

Evolving Cities

The changing face of Newcastle

Evolving cities

The UK's cities are undergoing a renaissance. Large scale place making schemes are dramatically improving how they are perceived, making them more desirable places to live and work, and better able to attract new people and businesses.

The Changing Face of Newcastle is one of our series of reports looking at how the UK's key cities are evolving and the transformational change that is occurring, either in terms of the scale of regeneration activity or a shift in perception.

For each city, we identify the key locations where such change has occurred over the last 10 years, and the major developments that continue to deliver it. We then explore the key large scale regeneration opportunities going forward.



Newcastle today

Newcastle is the social and economic driver at the heart of the North-East. It is the regional capital and home to many national and international leading businesses and public sector departments.

Over the past twenty years it has seen significant regeneration success, following a city-wide strategy linking economic development, urban renaissance and the retention and growth of population within the city. Newcastle was home to 290,000 people in 2015.

The regeneration of Grainger Town in many ways initiated the recovery from a physical perspective, exemplifying heritage-led regeneration utilising public and private sector investment. Its comprehensive approach attracted office, retail, housing and leisure uses and acted as a stimulus for further investment and redevelopment in the city.

The comprehensive renewal of the quaysides has revitalised a historic

part of the city and been prominent in building a reputation for Newcastle as a cultural destination. Using culture as a catalyst for change has been an important and visionary part of Newcastle's story. Culture-led regeneration has not only improved the image of the city and the quality of its places, it is a significant contributor to the economy through tourism and employment. The ambition is for this to continue and key future sites such as East Pilgrim Street will integrate and build on existing cultural assets to create new 'cultural hubs'.

Tourism figures for the city show consistently strong growth with the most recent figures placing it second in the country for year on year visitor growth. Newcastle's 7% growth figure is significantly ahead of the national average of 4% and London at 2%.

The introduction of the Millennium pedestrian bridge and continued regeneration south of the river including Baltic Place, Baltic Contemporary Arts Centre and the Sage Music Centre together with a number of new residential blocks has further cemented the importance of the quaysides to the city.

Newcastle has an important role as a major regional shopping centre and the retail sector has been a key driver of economic growth for the city. The first major retail scheme for many years was the extension and improvement of the Southern part of Eldon Square, opening in 2010. It expanded the retail offering, increasing the number of units and attracting new retailers.

The 'Alive After Five' initiative created by part of the Business Improvement District (NE1) has encouraged retailers to open later and created a night time economy estimated to be worth £708 million. Headline retail yields in Newcastle were 5.0% in December 2016 showing compression from 6% in December 2014.

There is still significant room for improvement in Newcastle city centre's retail offer and failure to deliver new floorspace and modern units has meant that it has lost market share to other regional centres. The retail offering of the Gateshead Centre has been revitalised by the redevelopment of Trinity Square providing 40 units suiting a mix of retail requirements and a large Tesco supermarket and 999 student bedrooms in five towers.

The first section of this report looks at the schemes from the last ten years that have been instrumental in Newcastle achieving its revitalisation. The scale of the schemes we look at varies, for some the size of the project alone would warrant inclusion, others are smaller but have had a very significant impact. They have all made an important difference to the city and its population.

2007 – 2017

1

Trinity Gardens



2

Stephenson Quarter



3

Downing Plaza



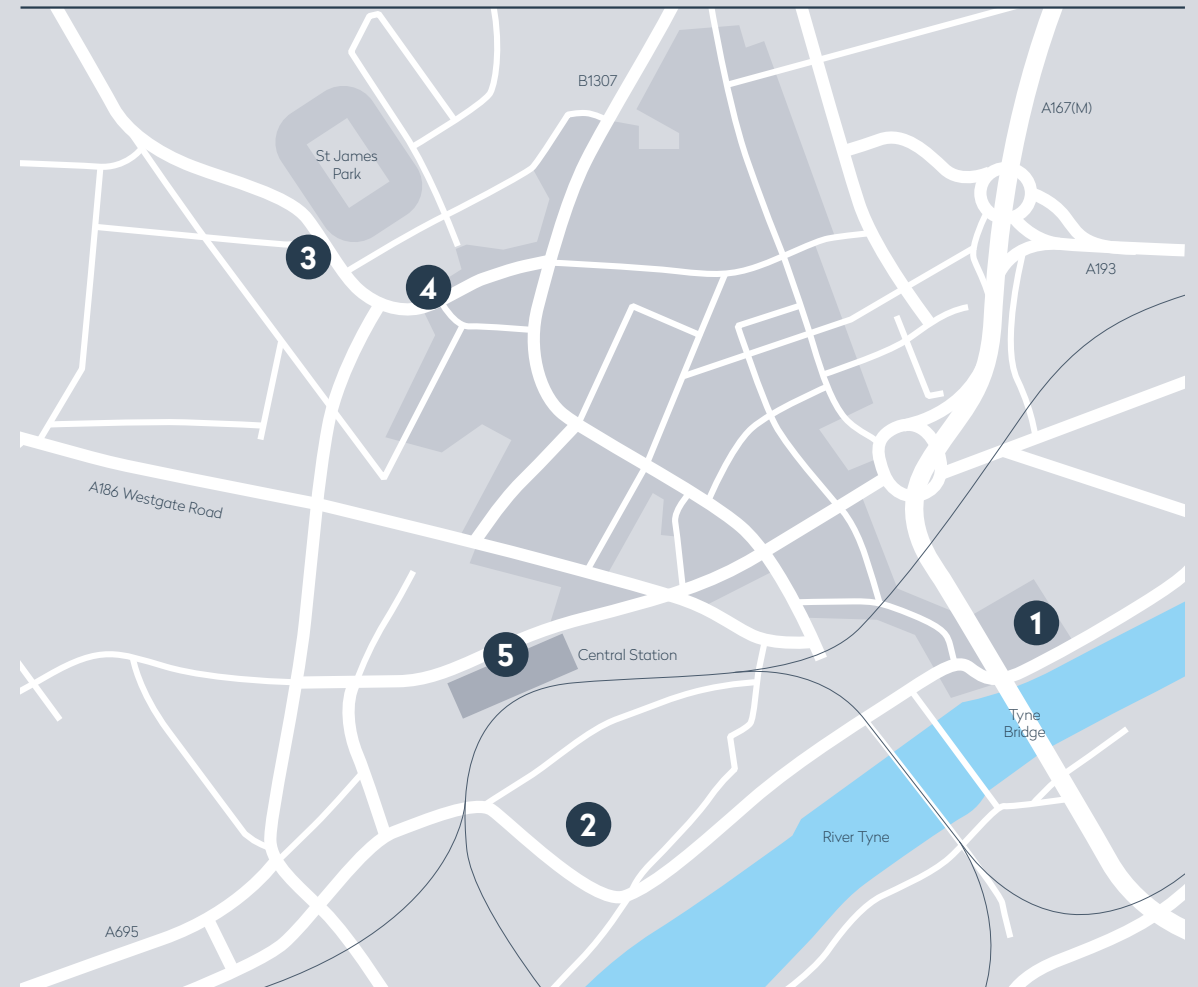
4

Wellbar Central & Time Central



5

Central Station



Trinity Gardens

Trinity Gardens and East Quayside have seen gradual regeneration since the early 2000s, following on from the first modern day office developments fronting the River Tyne on the Quayside in the 1990s. The area now offers an attractive landscaped working environment, better car parking provision than the traditional CBD and a very strong leisure offering including hotels, restaurants and bars.

Major East Quayside developments include the redevelopment of the former Banatyne Casino building into a 35,000 sq ft Grade A BREEAM office building. The project was developed by Argon Properties and attracted the corporate banking division of Barclays, who transferred all 160 employees from their Grey Street offices into the new state of the art office complex in March 2014.

Trinity Gardens was a landmark scheme for Newcastle, delivering 120,000 sq ft building developed by Silverlink in 2005. The project was funded and built for Aviva Investors. Stockbridge House was built in conjunction with Trinity Gardens and provides a five-storey 500 space car park with dual access and two storeys of offices totalling 35,000 sq ft above.

One Trinity is let to seven national tenants including The Partners of Bond Dickinson (Solicitors), Deloitte, BNP Paribas Real Estate, Aecon Ltd, St James Wealth Management Group Plc, Royal Bank of Scotland Plc and Tesco Stores Plc.

The regeneration has helped cement the Quayside as one of the best specified and located office districts in Newcastle. It has stimulated further investment, including new

residential buildings and the recently developed Malmaison hotel, Pitcher and Piano bar, and Las Iguanas and Gusto restaurants. The vibrant mix of uses complements the business district and has made it a desirable area to live and work.

Trinity Gardens and Stockbridge House were sold by Aviva Investors in August 2008 to the Crown Estate for £40 million (8.4% NIY). In 2010 the property was sold again to Standard Life Investors for £50 million (6.7% NIY). The property benefits from a strong tenant line up and rents of between £19.50 and £23 psf.

The introduction of the Millennium pedestrian bridge and continued regeneration to the south of the river, including Baltic Place, Baltic Contemporary Arts Centre and the Sage Music Centre, together with a number of new residential blocks has further cemented the importance of the Quayside to the region.

Looking forward, the development pipeline includes a 120-bed Travelodge and a 42,000 sq ft office building that are currently underway and likely further student residential and PRS schemes by Adderstone.



Stephenson Quarter

The Stephenson Quarter is a prime 10 acre site bounded by the Central Station and the River Tyne and is currently being regenerated to deliver a major mixed-use scheme.

The project is being delivered by The Clouston Group, Newcastle Council, Aviva Investors, Royal Bank of Scotland, Miller Construction, and the North East Local Enterprise Partnership. It is anticipated that it will, create 2,000 jobs and add £10 million per annum to the regional economy.

Phase 1 of the project was completed in 2016 and consists of two buildings. These are; The Rocket, a mixed-use building providing 35,000 sq ft of Grade A offices above a 357-space 5 level multi-storey car park and the Crown Plaza Hotel, a new 251-bed 4*+ hotel fronting Forth Street which boasts the largest conferencing and banqueting space in central Newcastle.

The Rocket is now fully let to Convergys, after less than 6 months on the market. Convergys already has a significant presence in Newcastle and took the entirety of the building with a headline rent of £21.50 psf, bringing 600 further jobs to the city.

Looking ahead, Phase II of this extensive regeneration scheme will see the development of two further Grade A office buildings with over 260,000 sq ft of commercial space. There will also be a small number of residential units along with restaurants, events and retail space.



Downing Plaza

Downing Plaza was completed in 2016 on part of the former site of the Newcastle Brewery, transforming it into six new iconic buildings. It was the largest planning application to be granted in the city for a generation and has dramatically enhanced Newcastle's student offering, as well as forming an impressive gateway to the city centre.

In total the £250 million development provides the 100,000 sq ft Universal Business School, over 1,800 student bedrooms, a 183-room hotel and extensive retail space. There has also been extensive public landscaping including the creation of a pedestrianised link to Science Central. The scheme was designed by award winning architects Ian Simpson and Partners and has revitalised a key city centre site.

The Newcastle University Business School pre-let of 100,000 sq ft of space at Downing Plaza involved a record breaking deal and provided initial certainty allowing the scheme to go ahead. Newcastle University initially entered into a 22 year unbroken lease at £2,150,000 pax

with annual 2.25% rental uplifts. In 2016 the University extended its lease commitment to 30 years certain in a back to back transaction involving the sale of the building in Merchant Place to AVIVA Investors for £64.7 million.

Newcastle's university is one of the city's great assets and students make a significant contribution to the economy and culture of the city. The provision of a high quality student experience is critical to attracting prospective students and Downing Plaza contributes greatly to this requirement.

Downing Plaza is situated 300 metres west of Time Central and Wellbar Central, two of Newcastle's newest office blocks built in 2007 and 2010, totalling 204,000 sq ft.



Wellbar Central & Time Central Development

Wellbar Central and Time Central are two adjacent office developments in Gallowgate. The developments are significant to Newcastle's story as they were the first truly speculative-build offices developed in Newcastle since the Quayside development in the early 1990s.

Time Central is a 82,500 sq ft seven storey office building developed in 2007/2008 with retail units on the ground floor. It delivered a historic peak for prime office yields in Newcastle at 4.75%, having been forward funded by F&C Reit in December 2006 and largely pre-let to Muckle LLP for 15 years at £18 psf. Time Central is considered one of the highest quality office buildings in the city and set a new standard for office space in Newcastle.

Wellbar Central was designed by Middlesbrough based Lister Associates, replacing the former 1960s 14-storey Wellbar House which used to stand on the site. It delivered 120,000 sq ft of high specification space over nine floors with a letting of 36,500 sq ft to Stay UK Limited occurring a year after the building was completed. Other lettings occurred between 2012 to 2016 and the building is now fully occupied to an impressive range of tenants including, Irwin Mitchell LLP, Global Radio, Paradigm and Punter Southall Group.

It was the only Grade A development to be completed in 2010, building

on the success of Time Central and has helped cement the location as an emerging business district.

Wellbar's significance to Newcastle has continued, with it recently achieving the highest rental level in Newcastle City Centre, with DAC Beechcroft taking 4,750 sq ft in March 2016 at a record level of £24.00 psf. Its sale also represented Newcastle's strongest post-recession transaction, being bought by Orchard Street in December 2015 for £40.075 million, equating to 6.00% NIY. This improved on the previous high set by Time Central, which was also bought by Orchard Street in November 2013 for £24.55 million, equating to 6.15% NIY.

These two schemes were instrumental in establishing the area and encouraging further investment, including the University Business School in 2011 and the on-going developments of the nearby Science Central site.

Looking forward, further development is planned on the sites to the north and west of Gallowgate which will include new residential and hotel uses.



Central Station

In 2011, NE1 Ltd was given the green light to begin a £24.5 million regeneration project of the Central Station in collaboration with Newcastle Council, Network Rail and Virgin East Coast.

The regeneration of central station has delivered a striking gateway into Newcastle, extending the retail offering and creating a station that is more impressive and accessible to visitors.

The 4 year project has seen the Grade 1 Listed station's iconic portico pedestrianised and enhanced, along with a new taxi rank, cycle lanes and improved traffic routing. The station's facilities have been comprehensively refurbished and improved. The commercial space on offer has doubled and new occupiers such as M&S, Boots, Paperchase, UGOT and Café Nero have taken space in the station.

The project has generated £11 million of further private sector investment in the area and has led to the creation of 173 jobs. It was financed through the Regional Growth Fund and has created a domino effect of new developments and retail openings

in the immediate area. Since the development of Central Station, Baron House, an eight-storey former office building which sits across from the station has been re-developed into a Hampton by Hilton Hotel, providing 160 high quality en-suite rooms and creating over 60 jobs.

In addition, the former Westgate and Norwich House site to the east of the station has been redeveloped to create a new 259-bed student accommodation building by Vita Property Group. There has also been a noticeable increase in lettings around the station following its re-development, with new restaurant openings including Zapatista, The Victoria Comet and The Central Oven and Shaper. Office lettings around Pink Lane, Westgate Road and Central Station have also increased significantly since the completion of works.



Newcastle tomorrow

The city has seen drastic change over the last ten years and is now a vibrant hub of business and culture that is home to almost 300,000 people. The continued regeneration of the city will enable further evolution and growth and the next section of this report examines the key schemes that will facilitate this.

Newcastle needs infrastructure investment if it is to thrive and grow. The city has a compact and walkable core but pedestrian links need to be improved and schemes we look at play a role in delivering this. It has one of the UK's busiest rail systems but after nearly 40 years of service the train fleet needs to be replaced. There is funding in place for this and over the next 10-15 years Newcastle will see the design and introduction of the Metrocars of the future.

The road network has not received major investment for around 30 years and over the next 5 years there will be substantial transformation of the roads in the city centre. This will create a modern highway system that is fit for purpose.

One of Newcastle's great strengths is its knowledge economy. Over 100,000 students live in the city and surrounding region and it has one of the highest graduation retention rates at 55%. There has been redevelopment in recent years that has included the major expansion of the Northumbria Campus but there remains significant demand to provide more student accommodation in and around the city centre and to provide further facilities for the universities.

The landmark Science Central development offers an excellent opportunity to address these requirements and develop Newcastle's knowledge economy, as well as appealing to hi-tech

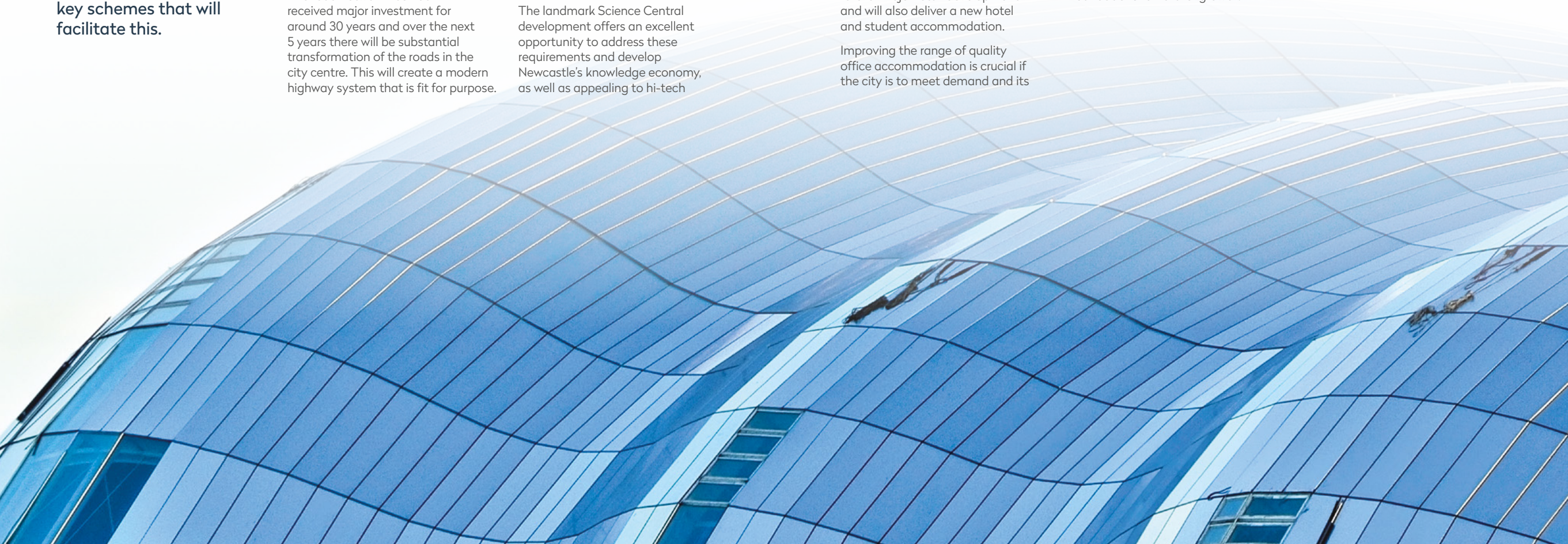
businesses. It represents one of the biggest urban regeneration projects of its kind in the UK and it will provide an exceptional platform for Newcastle to succeed as a major hub for science and enterprise. It will also deliver a significant amount of new student accommodation.

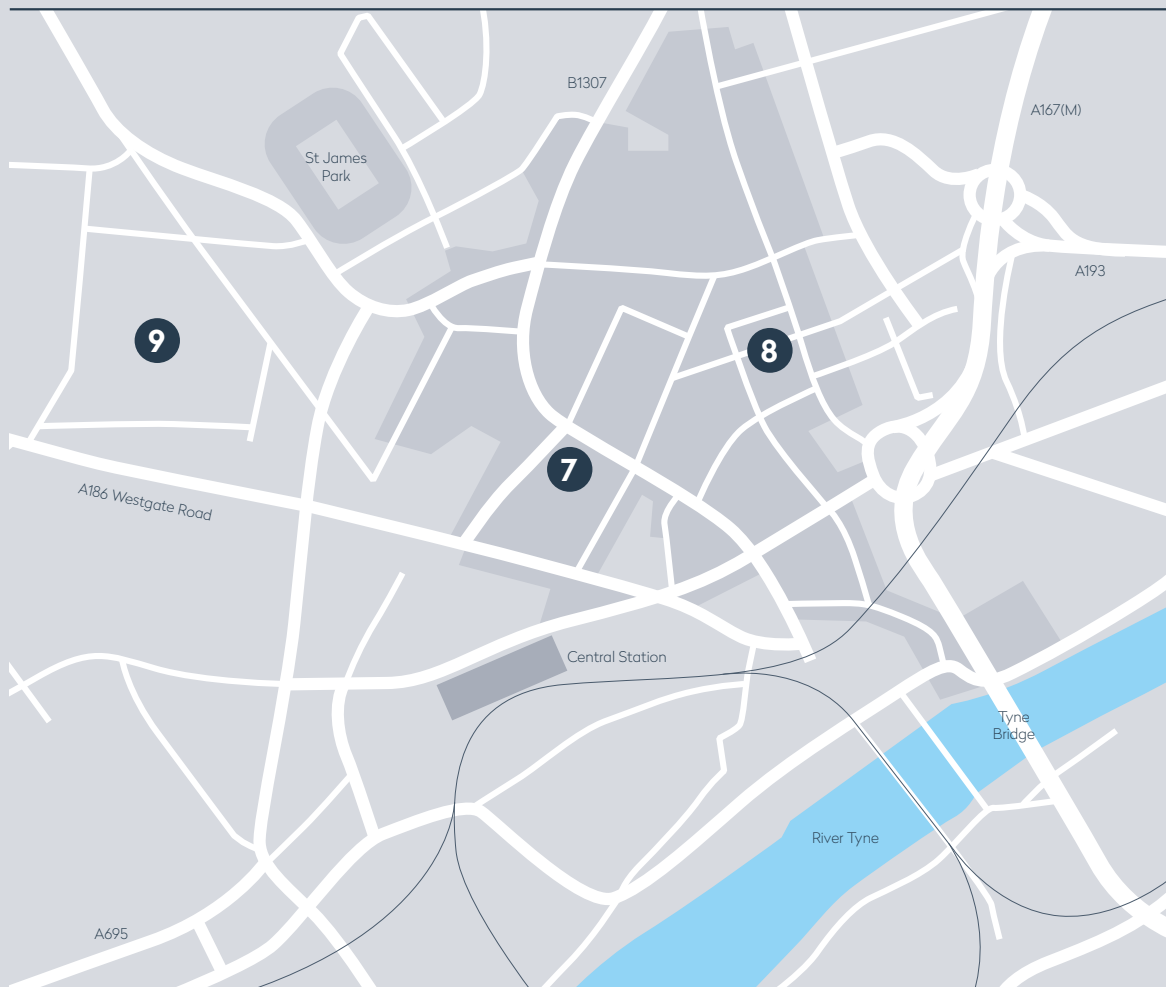
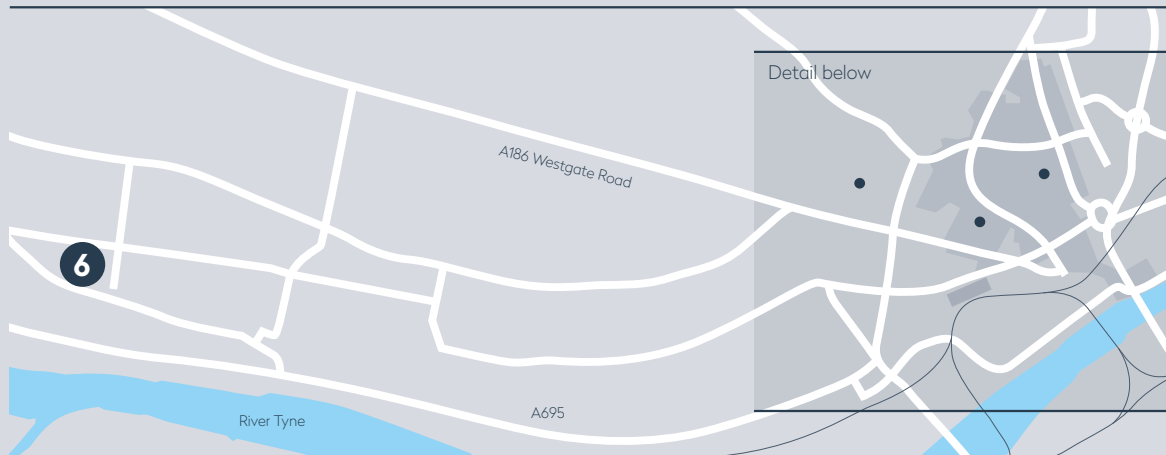
The East Pilgrim Street regeneration will provide substantial new retail capacity. The Newgate Shopping Centre and Street area scheme represents further major retail development and will also deliver a new hotel and student accommodation.

Improving the range of quality office accommodation is crucial if the city is to meet demand and its

aspirations for improved economic performance. The comprehensive development of Stephenson Quarter will provide 260,000 sq ft of new Grade A space as part of a mixed-use scheme that will capitalise on the location's historic character.

Newcastle faces numerous challenges and performs below average on a number of socio-economic measures but it has exhibited a remarkable and innovative revitalisation to date and is underpinned by the required foundations for further growth.





2017 – 2027

6

The Rise, Scotswood



8

East Pilgrim Street



7

Newgate Shopping Centre



9

Science Central



The Rise, Scotswood

The Rise, Scotswood is a significant residential led regeneration on the outskirts of Newcastle's west end. The £265 million project will be delivered in phases over 15 years, ultimately providing 1,800 homes and incorporating new high quality public space and improved links to the wider area.

The development will be focussed around a neighbourhood centre, with various amenities for the community, along with retail and office space.

The first phase of 397 units is underway and will feature a range of tenures and unit types. There is a strong emphasis on sustainability for the whole scheme and units will be constructed to meet level 4 requirements in the Code for Sustainable Homes (CSH). The first phase of the scheme has already been awarded interim CSH certification.

The development has a number of innovative energy efficiency features. The masterplan includes

a combined heat and power (CHP) district heating system, which will come into operation when there is the critical mass and the infrastructure works for this are currently underway. There will also be low-flow-rate fittings and the provision of water butts to all homes with a private external space and flood risk is mitigated by discharging surface water into the tidal River Tyne.

The ultimate vision is to create a sustainable neighbourhood which showcases carbon sensitive design and revives an under-utilised location in the city. The key players in the scheme are Newcastle City Council Barratt Developments, Keepmoat and Tees Valley Housing Association.



Newgate shopping centre

The Newgate Shopping Centre occupied a strategically important 2 acre site in the heart of Newcastle city centre. It was constructed in the 1960s and in recent times came to be considered as an eyesore with many units unoccupied.

Planning permission was granted in late 2015 for a mixed-use regeneration scheme led by developers McAleer & Rushe, who bought the sight for £18.2 million in 2006. The on-going redevelopment will deliver 575 student beds, a 269 bed hotel and 20,000 sq ft of retail and leisure space.

Unite has committed to the student accommodation and negotiations are ongoing to secure operators for the hotel. The gross development value amounts to approximately £100 million and will

generate around 780 jobs during the construction period and create 153 long term employment positions.

This scheme will be finished in natural sandstone to complement the surrounding buildings of Grainger Town, as the original building was considered to have a negative impact on the conservation area. It will reinvigorate the location and introduce a valuable new student economy into the area. Construction started mid 2016 and is expected to take around 2 years to complete.



East Pilgrim Street

The East Pilgrim Street site provides 12 acres of prime mixed use development land linking Newcastle's retail and commercial core to the quayside.

The site is predominately in single ownership and is being brought forward by Taras Properties who are working closely with Newcastle City Council.

East Pilgrim Street can be sub-divided into three distinct development parcels, each providing redevelopment opportunities for a mix of retail, leisure, commercial and residential development.

The Northern Block of the site is (located) closest to the city's retail core centred around Eldon Square, Monument Mall and Northumberland Street. At present the site is detached from the city centre core by New Bridge Street, which is one of the main bus routes into the city.

The Council has recently agreed a strategy with the city's bus providers which will see the re-routing of bus routes, enabling the pedestrianisation of New Bridge Street and part of Pilgrim Street. The Council

intends to roll out its revised strategy in the autumn of 2017.

A masterplan for the Northern Block is being developed by Taras Properties and is likely to be completed by May 2017. The emerging preferred masterplan option will enhance and expand the existing retail offer in the city, whilst providing opportunities for leisure and office development along with multi-storey car parking and a hotel.

The southern part of the site forms the gateway to the city. Development on this site is likely to be office led, with potential for leisure and residential uses also. Proposals to deliver a first block of 120,000 sq ft of Grade A office space are well advanced. Development will include new and improved pedestrian and traffic linkages to the city centre, which will improve connections and contribute to future economic growth.

GVA is advising the land owners on all aspects of the development.



Science Central

Science Central is one of Newcastle's largest regeneration schemes, encompassing a 24 acre site in the city centre where the former Newcastle Brown Ale brewery used to be.

The site is one of four strategic Accelerated Development Zones in Newcastle city centre, with state-of-the-art telecommunications, infrastructure and utilities already in place.

Late last year Legal & General reached an agreement to work with Newcastle City Council and Newcastle University to deliver a centre for scientific and technological research and business. The scheme will ultimately deliver 500,000 sq ft of office space, 450 new homes, a significant number of student beds and create around 4000 jobs.

Legal & General's initial £65 million investment will deliver over 200,000 sq ft of Grade A office space. This will help drive investment in the location, unlocking further development plots. It is the biggest property deal in Newcastle for decades and represents a major vote of confidence in the city from the private sector.

There has been a sustained focus on developing Newcastle's reputation as having a cutting edge proposition in the fields of science and technology. The future development at Science Central will build on what has already been delivered, including The Key, a landmark iconic building with a lightweight triple skin structure and dynamic, innovative interior research labs.

Construction of the University's £58 million Urban Sciences Building is also well underway, and will open in summer 2017. In addition, design work is underway for a Learning and Teaching Centre and Newcastle Laboratory which will offer high quality, incubation and grow-on accommodation specifically geared to science-based commercial activities.



For further information
please contact:

Roger Speirs

Regional Senior Director
Roger.speirs@gva.co.uk
0191 269 0063

Simon Beanland

Senior Director
Simon.Beanland@gva.co.uk
0191 269 0512

Ray Minto

Director
Ray.Minto@gva.co.uk
0191 269 0514

Daniel Francis

Head of Research
Daniel.Francis@gva.co.uk
020 7911 2363

Josh Rose-Nokes

Senior Researcher
Joshua.Rose-Nokes@gva.co.uk
020 7911 2740

Our offices:

Birmingham
Bristol
Cardiff
Dublin
Edinburgh
Glasgow
Leeds
Liverpool
London
Manchester
Newcastle

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