

Summary Proof of Evidence of Guy Gilfillan

**The South Tees Development Corporation (Land at the former Redcar Steelworks, Redcar)
Compulsory Purchase Order 2019**

Acquiring Authority: South Tees Development Corporation

January 2020

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1. Introduction

- 1.1 My name is Guy Gilfillan. I am a Director of Colliers International. I have 40 years' experience operating in commercial property markets across the North of England, including involvement with nationally and internationally significant manufacturing parks.
- 1.2 I am instructed by South Tees Development Corporation (STDC) to review the background to STDC's area (STDC Area) against the context of the South Tees Regeneration Master Plan (Master Plan) (CD/F/1 and 2) and to undertake an assessment of end-user market demand, including consideration of the unique characteristics of the STDC Area and the rationale for its comprehensive regeneration.

2. Background to the Master Plan

- 2.1 STDC published the draft Master Plan in 2017. It provides a long term flexible framework of redevelopment of the STDC Area with the vision that it will become a world-class industrial park that will ensure sustained economic growth for the Tees Valley, creating 20,000 jobs and in excess of £1bn economic benefit (GVA).
- 2.2 The heavily industrialised STDC Area is in fragmented ownership, an impediment to securing regeneration of the site. STDC resolved to make a compulsory purchase order if the necessary land interests could not be secured by agreement. Land interests held by Tata Steel were successfully acquired but, despite extensive negotiations, it has not been possible to acquire all necessary interests. STDC consequently made a compulsory purchase order in April 2019 (CPO).
- 2.3 The guiding principles contained in the Master Plan include the creation of an integrated park with themes and zones; uses best suited to the characteristics of the area; harnessing the sheer scale of the site by focussing on major users or clusters of such companies, enhancing it as a centre for industrial excellence; careful zoning of the site to ensure optimal use; integration of the site through optimally designed transport and services; to become a benchmark exemplar for energy innovation; viable development and high environmental standards.

3. Assessing Market Demand for the STDC Area

- 3.1 The industrial property market in the UK (including manufacturing) is performing strongly with the highest levels of developer, investor and occupier demand within the commercial sector.
- 3.2 I have analysed market demand for the type of development proposed for the STDC Area in three ways:
 - 1) Analysis of the (120 plus) enquiries already received for the site.
 - 2) Evidence of occupier demand for other manufacturing park developments.
 - 3) Evidence of demand from manufacturing-led inward investment into the UK.
- 3.3 Analysis of Enquiries Received
- 3.4 The current active enquiries would, if taken up, absorb more than 1,000 acres (405 ha) of land, equivalent to two-thirds of the land controlled by STDC currently, excluding the land subject to the Order. The two largest enquiries each require more than 200 acres (81ha) of land.

- 3.5 The range of uses proposed by the interested parties falls broadly into the types of use identified in section 3.05 of the Master Plan.
- 3.6 Conditional agreements have been reached with a number of parties (subject to land assembly). There are two developments already underway.
- 3.7 The level of enquiries received for the STDC Area is, in my experience, unprecedented particularly given there has been no formal marketing. With the implementation of a full marketing strategy, I would expect the enquiry rate to increase significantly.
- 3.8 I conclude that the sheer volume of existing enquiries received to date and the willingness of some parties to enter into detailed negotiations represents the best indicator of the strength of future market demand and of the type of development and range of uses for which there will be most demand.
- 3.9 Evidence of Demand for Other Manufacturing Parks
- 3.10 My evidence identifies more than 6,468,130 sq ft (600,903 m²) of take up across seven new manufacturing park developments by companies as diverse as Boeing, Jaguar Land Rover, Siemens and Rolls Royce aero engines.
- 3.11 The International Advanced Manufacturing Park at Sunderland (also in the North East of England) has already seen nearly 500,000 sq ft (46,450m²) of take up since the site was announced in May 2018.
- 3.12 A notable feature of most of the successful manufacturing parks is that they are in public sector control, helping with maintenance of the Park's strategic vision and with the delivery of the comprehensive infrastructure solutions required to allow their development.
- 3.13 I conclude that there is a strong level of demand for sites from manufacturers and that the successful developments identified are in single comprehensive control, the land fully assembled and where there is a strong vision as to how they are to be developed.
- 3.14 Evidence of Demand from Manufacturing-Led Inward investment
- 3.15 In the period 2009 to 2019, I identify more than £6billion of manufacturing-led inward investment into the UK, creating more than 8,388 jobs across sectors including offshore wind and automotive.
- 3.16 The evidence supports the concept of clustering, supply chain relationships and the need for scale to support future expansion requirements of occupiers, as identified in the Master Plan for the STDC Area.

4. Unique Characteristics of the STDC Area from a Market Perspective

- 4.1 The Master Plan and site characteristics together meet most, if not all of the specific property requirements of manufacturing companies. This is evidenced by the high level of enquiries STDC has already received.
- 4.2 The STDC Area possesses a unique set of characteristics for manufacturing companies including:
- 1) The availability of a skilled labour force, low wage rates and significant training resources.
 - 2) Comprehensive utilities infrastructure including private wire and 'green' energy.
 - 3) It is one of the largest employment sites in the UK and offers suitably sized land plots to accommodate the largest occupier requirements.
 - 4) It can accommodate bespoke buildings with a flexibility of tenure given that the site is not developer-tied.
 - 5) Excellent transport connectivity by road, rail, sea and air. In particular the presence of the deep water Teesport and Redcar Bulk Terminal facilities provide a major attraction to bulk industries as does the on-site rail network.
 - 6) There is a clear delivery programme and funding arrangements , fully supported by key stakeholders.
 - 7) Clarity that the STDC Area will be an industrial park focussed on major space users, not other forms of competing or conflicting development.
 - 8) The Master Plan is clear that the site will provide a quality business park environment.
 - 9) The site benefits from a range of research and academic institutions nearby providing a collaborative and 'value add' type environment manufacturing companies seek.
- 4.3 Further, the fact those parties interested in the STDC Area, remain committed to it, despite the need to complete land assembly, speaks of the overall attractiveness of the site and the lack of alternatives possessing the same combination of characteristics.

5. Rationale for the Comprehensive Regeneration of the STDC Area

- 5.1 The STDC Area currently comprises fragmented, irregular shaped plots of land dominated by unsafe, obsolete industrial plant. Without comprehensive regeneration, it presents a wholly unattractive and hostile environment for good quality companies seeking to relocate to it. The site is unable to accommodate the largest occupier requirements and fragmentation also limits the ability to zone the site efficiently.
- 5.2 Without the confirmation of the CPO and the comprehensive regeneration of the STDC Area, it will in my opinion attract only low grade users and then, only if the health and safety issues affecting the site can be resolved.
- 5.3 With the CPO confirmed, my experience and the evidence I have produced regarding demand suggest there is every reason to believe the aspirations of the Master Plan and of STDC can be met.

6. Conclusion

- 6.1 In my opinion, the clarity of direction provided by the Master Plan, allied to the site's availability and the single control of the entire opportunity, will be a compelling reason for end users from many parts of the manufacturing sector to consider the STDC Area to establish a business project and to take space on the site in order to do so.
- 6.2 The STDC Area is unique in terms of its potential scale and offer evidenced by the range, number and serious nature of enquiries received to date prior to the commencement of formal marketing.
- 6.3 Should the STDC Area be promoted in line with a comprehensive marketing strategy, I expect it will generate a high level of interest, resulting in significant levels of take up.
- 6.4 I have provided strong evidence of end-user demand for the STDC Area based on the high level of enquiries received to date and the number of seriously interested parties. This is supported by evidence of strong take up by manufacturing companies at new developments elsewhere in the UK and through manufacturing-led inward investment.
- 6.5 The STDC Area has the potential to become an internationally recognised manufacturing park and destination for significant inward investment.
- 6.6 Without comprehensive regeneration proposed by the Master Plan and land assembly through the CPO, I consider that large tracts of the site are likely to remain undeveloped for the foreseeable future, the balance occupied by a mixture of lower quality users.