

Northumbria Research Link

Citation: Greenhalgh, Paul and Fisher, Peter (1993) When property leads the way: Newcastle Business Park. Estates Gazette (9338). pp. 127-128. ISSN 0014-1240

Published by: Elsevier

URL:

This version was downloaded from Northumbria Research Link:
<http://nrl.northumbria.ac.uk/26384/>

Northumbria University has developed Northumbria Research Link (NRL) to enable users to access the University's research output. Copyright © and moral rights for items on NRL are retained by the individual author(s) and/or other copyright owners. Single copies of full items can be reproduced, displayed or performed, and given to third parties in any format or medium for personal research or study, educational, or not-for-profit purposes without prior permission or charge, provided the authors, title and full bibliographic details are given, as well as a hyperlink and/or URL to the original metadata page. The content must not be changed in any way. Full items must not be sold commercially in any format or medium without formal permission of the copyright holder. The full policy is available online: <http://nrl.northumbria.ac.uk/policies.html>

This document may differ from the final, published version of the research and has been made available online in accordance with publisher policies. To read and/or cite from the published version of the research, please visit the publisher's website (a subscription may be required.)

www.northumbria.ac.uk/nrl





In full flight — British Airways is one of the blue-chip covenants with offices on the park

rights but with tighter time-scales. The TWDC also indicated that they did not want retail or leisure uses on the site.

The decision that the proposed business park should cover the whole of the remaining land

“High reclamation costs meant that industrial development would not produce enough private capital investment to meet the Government’s gearing targets.”

was the result of a number of aims, pressures and constraints on the TWDC and Dysart.

It was necessary to develop the site rapidly for a number of reasons. First, and most important, the Tyneside enterprise zone was due to expire in April 1991 and, without the EZ tax allowances, development would have been much more difficult to achieve. Second, the political controversy surrounding the establishment of UDCs meant that the TWDC had to produce quick results. Third, the new corporation needed an early development success to prove its competence to Whitehall. Finally, there was a need to provide an early demonstration to the London-based property and investment community that urban regeneration on Tyneside was feasible.

Office property demand in the region was

buoyant without matching the boom conditions experienced in the South East of England. It was felt that there was a need to supply this sector to allow service industries to expand. At the same time, many of the companies seeking new offices were stipulating design standards, especially of parking, that could not be met in the city centre where most of the office core is located in a conservation area.

There was strong public pressure for the site to be developed for manufacturing industry, to provide jobs for the west end of Newcastle, but there was little market demand for this at the time. In addition, high reclamation costs meant that industrial development would not produce enough private capital investment to meet gearing targets set by the Government.

The 500,000 sq ft which was proposed was ambitious in relation to past take-up rates in Newcastle, although initially it could be built as either offices or hi-tech space. An important feature of the approach was not to pay much heed to local property-market research but to go for “big bang” marketing. The Corporation’s marketing energy and budget and Dysart’s selling skills were thought sufficient to attract additional relocations to the scheme.

Works commenced on site in September 1988. The TWDC secured the closure and removal of the railway line, allowing direct access off Scotswood Road.

Under the development agreement, Dysart was granted building licences, with the freehold passing to it on completion in return for an agreed base price plus an overage. The first phase of the development was built speculatively, but changing demand resulted in 60% of the final floorspace being design-and-

build. Dysart sold or let sites on long leases, with all the occupiers being required to contribute to the NBP management company. Initially there was a high risk involved because of the “up-front” expenditure without the key infrastructure elements being in place. However, as the scheme progressed preletting reduced this risk.

The TWDC’s official cost figures indicate that £12.5m was spent on reclaiming the site with a further £47.5m being input by Dysart and £80m by other private-sector occupiers and investors. The project’s total cost was therefore £140m. A more detailed breakdown of costs is needed before an accurate calculation of leverage can be provided.

In particular there is the question of tax allowances for investment in the enterprise zone, which substantially reduced the gross contribution of the private sector. Without EZ funding the scheme would have progressed too slowly to benefit from the late 1980s’ property boom. This would have resulted in the development requiring additional public funding in the form of a city grant.

NBP has effectively remedied the physical problems of the site by reclaiming the land and removing the contamination, providing a high-quality office-park environment. This is evidenced by the occupiers on site. Tenants include British Airways, AA Insurance, IBM, Ikeda, Cellnet and Mertz & McLellan.

NBP has been a successful catalyst of revival in this part of the North East. It has contributed to economic growth by attracting new business to the region and proved that investment in this region can pay off. However, local relocations have added to the large stock of vacant poor-quality offices, particularly in the city centre.

The TWDC’s figures indicate that 3,150 people were employed on the park in June 1992. When the development is fully let, employment is expected to rise to 4,000. However, research by Durham University* estimates that there were only 2,500 jobs in August 1992, of which 700 were new to the region. In addition, AA Insurance moved 1,100 staff from central Newcastle to the park. The TWDC maintains that it saved these jobs for the region because, but for the NBP, the AA would have left Tyneside. However, there is still clearly a need for an accurate agreed figure of the number of new jobs created at the business park.

So far, job opportunities for the residents of Newcastle’s west end have been limited, although training initiatives are attempting to bridge the skills gap.

Projects like the NBP tend to contribute to regional economic development, but not to the direct benefit of inner-city residents. In its later schemes, TWDC has had time to interpret its brief more widely to include employment, community, training and housing initiatives. ■

* Robinson F. Lawrence M. Shaw K. (1993) *More than Bricks and Mortar* University of Durham for the Joseph Rowntree Charitable Trust and the Baring Foundation

Paul Greenhalgh and Peter Fisher are lecturers in estate management at the University of Northumbria in Newcastle.

When property leads the way

Paul Greenhalgh and Peter Fisher analyse the lessons to be learnt from the regeneration of a Tyneside site as Newcastle Business Park.

Located 1 mile west of Newcastle city centre, Newcastle Business Park is one of the Tyne & Wear Development Corporation's flagship developments. The vacant, derelict and contaminated 60-acre site has been transformed through the expenditure of around £140m into a national RICS award-winning business park, providing 683,000 sq ft of quality office space in a secure and landscaped setting. Despite its individual circumstances, the development of the park has some important lessons for urban regeneration. This article is an interim report on a research project currently being undertaken.

The business park is situated on Scotswood Road, adjoining Elswick, an area of high-density housing where the male unemployment rate is currently 40%. The area is struggling with a negative image caused by crime, social and environmental problems. This has been recognised by the success of Newcastle City Council's City Challenge bid, with £38m to be spent in the west end of Newcastle over five years, mainly on housing projects.

The land slopes steeply from Scotswood Road down to the banks of the Tyne. Prior to redevelopment, a railway line ran along the northern boundary and there are large retaining walls which form dominant features. Vehicular access to the site was poor with only one road, Water Street, serving the site, and even this had restricted height as it passed under the railway.

The site was formerly the Elswick Works of Vickers Armstrong, which had manufactured

"The area is struggling with a negative image caused by crime, social and environmental problems."

armaments and ships since the last century. In 1981 an enterprise zone was declared and in 1984 Vickers built a new tank factory at Scotswood, selling the Elswick site to Newcastle City Council for just under £1m. The council identified the area as an important development opportunity and prepared a planning brief for a mixed-use scheme. Bids were invited for the scheme and Dysart Developments was selected to develop the site. Dysart's bid envisaged a superstore, riverside village, retail park, sports arena, industrial park



Economic magnet — Newcastle Business Park has attracted business to the area

and business park. The retail elements were to provide the finance to fund the infrastructure for the rest of the development and this would be assisted by a £2m derelict-land grant.

Under the terms of the development agreement between Dysart and the council, signed in 1986, the city council granted Dysart 125-year ground leases at a premium representing the residual land value. In 1987 the first phase of the Armstrong Centre, comprising 94,000 sq ft of industrial space, was completed.

In late 1987, by which time the first phase was completed, the food retail market in the area was less buoyant, mainly due to competition from the Metro Centre and other new developments. A catalyst was needed to generate confidence and, more important, finance. Dysart amended its plans and presented the city council with a proposal to start the business-park phase, taking road access off Water Street at the south-east corner of the site. The council was, however, unable to guarantee funds for the initial infrastructure works.

The Government now announced the creation of the Tyne & Wear Development Corporation. The site lay within the TWDC's area and it agreed to provide grant funding for the infrastructure works if the council withdrew.

The council agreed to sell the undeveloped portion of the site to the TWDC for £1.75m inclusive of costs to date. The TWDC then had to deal with Dysart, which had exclusive rights to develop the site. They therefore completed a new development agreement conferring similar