in the South West region, with Exeter alone accounting for approximately 1,395 of these jobs. Of the 1,710 jobs, 245 of these are throughout the local supply chain, whilst 378 are from induced effects elsewhere in the local region. This effect on the wider job market is demonstrated through the growing number of local firms receiving orders from the facility, with their being 75 firms to receive orders during 2003/04 and there being 63 during the first half of 2004/05. From the second half of 2004 to the first half of 2005 this equates to roughly £1.3m spent by the Met. Office on local supply chains. At the time of the 2005 report, it was estimated that the facility contributed £74m to regional income to the South West, with £32m of this being concentrated in Exeter itself. It also accounts for 2% of the full-time jobs within Exeter and the facility roughly accounts for 0.5% of the local Gross Value Added (GVA).

8.80 At the time of the report, 81% of the staff working for the Met. Office had relocated to the work from outside of the region, with about 40% of them now living within Exeter. These were highly skilled workers moving for well paid jobs and goes some way to explaining why the average salary of £34,780 per full time worker was well above the average salary for Exeter and Devon. Despite the majority of the jobs being filled by workers who moved to the region, nearly 20% of the staff that have been directly employed by the Met. Office have been recruited locally, which accounts for the creation of roughly 200 jobs for local workers, providing a helpful boost for the local economy. Despite the vast majority of staff relocating to the Met. Office from outside the region it is expected that the number of employees recruited locally will continue to grow. In fact, a key decision in choosing Exeter for the new facility was its close vicinity to the University of Exeter with its excellent reputation in Mathematics, as this matched the needs of the Met. Office and provides a steady supply of appropriately skilled graduates.

8.81 Table 8-8 shows the job growth in Exeter prior to the Met. Office relocation and following its move. These figures are then contrasted with the wider South West and UK as a whole.

Table 8-8 - Job growth in Exeter, the South West and UK

Job growth	1997 - Pre-relocation (2010)	1997-2002	2006-2010	Relocation (2003) - Present
Jobs Growth - All Jobs (South West)	27,714	117,210	31,790	472,390
Jobs Growth - Professional Service Jobs (South West)	70,690	13,260	21,600	124,570
Jobs Growth - All Jobs (Exeter)	20,700	9,100	1,700	21,600
Jobs Growth - Professional Service Jobs (Exeter)	3,900	700	1,200	5,400
Jobs Growth - All Jobs (UK)	2,733,510	1,635,760	353,740	4,847,970
Jobs Growth - Professional Service Jobs (UK)	774,430	232,980	200,010	1,360,910

Source: Experian, May 2023

8.82 The above data highlights that Professional service jobs grew significantly in Exeter following the relocation (by 5,400) and that Professional service jobs had exhibited growth before the relocation (by 700).

8.83 The tables below expand upon the information from Table 8-8 relating to employment figures in Exeter specifically and look at how the jobs in certain use classes have changed over time.

Table 8-9 - Employment figures in Exeter, 1997 - 2002

Job type	1997	2002	Absolute Change	% Change	Annual Change
E(g)(i)/(ii)	19,881	22,143	2,263	11%	2.2%
E(g)(iii)	2,122	2,477	354	17%	3.1%
B2	4,036	3,947	-89	-2%	-0.4%
B8	4,193	4,440	247	6%	1.2%
Other	45,569	51,893	6,324	14%	2.6%
Employment Jobs	30,231	33,007	2,776	9%	1.8%
Total Jobs (including non-employment jobs)	75,800	84,900	9,100	12%	2.3%

Source: CoStar and Experian, May 2023

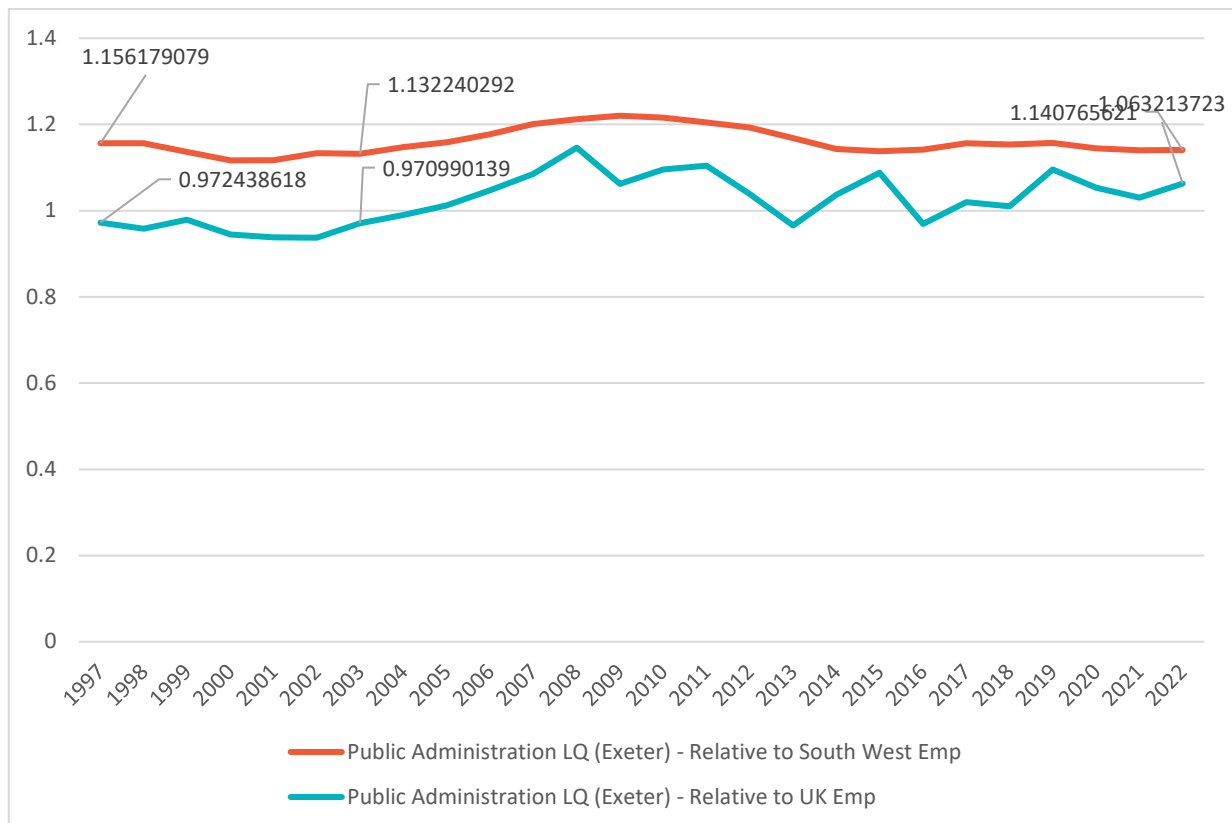
Table 8-10 - Employment figures in Exeter, 2003 - 2022

Job Type	2003	2022	Absolute Change	% Change	Annual Change
E(g)(i)/(ii)	23,097	28,347	5,249	23%	1.1%
E(g)(iii)	2,351	2,898	547	23%	1.1%
B2	3,890	3,346	-543	-14%	-0.8%
B8	4,429	5,075	646	15%	0.7%
Other	53,632	69,334	15,701	29%	1.4%
Employment Jobs	33,768	39,666	5,899	17%	0.9%
Total Jobs (including non-employment jobs)	87,400	109,000	21,600	25%	1.2%

Source: CoStar and Experian, May 2023

8.84 An LQ analysis in Figure 8-7 shows how the concentration of Public Administration jobs has changed in Exeter over time.

Figure 8-7 - LQ analysis of Exeter



Source: CoStar and Experian, May 2023

- 8.85 The LQ analysis highlights that Exeter has strengthened its employment concentration position relative to national figures but slightly weakened within the wider South West context.
- 8.86 From an economic perspective, the long-term legacy of the Met. Office relocation to Exeter has been a clear success due to the number of jobs it has directly and indirectly created as well as the finance it has pumped into the regional economy.
- 8.87 Consequentially, the move has raised the national profile of Exeter by demonstrating that the city can successfully operate as a hub of operations for a key national service that benefits the whole of the UK. As a result of the council's planning and due diligence involved in relocation, they were awarded the 2004 RTPI Planning Process award. Going forward the council are now focused upon raising their global profile.

Government Communications Headquarters (GCHQ) – Manchester

- 8.88 In 2019 the GCHQ opened up an office at Herron House, in Albert Square, Manchester. The GCHQ headquarters will remain in Cheltenham, but hundreds of jobs will be moved to and created in this new location in Manchester.
- 8.89 Herron House was chosen because of Manchester's reputation as a digital hub. Greater Manchester has the largest digital and creative cluster outside the South East, with the potential to create international significant clusters in broadcasting, content creation and media, as well as cyber security. The establishment of the GCHQ will anchor the growth of an internationally important cyber and digital security cluster in Greater Manchester and is a part of the Greater Manchester Digital Blueprint, which aims to make Manchester a top 5 European Digital City region³³.
- 8.90 With cyber security already being a great strength of Manchester, the new GCHQ office will be complimented by a variety of other facilities within the area. For example, a new Heilbronn Institute for Mathematical Research is a major national centre that will drive collaboration between the GCHQ and the local universities.
- 8.91 Additionally, in 2021 Manchester Digital Security Hub (DiSH) moved into Herron House alongside GCHQ with the purpose of bringing together company's universities and the government, providing collaborative space for these various bodies³⁴.
- 8.92 The GCHQ office itself comes with public space designed for welcoming local technology start-ups and innovators to collaborate with GCHQ on site. The GCHQ will run a number of partnership programmes from the office, mentoring and supporting start-ups as well as working with academics on national security challenges.

³³ Greater Manchester Local Industrial Strategy – HM Government (2019)

³⁴ 'Manchester Digital Security Hub (Dish)' – Greater Manchester Combined Authority.

- 8.93 Given the secretive nature of the GCHQ, information about the letting is limited. We spoke with Pat Bartoli (PB), Director of City Centre Growth & Infrastructure at Manchester City Council about the relocation. Due to non-disclosure agreements, she was limited in what she could tell us directly about GCHQ over and above the public information we had already obtained, but she did share some useful anecdotal information on the office market in the area.
- 8.94 PB advised that there had been lots of significant inward investment in the last few years, particularly focused around three key sectors – Financial, Tech and Media – and these were unrelated to the government move. One of the most significant was the arrival of Booking.com who chose the city for their new 180,000 sqft global HQ.
- 8.95 Tech & Digital has always been strong in the city, but it's fair to say it's unrecognisable from a few years ago. PD felt this couldn't be attributed to one specific strategic move, but more likely due to a combination of other factors, ranging from general technological investment within Manchester to the rapid development of AI and the development of infrastructure.
- 8.96 The mixed-use city centre location and variety of premises that Manchester provides has been key to attracting those in creative sectors.
- 8.97 The importance of clustering, particularly for networking, mentoring and the creation of start-ups was again cited. Enterprise City is one such successful location.
- 8.98 Further government relocation has been announced, with the creation of a new 130,000 sqft office at First Street. Some staff will relocate from an existing site at Piccadilly in the city, but approximately 700 jobs will move from London. This followed on from the Department for Culture, Media and Sport taking 12,000 sqft at Bloc, and Ofcom taking 10,000 sqft at Circle Square. PB again felt that these were as the result of the existing sectoral hubs, and in this case the government relocations were effectively following the market trends in the city, rather than being the catalyst for wider development.
- 8.99 In terms of the legacy of the move, there will be an obvious boost to the economy in terms of the new jobs created by the site and it will provide further incentive to retain skilled graduates within the area. The true long-term legacy is yet to be determined, but, if it can build on the established digital market in Manchester and act as a hub for cyber security which facilitates collaboration between the public and private sector, as well as the various universities then the move will be a success.
- 8.100 It must be said however that Manchester and Darlington are two very different propositions. A key northern city, all of the recent inward investment may well have taken place regardless of GCHQ's choice of location. We must be cautious in attempting to extrapolate any of Manchester's success in relation to Darlington.

Home Office – Stoke

- 8.101 In January 2023 it was announced that the Home Office had signed a lease for more than 38,000 sqft of office space at Two Smithfield in Hanley in Stoke-on-Trent. The Home Office has committed to creating around 500 jobs in Stoke-on-Trent with the first employees expected to move into Two Smithfield in March 2023³⁵.
- 8.102 The move aims to attract more people to Hanley and the surrounding areas as well as cementing Smithfield as a key city centre gateway in line with the wider Smithfield development which supports thousands of jobs.
- 8.103 The first 100 vacancies have been filled but recruitment is ongoing. There is a desire to recruit locally and keep university graduates in the area, but at the same time an understanding that at this initial stage it will be necessary to recruit from across the country.
- 8.104 The move is a part of the government wide Places for Growth Programme which will relocate 22,000 roles from London by 2030, including 50% of UK-based senior civil service roles. This move in particular will expand the Home Office presence within Stoke and establish a key hub within the city.
- 8.105 Unfortunately we received very limited engagement when contacting the local authority and property professionals in the region to discuss the effect of the relocation on Stoke.

Lessons Learned

- 8.106 The Case Studies are useful in identifying real-world examples of decentralisation of government services, and identifying the critical success factors for future moves.
- 8.107 It is clear that in all the case studies there was an immediate economic impact as a result of the government service relocation through the direct job creation, and resulted in a large amount of office space being filled by a secure tenant.
- 8.108 The wider and long-term impact of these moves is less obvious and varies greatly. With the ONS, the wider impact appears to be minimal with the effect wholly confined to the office itself and its immediate vicinity. The Met. Office and BBC relocation appear to have been the most successful in terms of wider economic impact, but even with these examples, the full impact is difficult to judge due to a number of the jobs created resulting from displacement. The true impact of these moves may not be seen for many years to come. Consequentially it is important to understand that the introduction of a government service to a city may not have an immediate (or any) impact on the wider economy, and it important to learn from past experience in this regard.

³⁵ 'Home Office signs lease for Stoke-on-Trent base' – Insider Media Limited (2023).

- 8.109 The Case Studies that appear to have been the most successful are the ones which have established strong relationships with local universities. These relationships have led to the various government services having a steady supply of skilled workers whilst also having the added benefit of keeping skilled graduates in the local economy. On top of this there may be other benefits yet to be experienced, such as support on R&D (for the likes of the Met. Office and GCHQ) that could have a significant long-term impact on the government service.
- 8.110 This links to a fundamental factor in the success of these relocations; the nature of the work. The ONS relocation to Newport has not been as successful as other moves as the work is far more sensitive and insular and therefore does not lend itself to collaboration with the local economy as much. This is a direct contrast with the likes of BBC relocation to Salford where not only did the relocation lead to collaboration with other media businesses in Salford, it also supported additional types of business, such as catering, stylists and many others. When compared to the ONS, the services relocating to Darlington are likely to have much more direct interaction with a range of companies, who may wish to be located in close proximity – even if they're smaller regional offices.
- 8.111 What compounded the negative impact of the ONS move was the lack of skilled labourers and the refusal of the majority of staff, especially senior staff, to relocate to Newport. Whilst all the other case studies also involved displacement, Newport appears to have had the most with a key reason being that there weren't many opportunities in the private sector for statistical based work within Newport. This proved to be a deterrent in attracting skilled workers, with research suggesting that this had a negative impact on the work produced by the ONS. This is a direct contrast with the GCHQ relocation to Manchester. Even though the nature of the GCHQ work is also detached due to its sensitivity, there will be no shortage of workers and opportunities to collaborate (within reason) with other businesses due to vast number of technology-based businesses in Manchester and its reputation as a digital hub.
- 8.112 It is unlikely that Darlington will experience the same issues as Newport with regards to attracting staff, as none of the services locating here are moving their head office. However, it does highlight that for a government service relocation to be successful it helps if there is an existing cluster of businesses within the particular industry. The case studies also highlight the importance of ensuring enough senior staff relocate in order to prevent a decrease in the quality of work being produced.

9 Development Viability

- 9.1 This section provides some indicative analysis on the financial viability of an office development in Darlington. The scenario identified reflect the findings of the gap analysis to test the feasibility of developing office accommodation that is in demand in Darlington.
- 9.2 It should be noted that the assumptions made in the development appraisal are based upon current market conditions which can fluctuate.
- 9.3 The ultimate scenario will to a large extent be determined by Darlington’s aspirations for the site / development. We understand that Darlington are seeking to:
- Attract inward investment to the area and provide additionality to the local economy.
 - Provide high quality accommodation and /or sites for local occupiers to expand.
 - Create additional employment.
 - Create a development that is of institutional standards and has the flexibility to adapt to future changes in both market demand and user requirements.
- 9.4 Based on our understanding of the above, and our review of best practice and market engagement, we prepared the below appraisal.

Viability scenario – The approach

- 9.5 The financial appraisal has been undertaken on a residual land value basis which identifies the amount remaining (or deficit) to pay for the land and deliver a viable scheme. As it is a hypothetical scheme a value per acre is not identified however it can be seen from the outcomes how much would be required to support a scheme by way of grant funding and land contribution.

Inputs

- 9.6 We have used the following inputs in our development appraisal.

Table 9-1 - Input summary table

Input	Assumption	Source/Comment
Rental	£18 psf	Market review undertaken by Dodds Brown.
Yield	6%	Market review undertaken by Dodds Brown
Rent free period	9 months	Typical incentive period offered.
Void Period	3 months	Allowance for post completion void period.
Build Cost	£183.76 psf	BCIS – Median Build Cost for 3 – 5 storey

Externals		15%	External works will vary, depending on on-site requirements. Based on industry norms and other schemes coming forward in the area.
Professional Fees		8%	Typically ranges between 6% - 10%, based on industry norms and other schemes coming forward. This is therefore considered to be at the higher end of the range.
Contingency		5%	Typically ranges between 3% - 5%, based on industry norms and other schemes coming forward.
Planning Contributions		Zero	We have not included any S106 contributions at this point. We understand CIL would not be payable assuming traditional industrial/logistics use.
Letting Agent Costs		15%	Industry norms and other schemes coming forward in the area.
Letting Legal Costs		5%	Industry norms and other schemes coming forward in the area.
Investment Agent Costs		2%	Industry norms and other schemes coming forward in the area.
Investment Legal Costs		0.5%	Industry norms and other schemes coming forward in the area.
Stamp Duty		Standard Government rate	In line with current Government rates
Acquisition Agent Fees		1%	Industry norms and other schemes coming forward in the area.
Acquisition Legal Fees		0.5%	Industry norms and other schemes coming forward in the area.
Finance		7.5%	Gross interest inclusive of fees. We assume the schemes are 100% debt financed, of which there will also be a fee attributable to the arrangement of a development loan, this is inclusive within the

global figure. Rate set at the top end of typical Industry norms.

Developers Profit 15% on Gross Development Cost Commercial development is assessed by way of profit on costs and not GDV to reflect the developer who then typically sells the completed scheme onto an investor. This is at the high-end of the potential range – a development management fee for instance would be lower.

Source: AspinallVerdi, May 2023

Outputs

- 9.7 We have used the above figures to prepare a traditional development appraisal in Argus assuming an investment sale on completion.
- 9.8 We have made no allowance for abnormal site conditions.
- 9.9 The above inputs have resulted in the below outputs from the appraisal and are summarised below in Table 9-2. The full appraisal can be found in Appendix 2.

Table 9-2 - Key outputs from the appraisal

Output	Figure
GDV	£7,753,640
Total Costs	£6,742,295
Profit	£1,011,344
RLV	(Negative) £931,456
Viability	Unviable

Source: AspinallVerdi, May 2023

- 9.10 The financial assessment undertaken shows that the proposed development produces a negative residual land value and is therefore unviable.

Sensitivity Analysis

- 9.11 We have prepared a sensitivity analysis which shows how changes to the construction rate and yield impact the Gross Development Value and Residual Land Cost. This can be seen below in Table 9-3.

Table 9-3 - Sensitivity analysis

Construction: Rate /ft ²					
Rent: Yield	-10.000%	-5.000%	0.000%	5.000%	10.000%
	165.38 /ft ²	174.57 /ft ²	183.76 /ft ²	192.95 /ft ²	202.14 /ft ²
-1.0000%	9,370,749	9,370,749	9,370,749	9,370,749	9,370,749
5.00%	1,003,095	673,725	344,359	14,990	-336,542
-0.5000%	8,488,564	8,488,564	8,488,564	8,488,564	8,488,564
5.50%	342,412	13,044	-338,797	-693,153	-1,048,063
0.0000%	7,753,640	7,753,640	7,753,640	7,753,640	7,753,640
6.00%	-222,433	-576,729	-931,456	-1,287,755	-1,644,050
0.5000%	7,131,990	7,131,990	7,131,990	7,131,990	7,131,990
6.50%	-723,369	-1,079,287	-1,435,583	-1,791,880	-2,149,577
1.0000%	6,599,338	6,599,338	6,599,338	6,599,338	6,599,338
7.00%	-1,154,945	-1,511,240	-1,868,284	-2,226,242	-2,584,200

Source: AspinallVerdi, May 2023

- 9.12 The box highlighted in amber indicates the current outcome of the appraisal whilst the boxes highlighted in red show possible outputs with a lower GDV and RLV. The boxes highlighted in green indicated scenarios with an improved GDV and RLV.
- 9.13 From this, we can see that with the right circumstances, particularly an improvement in the yield – which could come about through increased market sentiment - viability can be considerably improved. Phased developments should also result in increased rents at each stage, which may also generate a further premium based on their ESG credentials.

10 Conclusion and Recommendations

- 10.1 To consider the likely future need for office accommodation in Darlington, we have looked at historic trends, past projects, the current landscape, and future growth predictions.
- 10.2 Darlington has many existing strengths. It has a proud heritage, with a particular association to railway heritage and industry. Its location on the East Coast Mainline gives it a competitive advantage over competing towns.
- 10.3 Being located in the Tees Valley is another major strength, given the prominence of 'Levelling Up' and a mature and active Mayoral Combined Authority.
- 10.4 It is unfortunate that Darlington is unlikely to benefit directly from the proposed Tees Valley Investment Zone, as this would have been an opportunity to supercharge growth, however it should still benefit from spill over effects.
- 10.5 Nevertheless, the DEC decentralisation announcement is a major boost to the town's prospects, which the Council should be minded to capitalise on proactively. If there is no action taken now, then the opportunity is unlikely to be able to be resurrected in the future.
- 10.6 We set out below a range of recommendations as to how best the Council can ensure the DEC relocation leaves a lasting economic legacy in Darlington.

Lessons Learned

- 10.7 Our Case Study review has some valuable lessons to take into Darlington's future ambitions.
- 10.8 The ability to create a cluster is essential to delivering wider economic growth. This is both physically i.e. having room for growth to accommodate further development, and also being able to provide an environment and public realm that effectively links the site as one place, rather than a series of individual buildings. And also from a business perspective the ability to be around like-minded businesses is critical to business growth and establishing a business community. Town centre development is much more likely to achieve this objective than an out-of-town site, and has the added benefit of being more attractive to employees.
- 10.9 Already we can look back to Feethams House and the initial lack of interest, due in part to the lack of commitment from DEC at that point, but also due to its isolation.

Growth Ambition

- 10.10 As set out in Section 7, the floorspace requirements increase with the number of jobs created.
- 10.11 There was an overriding view from the stakeholder workshop that Darlington should take an ambitious stance and aim for the higher end of the floorspace requirements.

- 10.12 This would support the requirement for follow-on space to demonstrate commitment in creating a cluster and high-quality environment.
- 10.13 The Council need to decide how ambitious they want to be, but given that the quantum of floorspace is relatively manageable, we feel the Council should look to set scenario 4 as their target over the next 10 years. If unforeseen circumstances change demand, the Council can always throttle back the targets, but given the illiquidity of the property market, it is much more difficult to step up the ambition once the opportunity is on the ground – i.e. if follow-on space isn't ready to come forward, the demand may no longer be there two years later when space does become available and potential occupiers have moved elsewhere.

Location Options

- 10.14 Based on experience from case studies, stakeholder engagement and our market expertise, there is an overwhelming case to target the town centre for new office development. This will deliver the following critical success factors:
- Close to national rail links
 - Access to town centre facilities for employees
 - Enables clusters of professional services to form
- 10.15 If the Council choose to aim for delivery of the floorspace requirement at the top end (Scenario 4), then 26,190 sqm will need to come forward over 10 years. Excluding the DEC requirements, this becomes 22,015 sqm.
- 10.16 Assuming a plot ratio of say 1.8 based on a typical four storey office building height, this would require c. 1.2 ha (3.02 acres) of land – not an unrealistic amount.
- 10.17 We have identified three areas which the Council should focus their objectives on:
- Former Sports Direct site, Priestgate
 - Commercial Street and Queen Street Shopping Centre
 - Civic Centre, Feethams
- 10.18 The Council are in an opportunistic position in that they have an interest in all three sites, which combined should be able to comfortably deliver the c. 22,000 sqm requirement.
- 10.19 We set out below how each site could be utilised to deliver the Council's ambitions.
- 10.20 It is critical that each development should deliver the key requirements we set out in Section 4, including:
- Build on existing clusters and not in isolation.
 - Consider within the context of a wider masterplan.

- Phasing is important so as not to flood the market with lots of space in one tranche, Consideration should be given in any masterplan to subsequent phases so if the first phase is successful, momentum can be sustained into a subsequent phase which enhances the first.
- EPC A Rated, BREEAM Excellent are fundamental requirements now for most occupiers.
- Quality of the public realm in the immediate surroundings is vitally important.
- Availability of car parking will be critical for most occupiers and needs to be planned for.

Priestgate

- 10.21 We understand the former Sports Direct site on Priestgate, now owned by the Council is c. 0.4 ha. This could theoretically deliver c. 7,500 sqm of office space using the above ratio.
- 10.22 This site has a lot going for it to bring something forward quickly. It is well located in relation to the new Darlington Economic Campus on Brunswick Street. With it being a cleared site and in Council ownership, there should be limited barriers to development. It is also adjacent to Darlington Library and the Northern Echo buildings, which should be complementary.
- 10.23 However we would caution that its location in between the East Street car park and the retail / parking block on the opposite side of Priestgate don't provide the most attractive of aspects.
- 10.24 We would recommend that that the Council prepare a site masterplan for Priestgate with a strong placemaking brief, to ensure that the site is developed in a cohesive way – both internally but also with the surrounding are - rather than developing the site in a piecemeal basis. A clear masterplan and development brief will give confidence to investors and potential occupiers that the Council are committed to the ongoing development and supply of high quality grade A space.
- 10.25 The masterplan will deliver investor confidence that later phases can deliver the rental growth to improve the viability of the development. This in turn will provide improved returns / yields which can deliver a viable development, as shown in the sensitivity analysis in Section 9.11.
- 10.26 Whilst the Council have already made a financial commitment in order to acquire the site, it's likely that they will still need to 'pump-prime' at least the first phase. There are various delivery mechanisms thje Council could look at, including direct delivery, joint ventures including the provision of development finance.

Commercial Street

- 10.27 Another potential development site is the Commercial Street car park area to the north west of the town centre. We understand a developer is looking into development potential of the commercial area to the south east of the car parks, known as Queen Street Shopping Centre. The inclusion of the car parks themselves, which are Council owned, would create a holistic

mixed-use development opportunity. We understand work has started to prepare for a pre-app to be submitted soon.

- 10.28 We understand that 100,000 sqft of Grade A office space is proposed, along with resi and retail space.
- 10.29 It is positive to note that others see the potential for commercial space in Darlington.
- 10.30 The Queen Street area is not particularly attractive, with a mix of building styles and un-used upper floors on the retail frontages to Bondgate and Northgate. Within the site there are multiple derelict buildings which would need to be cleared – a piecemeal approach to development would blight the first phases otherwise.
- 10.31 It would be useful to engage with the applicant at an early stage to understand their vision for the site. There is a risk that if the office developments are hidden at the rear behind a new retail/resi offer, with poor connectivity between them, then the offices will be too isolated from the town. Given that the site is the furthest away from the train station, it would not be prudent for this to be the first site to come forward, as failure to secure tenants may damage Darlington’s reputation as a new Grade A office destination. It sits better as the option to deliver later stage accommodation after companies have already established their Darlington base and more companies need space to cluster in the town.
- 10.32 As with Priestgate, a comprehensive masterplan should be created to drive the development forward.

Civic Centre

- 10.33 Given the age of the building and it’s dated layout, we would recommend that the Council carry out an accommodation review on their existing Civic Centre with a view to a comprehensive redevelopment or repurposing. With the high number of staff working from home, the repurposing of the building could provide some good quality space that presents an alternative to companies for whom Grade A space may be out of their financial reach.
- 10.34 However, given the proximity to Feethams House, this presents an opportunity for a new Grade A development site. This would remove Feethams House from the isolation it currently sits. It would also be able to utilise the nearby car park behind Feethams House.
- 10.35 The opportunity to link more closely to Market Square and the leafy grounds of St Cuthbert’s Church would enable a much-improved public realm, which would not only benefit the Council and other office occupiers, but strengthen the town centre and the retailers.
- 10.36 By occupying a smaller floorplate, the Council could look to:

- Occupy space within a new Grade A development – for which the Council’s commitment could help secure a funder. This option would also support the Council’s Net Zero and ESG targets. The space requirement for the Council is likely to only be a portion of what could be developed, therefore other occupiers could be found to secure a new Grade A office campus, closely linked with the surrounding area.
 - Occupy a reduced floorplate in a refurbished civic centre building. The Council may be able to borrow at preferential rates to fund the refurbishment, and then generate income from letting out the un-used space. Again, this would support environmental objectives.
- 10.37 Both options would also boost staff morale and collaboration, which should lead to increased productivity.

Location Conclusions

- 10.38 Darlington is in a good position to create a successful economic landscape based on the three sites discussed.
- 10.39 We have discussed the need for an individual masterplan for each site, however these should not be done in isolation. It is important that the three developments are complimentary to each other so that all can succeed, rather than creating competition. On this basis, we recommend that a singular masterplan pulls all three sites together to develop a comprehensive single vision. If the masterplan can be adopted as an SPD, then it gives investors and potential occupiers confidence that planning will not be a barrier where applications conform to this, and consequently speed up the development process.

Concluding Comments

- 10.40 Were it not for the Council’s interest in each site, we would recommend that the Council look at packages of support for developers to bring schemes forward – such as grant funding (for viability gaps, abnormal costs); loans (bridging loans, low interest non-recourse); and funding for infrastructure (wider highway improvements and delivery of site infrastructure).
- 10.41 However, as the Council can have direct involvement in each scheme, then this support may manifest more directly – such as putting the land into a joint venture, or providing development finance at improved lending rates – particularly once developments are off the ground.
- 10.42 The relocation of DEC Treasury and additional departments is a one in a generation opportunity for Darlington. Failure to capitalise quickly will result in a missed opportunity that the Council would be extremely unlikely to be able to capture even a small proportion of the potential benefits in a few years’ time.

10.43 In order to quickly crystallise the opportunities, we would recommend a series of three interlinked masterplans/development briefs for each of the three sites discussed – Priestgate, Commercial Street and the Civic Centre. It is important that these are coordinated, as the timing of each will be critical to the ability to achieve the highest floorspace ambition.

Appendix 1 – Experian Sectors

The demand forecasting is underpinned by a baseline employment forecast produced by Experian. The forecast provides information regarding future job change for 38 sectors of the economy. These are listed below:

- Accommodation & Food Services
- Administrative & Supportive Services
- Agriculture, Forestry & Fishing
- Air & Water Transport
- Chemicals
- Civil Engineering
- Computer & Electronic Products (manufacture of)
- Computing & Information Services
- Construction of Buildings
- Education
- Extraction & Mining
- Finance
- Food, Drink & Tobacco (manufacture of)
- Fuel Refining
- Health
- Insurance & Pensions
- Land Transport, Storage & Post
- Machinery & Equipment (manufacture of)
- Media Activities
- Metal Products (manufacture of)
- Non-Metallic Products (manufacture of)
- Other Manufacturing
- Other Private Services
- Pharmaceuticals (manufacture of)
- Printing & Recorded Media (manufacture of)
- Professional Services
- Public Administration & Defence
- Real Estate
- Recreation
- Residential & Social Care Work
- Retail
- Specialised Construction Activities
- Telecoms

- Textiles & Clothing (manufacture of)
- Transport Equipment (manufacture of)
- Utilities
- Wholesale
- Wood & Paper

Appendix 2 – Development Appraisal

Darlington Office Study V2

Development Appraisal
AspinallVerdi
12 May 2023

Darlington Office Study V2

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Grade A Office	1	27,000	18.00	486,000	486,000	486,000

Investment Valuation

Grade A Office						
Market Rent	486,000	YP @	6.0000%	16.6667		
(9mths Rent Free)		PV 9mths @	6.0000%	0.9572	7,753,640	

NET REALISATION

7,753,640

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land)			(931,456)			(931,456)
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Other Acquisition Costs

Acquisition Agent fees		1.0000%	9,315			
Acquisition legal fees		0.5000%	4,657			
					13,972	

CONSTRUCTION COSTS

Construction

	ft ²	Build Rate ft ²	Cost	
Grade A Office	30,000	183.76	5,512,800	5,512,800
Contingency		5.00%	275,640	275,640

Other Construction Costs

External Costs		15.00%	826,920	826,920
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PROFESSIONAL FEES

Professional Fees		8.00%	507,178	507,178
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MARKETING & LETTING

Letting Agent Fee		15.00%	72,900	
Letting Legal Fee		5.00%	24,300	
				97,200

DISPOSAL FEES

Sales Agent Fee		2.00%	155,073	
Sales Legal Fee		0.50%	38,768	
				193,841

TOTAL COSTS BEFORE FINANCE

6,496,094

FINANCE

Debit Rate 7.500%, Credit Rate 0.000% (Nominal)						
Land			(59,931)			
Construction			306,133			
Total Finance Cost					246,201	

TOTAL COSTS

6,742,295

PROFIT

1,011,344

Performance Measures

Profit on Cost%	15.00%
Profit on GDV%	13.04%
Profit on NDV%	13.04%
Development Yield% (on Rent)	7.21%
Equivalent Yield% (Nominal)	6.00%

Darlington Office Study V2

Equivalent Yield% (True)	6.23%
IRR% (without Interest)	44.29%
Rent Cover	2 yrs 1 mth
Profit Erosion (finance rate 7.500)	1 yr 11 mths

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