

# London Borough of Richmond upon Thames 2009 Employment Land Study



**URS**  
Final Report  
November 2009



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Richmond upon Thames  
2009 Employment Land  
Study**

November 2009  
Final Report  
Issue No 3  
44406786



**Project Title:** London Borough of Richmond Updated Employment Land Study  
**Report Title:** Final Report  
**Project No:** 44406786  
**Status:** Final Report  
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**Document Production/Approval Record**

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**Document Revision Record**

<b>Issue No</b>	<b>Date</b>	<b>Details of Revisions</b>
1	28/09/09	
2	28/10/09	
3	19/11/09	

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**ABBREVIATIONS**

AAPs	Area Action Plans
AMR	Annual Monitoring Report
DCLG	Department for Communities and Local Government
DfT	Department for Transport
DPD	Development Plan Documents
DPH	Dwellings per hectare
GIS	Geographic Information System
GLA	Greater London Authority
GVA	Gross Value Added
IBPs	Industrial Business Parks
JSA	Job Seekers Allowance
LB	London Borough
LBRuT	London Borough of Richmond
LDDs	Local Development Documents
LDF	Local Development Framework
SWPMA	South West Property Market Area
MSW	Municipal Solid Waste
ODPM	Office of the Deputy Prime Minister
PIL	Preferred Industrial Locations
PPG	Planning Policy Guidance
PPS	Planning Policy Statements
PTAL	Public Transport Accessibility Levels
RSL	Registered Social Landlords
SIC	Standard Industrial Classification
SIL	Strategic Industrial Locations
SMEs	Small and Medium Sized Enterprises
SPD	Supplementary Planning Documents
SPG	Supplementary Planning Guidance
TMT	Technology Media and Telecommunications
UDP	Unitary Development Plan
VAT	Value Added Tax
VOA	Valuation Office Agency

## **1 INTRODUCTION**

### **1.1 Context and Purpose**

URS were commissioned by the London Borough of Richmond upon Thames (LB Richmond upon Thames) to update the Richmond Employment Land Study, which was originally prepared by URS together with Knight Frank in 2006. This 2009 Employment Land Study is intended to be a supplementary document to the original 2006 Employment Land Study. It will assess the quantity, quality and viability of employment land throughout the Borough to 2026 and be important evidence supporting the LB Richmond upon Thames Local Development Framework (LDF).

The methodology of this study is in line with the CLG's Guidance Notes on Employment Land Reviews (2004). This guidance suggests the scope of employment land reviews/ studies should focus on the B use class orders, that is B1 (Business), B2 (General Industrial) and B8 (Storage or Distribution). The Guidance also suggests that studies should take account of wider employment uses such as utilities, land for transport and waste management. As noted, this study will form part of the evidence base for the Council's LDF including the Development Management DPD which is currently under preparation. The LDF Core Strategy was adopted in April 2009. Furthermore, draft PPS4 identifies how local authorities should manage land to cater for different business needs while remaining flexible to changing economic and business requirements.

### **1.2 Study Area**

The study area encompasses the whole of the LB Richmond upon Thames. LB Richmond upon Thames does not have a traditionally large B2 and B8 market. What industry there is tends to be scattered and consists of smaller units on self contained industrial estates. This includes a relatively significant proportion of SMEs. B1 Office premises are generally focussed on town centres such as Richmond, Teddington, Twickenham and Mortlake, which have good access to public transport, facilities and amenities.

The 2006 Employment Land Study surveyed 445 buildings in employment use in 78 business clusters covering a total of 108 hectares of land. It was agreed with the Council that because there have been no major change to the distribution, quantum and quality of the employment sites since the original survey, the data collected in 2006 will form the basis of the updated 2009 review. In the majority of the surveyed business clusters, building and environmental conditions were very good or good. Of the office floorspace around half is located in areas with good or very good public transport accessibility level (PTAL 4-6). This is to be expected taking into account the relative low PTAL for large parts of the Borough. The majority of the industrial and warehouse floorspace was in areas with poorer public transport accessibility levels (PTAL 1-3), which seems appropriate as these types of premises generally have low employment densities. Road access and servicing (including parking) was only identified as a problem in a few business clusters, especially where access is through residential areas.

LB Richmond upon Thames draws new residents attracted by the area's high standard of living and good quality of life. The Borough's workforce is relatively highly skilled and tends to be employed in professional or semi-professional occupations. The Borough's ease of access into central London and surrounding areas has had an influence on the level of daily out-commuting by residents to other locations for work. To address this issue and in line with national

sustainability initiatives, Council development objectives seek to increase local employment opportunities for its residents that will more closely match the skills of the existing population. In the case of the LB Richmond upon Thames this is likely to be office-based employment and the premises required by these types of businesses will impact on the amount and characteristics of land for future development.

### 1.3 Approach

This report sets out our final findings and policy recommendations for employment land in LB Richmond, taking into account and building upon the findings of the 2006 Employment Land Study. This study will update research where there has been a change since the 2006 Study and use information from the 2006 study where there has not been any significant change. The primary changes that have occurred that require additional analysis include the following:

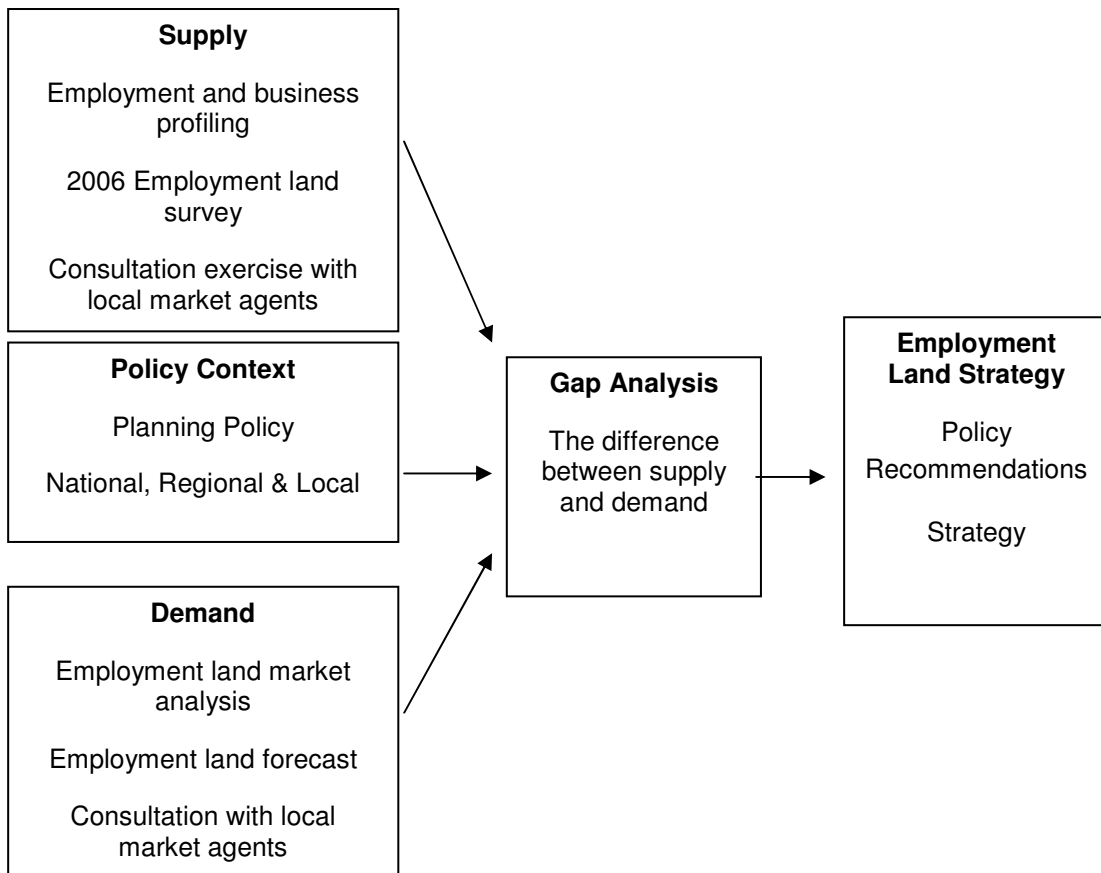
- An updated review of existing policy and strategies in relation to employment land and economic development in the Borough
- An updated analysis of the employment land market in consultation with local property market agents
- An updated employment land demand forecast
- An updated gap analysis, conclusions and final policy recommendations

The elements of research from the 2006 Employment Land Study that can be considered to be still valid and will therefore not be updated include the following:

- Socio economic profile of the Borough
- Land survey of employment clusters

Each of the elements described above forms an important 'building block' of the employment land study. The approach that will be taken in this employment land study is now described in more detail. The approach is also illustrated in **Figure 1.1** below.

Figure 1-1: Approach to the Employment Land Study



**1.4 Property Market Analysis**

The past trends and current perceptions of the employment land property market in LB Richmond upon Thames and South West Property Market Area (SWPMA) were identified, drawing upon consultations with local property market agents as well as a review of relevant publications and literature. The key areas and themes of the consultations were; the current supply of land and premises in the Borough, in terms of both quality and availability; take-up rates and the type and quality of premises being demanded; factors influencing future trends in the market and; the impact of Council policy on the supply and demand of industrial and commercial premises.

**1.5 Employment Land Forecast**

An employment land demand forecast is then introduced, which takes account of employment forecasts for the SWPMA using GLA Economics Borough Employment Projections to 2026, trends in employment related development of employment space in LB Richmond upon Thames, property market information and the effect of the current recession on the demand for employment land. This information is used to create a forecast of employment land demand in LB Richmond upon Thames to 2026.

## 1.6 Conclusion and Recommendations

The conclusion and recommendations section draws these research elements together and makes a comparison of the current supply of employment land in the Borough with the projected demand for employment land up to 2026. This matching of supply and demand reveals either gaps in the provision of employment land or whether there might be an overprovision of a particular employment land use type in the next seventeen years (up to 2026). The conclusions and recommendations are grounded in the knowledge of the local conditions developed throughout the previous chapters including information gained in the property market agent consultation. The recommendations rely on an understanding of the socio-economic profile of the Borough, information gained in the employment land surveys, an understanding of the economic development context and the property market analysis.

## 1.7 Report Structure

The remainder of this report is structured as follows:

**Section 2** describes the national, regional and local policy changes since 2006 of particular relevance to employment land, the economy, regeneration and related issues in LB Richmond.

**Section 3** describes the employment land market in LB Richmond upon Thames by defining the employment land property markets that exist and that are not necessarily related to local authority boundaries and highlighting historic and current trends in the commercial and industrial property sectors, based on consultations with local property agents.

**Section 4** sets out the employment land demand forecasts. Our synthesis forecast approach takes historic floorspace rates and employment rates as a base for forecasting future employment floorspace demand.

**Section 5** presents conclusions and recommendations on the employment land strategy that the Council should adopt over the LDF timeframe.

## 2 POLICY AND LITERATURE REVIEW

### 2.1 Introduction

This section provides an overview of the policies and strategies relevant to employment and employment land in the LB Richmond upon Thames. It also includes a review of key research papers including those supporting national and regional policy documents.

Some of the policy context considered in the original 2006 LB Richmond upon Thames Employment Land Study has changed, new policies have been added and new reports have been published. These all add to the evidence base guiding employment land policy and are summarised below. These new policies and literature are as follows:

#### Updated or Additional Policies

- Draft PPS4 and PPS6 have been updated and are planned to be combined into a single PPS.
- London Plan: Proposals (GLA 2008)
- A New Plan for London: Proposals for the Mayor's London Plan Consultation Document (GLA, 2009)
- Industrial Capacity SPG (GLA, 2008)
- 'Successful Suburbs' (The Outer London Commission, 2009)
- London Industrial Land Release Benchmarks (URS for the GLA, 2007)
- West London Waste Development Plan (Mouchel, 2009)
- The LB Richmond upon Thames Core Strategy (adopted 2009)
- LB Richmond upon Thames Sustainable Community Strategy 'Our Place in London' (2008)
- LB Richmond Upon Thames Annual Monitoring Report (2007/08)

### 2.2 National

Planning Policy Guidance Notes (PPGs) and Planning Policy Statements (PPSs) provide a national guidance framework setting out a range of planning principles and objectives on specific topics.

#### Potential merging of PPS4 and PPS6

The Killian Petty Review, published in November 2008 explored ways in which the UK planning system could be speeded up and streamlined. One key suggestion was that duplication in national planning policy guidance should be avoided and Planning Policy Statements simplified, combined and rationalised where possible. In its response to the report, the Government appeared to agree with this key aspiration and hinted that certain PPSs such as PPS4 and PPS6 could be combined into a single PPS covering land use policies in urban areas. It is likely that a combined PPS4 and PPS6 will continue the government policy of encouraging flexibility in urban land use policy. This will involve an emphasis on mixed-use developments, combining retail, residential and appropriate industrial and commercial developments.

## 2.3 Regional

### **London Plan consolidated with alterations since 2004**

The London Plan (2008) is the spatial strategy for Greater London spanning the period 2001 to 2026, consolidated with alterations since the 2004 draft. It sets out an integrated social, economic and environmental framework for the future development of London.

The London Plan divides London into sub-regions to facilitate the implementation of its strategic policies. LB Richmond upon Thames forms part of the South West London Sub-Region along with Croydon, Lambeth, Merton, Sutton, Kingston upon Thames, and Wandsworth. The Plan sets out a number of strategic priorities for South West London in relation to businesses and employment and those particular to LB Richmond upon Thames and the region include:

- Strengthen economic linkages throughout the sub-region to the CAZ, especially in terms of the supply chain
- Optimise the development of Opportunity Areas and Areas for Intensification as set out in Policies 5E.2 and 5E.3
- Ensure the sub-region is an attractive business location
- Manage the reuse of surplus industrial land taking into account waste management requirements
- Promote improvements in the national rail network, which is of particular importance in South West London, and the benefits to the Greater London sub-region of Crossrail, Thameslink Programme, Cross River Tram, Tramlink Extensions and the East London Line extension and improvements to the Northern, District and Victoria lines.

An overall strategic policy of the Plan provides London boroughs with guidance on the development of their local plans and states that such strategies should:

- Focus retail, leisure, key commercial activity and services in suburban metropolitan, major, district and local town centres. Where such centres do not already have good levels of public transport accessibility and capacity, improvements should be promoted
- Promote areas around suburban town centres that have good access by public transport and on foot to the town centre as appropriate for higher-density and mixed-use development including housing
- Improve the sustainability of suburban residential heartlands by promoting better access to centres, employment and community facilities, improving the public realm, making efficient use of space, and where appropriate, modernising or redeveloping the housing stock.

In reference to LB Richmond upon Thames, the London Plan describes Richmond town centre as being an example of an area of Outer South West London having good economic prospects.

### **Consultation Draft Replacement London Plan (2009)**

In October 2009, the Mayor of London published the Consultation Draft Replacement London Plan. This document is open for consultation until the 5<sup>th</sup> January 2010, with a formal publication of the replacement plan expected towards the end of 2011.

While the consultation process is on-going, the London Plan published in February 2008 will continue to be in force, and will have legal status until the replacement plan is formally published.

However, the 'Consultation Draft Replacement London Plan' will continue to gather weight the further into the replacement process it goes.

The overall thrust and direction of the Consultation Draft Replacement London Plan on planning for sustainable economic development is broadly similar to the London Plan (2008), many of its policies are either unchanged or have been consolidated, though notably its lifespan has been extended to 2031.

On a spatial level, the document contains a stronger emphasis on the Outer London Boroughs with the Outer London Commission's recommendations incorporated in the Plan including designation of Strategic Outer London Development Centres (Policy 2.16). Leisure/ tourism is proposed to be the strategic economic function of LB Richmond Upon Thames, with the designation aimed to bring forward development capacity and create a stronger emphasis on creating a distinct and attractive business offer and public realm.

With regard to industrial land, the Consultation Draft Replacement London Plan re-emphasises that Boroughs should adopt a rigorous approach to industrial land management to ensure a sufficient stock of land and premises and to plan, monitor and manage release of surplus industrial land where compatible.

#### **Consultation Draft Mayor's Economic Development Strategy (2009)**

In October 2009, the Mayor of London published the Consultation Draft Replacement London Plan, which is open for consultation until 2010. The purpose of the Strategy is to set out the Mayor's ambitions for the economic development of the London, provide the GLA group and other strategic organisations with a clear vision, an analysis of the economy and policy directions for achieving our ambitions, and to clarify roles and responsibilities of key stakeholder organisations.

#### **GLA Industrial Capacity Supplementary Planning Guidance (2008)**

Originally published by the GLA in 2003, the Industrial Capacity SPG has been updated in March 2008 following the publication of the London Plan - Consolidated with Alterations since 2004. The SPG defines industrial employment as activities relating to manufacturing and wholesale distribution and seeks to:

- *'Ensure that there is an adequate stock of industrial capacity to meet the future needs and functional requirements of different types of industrial and related uses (including waste management, logistics, utilities and transport functions) in different parts of London, including that for good quality and affordable space; and*
- *Plan, monitor and manage the release of surplus industrial land so that it can better contribute to strategic and local planning objectives, especially those to provide more housing (including affordable housing) and, in appropriate locations, to provide social infrastructure and to contribute to town centre renewal'.*

The SPG identifies three categories for criteria-based land transfer policies in London boroughs:

*Restrictive Transfer* – generally having a limited supply of employment sites requiring a restrictive approach to the transfer of industrial sites to other uses.

*Limited Transfer* – generally having a greater supply of vacant industrial sites relative to demand and should generally take a more permissive approach to transfer.

*Managed Transfer* - generally having a greater supply of vacant industrial sites relative to demand and should generally take a more permissive approach to transfer.



The SPG also highlights the success of the Strategic Industrial Locations (SIL)<sup>1</sup> Framework in protecting London's principal industrial locations.

LB Richmond upon Thames is categorised in the SPG as a *'restrictive transfer'* borough, having a low level of industrial land relative to demand (particularly for waste management or land for logistics) and/or low proportions of industrial land within the SIL framework. There are no employment areas in LB Richmond upon Thames that are categorised in the SIL framework, although there are several in the neighbouring LB Hounslow.

Small businesses make up a large proportion of businesses in Richmond upon Thames and SPG Policy 10 - *Variety of industrial capacity and provision for small and medium sized industrial capacities* - states that boroughs should:

- *'Manage the stock of industrial premises so that it provides a competitive offer for different types of occupier including logistics, utilities, waste management, transport functions and other related industrial activities. This will entail both improving the quality of provision to meet user' different needs, including those of SMEs and clusters of related activities, and maintaining lower cost capacity or making provision for those requiring affordable business premises to meet local needs;*
- *Protect industrial sites, which meet demonstrable demand for lower cost industrial accommodation.*
- *Promote the provision of small industrial units and managed workspaces suitable for small and medium sized enterprises (SMEs) and start-up companies.*
- *Encourage design of industrial premises that enables easy subdivision at a later date as the space requirements of different occupiers change;*
- *Secure provision of small and affordable industrial units in appropriate locations as part of larger mixed-use schemes, including commercial developments and residential schemes where careful siting, design and access arrangements can satisfactorily overcome environmental concerns'.*

#### **'Successful Suburbs' - The Outer London Commission 2009**

A report was published in March 2009 by a collection of outer London boroughs, which sought to produce a case for investment in London's suburban communities. The report, entitled 'Successful Suburbs', provides a rationale for re-vitalising economic activity in the suburbs including the encouragement of vibrant mixed-use town centres. Richmond could benefit from the current administration's increased emphasis on the outer London boroughs.

#### **London Industrial Land Release Benchmarks**

The London Industrial Land Release Benchmarks study (URS, 2007) established benchmarks on appropriate release and retention of industrial land in London up to 2026.

The study identified for each Borough approximately 4,837 hectares of built-on industrial land in London in 2006 and that this comprised of 2,815 hectares of land for logistics activities and 2,021 hectares of land for traditional industrial activities such as manufacturing. In addition, it estimated there was 706 hectares of vacant industrial land in London in 2006.

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<sup>1</sup> Formerly called 'Strategic Employment Locations' within the London Plan (2004).

A wider definition of industrial land<sup>2</sup> is also investigated and while the data available is limited to quantify all land uses, broad indications suggest that there could be up to 8,300 hectares of industrial-type uses in Greater London.

For the purpose of this study LB Richmond upon Thames is classified as being located within the South West sub-region of Greater London. In the South West sub-region the total built-on industrial land in 2001 was 747 hectares, with 332 hectares for industrial and 415 hectares for warehousing. In 2006 the total built-on industrial land amounted to 742 hectares, with 293 hectares being industry and 449 hectares for warehousing. In contrast the total vacant land in 2001 was 39 hectares, decreasing by 6 hectares to 33 hectares in 2006.

#### **West London Waste Development Plan (2009)**

The London Borough of Richmond upon Thames along with the London Boroughs of Brent, Ealing, Harrow, Hillingdon and Hounslow have agreed to produce the West London Waste Plan which establishes a framework of policies, including development control policies, and site identification to meet future waste capacity needs in West London during the period 2011-2026. The Plan is currently at its *Issues and Options* stage and sets out the key issues and options in planning for West London's Waste up to 2026.

There are five proposed strategic objectives of the West London Waste Plan which include:

- To identify sufficient land for the management of the six boroughs' pooled waste apportionment as set out in the London Plan, including safeguarding existing waste sites and maximising their use as waste management sites
- To ensure that waste is managed as far up the waste hierarchy as possible, and to encourage the minimisation of waste and the use of waste as a resource
- To reduce the impact of waste management on climate change by encouraging the use of sustainable transport and new, clean technologies, whilst seeking to locate waste management facilities as close to waste sources as practicable
- To ensure that, through appropriate policies, waste facilities meet the highest standards possible of design, construction and operation to minimise adverse effects on local communities and the environment, and
- To support the key aims and objectives of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond's Community Strategies.

The waste to be managed in Richmond (in thousand tonnes per annum) is 200 in 2010, 264 in 2015 and 311 in 2020.

There is a substantial shortfall in capacity within West London. The Plan shows that without any additional capacity coming on line, West London will be unable to meet the 2010 target by approximately 591,000 tonnes; the 2015 target by 1,117,000 tonnes; the 2020 target by 1,493,000 tonnes; and, the projected 2026 target by 1,728,000.

#### **London Waste Apportionment Study – Jacobs Babbie (2006)**

The London Waste Apportionment Study provides guidance and outlines targets on the level of waste and processing and recycling facilities required by individual boroughs in the London Plan

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<sup>2</sup> The wider definition includes transport depots, utilities sites, waste facilities and wholesale markets.

Period. It is a supplement to the London Plan. The overarching target is for London to become 85% self sufficient in waste management by 2020. The study suggests that LB Richmond upon Thames could accommodate an additional six hectares of land for waste and recycling between 2006 and 2021.

## 2.4 Local

The Planning and Compulsory Purchase Act 2004 introduced a new two-tiered plan system, made up of the Regional Spatial Strategy and the Local Development Framework (LDF). The LDF is made up of a portfolio of Local Development Documents and a number of Supplementary Planning Documents (SPDs). Its main document, the Core Strategy, sets out the general spatial vision and objectives in the LDF.

### Richmond Local Development Framework

Although the Council adopted their Core Strategy in April 2009 the 2009 Richmond upon Thames Employment Land Study will provide a key part of the evidence base that will support the further development of the Local Development Framework Development Plan Documents.

In accordance with Section 15 of the Planning and Compulsory Purchase Act 2004, the Council has prepared a Local Development Scheme (LDS) that sets out the Council's project plan for the production of documents, plans and policies that are to be included in the LDF over the coming years. The basis of the LDF is the Sustainable Communities Strategy (Community Plan 2007 to 2017), detailed below. The LDF will take forward the vision of this strategy in the form of specific spatial policies.

### LB Richmond upon Thames Core Strategy

LB Richmond upon Thames' Core Strategy DPD was adopted in April 2009. This document provides the key strategic policy framework, which will determine the future development of the Borough.

In its overview of key issues, arising from its evidence base studies, the Core Strategy states that; *'A key issue is the loss of employment land, which is driven by the very high value of residential land, which has led to pressure to change employment sites to residential use.'* Drawing upon the conclusions and recommendations of URS Employment Land Study 2006, it also states that; *'Richmond and to a lesser extent Twickenham are amongst the few outer London centres where there remains a demand for modern office floorspace'* and that *'there is a demand for small units'*. The Strategy therefore recognises the need to retain employment sites to meet projected business needs, and provide local employment.

The Strategy has three inter-related themes; a 'Sustainable Future', 'Protecting Local Character' and 'Meeting People's Needs'

Relevant to employment land, among the objectives of the Council towards 'Meeting People's Needs' is:

- *'Sustaining the employment base of the Borough and ensuring that there continues to be a wide variety of employment and training available to residents and opportunities for business, balancing employment and housing provision'*.

Further detail on how the Council wishes to meet the objectives set out under these three key themes is provided in 20 core policies, several of which are relevant to employment land and are discussed below.

Several principles of **Policy CP1** 'Sustainable Development' are relevant to the scope of this 2009 Employment Land Study, which are;

- **1.A** - *The policy seeks to maximise the effective use of resources including land, water and energy and assist in reducing any long term adverse environmental impacts of development. Development will be required to conform to the Sustainable Construction checklist, and*
- **1.C - Making best use of land:** *Maximise the use of existing facilities through management initiatives, such as co-location or dual use. Redevelopment of sites should only take place where there can be an increase in the number of housing units and/or quantity of commercial floorspace.*
- **1.D - Reducing Environmental Impact:** *Compare the benefits of retaining and, where appropriate, refurbishing existing buildings, against re-development'.*

Of key relevance also is **Policy CP19** 'Local Business' the principles underpinning which set out the future for employment land-uses in the Borough over the planning period. These principles are:

- **19.A** – *'A diverse and strong local economy will be supported by:*
- **19.B** - *The retention of land in employment uses for business, industrial or storage use*
- **19.C** - *Development likely to generate significant amounts of travel should be located in areas highly accessible to public transport, with the largest office developments located in Richmond and Twickenham town centres*
- **19.D** - *Provision will be made for small units, and*
- **19.E** - *Mixed use schemes will be expected to retain the level of employment floorspace. However residential use will not be appropriate where it would be incompatible with established employment uses on neighbouring sites and prejudicial to their continued operation.*

### **LB Richmond upon Thames Community Plan 2007-2017**

The Council have produced a Community Plan for LB Richmond upon Thames, which was adopted in 2007 and sets out a vision up to 2017.

This Plan sets out how the Council will continue to build on the wealth and prosperity of the Borough. It highlights the main issues facing the Borough and sets objectives of how to make LB Richmond upon Thames a sustainable 21st Century community.

The key principles and priorities of the strategy include the following:

- Inclusive
- Puts protection of the environment at the core of its services and community life
- Delivers quality public services that truly reflect the needs of all its local people
- Addresses its challenges by harnessing the capacity of all its partners in the public, private, voluntary and community sector.

The Plan has seven priority themes within the vision:

- Priority 1: Tackling disadvantage and inequalities
- Priority 2: Being the greenest borough in London
- Priority 3: Being the safest London borough for all our communities
- Priority 4: Growing up in LB Richmond upon Thames
- Priority 5: Creating a healthy and caring LB Richmond upon Thames
- Priority 6: Creating a vibrant and prosperous LB Richmond upon Thames
- Priority 7: Improving access and participation.

## 2.5 Summary

Some of the policy context at both a national, regional and local level has changed since the 2006 Employment Land Study was completed. This study has covered those changes as they could have a bearing on the final policy recommendations. For example the report should be mindful of the fact that the Government has recently hinted that certain PPSs such as PPS4 and PPS6 could be combined into a single PPS covering land use policies in urban areas. It is likely that a combined PPS4 and PPS6 will continue the government policy of encouraging flexibility in urban land use policy. This will involve an emphasis on mixed-use developments, combining retail, residential and appropriate industrial and commercial developments.

Key regional policies on employment land-use are contained in the London Plan (2008) and GLA Industrial Capacity SPG (2008). The London Plan sets out its vision for the South-West London sub-region, of which LB Richmond upon Thames is a part. This centres around; optimising the development of its Opportunity Areas; tackling barriers to work and social exclusion and ensuring the sub-region is an attractive business location. The new Mayor has also recently announced plans for a new plan for London. While it likely that many of the themes of the current plan will continue it is likely that there could be a greater emphasis on the outer London Boroughs such as Richmond upon Thames. This is also outlined in the Outer London Commission's report 'Successful Suburbs' (2009).

The GLA's Industrial Capacity SPG (2008) seeks to ensure that an adequate stock of land for industrial use remains whilst the release of surplus industrial land is monitored and managed, so planning objectives can be met effectively. The SPG categorises LB Richmond upon Thames as a Borough for 'restrictive transfer'. This means that it generally has a limited supply of employment sites and thus requires a restrictive approach to the transfer of industrial sites to other uses.

Jointly the six west London boroughs are currently in the process of drawing up the West London Waste Development Plan. Once finalised the plan will outline the location and quantum of additional land for waste and recycling facilities in the Borough. In regards to waste facilities in borough, the London Plan, through the Waste Apportionment Study (2007), identified that LB Richmond upon Thames could accommodate an additional six hectares of land for waste and recycling. Until the West London Waste Plan has been fully adopted, the London Plan target of six hectares should be assumed to be the level of future demand of land for waste in the Borough.

The LB Richmond upon Thames' Core Strategy DPD was formally adopted in April 2009. This document provides the key strategic policy framework, which will determine the future

development of the Borough. The key relevant themes include a desire to protect employment land in order to provide local jobs for local people. The Core Strategy also aims to encourage the growth of business sectors, increase the number of SMEs and boost the enterprise culture in the Borough.

### 3 PROPERTY MARKET ANALYSIS

#### 3.1 Introduction

This section of the report presents an overview of the existing commercial Office (B1), Industrial (B2) and Warehouse (B8) markets for employment land and floorspace within LB Richmond upon Thames. It establishes the extent to which it meets the needs of businesses locally and regionally.

Although the focus of the assessment is the LB of Richmond upon Thames, the market area for property is not limited by local authority boundaries, with factors pertinent to business operations being more of an influence, such as proximity to labour supply, transport links, and consumer markets. Accordingly, as part of our analysis of the property market we have examined activity beyond the local authority boundary of Richmond upon Thames.

Markets studied include the regional office market, defined as being the M25 market (South West quadrant), the regional industrial market for employment land, which is defined as being the South West Property Market Area (SWPMA) and the local office and industrial markets, which is defined as being those in the LB Richmond upon Thames. This section provides analysis of the factors influencing supply and demand for employment land and floorspace in the Borough and the wider property market area and an analysis of the balance between these two factors.

The section has been informed by telephone consultations with leading local property agents in September 2009, (see **Appendix A** for full list of contributors), to gather perceptions on the general state and direction of the local and regional property markets. This has involved, where relevant, updating information provided in the 2006 Employment Land Study. It should be noted that some of the property market agencies are landlords with local estate interests and this may inform their views about future land use.

#### 3.2 The Property Markets Influencing the LB of Richmond upon Thames

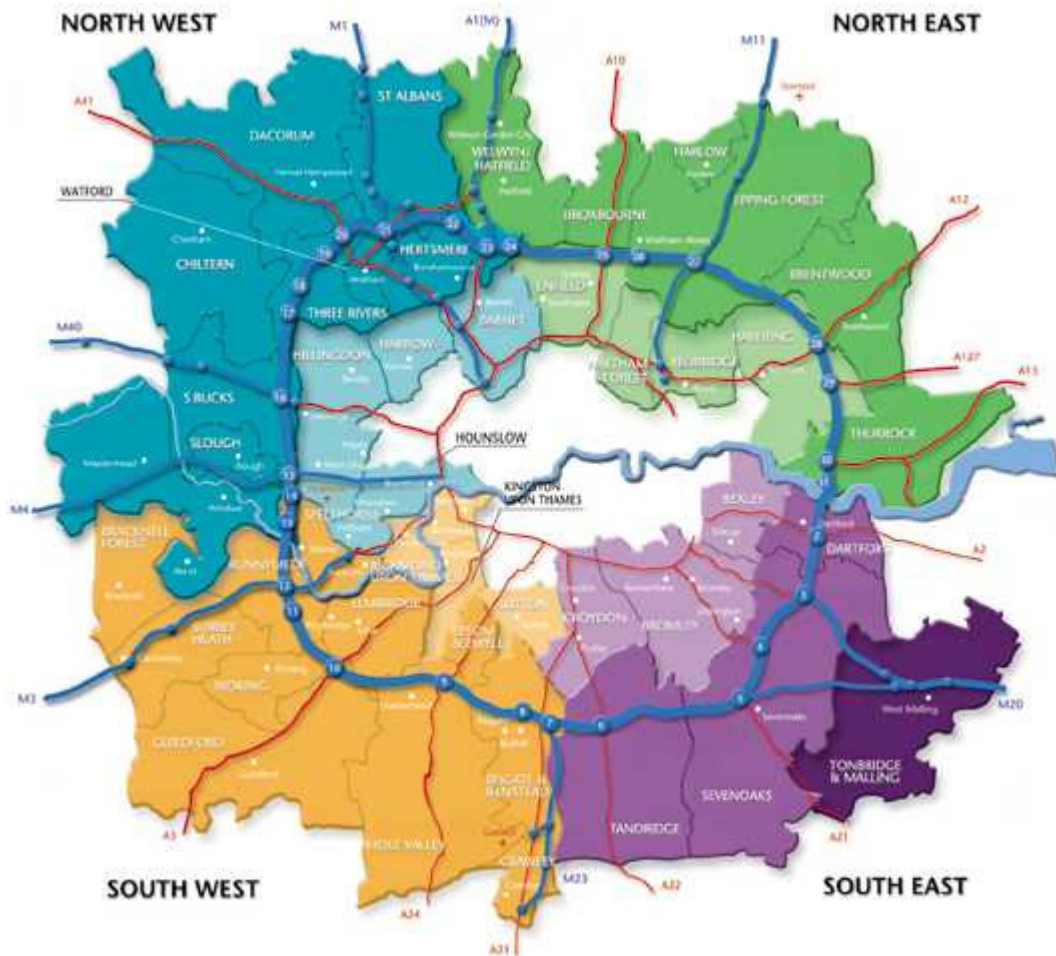
##### Regional Office (B1) Market

The M25 Office Market is a property market widely recognised by agents containing some 140 million m<sup>2</sup> of office floorspace<sup>3</sup>. The market was divided by property agents Knight Frank LLP into four quadrants; North West; North West; South East, and; South West. The western quadrants contain a much larger quantum of B1 floorspace. This is largely due to the area having good links to transport infrastructure i.e. the M4, M3, Heathrow Airport. This gives employers ready access to suppliers and labour markets. Over the last two years, the market has seen a marked slowdown in take-up, largely through occupier uncertainty related to the impact of the economic downturn and a related fall-off in the levels of investment, impacting the amount of new stock coming on to the market. As of Quarter 2 (Q2) 2009, overall vacancy/ availability stood at 7.6%, with the North West and South West quadrants having 9.5% and 9.1% availability respectively. **Figure 1-1** below shows the M25 office market, as defined by Knight Frank LLP in the 2006 Employment Land Study.

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<sup>3</sup> M25 Offices, Investment, Development & Occupier Markets, Quarter 2 2009, Knight Frank LLP

Figure 1-1 M25 Employment Land Market



Source: LB Richmond upon Thames Employment land Study (2006)

The London Borough of Richmond upon Thames forms part of the South West quadrant of the M25 market. The quadrant reaches outwards from LB Richmond upon Thames to Bracknell Forest, Guildford and Crawley in Surrey. However, for the purpose of analysis in this study, a distinction has been drawn between the inner and outer areas of the Quadrant. LB Richmond upon Thames is deemed to lie within the inner part of the Quadrant, alongside the following Boroughs;

- Kingston upon Thames
- Merton, and
- Sutton.

As confirmed in the 2006 Employment Land Study, Hounslow, which borders Richmond but is in the North West quadrant of the M25 market, is also a relevant part of the study area given its proximity to much of LB Richmond upon Thames and its similar market characteristics.

As well as all being located in the same geographical area, each of the markets in these areas, with the exception of Hounslow, is broadly comparable in size to Richmond upon Thames. Accordingly, the relevant study area chosen for this project is the South West Property Market Area (SWPMA), based around the Boroughs of Hounslow, Kingston upon Thames, Merton and Sutton, along with Richmond upon Thames. The current stock of office floorspace for these local authorities is shown in **Table 1-1** below.



**Table 1.1: 2008 Stock of Office, Floorspace ('000s sqm)**

Local Authority	Offices (Commercial – B1)
Richmond upon Thames	379
Hounslow	779
Kingston upon Thames	335
Merton	284
Sutton	192
<b>TOTAL</b>	<b>1,969</b>

*Source: ONS VOA 2008*

Office floorspace is largely concentrated in the main town centres i.e. Hounslow, Kingston, Richmond, Sutton and Twickenham. The quality of premises varies widely across these areas, with a general lack of new and grade 'A' space. There are some exceptions including the Herons Square development in Richmond and Chorus mixed use development in Merton.

### **Regional Industrial/Warehousing (B2/B8) Markets**

It is widely recognised by property agents that although property markets do not necessarily follow local authority boundaries, local authorities are a primary unit of data analysis and so can be used as a basis for studying property markets. Broadly speaking, for industry and warehousing, LB Richmond upon Thames sits within the SWPMA.

**Table 1.2: 2008 Stock of Industrial and Warehousing Floorspace ('000 sq m)**

Local Authority	Industrial (B2)	Warehousing (B8)
	Floorspace ('000s m <sup>2</sup> ) (2008)	Floorspace ('000s m <sup>2</sup> ) (2008)
Richmond upon Thames	124	169
Hounslow	382	919
Kingston upon Thames	101	231
Merton	299	389
Sutton	150	334

*Source: ONS VOA (2008), URS Demand and Supply of Land for Logistics in London (2006)*

Current trends in the SWPMA, based on information from the Office of National Statistics, suggest that the B8 sector, in 2008, occupies the majority of floorspace (2,042,000 m<sup>2</sup>) with B2 occupying a lower amount with 1,056,000 m<sup>2</sup> of floorspace. Through analysing individual historic floorspace trends for each of the boroughs it becomes clear that while it is difficult to classify each as a separate market, there are groupings that make natural market areas (see **Section 6.4** for further information on historic floorspace trends). In addition there are particular linkages between the different markets. These are due to clustering of particular industries or services that benefit from economies of agglomeration. Linkages also relate to transport and road infrastructure.

It is considered that traditionally the most significant industrial occupiers in the market area are logistics (B8) focused, many being related, directly or indirectly, to the air freight sector from Heathrow Airport. The stock of floorspace for warehousing in the SWPMA has remained largely stable over the last decade, although overall demand is considered to have grown more in recent years. This perceived moderate increase in demand for warehousing is in line with a national trend of de-industrialisation and increased reliance on importing goods. Richmond upon Thames, itself contains 169,000 m<sup>2</sup> of B8 floorspace as of 2008 which is 8% of stock in the SWPMA.

The continuing decline of traditional manufacturing in London's outer suburbs, in line with nationwide trends of structural economic change, has meant that B2 floorspace in the SWPMA has decreased by 20% between 1998 and 2008 to 1,056,000 m<sup>2</sup>. A reduction in demand for B2 premises has meant that there is little development of land and floorspace specifically for B2 use in the area, although it should be noted that many industrial developments have permission for either industrial use class. Richmond upon Thames, accounts for 14% (124,000 m<sup>2</sup>) of B2 stock in the SWPMA, with Hounslow containing the largest proportion of total stock at 36%.

### **Local Office Market (B1)**

The local office property market of LB Richmond upon Thames is defined by the characteristics that would normally be associated with B1 land-use suitability i.e. good access to transport and facilities and amenities. The main town centres of Richmond, Twickenham, Teddington and Hampton are well located for Heathrow Airport, and Richmond's position at the western end of the District Line means that the area benefits from good links to the West End and the City. Richmond town centre and Hampton/ Hampton Hill in particular, are considered to be something of favoured locations within west London for multinational corporations, based on transport links and the attractiveness of the surrounding residential areas. Given this cachet, the Richmond office market is considered as being in competition with other nearby centres, in particular Chiswick, Hammersmith and Wimbledon. In addition to more traditional B1a office occupancy, the Borough is also home to the National Physical Laboratories in Teddington, incorporating both research and development (B1b) and light-industrial (B1c) uses. Smaller office premises are also found outside the principal town centres such as at the Castle Business Park in Hampton.

In 2008, the office market in LB Richmond upon Thames contained 296,000 m<sup>2</sup> of B1 (commercial) floorspace. Occupiers range from business services organisations, marketing companies, through to large call centres.

Local agents indicate that demand for B1 office premises in LB Richmond upon Thames has traditionally been buoyant, owing to transport links and the area's desirability. Recently, as in most other markets, demand has been adversely affected by the economic downturn, which has meant that take-up was very modest during both 2008 and 2009. There has not however been any instances of large-scale vacancy.

### **Local Industrial/Warehousing Market (B2/B8)**

The market for industrial/warehousing land and premises in LB Richmond upon Thames is small, occupying only 293,000 m<sup>2</sup> of floorspace for both use classes in total in 2008.

Owing to its small size, the industrial/warehousing market in LB Richmond upon Thames cannot readily be defined geographically, i.e. sites and premises are not concentrated in particular areas of the Borough. Instead there is a scattering of smaller self-contained estates providing average quality accommodation principally for small and medium enterprises (SMEs).

In the main, industrial/ warehousing occupiers in the Borough tend to serve non-local demand for goods and services, some being aligned to the air-freight related storage sector in LB Hounslow servicing Heathrow Airport and larger occupiers such as Anheuser-Busch (Stag Brewery) serving regional product markets.

Agents commented that although demand may have weakened as a result of the economic downturn, take-up has never been strong. Also, vacancy rates have remained low which suggests that the B2/B8 market experiences relatively low levels of turnover.

### 3.3 Demand for Employment Sites and Premises in the LB of Richmond upon Thames

#### Local Office Market (B1)

Consultations with commercial property agents have indicated that demand in the local office market in LB Richmond upon Thames has historically been strong and attracts multi-national occupiers looking to capitalise on the good location of Richmond town centre in relation to its prime location between Heathrow and Central London.

Recently, take-up has declined considerably (from mid-2008) largely owing to the impact of the economic downturn and exacerbated by the ongoing recession. There were few recorded deals in late 2008, with take-up in the first two quarters of 2009 being largely non-existent. Agents do expect demand to recover in time, commenting that the attractiveness of the Borough to office occupiers, and Richmond town centre in particular, will remain in the long-term.

In terms of sectors, local property agents have confirmed that a range of businesses demand office space in the Borough, including accountancy firms, marketing organisations, publishers and those requiring call centre operations (e.g. eBay).

Premises required by businesses, where demand arises, are generally small (less than 250m<sup>2</sup>) and serviced office developments are popular. Although most demand is thought to come from businesses employing around 10-20 employees, enquiries from larger companies, prior to the economic downturn were not uncommon. There has also traditionally been good demand for development sites although floorspace in these cases will often be provided as a component of residential led mixed-use schemes.

When market conditions for B1 uses were more buoyant, demand was generally concentrated in the town centre areas and along the River Thames, at locations where transport links are appropriate. As already stated above, Richmond town centre is the main office location in the Borough, and is of sub-regional importance as a location for B1 uses. This does not detract from the relative importance of other centres in the Borough however, with agents receiving enquiries for, and planning permissions being granted in Mortlake, Teddington and Twickenham.

#### Local Industrial/Warehousing Market (B2/B8)

The local market for industry and warehousing is relatively inactive, which is, in part, a reflection of the fact that the total quantum of land for these uses (64.8 hectares) is lower in only three other London Boroughs – City of Westminster, LB Barnet and Royal Borough of Kensington and Chelsea<sup>4</sup>. The LB Hounslow, situated adjacent to Richmond upon Thames, has, by contrast, the 4<sup>th</sup> largest quantum of industrial (B2/B8) land of all London boroughs. As such, demand for land and premises in LB Richmond upon Thames itself has historically been low, with occupiers preferring more established industrial areas, and agents confirm that this remains the case.

There is considered to be some demand for premises from small B2/Sui-Generis users, particularly car servicing stations and repair centres. This is fairly typical of most outer London boroughs however as these businesses do not require bespoke specification premises rely little on the strength of their supply chain linkages and are close to their prospective market. There is also some demand from small-scale storage occupiers.

High land values in the Borough, coupled with an acute shortage of development sites, mean that there is minimal opportunity to acquire land to develop for lower value uses such as industry and warehousing and as such agents seldom receive enquiries.

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<sup>4</sup> GLA/URS (2007) Industrial Land Release Benchmarks Report

### 3.4 Supply of Employment Sites and Premises in the LB of Richmond upon Thames

#### Local Office Market (B1)

According to ONS, commercial office floorspace stock in LB Richmond upon Thames has increased by 22% over the period 1998 to 2004 and 4% over the period 2005 -2008<sup>5</sup>. Analysis shows that stock has remained constant at 296,000 m<sup>2</sup> since 2005. It could therefore be assumed that the B1 market has either reached a relative state of equilibrium or that there no further suitable premises available for the office market to expand into.

The quality of office premises in the Borough is varied. There is a noted shortage of high quality new build premises, with few new large developments in the pipeline. As with most other boroughs in the property market area, there is deemed to be an acute shortage of potential development sites, with high land values meaning that there is strong competition for sites from residential uses. Refurbishment of older premises to provide better quality space has been popular in recent years, with buildings such as Oriel House (Richmond town centre) achieving rents of around £333 per m<sup>2</sup> (£31 per ft<sup>2</sup>) on completion in 2007 – considered to be premium rental value.

There is recognised to be a significant amount of vacant office floorspace in the Borough. It is thought that this is largely due to two factors; the impact of the economic downturn, and the presence of a large number of average/ poor quality premises, which there is generally muted demand for. The smaller occupiers in the market generally require flexible leases, with this requirement typically being met by landlords owing to current vacancy. When demand was more buoyant, a typical lease for a new tenant acquiring 10,000 sq ft<sup>2</sup> (930 m<sup>2</sup>) would be a 10-year term.

Recent historic office rental values in Richmond town centre range between £215 per m<sup>2</sup> (£20 per ft<sup>2</sup>) for second hand premises, and up to £322 to £333 per m<sup>2</sup> (£30-31 per ft<sup>2</sup>) for new or refurbished space. £194 to £215 per m<sup>2</sup> (£18-20 per ft<sup>2</sup>) is typical for new/ good-quality space in Twickenham. This compares to around £204 per m<sup>2</sup> (£19 per ft<sup>2</sup>) in Sutton and £237 per m<sup>2</sup> (£22 per ft<sup>2</sup>) in Kingston. These values are based on recent historic rents achieved, and in present market conditions are likely to be slightly less. For example, according to Knight Frank LLP, the best rent achieved in Richmond in the 2<sup>nd</sup> quarter of 2009 was £290 per m<sup>2</sup> (£27 per ft<sup>2</sup>). This trend is being reflected at competing office locations in the SWPMA. It is likely that this recent downward trend in rental yields related to the economic downturn will stabilise and then rental values will return to their previous levels.

#### Local Industrial/Warehousing Market (B2/B8)

The local market supply of industrial (B2) property in the Borough has been in a slow decline in recent years as land has been lost to mainly non-employment uses, such as residential, and also to warehousing (B8). However, LB Richmond upon Thames has never had a core manufacturing/processing base and supply of industrial premises has, as a result, always been low. Similarly, although supply of warehousing (B8) property has remained relatively static in recent years, the size of the market has always been small, with neighbouring LB Hounslow being a more important location for B8 occupiers.

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<sup>5</sup> A revaluation and classification of all non-domestic property occurred in 2005, which resulted in a reduction in the quantum of defined commercial office floorspace in the Borough. It is therefore not possible to quantify and consider growth over the entire period 1998-2008.

A number of industrial and business areas remain in the Borough which include, St Clare Business Park (Hampton Hill), Port Hampton and Mount Mews (both Hampton), at Lower Richmond Road/ Market Road (Richmond), Heathlands Industrial Estate (Twickenham) and Teddington Business Park (Teddington). There are newer units at the Kingsway Business Park/ Oldfield Industrial Estate (Hampton). The majority of industrial and warehousing stock is considered to be of good quality, and local agents indicate that there is some demand for property, although neighbouring Boroughs have a far greater supply of similar premises. On the whole, vacancy is not considered to be an issue at the majority of industrial estates and that these areas function well as employment locations.

One of the largest industrial sites in the Borough, the Stag Brewery at Mortlake, is set to close in 2010. This is considered by agents and the Council to be a prime development site, given its size and riverside location, and it is likely that the site will be developed for a number of mixed uses.

### **3.5 Balance of Supply and Demand**

#### **Local Office (B1)**

It has been concluded from consultations with local agents that demand for B1 office market premises in LB Richmond upon Thames has traditionally been strong. Good public transport links to both Heathrow and the West End of London, combined with the popularity of the residential area, sets the Borough, and Richmond town centre in particular, aside from other nearby centres in the M25 office market.

Occupiers generally require high-specification premises where available, with small suites (less than 250 m<sup>2</sup>) on flexible terms currently proving popular. In better market conditions, the area attracts larger occupiers and is fairly important as a location for multi-national headquartering.

Although there is a good supply of second hand office premises, particularly in Richmond and Twickenham town centres, there is an acknowledged shortage of new/ high-quality stock on the market and few readily developable sites.

It can therefore be said that the current supply of premises in the office market, in terms of quality, does not generally meet demand from occupiers as there is a lack of high-quality accommodation and this is reflected in current vacancy. There are few sizable developments in the pipeline that would help correct this perceived imbalance. Although this might normally lead potential occupiers to locate elsewhere, there are considered to be similar issues regarding quality of premises at other favourable locations, e.g. Wimbledon.

#### **Local Industrial (B2) and Warehousing (B8)**

Property market agents suggested that there is little demand for industrial and warehousing premises in Richmond upon Thames, with occupiers generally locating in the more established industrial areas in the sub-region i.e. LB Hounslow. There was acknowledged to be some demand for premises arising from sui-generis users. Demand for B2 land and floorspace is considered to be lower than B8, in a reflection of trends in other parts of the SWPMA.

The majority of second-hand industrial and warehousing stock is considered to be of average quality. Industrial vacancy rates in LB Richmond upon Thames are low, although this is considered largely to be a result of the size of the B2 and B8 sectors in the Borough rather than overwhelming demand.

In conclusion, it would appear that there is balance between supply and demand for industrial and warehousing premises in LB Richmond upon Thames with relatively low levels of stock meeting relatively low levels of demand.

### **3.6 Future Outlook for Office and Industrial Property Markets**

Although the office market in LB Richmond upon Thames is currently experiencing a degree of over-supply as a result of the economic downturn, it is considered that there will be an improvement in

market conditions once the economy recovers and vacancy will decrease. The acknowledged shortage of development sites, combined with the overwhelmingly residential character of the Borough, mean that development of new stock is likely to remain muted and piecemeal in the future. The existing trend of refurbishment of existing stock is set to continue as a result of this.

The industrial and warehousing market in LB Richmond upon Thames is small and generally inactive and there is no evidence to suggest that this will expand in the future. It is likely that demand for B2 employment land and premises in the Borough will continue to decline and this may result in some sites becoming available for development for other uses e.g. Stag Brewery.

Our consultations with local property agents revealed that there is a feeling that the Council could do more to stimulate the office market by taking a more proactive role in increasing the supply of land for development. It was acknowledged however that the residential nature of the Borough, coupled with its large open spaces and conservation areas, mean that opportunities for doing this are likely to be limited.

### 3.7 Summary

The past trends and current perceptions of the employment land property market in LB Richmond upon Thames, South West Property Market Area (SWPMA) and sub regional M25 market were identified, drawing upon consultations with local property market agents as well as a review of relevant publications and literature. The SWPMA is based around the London Boroughs of Kingston upon Thames, Merton, Sutton and Hounslow.

At a sub regional level LB Richmond upon Thames could be considered part of the M25 South West quadrant employment market. This is an area that traditionally attracts officer occupiers due to its proximity to the London market and generally high quality of housing and environment. With the exception of a large B8 market connected to Heathrow it is not traditionally popular amongst industrial occupiers.

Within the SWPMA, LB Richmond upon Thames is the second most popular Borough for B1 occupiers after Hounslow with 379,000 m<sup>2</sup> of office floorspace in 2008. Office premises are generally focused on town centres such as Richmond, Teddington, Twickenham and Mortlake, which have good access to public transport, facilities and amenities. The office market in the Borough also competes well with other surrounding Boroughs due its relatively high quality of housing, facilities, environment and proximity to Heathrow. Demand is relatively strong although agents noted that there is a relative lack of new high quality premises, which could potentially hinder the future growth of the office sector.

LB Richmond upon Thames does not have a traditionally large B2 and B8 market and in line with national trends of deindustrialisation it is continuing to decline. What industry there is tends to be scattered and consists of smaller units on self contained industrial estates. This includes a relatively significant proportion of SMEs. Of the modern large floorplate occupiers most are related to the air-freight sector servicing Heathrow and the Stag Brewery, although the later is due to close shortly. Against a general trend of declining demand for B2 premises there is a moderate localised demand from sui generis occupiers.

## 4 EMPLOYMENT LAND FORECASTS

### 4.1 Introduction

In this section we forecast the future demand of employment land by type based on the methodology suggested in the Employment Land Reviews: Guidance Note (DCLG, 2004). The 2006 LB Richmond Employment Land Study used a relatively short data range (due to limited data reliability pre-1998) based on the quantum of employment space occupied by businesses in the borough from 1998 to 2003, as recorded by the Valuation Office Agency (VOA). A larger data range is now available (1998-2008), meaning a greater level of reliability to the forecasting process. Since the 2006 study the GLA has also issued a more up-to-date employment forecasts by borough and sector to 2026<sup>7</sup>. This will be used to extend the projections of demand in LB Richmond to 2026, rather than to 2016 as in the 2006 Study. This brings the results in line with the timeframe of the adopted LB Richmond upon Thames Core Strategy and the London Plan.

### 4.2 Approach

As outlined in the Employment Land Reviews: Guidance Note (DCLG, 2004) there are various employment land forecasting approaches that can be used and each approach has its relative strengths and weaknesses.

One approach is to take employment predictions based on macro-economic forecasts. This approach takes account of wider drivers of change and growth, particularly with regard to the economy of London. However, applied at a local (borough) level these models do not usually take account of the specific circumstances affecting local economic development. These factors could include the availability and nature of sites, the range of local regeneration and job creation initiatives and the specific plans of local businesses.

An alternative approach is to consider historic trends in local employment floorspace take-up and project those trends forward. The downside to this approach is that although it provides an accurate record of past performance in each of the business land use types, projecting such data forward in to the future does not take account of potential future changes arising from wider regional economic drivers and any changes to the local property market characteristics and policies. For example, while B2 floorspace might have declined rapidly in the last eight years due to deindustrialisation, this trend may have reduced the B2 market to a relative state of equilibrium and therefore the future trend might be characterised by a gentler decline.

Therefore to overcome the weaknesses of these different forecasting approaches we have applied a synthesis of the different approaches. We also take account of the impact the current recession on demand for employment land during the planning period.

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<sup>7</sup> Current Issues Note 13: Updated Borough Level Employment Projections to 2026

Our synthesis approach is made up of the following components:

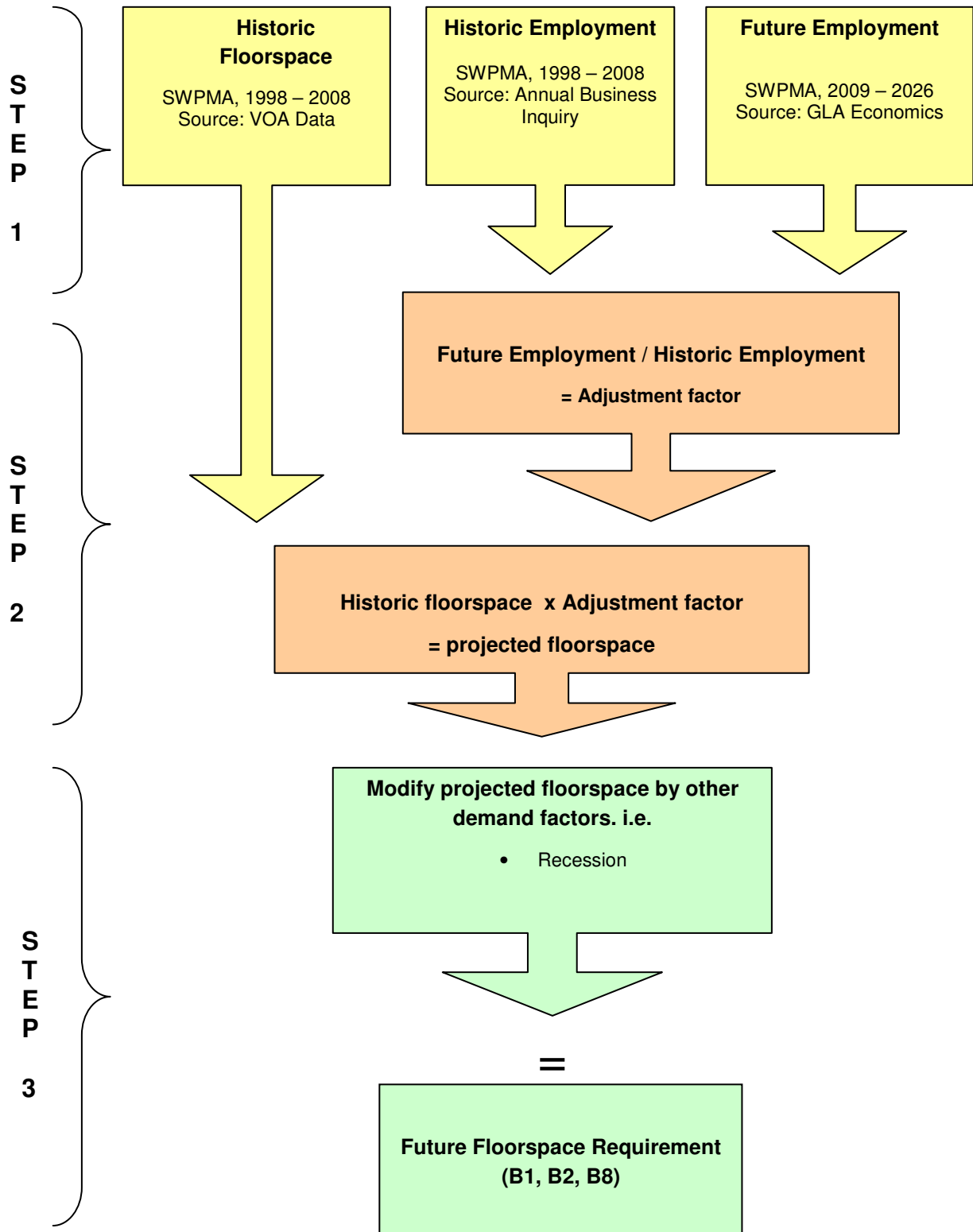
- Historic employment floorspace trends
- Historic employment trends by B1, B2 and B8 use classes
- Employment predictions based on macro-economic forecasting, and
- An analysis of the effects of the recession on demand

This method follows the following steps and is expressed in the flow diagram overleaf:

- **Step 1** - Calculate historic floorspace, historic employment and future employment trends for B1, B2 and B8 land uses.
- **Step 2** - Create an adjustment factor by dividing future employment trends by historic employment trends and then multiply the adjustment factor by the historic floorspace trend.
- **Step 3** - Modify the resulting floorspace projection by the adjustment factor and other demand factors not captured thus far, such as the effects of the recession. This produces the future floorspace requirement to 2026.



**Figure 4.1: Employment Forecast Methodology Flow Chart**



### 4.3 Study Area

On a Borough level, changes to the stock of floorspace are strongly influenced by single large events. Decisions by individual employers or developers can conceal underlying trends. The same is true for employment trends and predictions based on macro-economic forecasts. We have therefore chosen to base the employment land demand forecast for LB Richmond upon Thames on sub-regional floorspace trends and employment predictions.

The suitable area against which comparison with existing sub-regional forecasts and benchmarks should be undertaken was considered to be the South West Property Market Area (SWPMA). This property market area was also based on information gained from local property market agents, as described in section 3. The SWPMA includes the following boroughs:

- Hounslow
- Kingston-upon-Thames
- Merton
- Richmond-upon-Thames
- Sutton

### 4.4 Historic Floorspace Trends

The VOA data allows for the assessment of changes in floorspace between 1998 and 2008. Although this covers a relatively short time period it includes the buoyant period between 1998 and 2001, the downturn of the market between 2001 and 2003 and the start of the current economic downturn. This captures a full business cycle as defined by the Treasury who consider that the economic cycle ran between 1997 and 2006<sup>8</sup>. Additional account is taken of the current economic recession at a later stage (see demand adjustment section below).

**Table 4.1** below shows historic floorspace trends for B1, B2 and B8 for the SWPMA. The compound average annual change figure is used in the synthesis exercise at **Table 4.11**.

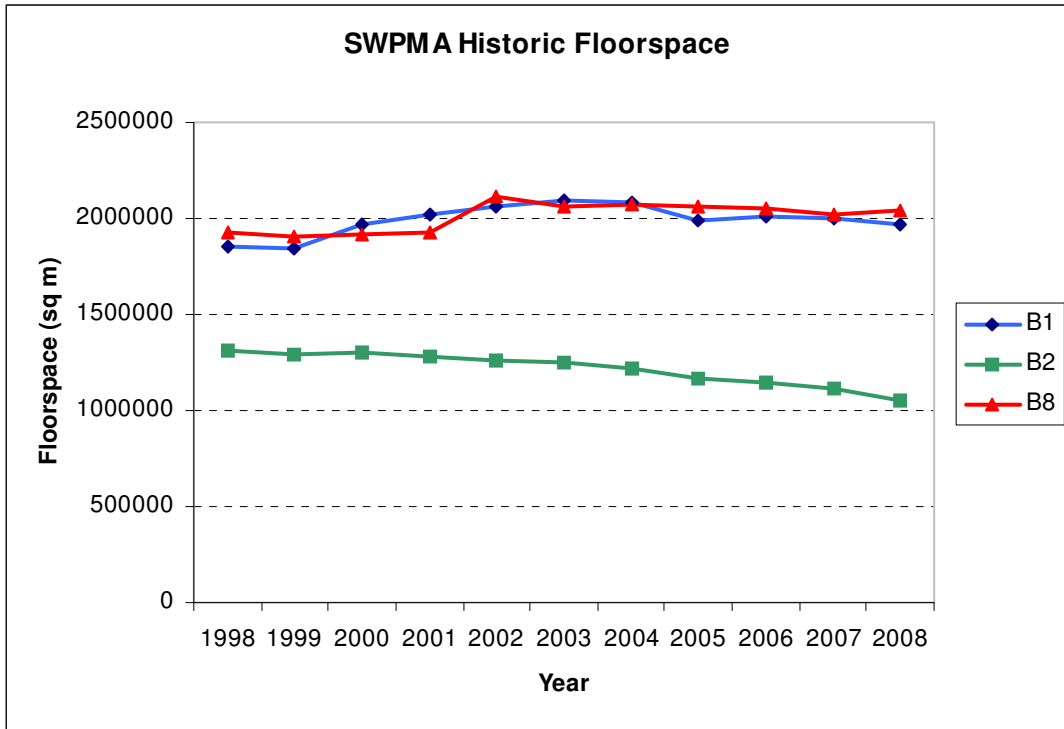
**Table 4.1 Floorspace Change in SWPMA (1998-2008)**

	1998	2008	Change 1998-2008		Compound Average
	m <sup>2</sup>	m <sup>2</sup>	m <sup>2</sup>	%	Annual Change %
B1 Office SWPMA	1,850,000	1,969,000	119,000	6.4%	0.6%
B2 Factories SWPMA	1,312,000	1,056,000	- 256,000	-19.5%	-2.1%
B8 Warehouses SWPMA	1,923,000	2,042,000	119,000	6.2%	0.6%
<b>TOTAL</b>	<b>5,085,000</b>	<b>5,067,000</b>	<b>-18,000</b>	<b>-0.4%</b>	<b>0.0%</b>

*Source: VOA 2008*

<sup>8</sup> Treasury Pre-Budget Report 2008 (paragraph 46).

Figure 4.2 Historic Floorspace in SWPMA 1998-2008



Source: VOA 2009

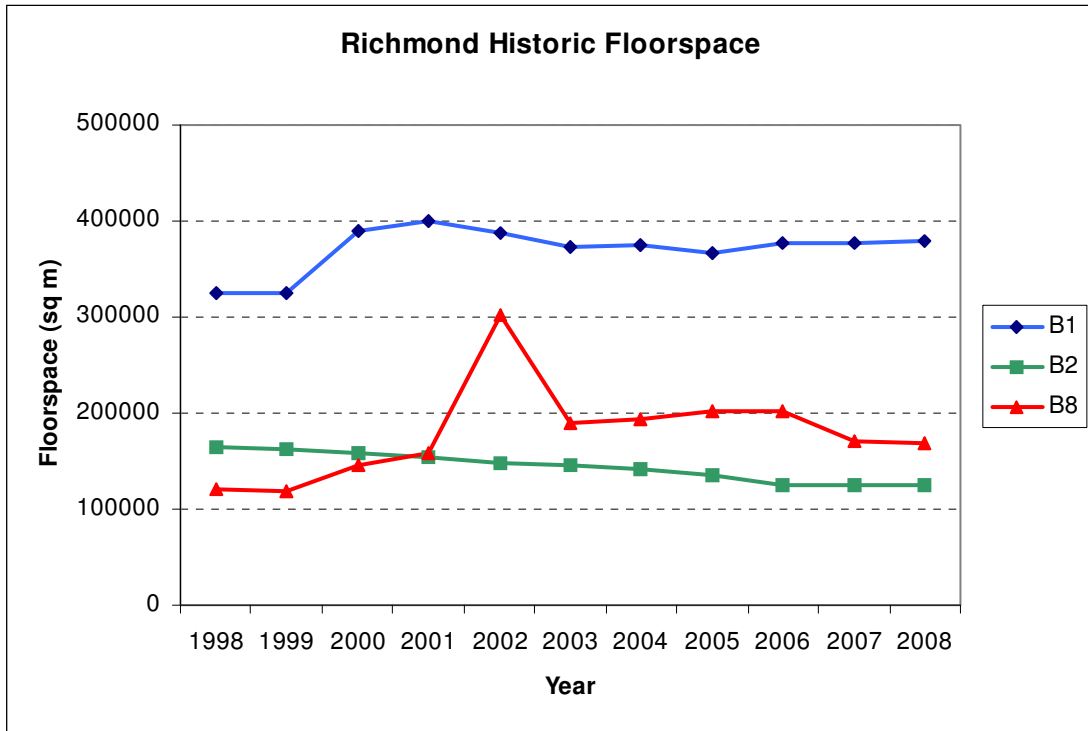
In LB Richmond upon Thames, floorspace for factories in the same period decreased at a higher rate than for the SWPMA - at 24.4% compared to a decrease of 19.5%, while floorspace for warehouses increased at a much higher rate in Richmond upon Thames than the SWPMA at 39.7% compared to an increase of 6.2%. See Table 4.3 for more detail.

Table 4.3 Floorspace Change in LB Richmond upon Thames 1998-2008

	1998	2008	Change 1998-2008		Compound Average Annual Change
	m <sup>2</sup>	m <sup>2</sup>	m <sup>2</sup>	%	%
B1 Offices	324,000	379,000	55,000	17.0%	1.6%
B2 Factories	164,000	124,000	- 40,000	-24.4%	-2.8%
B8 Warehouses	121,000	169,000	48,000	39.7%	3.4%
<b>TOTAL</b>	<b>609,000</b>	<b>672,000</b>	<b>63,000</b>	<b>10.3%</b>	<b>1.0%</b>

Source: VOA 2008

Figure 4.3 Historic Floorspace in LB Richmond 1998-2008



Source: VOA 2008

#### 4.5 Historic Employment Trends

Between 1998 and 2007<sup>9</sup> employment in the SWPMA has grown 6.8% or by an average of 0.8% per annum. **Table 4.4** below identifies the historic employment trends within each sector in the SWPMA between 1998 and 2007.

<sup>9</sup> The most recent ABI data is 2007. This explains why the historic employment series runs from 1998 to 2007 and not 2008 as with the historic floorspace data.

**Table 4.4 Historic Employment Trends SWPMA**

Sector	1998	2007	Change (1998-2007)		Compound Average Annual Change
	No.	No.	No.	%	%
Primary & utilities	545	541	-4	-0.7%	-0.1%
Manufacturing	31,604	18,471	-13,133	-41.6%	-5.8%
Construction	16,858	15,753	-1,105	-6.6%	-0.8%
Wholesale	15,644	20,204	4,560	29.1%	2.9%
Retail	49,209	51,767	2,558	5.2%	0.6%
Hotels & restaurants	21,303	23,582	2,279	10.7%	1.1%
Transport & communications	30,274	31,954	1,680	5.5%	0.6%
Financial services	12,760	8,444	-4,316	-33.8%	-4.5%
Business services	72,149	91,690	19,541	27.1%	2.7%
Public administration	21,610	17,110	-4,500	-20.8%	-2.6%
Health & education	60,237	69,765	9,528	15.8%	1.6%
Other services	19,169	32,848	13,679	71.4%	6.2%
<b>TOTAL</b>	<b>351,362</b>	<b>382,129</b>	<b>30,767</b>	<b>8.8%</b>	<b>0.9%</b>

*Source: ONS Crown Copyright, URS 2009. These figures include self-employed.*

**Table 4.5 Historic Employment Trends LB Richmond**

Sector	1998	2007	Change (1998-2007)		Compound Average
	No.	No.	No.	%	Annual Change
Primary & utilities	136	139	3	2.2%	0.2%
Manufacturing	4,554	3,094	-1,460	-32.1%	-4.2%
Construction	1,984	1,849	-135	-6.8%	-0.8%
Wholesale	1,851	1,839	-12	-0.6%	-0.1%
Retail	7,807	7,734	-73	-0.9%	-0.1%
Hotels & restaurants	4,714	5,987	1,273	27.0%	2.7%
Transport & communications	2,816	2,596	-220	-7.8%	-0.9%
Financial services	1,763	1,796	33	1.9%	0.2%
Business services	14,674	18,515	3,841	26.2%	2.6%
Public administration	3,637	3,064	-573	-15.8%	-1.9%
Health & education	10,449	13,200	2,751	26.3%	2.6%
Other services	4,791	6,781	1,990	41.5%	3.9%
<b>TOTAL</b>	<b>59,176</b>	<b>66,594</b>	<b>7,418</b>	<b>12.5%</b>	<b>1.3%</b>

*Source ONS Crown Copyright, URS 2009. These figures include self-employed. This data set contains numbers that are rounded up and this may therefore account for totals not adding up*

In the LB Richmond historic employment trends show an average compound annual change between 1998 and 2007 of 1.3% with the largest growth rates in business services (2.6%), hotels and restaurants (2.7%) and other services (3.9%) per annum. Employment has fallen over the same time period in manufacturing by an average of 4.2% per annum, and public administration by 1.9% per annum. Figures are shown in **Table 4.5**. This shows that since 1998 employment growth in LB Richmond has been greater than in the SWPMA.

Employment numbers are only provided on a broad sector level for London, as displayed in **Tables 4.4 and 4.5** above, not by B1, B2 or B8 uses. To specifically identify industrial and office employment land use for the forecasting exercise, one needs to identify the proportion of industrial and office employment in each of the GLA's twelve broad sectors and then translate that into B1, B2 and B8 land use types. URS has previously carried out work in employment land studies for other London Boroughs that determines employment land by relevant sector<sup>10</sup>. In this work all employment sectors are analysed by their four-digit Standard Industrial Classification (SIC) level and then the proportion of industrial or office employment land is grouped as either B1, B2 or B8 employment land.

A description of the approach to identify office and industrial employment from the SIC code data and the classification used is outlined in **Appendix B**. This has enabled us to estimate the employment figures as set out in **Table 4.6** below. The compounded annual percentage change in employment numbers for each of the three employment land use types (B1, B2 & B8) informs the next stage of the forecast at **Table 4.11**.

<sup>10</sup> See the London Industrial Land Release Benchmarks and North East and South East Baseline, URS (2007)

**Table 4.6 SWPMA Historic Employment by Land Use Type 1998 - 2007**

	Employment numbers		Changes 1998 - 2007		
	1998	2007	Chg %	No.	Compound % p.a.
B1 Office	106,592	116,696	9.5%	10,104	1.0%
B2 Factories	34,108	23,786	-30.3%	- 10,322	-3.9%
B8 Warehouse	26,264	31,413	19.6%	5,149	2.0%
<b>Total</b>	<b>166,964</b>	<b>171,895</b>	<b>3.0%</b>	<b>4,931</b>	<b>0.3%</b>

*Source URS Calculations 2009*

## 4.6 Employment Forecasts

### London, South West Property Market Area and LB Richmond

The most recent employment forecasts for London Boroughs are produced by GLA Economics and are contained within 'Current Issues Note 13: Updated Borough Level Employment Projections to 2026 (2006)<sup>11</sup>'. The GLA advise Boroughs to use these figures for forward planning purposes. Employment in the SWPMA is forecasted to increase by 6.8% between 2006 and 2026 and by 4.2% in LB Richmond over the same time period, as shown in **Table 4.7**. The forecasts are based on a 'triangulation' process which incorporates the following factors:

- Structural trends evident in the Boroughs
- Assumed transport accessibility improvements, and
- The availability of current, and the development of new, business sites and related premises.

**Table 4.7 Employment Forecast for London, SWPMA and LB Richmond**

	Projections					Change 2006-2026	
	2006	2011	2016	2021	2026	No.	%
London	4,587,000	4,808,000	5,038,000	5,264,000	5,499,000	912,000	19.9% <sup>12</sup>
SWPMA	457,513	456,742	464,081	476,013	488,526	31,013	6.8%
Richmond	84,869	83,986	84,961	86,662	88,444	3,575	4.2%

*Source: GLA Economics Current Issue Note 13: Borough Level Employment Projections to 2026*

**Table 4.8** shows employment projections for Greater London for twelve broad industrial sectors. The projections are based on standard models of economic growth. An average historic long-term growth of total output of 2.5% (measured in Gross Value Added) has been projected into the future. To derive employment growth by sector historic changes in productivity in each sector have been analysed and projected into the future assuming an overall increase of 2.5% of total output.

<sup>11</sup> The GLA are producing updated employment forecasts that take account of the current economic downturn. These figures are expected to be available towards the end of Summer 2009.

<sup>12</sup> In order to calculate the compounded annual average change, a line of best fit is used with the data.

**Table 4.8 Employment Projections by Sector across Greater London**

Sector	Projections					Changes 2006-26	
	2006	2011	2016	2021	2026	No.	%
Primary and Utilities	15,000	12,000	10,000	8,000	6,000	-9,000	-60.0%
Manufacturing	237,000	197,000	164,000	136,000	113,000	-124,000	-52.3%
Construction	216,000	199,000	183,000	168,000	154,000	-62,000	-28.7%
Wholesale	235,000	239,000	243,000	247,000	250,000	15,000	6.4%
Retail	406,000	422,000	439,000	456,000	473,000	67,000	16.5%
Hotels and restaurants	327,000	371,000	421,000	476,000	539,000	212,000	64.8%
Transport, and communication	340,000	334,000	327,000	320,000	313,000	-27,000	-7.9%
Financial Services	331,000	342,000	354,000	365,000	376,000	45,000	13.6%
Business Services	1,142,000	1,304,000	1,453,000	1,585,000	1,702,000	560,000	49.0%
Public Administration	244,000	233,000	222,000	210,000	200,000	-44,000	-18.0%
Health and Education	710,000	719,000	728,000	735,000	742,000	32,000	4.5%
Other Services	384,000	436,000	494,000	558,000	631,000	247,000	64.3%
<b>TOTAL</b>	<b>4,587,000</b>	<b>4,808,000</b>	<b>5,038,000</b>	<b>5,264,000</b>	<b>5,499,000</b>	<b>912,000</b>	<b>19.9%</b>

*Employment figures include the self-employed*

*Sources: Current Issues Note 13: Borough Level Employment Projections (GLA Economics, 2006), URS Calculations, 2009, ONS ABI 2009*

Employment in manufacturing, which is generally located on industrial land, is forecasted to decrease in Greater London by 52.3% between 2006 and 2026. Wholesale employment, which accounts for a large part of warehouse-related employment, is projected to rise by 6.4% in the same time period. Financial, business and other services, which account for most of the office jobs, are projected to grow significantly during this time period.

### **South West Property Market Area**

While the forecasts provided by GLA Economics give an overall Borough employment forecast there is no breakdown of Borough employment forecasts by B1, B2 and B8 use class.

Using the methodology described for **Table 4.6** above we have calculated the employment forecasts for the SWPMA for B1, B2 and B8 and set them out below in **Table 4.9**. The compounded annual percentage change in employment numbers for each of the three employment land use types (B1, B2 & B8) is fed into the synthesis exercise at **Table 4.11**.



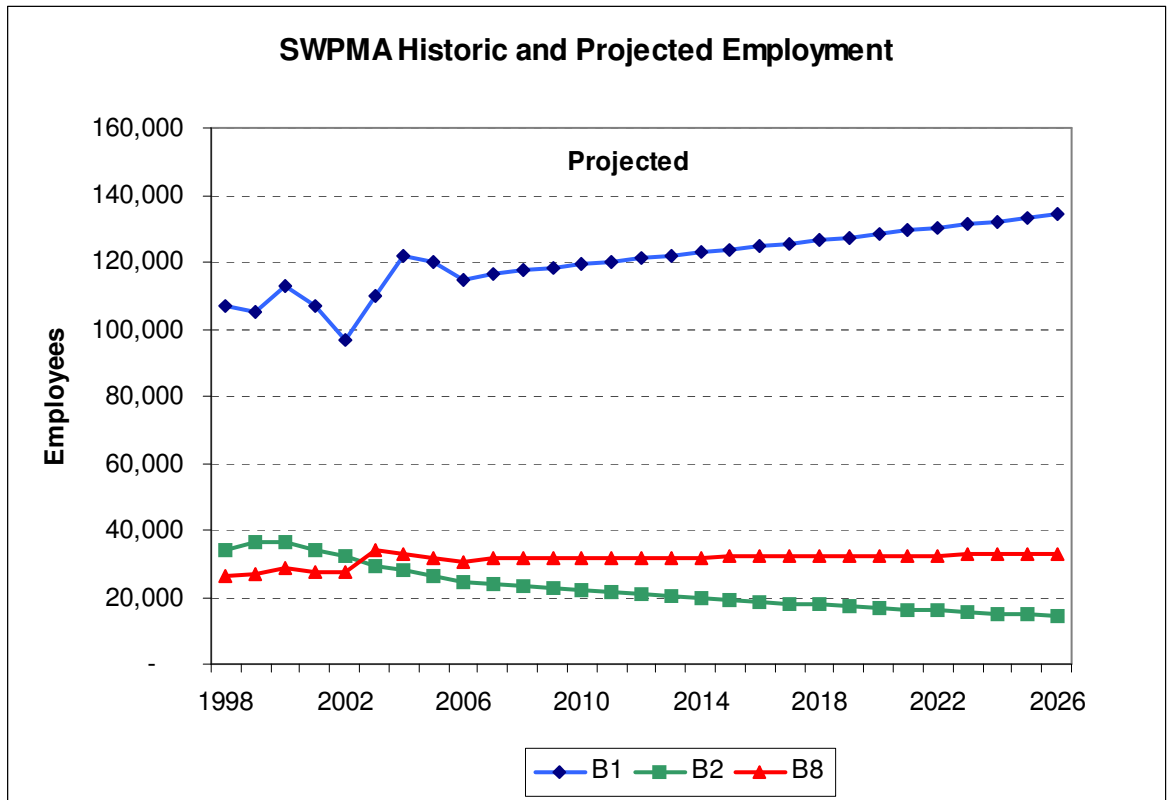
**Table 4.9 Employment Forecast by Relevant Sector for the SWPMA**

	Projections							Compound Average Annual Change
	2008	2011	2014	2017	2020	2023	2026	2008-2026 p.a %
B1	117,556	120,176	122,854	125,591	128,389	131,250	134,175	0.7%
B2	23,154	21,357	19,700	18,172	16,761	15,461	14,261	-2.7%
B8	31,483	31,696	31,909	32,124	32,341	32,559	32,778	0.2%
<b>Total</b>	<b>172,194</b>	<b>173,229</b>	<b>174,463</b>	<b>175,887</b>	<b>177,492</b>	<b>179,270</b>	<b>181,214</b>	<b>0.3%</b>

Source: Experian Business Strategies and ONS Crown Copyright, Voltera (provides by GLA Economics), URS calculations 2009. Please note that figures may not sum correctly due to rounding.

The historic and projected employment forecasts in the SWPMA for B1, B2 and B8 uses are shown in **Figure 4.4**.

**Figure 4.4 SWPMA Historic and Projected Employment Trends**



Source: URS, 2009.

**4.7 Synthesis Forecast**

Our synthesis forecast approach takes trends in floorspace provision as a basis for forecasting future employment land demand. The historic floorspace trends are forecasted linearly into the future and adjusted for wider regional economic changes by incorporating an adjustment factor.

The adjustment factor takes into account the relative changes in employment during the time period for which historic floorspace trends are used and sets them in relation to forecasted changes in employment. The adjustment factor is calculated as follows:

$$\text{Adjustment Factor} = \text{Forecast Employment} / \text{Historic Employment}$$

The adjustment factor is then multiplied by the historic change in floorspace provision to obtain the forecast. The results are shown in **Table 4.11**. This shows the historic trend based on past floorspace changes, historic and forecasted annual employment changes for B use classes, the adjustment term and the adjusted average annual floorspace demand for the period 2006 to 2026.

**Table 4.11** shows that annual growth in B1 Office floorspace between 2008 to 2026 of 0.5% is forecasted to be almost the same as the rate experienced between 1998 and 2008 at 0.6%. Decline in B2 Factories is likely to slow from an average of -2.1% per annum to -1.5% per annum. Demand for warehousing space is expected to slow slightly at a moderate average increase of 0.1% per annum up to 2026.

**Table 4.11 Synthesis Forecast for Employment Floorspace**

	Historic Annual Floorspace Changes (%)	Average Annual Change in Employment (relevant sectors) (%)		Adjustment Factor	Adjusted Average Annual Floorspace Demand (%)
	1998 - 2008	1998 - 2007	2008-2026		
B1 Offices	0.6%	1.0%	0.7%	0.7	0.5%
B2 Factories	-2.1%	-3.9%	-2.7%	0.7	-1.5%
B8 Warehouses	0.6%	2.0%	0.2%	0.1	0.1%

Source: URS, 2009

**4.8 Taking account of the Recession**

The next step in the approach is to adjust the forecasts by taking account of the effects of the recession on demand for employment floorspace in the borough.

Although over the full plan period the current economic recession is not expected to have a significant impact in terms of reducing the overall demand for employment land, there will be an affect upon employment land in the shorter term (i.e. the next five years). We have therefore made a negative adjustment to the forecast to reflect these factors.

**Table 4.12** presents what affect the recession is likely to have on each of the land use types in the SWPMA forecasts. This is in the format of either a higher (↑) demand than the regional forecasts, a lower (↓) demand than the regional forecasts or a comparable to demand to the regional forecasts (↔). Each of these factors is given a weighting of an either +/- 20% of the forecast average annual forecast rate of change (result of the synthesis exercise) depending on which direction the arrow points. The result of this exercise produces an adjusted forecast and this is then also adjusted by 0.25% either side of the new final figure in order to create a range that can be used in a sensitivity analysis. The sensitivity analysis is further explained in **section 4.12** below.

**Table 4.12 Modified Forecasts**

	<b>B1 Office (% per annum)</b>	<b>B2 Factories (% per annum)</b>	<b>B8 Warehouses (% per annum)</b>
<i>Forecast</i>	0.5	-1.5	0.1
<b>Demand modification</b>			
Recession	↓	↓	↓
<i>Adjusted Forecast</i>	0.4	-1.7	0.1
<i>Range (+/- 0.25%)</i>	0.1 to 0.6	-2.0 to -1.5	-0.2 to 0.3

*Source: URS 2009:*

*Note that figures may not add due to rounding.*

### **Sensitivity Testing and the Credit Crunch**

This forecasting exercise is performed according to both low and high growth scenarios respectively, in order to arrive at a final total figure for net demand for employment land up to 2026. These two different growth scenarios are shown in **Tables 4.14** and **4.15** below. The different scenarios are achieved by setting a range of 0.25% either side of the annual demand forecast for B1, B2 and B8 use types. Given that the demand adjustments already take account of the economic downturn, the low growth scenario represents analysis of an expected worse case impact of the economic downturn.

## **4.9 Other Relevant Employment Land Uses**

### **Waste Management and Recycling**

As mentioned above in **Section 2.3**, LB Richmond upon Thames is part of the West London Waste Authority together with the London Boroughs of Brent, Ealing, Harrow, Hillingdon and Hounslow. The WLWA is the statutory waste disposal body for the six local authorities. Jointly the six west London boroughs are in the process of producing the West London Waste Plan. This is currently at the Issues and Options stage. Once finalised the West London Waste Plan will identify potential sites for waste disposal and recycling and will set a strategy for how to deal with waste in the area up to 2026. The London Plan calls for existing waste management sites to be safeguarded and as part of the London Waste Apportionment Study estimated that an additional six hectares of land could potentially be required in Richmond upon Thames for waste and recycling before 2021. Therefore although the West London Waste Plan will define the exact target of land for waste in the Borough and at this moment it is unclear whether additional land will be required in the LB Richmond upon Thames up to 2026 and if so what that amount would be, for the purpose of this study it will be assumed that there is an additional six hectares of demand for land for waste and recycling facilities.

### **Utilities and Land for Public Transport**

URS research for the GLA (2006/7) suggests that although there will be increased demand for utilities services, utilities providers are generally expected to renew existing sites, or co-locate with other land uses, rather than require additional sites on industrial land. The research suggests that generally there is adequate existing land capacity within the utility infrastructure networks and assets to accommodate the demand from most of London in the near future. The quantities of land required, however, are assumed to be relatively small in comparison with total industrial land in the area and therefore additional demand for utilities land over the plan period is assumed to be zero. Likewise, additional land for public transport has been assumed to remain zero in Richmond upon Thames up to 2026 as it is unclear at this time whether there are plans for any additional land requirement for land for public transport.

## 4.10 Existing Stock of Employment Land

### 2009 Updated Stock of Employment Land

The above stock of employment floor space and land in Richmond upon Thames is estimated in **Table 4.13** below. This is calculated by taking the most up to date floorspace information from the Valuation Office Agency and applying plot ratios as described in Annex D of the 2004 CLG Employment Land Review Guidance.

**Table 4.13 Updated Stock of Employment Land and Vacant Land (B1/B2/B8/Wider Employment) in Richmond in 2009<sup>13</sup>**

	2008 Floorspace VOA	Plot Ratio	Land Estimate
B1	379,000	1.2	31.3
B2	124,000	0.4	31.0
B8	169,000	0.5	33.8
<b>TOTAL</b>	<b>672,000</b>	<b>n/a</b>	<b>96.1</b>

*VOA (2008), URS Surveys and calculations 2009*

## 4.11 Comparison of Supply and Demand

Tables **4.14** and **4.15** below set out the existing supply and compare it with forecast demand for employment land between 2009 and 2026 and demand for wider employment land uses such as waste management<sup>14</sup>.

**Table 4.14** below takes as a base point the current supply of industrial land in Richmond upon Thames (step 1) as described in **Table 4.13** above. Then the net demand for industrial land (B2/B8), as described in the synthesis exercise at **Table 4.11** above, is applied to the figure, i.e. the percentage change of demand for B2 and B8 land up to 2026 multiplied by the current stock of B2/B8 land giving –12.3 ha and –6.5 ha (2). The required additional land take for waste, utilities or wholesale market uses up to 2026 is also factored into the calculation as this is likely to take place on industrial sites within the Borough (3). This finally results in the total gross and net demand for B2, B8 and wider employment land uses in Richmond upon Thames (4 and 5 respectively). The net demand for B2 and B8 land described at 5 relates to land that could potentially be released to other uses by 2026 if deemed appropriate.

<sup>13</sup> This is the same process followed in the 2006 Employment Land Study.

<sup>14</sup> Current vacancy levels and optimum frictional levels are not considered as the property market assessment concluded that vacancy levels are already functioning at an optimal level.

**Table 4.14 B2/B8 Industrial and Warehouse Land Supply & Demand 2009 to 2026**

	Low growth scenario	High growth scenario
1. Actual (Gross supply) B2/B8 Land 2009		64.8
2. Change in demand for B2 / B8 land 2009 to 2026 (Ha)	--12.3	-6.5
3. Demand for additional Waste, Recycling, Utilities or Wholesale Market Land	+6	+6
4. Net demand for Industrial Employment Land 2009-2026 (Ha)	58.5	64.3
<b>5. Change in Demand for Industrial Employment Land 2009-2026 (Ha)</b>	<b>-6.3</b>	<b>-0.5</b>

*Source: URS, 2009*

**Table 4.14** above shows that there is a net demand for between –6.3 and –0.5 of land for B2/B8 employment uses between 2009 and 2026. The average between the high and low growth scenarios results in a net loss (-3.4 ha) of land for industrial employment use. **Table 4.15** below follows the same process as described above for Table 4.14 but for B1 employment land. It shows that up to 2026 there is additional (net) demand for between 0.6 and 3.5 hectares of office land within Richmond upon Thames.

**Table 4.15 B1 Office Land Supply and Demand 2009 to 2026**

	Low growth scenario	High growth scenario
1. Actual (Gross supply) B1 Land 2008 (ha)		31.3
2. Net demand for B1 land 2009 to 2026 (Ha)	+0.6	+3.5
3. Gross demand for B1 Employment Land 2009-2026 (Ha)	32.0	34.8
<b>4. Net Demand for Office Employment Land 2009-2026 (Ha)</b>	<b>+0.6</b>	<b>+3.5</b>

*Source: URS, 2009*

## 4.12 Summary

The employment land demand forecast takes account of sub regional employment forecasts, trends in employment related development in LB Richmond upon Thames, property market information and other factors likely to influence employment land demand such as the impact of the current economic downturn. The demand figure is then subjected to a sensitivity analysis in order to take account of different economic growth scenarios. These scenarios range from a low growth scenario to a high growth scenario. This leads to a conclusion on the expected demand for B1, B2 and B8 land up to 2026. In the final chapter this level of expected demand is matched with the current supply of employment land in order to inform the recommendations on whether employment land should be retained or released to other uses.

The result was that by 2026 there was expected to be a reduction of demand for B2/B8 land of between –6.3 and –0.5 hectares. This quantum of land could therefore potentially be released to other uses. The demand forecasting exercise calculated that due to structural changes in the economy, demand for B1 office land was likely to increase up to 2026 with an increased demand for between 0.6 and 3.5 hectares of land. This increased demand for B1 office land can be met through either a change of land use or re-designating existing employment land where there is a lack of demand for the present use i.e. industrial uses, to office use, or re-designation to a higher density.

## 5 CONCLUSIONS AND RECOMMENDATIONS

### 5.1 B1 Land Use Conclusions

Our forecasting exercise estimated that there is net demand for between 0.6 to 3.5 hectares of land for B1 uses in Richmond upon Thames up to 2026.

There is currently a good supply of second hand/ refurbished office premises in the Borough to meet demand from local businesses, yet the area also attracts demand from occupiers which are 'non-local' in their origins. There is also a relatively high vacancy rate. Multi-national corporations and London-wide operations are drawn to the town centre areas of the Borough owing to good transport links to Heathrow Airport and central London, and the area's residential attractiveness.

Our analysis of the B1 office property market indicates that, there is an acknowledged lack of supply of either new high specification premises or development sites to bring such supply forward. Agents have indicated that, although demand/ take-up has waned recently, there will continue to be demand for high-quality premises/ sites, which cannot be met by the current supply of largely second-hand premises. There is a lack of vacant employment land or other appropriate development sites in the Borough.

As suggested in paragraph 2.1 of the GLA Industrial Capacity SPG;

*'structural change in the London economy over recent decades has led to a shift away from traditional manufacturing industries, into the service sector.'*

In keeping with this historic trend of de-industrialisation and structural change in the UK economy, it is expected that demand for office-based employment across the whole of London will increase<sup>15</sup>. In LB Richmond upon Thames, the business services sector, which is a key occupier of B1 premises, already accounts for a significant proportion of jobs in the Borough with 27.8% of total jobs in 2007 according to Office of national Statistics Data. Long-term trends indicate that employment in this sector has grown by 26.2% since 1998.

As stated in the 2006 LB Richmond upon Thames Employment Land Study, our office property market analysis identified that the refurbishment of existing premises to provide better quality floorspace is evident in the Borough, largely borne out of the lack of opportunities to develop new floorspace to meet occupier demand.

### 5.2 B1 Land Use Recommendations

Based on these conclusions, there continues to be a strong case for the Council to facilitate improvements in the quality of the supply of office sites and premises in the Borough, particularly in the town centre areas of Richmond, Teddington and Twickenham. This study therefore makes the following recommendations:

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<sup>15</sup> This is partly because London, with high land prices and a large well-educated and highly skilled workforce, has a comparative advantage in providing B1 based employment compared to B2/B8 based employment relative to other parts of the country.

**R1 To protect existing office supply, the Council should continue to pursue a robust LDF policy on the protection of office premises***Justification*

The current economic downturn has affected demand for, and increased the level of vacancy of, B1 premises in the Borough. Our consultations with local property agents indicate that this is likely to persist only in the short-term, and that Richmond upon Thames will continue to attract demand for offices from both multi-national corporations and local occupiers owing to its good transport links and the area's residential attractiveness. Although much of the existing supply of office premises does not meet demand from quality-sensitive occupiers, this can be overcome to an extent through refurbishment providing a higher quality offer. It is therefore considered necessary that the Council's LDF policies, as outlined at point 4.4.28 of the adopted Core Strategy, continue to ensure the retention of the existing supply of office floorspace in order to meet the forecast demand.

Also where possible the Council should increase the viability of the office supply by encouraging the refurbishment of existing premises. This could be achieved both directly and indirectly. Direct methods include permitting mixed-use development on the site, such as introducing residential to make the refurbishment of office space more viable while ensuring that the quantum of B1 office space is retained. It could also involve facilitating and advising landowners on how to access sources of funding for refurbishment. Potential funding sources could include English Heritage if the building is listed, the Carbon Trust if refurbishment could lead to carbon emission reductions and potentially the Outer London Commission once it is more fully operational. Indirect methods include ensuring the Council adopts a proactive approach to improve the amenity surrounding existing office buildings to encourage private sector investment and refurbishment. This could be achieved through investment in public realm enhancements and facilitating the establishment of Business Improvement Districts (BIDs) where appropriate.

**R2 Permit the redevelopment of existing industrial employment land for B1 use where appropriate and if conforming to development control standards***Justification*

Our forecasting exercise estimated that, to 2026, there is net demand for between 0.6 to 3.5 hectares of land for B1 uses and net demand for -6.3 to 0.5 hectares of land for industrial uses. Given that there is a lack of available land for development, it is considered appropriate that where surplus industrial (B2) land occurs, the loss of employment floorspace should be compensated by permitting the redevelopment of these sites for B1 use or for mixed-uses containing an equivalent quantum of B1 floorspace. This will help meet the forecasted demand for this land-use and provide new office premises which meet the demands of modern occupiers. These sites should be considered on a case-by-case basis and judged against standard development control procedures.

The Council should also ensure, through development control, that new B1 floorspace provided through such redevelopment meets the needs of potential occupiers as identified in this study i.e. high design quality and specification.

**R3 Intensify existing employment sites, where appropriate, to provide additional B1 floorspace***Justification*

Our consultations with local property market agents concluded that there is currently a high proportion of average quality B1 premises in the Borough, particularly in the town centres of Teddington and Twickenham. Analysis of demand has shown that B1 occupiers generally require new/ good quality premises, and as such there is currently a mismatch between supply and demand of office space in the Borough. As identified in the property market analysis, there is a lack of

development sites capable of absorbing the forecast increase in demand for B1 uses to 2026. It would therefore appear sensible to allow existing office locations to be renovated and intensified to yield a greater amount of B1 floorspace within the same amount of employment land. Such intensification could also result in the provision of new, better quality premises which meet the demands of Richmond upon Thames quality-sensitive occupiers.

### 5.3 B2 and B8 Land Use Conclusions

Our employment projections shows that industrial employment (B2) is forecast to decline by 2.7% per annum on average over the period 2009 to 2026 and B8 employment is expected to experience a moderate 0.2% increase over the same period. The demand forecasting exercise, which matched the current supply of industrial land with the projected demand for that land up to 2026, therefore predicted that there would be a moderate excess of supply of industrial land compared to the demand for the land in the future if the current supply was retained.

In the 2006 LB Richmond Employment Land Study, it was concluded that the market for industrial land (B2/B8) was limited in comparison to surrounding boroughs, containing few large industrial estates and a limited demand for land by industrial occupiers. The findings of this updated 2009 Employment Land Study confirm this conclusion. This limited demand is reflected in our updated forecast, which shows that there is net demand to 2026 for between –6.3 to 0.5 hectares of land (-2.9 hectares median) for B2/B8 use.

Analysis of the local industrial property market concluded that although current levels of vacancy were low, there is little demand for premises, particularly for B2 use. This is a reflection of wider trends and, in some part, due to the economic downturn. Another factor is the fact that given the small size of the industrial property market in Richmond upon Thames, demand for premises has not been strong in recent years, and the limited range of properties, both in terms of quality and size, means that occupiers have shown a greater locational preference for neighbouring boroughs, particularly LB Hounslow.

Although demand for industrial land is forecasted to contract slightly over the period to 2026, the GLA's Industrial Capacity SPG categorises LB Richmond Upon Thames as a Borough of 'Restrictive Transfer'. This means the following:

*'Boroughs in this category typically have low levels of industrial land relative to demand (particularly for waste management or land for logistics) and /or low proportions of industrial land within the SIL framework. Boroughs in this category are encouraged to adopt a more restrictive approach to the transfer of industrial sites to other uses..<sup>16</sup>'*

This being the case, it is important that the release of industrial land for other uses be limited to those areas, which are the most unsuited to continued B2/B8 land use. It is known that the Stag Brewery, next to the river Thames at Mortlake, is expected to close during 2010. The brewery currently occupies a nine hectares site that contains a mixture of uses. The main brewery site is B2 use but there is also a B8 distribution centre and an element of open space. The Council is currently working with developers to draw up a design brief to ensure that a significant quantum of employment land is retained on the site. The design brief is also likely to suggest that there is some residential-led mixed-use in converted historic buildings. There is also the possibility that some of the land could be used for a waste transfer or recycling facility in order to meet the GLA targets as

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<sup>16</sup> Paragraph 3.16 GLA Industrial Capacity SPG (2008)



outlined in the Waste Apportionment Study. However, as described above the exact level of waste provision in Richmond upon Thames will be properly identified in the West London Waste Plan.

If some industrial land were lost on the Stag Brewery site this would conform to the demand forecasting exercise, which predicted a median decrease of –2.9 hectares of B2/B8 land up to 2026. However as discussed in Recommendations 2 and 3 above, the redevelopment of this mainly B2/B8 site could also create the opportunity to intensify and redevelop some of the remaining land for B1 use, thereby compensating for the loss of employment land in the form of an equivalent amount of employment floorspace.

The evidence from this study should allow the Council to follow policies that avoid a complete loss of employment uses at sites throughout the Borough, such as the Stag Brewery, in the period to 2026. Based on these assumptions we make the following recommendations concerning B2/B8 land.

## 5.4 B2/B8 Land Use Recommendations

**R4 Retain existing B2/B8 employment land unless it is inherently unsuitable for employment uses or where appropriate permit a change of use to B1 or B1/mixed uses as outlined in Recommendation 2 above**

### *Justification*

Although the results of the employment land demand forecasting exercise predict a gradual decline in demand for B2 uses and relatively flat demand for B8 uses in the period up to 2026, the GLA Industrial Capacity SPG (2008) places Richmond upon Thames in the 'Restrictive Transfer' category. This means that due to the relative shortage of employment land stock in the Borough, the release of industrial land to other uses should be restricted wherever possible to land that is inherently unsuitable for employment uses. This could include sites that cause unacceptable impacts to surrounding areas in terms of traffic and environmental damage or that have characteristics that make them unsuitable for their current use i.e. very poor servicing, access or parking.

While this decline of demand for B2 land is in keeping with national trends of deindustrialisation, it is important for local job creation, as outlined in the adopted LDF Core Strategy, that employment land is not lost to higher value land uses. It is especially important that the current waning demand from potential industrial and warehousing occupiers related to the economic downturn, is not used as a justification to release employment land to other uses, because while this reduction in demand is likely to be relatively short term, the loss of employment land is effectively irreversible. As outlined in Recommendation 2 above, it may be appropriate to permit a change of use to B1, or redevelopment of an industrial site to provide an equivalent quantum of B1 floorspace as part of a mixed-use development if the site conforms to development control standards and is part of a wider regeneration initiative. Based on the findings of the property market analysis described at Section 3.3 above, it would also be appropriate to encourage the provision of small B2/B8 space to meet the demand from local firms and start-ups. This could be achieved through permitting the subdivision of existing buildings and encouraging refurbishment through economic development funding sources.



## **Appendix A - Property Market Questionnaire and Contacted Agents**

## Consultation Questions

The questions used to form the basis of consultations with property agents were as follows:

*Would you say that the 'local' B1 market (define SMEs and types of businesses) and B2/B8 employment markets in Richmond are strongly linked to and have similar characteristics to the Lea Valley Property market as a whole? (i.e. does this stem from the influence of the A406, close proximity to suppliers? Any other influences?)*

*For each of Richmond's commercial (office) property markets, what are currently and in future the competitor markets? (i.e. Stratford City, Ilford, Enfield, etc)*

*What are the current demand trends/ take-up rates and trends of sites and floorspace in Richmond (define the areas within the administrative boundary area if necessary)?*

*For: a) Offices; b) Industry and Warehousing*

*For offices, what type of sectors and companies are currently mostly demanding sites and premises (also in recent years)?*

*For industry and warehousing, what type of sectors and companies are currently mostly demanding sites and premises (also in recent years)?*

*What size of premises are in demand (for office occupiers / industrial occupiers)? (0-249sqm; 250-999sqm; 1000sqm+)*

*Are there any speculative developments and projects in the pipeline?*

*What type of tenure is generally required/ offered (by office occupiers / industrial occupiers)? What are the typical rental values, yields and land prices? How do these compare to other areas within the Lea Valley Property Market Area?*

*What sites/locations are in demand for affordable employment workspace and start up units for SMEs. (define by office occupiers / industrial occupiers)*

*For B2 and B8 land-uses, what locations are in demand? e.g. Blackhorse Lane? Higham Hill? Lea Bridge? Etc.*

*How do you view the efforts of the local authority/ other public investment initiatives to stimulate investment in and demand for employment premises/land?*

*Do you feel there is scope for intensifying industrial and commercial clusters and/or creating a mixture of uses, including retail and residential as part of the regeneration of the Borough?*

*How do you feel the regeneration of the Olympic fringe area will affect demand for industrial and commercial premises/land in the Borough? Do you have any ideas on how the Borough could gain the maximum benefit from the regeneration of the Olympic area post-games?*

## Property Market Agents

Dominic Arthur - Martin Campbell Property Agents 0208 940 2266

Niall Christian – Michael Rogers Commercial Property Solutions 0208 332 7788

## **Appendix B - Employment Projection Approach and SIC codes used**

We had access to the unpublished sector for Greater London employment projections provided by GLA Economics. The broad sectors used by GLA Economics and the corresponding SIC sectors are shown in **Table A-1**.

**Table A-1 GLA Broad Sectors and Corresponding SIC Sectors**

<i>GLA Broad Sectors</i>	<i>Corresponding SIC Sectors</i>
Primary and Utilities	A Agriculture, B Fishing, C Mining, E Energy & Water
Manufacturing	D Manufacturing
Construction	F Construction
Wholesale	G 51.11 – 51.90 of Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods
Retail	G 50.10 – 50.50 and 52.11 – 52.74 of Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods
Hotels and restaurants	H Hotels and restaurants
Transport, and communication	I Transport, storage and communication
Financial Services	J Financial intermediation
Business Services	K Real estate, renting and business activities
Public Administration	L Public administration and defence; compulsory social security
Health and Education	M Education N Health and social work
Other Services	O Other community, social and personal service activities P Private households with employed persons Q Extra-territorial organisations and bodies

*Source: GLA Economics, National Statistics*

Due to the way four-digit-SIC sectors are aggregated into broad sectors industrial employment is spread across a number of the broad sectors. In some broad sectors all employment is industrial employment (e.g. manufacturing) and in others only a part of the employment is on industrial land (e.g. construction). The *Industrial and Warehousing Land Demand in London* study (Roger Tym et al, 2004) identifies on a four-digit-SIC-level the sectors for which employment is predominantly on industrial land. We have run a number of checks on the data and have found that:

- In the vast majority of cases the identified industrial sectors seem to be reasonable.
- In some cases head office activities of industrial businesses are included in the industrial employment data<sup>17</sup>.
- Few of the four-digit SIC code sectors, which we perceive as being predominately located on industrial land, are not included in the Industrial

<sup>17</sup> For example the City of London shows has a figure for industrial employment that is far too high given the very limited industrial land in the City. For a detailed description of why this is the case see Roger Tym & Partners et al, *Industrial and Warehousing land Demand in London*, August 2004, pp 6-7.

and Warehousing Land Demand in London study<sup>18</sup>. We have subsequently included these sectors in our analysis.

The proportion of industrial employment in the total employment in each broad sector was then calculated at a Borough level. We have distinguished between employment in general industry, utilities and waste and warehousing. The current proportion has been assumed to stay constant over time<sup>19</sup> and was used to estimate industrial employment projections up to 2026.

Where the designation M = manufacturing/general industrial employment (B2 use class), W = warehousing employment (B8 use class) and O = office employment (B1 use class).

Section	SIC	Description	Designation
D	1511	Production and preserving of meat	M
D	1512	Production and preserving of poultry meat	M
D	1513	Production of meat and poultry meat products	M
D	1520	Processing and preserving of fish and fish products	M
D	1531	Processing and preserving of potatoes	M
D	1532	Manufacture of fruit and vegetable juice	M
D	1533	Processing and preserving of fruit and vegetables not elsewhere classified	M
D	1541	Manufacture of crude oils and fats	M
D	1542	Manufacture of refined oils and fats	M
D	1543	Manufacture of margarine and similar edible fats	M
D	1551	Operation of dairies and cheese making	M
D	1552	Manufacture of ice cream	M
D	1561	Manufacture of grain mill products	M
D	1562	Manufacture of starches and starch products	M
D	1571	Manufacture of prepared feeds for farm animals	M
D	1572	Manufacture of prepared pet foods	M
D	1581	Manufacture of bread; manufacture of fresh pastry goods and cakes	M
D	1582	Manufacture of rusks and biscuits; manufacture of preserved pastry goods and cakes	M
D	1583	Manufacture of sugar	M
D	1584	Manufacture of cocoa, chocolate and sugar confectionery	M
D	1585	Manufacture of macaroni, noodles, couscous and similar farinaceous products	M
D	1586	Processing of tea and coffee	M
D	1587	Manufacture of condiments and seasonings	M

<sup>18</sup> Such as for example '7132 – Renting of construction and civil engineering machinery and equipment'

<sup>19</sup> Except for business and financial services which are expected to grow at a smaller percentage than within London, therefore we have made some strategic adjustments on review of the data and in line with the Location Quotients for Richmond upon Thames and London.

Section	SIC	Description	Designation
D	1588	Manufacture of homogenised food preparations and dietetic food	M
D	1589	Manufacture of other food products not elsewhere classified	M
D	1591	Manufacture of distilled potable alcoholic beverages	M
D	1592	Production of ethyl alcohol from fermented materials	M
D	1593	Manufacture of wines	M
D	1594	Manufacture of cider and other fruit wines	M
D	1595	Manufacture of other non-distilled fermented beverages	M
D	1596	Manufacture of beer	M
D	1597	Manufacture of malt	M
D	1598	Manufacture of mineral waters and soft drinks	M
D	1600	Manufacture of tobacco products	M
D	1711	Preparation and spinning of cotton-type fibres	M
D	1712	Preparation and spinning of woollen-type fibres	M
D	1713	Preparation and spinning of worsted-type fibres	M
D	1714	Preparation and spinning of flax-type fibres	M
D	1715	Throwing and preparation of silk including from noils and throwing and texturing of synthetic or artificial filament yarns	M
D	1716	Manufacture of sewing threads	M
D	1717	Preparation and spinning of other textile fibres	M
D	1721	Cotton-type weaving	M
D	1722	Woollen-type weaving	M
D	1723	Worsted-type weaving	M
D	1724	Silk-type weaving	M
D	1725	Other textile weaving	M
D	1730	Finishing of textiles	M
D	1740	Manufacture of made-up textile articles, except apparel	M
D	1751	Manufacture of carpets and rugs	M
D	1752	Manufacture of cordage, rope, twine and netting	M
D	1753	Manufacture of non-wovens and articles made from non-wovens, except apparel	M
D	1754	Manufacture of other textiles not elsewhere classified	M
D	1760	Manufacture of knitted and crocheted fabrics	M
D	1771	Manufacture of knitted and crocheted hosiery	M
D	1772	Manufacture of knitted and crocheted pullovers, cardigans and similar articles	M
D	1810	Manufacture of leather clothes	M
D	1821	Manufacture of workwear	M
D	1822	Manufacture of other outerwear	M
D	1823	Manufacture of underwear	M



Section	SIC	Description	Designation
D	1824	Manufacture of other wearing apparel and accessories not elsewhere classified	M
D	1830	Dressing and dyeing of fur; manufacture of articles of fur	M
D	1910	Tanning and dressing of leather	M
D	1920	Manufacture of luggage, handbags and the like, saddlery and harness	M
D	1930	Manufacture of footwear	M
D	2010	Saw milling and planing of wood, impregnation of wood	M
D	2020	Manufacture of veneer sheets; manufacture of plywood, laminboard, particle board, fibre board and other panels and boards	M
D	2030	Manufacture of builders carpentry and joinery	M
D	2040	Manufacture of wooden containers	M
D	2051	Manufacture of other products of wood	M
D	2052	Manufacture of articles of cork, straw and plaiting materials	M
D	2111	Manufacture of pulp	M
D	2112	Manufacture of paper and paperboard	M
D	2121	Manufacture of corrugated paper and paperboard and of containers of paper and paperboard	M
D	2122	Manufacture of household and sanitary goods and of toilet requisites	M
D	2123	Manufacture of paper stationery	M
D	2124	Manufacture of wallpaper	M
D	2125	Manufacture of other articles of paper and paperboard not elsewhere classified	M
D	2221	Printing of newspapers	M
D	2222	Printing not elsewhere classified	M
D	2223	Bookbinding	M
D	2224	Pre-press activities	M
D	2225	Ancillary operations related to printing	M
D	2231	Reproduction of sound recording	M
D	2232	Reproduction of video recording	M
D	2233	Reproduction of computer media	M
D	2310	Manufacture of coke oven products	M
D	2320	Manufacture of refined petroleum products	M
D	2330	Processing of nuclear fuel	M
D	2411	Manufacture of industrial gases	M
D	2412	Manufacture of dyes and pigments	M
D	2413	Manufacture of other inorganic basic chemicals	M
D	2414	Manufacture of other organic chemicals	M
D	2415	Manufacture of fertilisers and nitrogen compounds	M
D	2416	Manufacture of plastics in primary forms	M
D	2417	Manufacture of synthetic rubber in primary forms	M

Section	SIC	Description	Designation
D	2420	Manufacture of pesticides and other agro-chemical products	M
D	2430	Manufacture of paints, varnishes and similar coatings, printing ink and mastics	M
D	2441	Manufacture of basic pharmaceuticals	M
D	2442	Manufacture of pharmaceutical preparations	M
D	2451	Manufacture of soap and detergents, cleaning and polishing preparations	M
D	2452	Manufacture of perfumes and toilet preparations	M
D	2461	Manufacture of explosives	M
D	2462	Manufacture of glues and gelatine	M
D	2463	Manufacture of essential oils	M
D	2464	Manufacture photographic chemical material	M
D	2465	Manufacture of prepared unrecorded media	M
D	2466	Manufacture of other chemical products not elsewhere classified	M
D	2470	Manufacture of man-made fibres	M
D	2511	Manufacture of rubber tyres and tubes	M
D	2512	Retreading and rebuilding of rubber tyres	M
D	2513	Manufacture of other rubber products	M
D	2521	Manufacture of plastic plates, sheets, tubes and profiles	M
D	2522	Manufacture of plastic packing goods	M
D	2523	Manufacture of builders ware of plastic	M
D	2524	Manufacture of other plastic products	M
D	2611	Manufacture of flat glass	M
D	2612	Shaping and processing of flat glass	M
D	2613	Manufacture of hollow glass	M
D	2614	Manufacture of glass fibres	M
D	2615	Manufacture and processing of other glass including technical glassware	M
D	2621	Manufacture of ceramic household and ornamental articles	M
D	2622	Manufacture of ceramic sanitary fixtures	M
D	2623	Manufacture of ceramic insulators and insulating fittings	M
D	2624	Manufacture of other technical ceramic products	M
D	2625	Manufacture of other ceramic products	M
D	2626	Manufacture of refractory ceramic products	M
D	2630	Manufacture of ceramic tiles and flags	M
D	2640	Manufacture of bricks, tiles and construction products, in baked clay	M
D	2651	Manufacture of cement	M
D	2652	Manufacture of lime	M
D	2653	Manufacture of plaster	M
D	2661	Manufacture of concrete products for construction purposes	M

Section	SIC	Description	Designation
D	2662	Manufacture of plaster products for construction purposes	M
D	2663	Manufacture of ready-mixed concrete	M
D	2664	Manufacture of mortars	M
D	2665	Manufacture of fibre cement	M
D	2666	Manufacture of other articles of concrete, plaster and cement	M
D	2670	Cutting, shaping and finishing of stone	M
D	2681	Production of abrasive products	M
D	2682	Manufacture of other non-metallic mineral products not elsewhere classified	M
D	2710	Manufacture of basic iron and steel and of ferro-alloys	M
D	2721	Manufacture of cast iron tubes	M
D	2722	Manufacture of steel tubes	M
D	2731	Cold drawing	M
D	2732	Cold rolling of narrow strip	M
D	2733	Cold forming or folding	M
D	2734	Wire drawing	M
D	2741	Precious metals production	M
D	2742	Aluminium production	M
D	2743	Lead, zinc and tin production	M
D	2744	Copper production	M
D	2745	Other non-ferrous metal production	M
D	2751	Casting of iron	M
D	2752	Casting of steel	M
D	2753	Casting of light metals	M
D	2754	Casting of other non-ferrous metals	M
D	2811	Manufacture of metal structures and parts of structures	M
D	2812	Manufacture of builders' carpentry and joinery of metal	M
D	2821	Manufacture of tanks, reservoirs and containers of metal	M
D	2822	Manufacture of central heating radiators and boilers	M
D	2830	Manufacture of steam generators, except central heating hot water boilers	M
D	2840	Forging, pressing, stamping and roll forming of metal; powder metallurgy	M
D	2851	Treatment and coating of metals	M
D	2852	General mechanical engineering	M
D	2861	Manufacture of cutlery	M
D	2862	Manufacture of tools	M
D	2863	Manufacture of locks and hinges	M
D	2871	Manufacture of steel drums and similar containers	M
D	2872	Manufacture of light metal packaging	M

Section	SIC	Description	Designation
D	2873	Manufacture of wire products	M
D	2874	Manufacture of fasteners, screw machine products, chains and springs	M
D	2875	Manufacture of other fabricated metal products not elsewhere classified	M
D	2911	Manufacture of engines and turbines, except aircraft, vehicle and cycle engines	M
D	2912	Manufacture of pumps and compressors	M
D	2913	Manufacture of taps and valves	M
D	2914	Manufacture of bearings, gears, gearing and driving elements	M
D	2921	Manufacture of furnaces and furnace burners	M
D	2922	Manufacture of lifting and handling equipment	M
D	2923	Manufacture of non-domestic cooling and ventilation equipment	M
D	2924	Manufacture of other general purpose machinery not elsewhere classified	M
D	2931	Manufacture of agricultural tractors	M
D	2932	Manufacture of other agricultural and forestry machinery	M
D	2941	Manufacture of portable hand held power tools	M
D	2942	Manufacture of metalworking machine tools	M
D	2943	Manufacture of other machine tools not elsewhere classified	M
D	2951	Manufacture of machinery for metallurgy	M
D	2952	Manufacture of machinery for mining, quarrying and construction	M
D	2953	Manufacture of machinery for food, beverage and tobacco processing	M
D	2954	Manufacture of machinery for textile, apparel and leather production	M
D	2955	Manufacture of machinery for paper and paperboard production	M
D	2956	Manufacture of other special purpose machinery not elsewhere classified	M
D	2960	Manufacture of weapons and ammunition	M
D	2971	Manufacture of electric domestic appliances	M
D	2972	Manufacture of non-electric domestic appliances	M
D	3001	Manufacture of office machinery	M
D	3002	Manufacture of computers and other information processing equipment	M
D	3110	Manufacture of electric motors, generators and transformers	M
D	3120	Manufacture of electricity distribution and control apparatus	M
D	3130	Manufacture of insulated wire and cable	M
D	3140	Manufacture of accumulators, primary cells and primary batteries	M
D	3150	Manufacture of lighting equipment and electric lamps	M
D	3161	Manufacture of electrical equipment for engines and vehicles not elsewhere classified	M
D	3162	Manufacture of other electrical equipment not elsewhere classified	M
D	3210	Manufacture of electronic valves and tubes and other electronic components	M
D	3220	Manufacture of television and radio transmitters and apparatus for line telephony and line telegraphy	M

Section	SIC	Description	Designation
D	3230	Manufacture of television and radio receivers, sound or video recording or reproducing apparatus and associated goods	M
D	3310	Manufacture of medical and surgical equipment and orthopaedic appliances	M
D	3320	Manufacture of instruments and appliances for measuring, checking, testing, navigating and other purposes, except industrial process control equipment	M
D	3330	Manufacture of industrial process control equipment	M
D	3340	Manufacture of optical instruments and photographic equipment	M
D	3350	Manufacture of watches and clocks	M
D	3410	Manufacture of motor vehicles	M
D	3420	Manufacture of bodies (coachwork) for motor vehicles: manufacture of trailers and semi-trailers	M
D	3430	Manufacture of parts and accessories for motor vehicles and their engines	M
D	3511	Building and repairing of ships	M
D	3512	Building and repairing of pleasure and sporting boats	M
D	3520	Manufacture of railway and tramway locomotives and rolling stock	M
D	3530	Manufacture of aircraft and spacecraft	M
D	3541	Manufacture of motorcycles	M
D	3542	Manufacture of bicycles	M
D	3543	Manufacture of invalid carriages	M
D	3550	Manufacture of other transport equipment not elsewhere classified	M
D	3611	Manufacture of chairs and seats	M
D	3612	Manufacture of other office and shop furniture	M
D	3613	Manufacture of other kitchen furniture	M
D	3614	Manufacture of other furniture	M
D	3615	Manufacture of mattresses	M
D	3621	Striking of coins and medals	M
D	3622	Manufacture of jewellery and related articles not elsewhere classified	M
D	3630	Manufacture of musical instruments	M
D	3640	Manufacture of sports goods	M
D	3650	Manufacture of games and toys	M
D	3661	Manufacture of imitation jewellery	M
D	3662	Manufacture of brooms and brushes	M
D	3663	Other manufacturing not elsewhere classified	M
D	3710	Recycling of metal waste and scrap	M
D	3720	Recycling of non-metal waste and scrap	M
F	4533	Plumbing	M
F	4534	Other building installation	M
F	4541	Plastering	M

Section	SIC	Description	Designation
F	4542	Joinery installation	M
F	4543	Floor or wall covering	M
F	4544	Painting and glazing	M
F	4550	Renting of construction or demolition equipment with operator	W*
G	5020	Maintenance and repair of motor vehicles	M
G	5040	Sale, maintenance and repair of motorcycles and related parts and accessories	M
G	5111	Agents involved in the sale of agricultural raw materials, live animals, textile raw materials and semi-finished goods	W
G	5112	Agents involved in the sale of fuels, ores, metals and industrial chemicals	W
G	5113	Agents involved in the sale of timber and building materials	W
G	5114	Agents involved in the sale of machinery, industrial equipment, ships and aircraft	W
G	5115	Agents involved in the sale of furniture, household goods, hardware and ironmongery	W
G	5116	Agents involved in the sale of textiles, clothing, footwear and leather goods	W
G	5117	Agents involved in the sale of food, beverages and tobacco	W
G	5118	Agents specialising in the sale of particular products or ranges of products not elsewhere classified	W
G	5119	Agents involved in the sale of a variety of goods	W
G	5121	Wholesale of grain, seeds and animal foods	W
G	5122	Wholesale of flowers and plants	W
G	5123	Wholesale of live animals	W
G	5124	Wholesale of hides, skins and leather	W
G	5125	Wholesale of unmanufactured tobacco	W
G	5131	Wholesale of fruit and vegetables	W
G	5132	Wholesale of meat and meat products	W
G	5133	Wholesale of dairy produce, eggs and edible oils and fats	W
G	5134	Wholesale of alcoholic and other beverages	W
G	5135	Wholesale of tobacco products	W
G	5136	Wholesale of sugar and chocolate and sugar confectionery	W
G	5137	Wholesale of coffee, tea, cocoa and spices	W
G	5138	Wholesale of other food including fish, crustaceans and molluscs	W
G	5139	Non-specialised wholesale of food, beverages and tobacco	W
G	5141	Wholesale of textiles	W
G	5142	Wholesale of clothing and footwear	W
G	5143	Wholesale of electrical household appliances and radio and television goods	W
G	5144	Wholesale of china and glassware, wallpaper and cleaning materials	W
G	5145	Wholesale of perfume and cosmetics	W
G	5146	Wholesale of pharmaceutical goods	W

Section	SIC	Description	Designation
G	5147	Wholesale of other household goods	W
G	5151	Wholesale of solid, liquid and gaseous fuels and related products	W
G	5152	Wholesale of metals and ores	W
G	5153	Wholesale of wood, construction materials and sanitary equipment	W
G	5154	Wholesale of hardware, plumbing and heating equipment and supplies	W
G	5155	Wholesale of chemical products	W
G	5156	Wholesale of other intermediate products	W
G	5157	Wholesale of waste and scrap	W
G	5181	Wholesale of machine tools	W
G	5182	Wholesale of mining, construction and civil engineering machinery	W
G	5183	Wholesale of machinery for the textile industry, and of sewing and knitting machines	W
G	5184	Wholesale of computers, computer peripheral equipment and software	W
G	5185	Wholesale of other office machinery and equipment	W
G	5186	Wholesale of other electronic parts and equipment	W
G	5187	Wholesale of other machinery for use in industry, trade and navigation	W
G	5188	Wholesale of agricultural machinery and accessories and implements, including tractors	W
G	5190	Other wholesale	W
I	6311	Cargo handling	W
I	6312	Storage and warehousing	W
I	6321	Other supporting land transport activities	W
I	6330	Activities of travel agencies and tour operators; tourist assistance activities not elsewhere classified	O
I	6340	Activities of other transport agencies	O
I	6411	National post activities	W
I	6412	Courier activities other than national post activities	W
J	6511	Central banking	O
J	6512	Other monetary intermediation	O
J	6521	Financial leasing	O
J	6522	Other credit granting	O
J	6523	Other financial intermediation not elsewhere classified	O
J	6601	Life insurance	O
J	6602	Pension funding	O
J	6603	Non-life insurance	O
J	6711	Administration of financial markets	O
J	6712	Security broking and fund management	O
J	6713	Activities auxiliary to financial intermediation not elsewhere classified	O
J	6720	Activities auxiliary to insurance and pension funding	O

Section	SIC	Description	Designation
K	7011	Development and selling of real estate	O
K	7012	Buying and selling of own real estate	O
K	7020	Letting of own property	O
K	7031	Real estate agencies	O
K	7032	Management of real estate on a fee or contract basis	O
K	7110	Renting of automobiles	O
K	7121	Renting of other land transport equipment	O
K	7122	Renting of water transport equipment	O
K	7123	Renting of air transport equipment	O
K	7131	Renting of agricultural machinery and equipment	O
K	7132	Renting of construction and civil engineering machinery and equipment	M*
K	7133	Renting of office machinery and equipment including computers	O
K	7134	Renting of other machinery and equipment not elsewhere classified	O
K	7140	Renting of personal and household goods not elsewhere classified	O
K	7210	Hardware consultancy	O
K	7221	Publishing of software	O
K	7222	Other software consultancy and supply	O
K	7230	Data processing	O
K	7240	Data base activities	O
K	7250	Maintenance and repair of office, accounting and computing machinery	M*
K	7260	Other computer related activities	O
K	7411	Legal activities	O
K	7412	Accounting, book-keeping and auditing activities; tax consultancy	O
K	7413	Market research and public opinion polling	O
K	7414	Business and management consultancy activities	O
K	7415	Management activities of holding companies	O
K	7420	Architectural and engineering activities and related technical consultancy	O
K	7430	Technical testing and analysis	O
K	7440	Advertising	O
K	7450	Labour recruitment and provision of personnel	O
K	7460	Investigation and security activities	O
K	7470	Industrial cleaning	O
K	7481	Photographic activities	O
K	7482	Packaging activities	M*
K	7485	Secretarial and translation services	O
K	7486	Call centre activities	O
K	7487	Other business activities not elsewhere classified	O



Section	SIC	Description	Designation
L	7511	General (overall) public service activities	O
L	7512	Regulation of the activities of agencies that provide health care, education, cultural services and other social services excluding social security	O
L	7513	Regulation of and contribution to more efficient operation of business	O
L	7530	Compulsory social security activities	O
O	9111	Activities of business and employers organisations	O
O	9112	Activities of professional organisations	O
O	9120	Activities of trade unions	O
O	9131	Activities of religious organisations	O
O	9132	Activities of political organisations	O
O	9133	Activities of other membership organisations not elsewhere classified	O