

Hearing 6 - Economy and Employment; Borough Centres

Question 4

Does the policy provide adequate flexibility for potential changing circumstances over the Plan period?

It is acknowledged that the nature and character of the Borough means that there are few opportunities to provide significant net additions to the current employment stock, it is however considered that employment policy should be sufficiently flexible to respond not only to changes in the employment market but also to balance other policy objectives of the Plan, e.g. the delivery of new housing and public realm improvements.

On this basis, we consider the inclusion of criterion 4, relating to mixed use development proposals, is an important element of providing this flexibility as the provision of new residential use will not only assist in contributing towards meeting the significant housing need that exists in the Borough but would also help to subsidise qualitative improvements to retained employment floorspace which would offset any small quantitative reduction in floorspace. Such a change would, in our view, still constitute an enhancement of the existing employment floorspace. For certain sites, mixed use redevelopment could also provide modern, flexible and smaller units, an objective of Policy LP40. It is noted that the Policy seeks to avoid the inclusion of residential uses where they would be incompatible with established employment uses which is understandable however as is noted by the London Industrial Demand Study (June 2017) as pressures for land intensify, innovative solutions are being developed to avoid any conflict between uses (e.g. separate points of access for different land uses, properly managed refuse collection regime). In addition as work and workstyles continue to evolve, there may also be more opportunities to integrate work and living. It is considered, overall, that new mixed use redevelopment has the ability to provide design solutions that overcome these issues although it is important that the Council also positively manage existing relationships between commercial and residential areas to minimise any conflict.

In light of the above, the delivery of mixed use developments in a flexible manner, that include the provision of employment floorspace should be an important strand running through all of the Council's employment policies, however we consider that parts of Policies LP41 (relating to Key Office Locations) and LP42 (relating to locally important industrial land and business parks) are far too rigid (e.g. seeking a net increase in employment floorspace) meaning the wider benefits of a mixed use redevelopment could not be realised.

Question 5

Is the sequential approach to redevelopment justified?

The inclusion of a sequential approach within the Council's employment policy is a continuation of previous policy contained within the Development Management Plan (2011) (Policy DMEM2) ([see Appendix A](#)). There are, however, some key differences and we consider that these changes are not considered to be justified.

The sequential test set out within Policy DMEM2 applied to all employment land and premises and did not make any distinction between office and industrial land and so we consider that this question is equally applicable to both Policies LP41 and LP42. Policy DMEM2 stated that it would not be necessary to follow the sequential approach if the site had such exceptionally severe site restrictions due to very poor access and servicing arrangements that its continued employment use would be inappropriate. This approach was considered justified due to the nature of the Borough and the fact that a number of employment sites were located in primarily residential areas that typically comprised of heavily parked streets with generally poor access to the main road network for larger vehicles.

The emerging Local Plan does not include any reference to the 'severe site restrictions test', an omission which we do not consider to be justified: notwithstanding the level of need for new office and industrial space the characteristics of the Borough have not changed and so there will continue to be employment sites that are unsuitable for continued use/intensification due to their poor access arrangements. To be sound we consider that the 'severe site restrictions' test should be incorporated into both Policy LP41 and LP42.

Are the Key Office Areas identified through a robust evidence base?

We understand that Key Office Areas (KOA) are designated because of their importance as sources of significant office floorspace and employment opportunities. In principle, there is logic to this approach, however the extent of their designation does not seem to have been informed by evidence or any transparent criteria based approach. In the case of the Twickenham main centre KOA, west of Copthall Gardens, the KOA only includes 2 individual buildings (one of which has prior approval for conversion) and the Electroline House and Surrounds designation. In the case of this designation, there is a variety of different uses of which B1 use is only part of. In addition, as demonstrated by our commercial review appended to this statement ([see Appendix B](#)), the office uses at the site function differently to the main office market in central Twickenham (along London Road and the eastern end of Heath Road) and so should be removed from the KOA in Twickenham. In order to have robust justification to support the designation of KOA's, they should be based on a transparent and robust criterion which could be based around level of floorspace and concentration of buildings. We consider that it is important to note that in the case of the Electroline House and Surrounds, these properties are also covered by the boroughwide general policy as well as existing Article 4 directions which provide adequate policy protection.

Question 6

What robust evidence supports Policy LP42 and how will it be implemented effectively? Is the Borough wide approach to industrial floorspace justified?

We acknowledge that supply of industrial land within the Borough is generally limited with it being designated as a 'restrictive transfer' Borough by the GLA for a number of years, which is partly a reflection of the developed nature of the Borough with few very large industrial areas. On this basis, the general approach to protecting existing industrial land is acknowledged, however we consider that Policy LP42, as currently worded, is not justified. Unlike Policy DMEM2 of the currently adopted Development Management Plan (and indeed Policy LP41), the sequential approach does not appear to allow for a circumstance whereby a solely residential redevelopment would be considered acceptable. As stated within our response to question 5, we consider that there will be certain industrial sites that due to a variety of reasons (e.g. poor quality/bespoke nature of existing buildings, location within a primarily residential area, limited site size, very poor site access) certain sites are unsuitable for any continued employment generating use and so it is important that this policy, in accordance with paragraph 154 of the NPPF, should provide guidance on how the decision maker should determine planning applications that have robustly demonstrated this. On this basis, we consider that not only should Policy LP42 include a sequential approach similar to that set out within Policy LP41 but also include a criterion that takes into consideration sites that suffer from severe access restrictions.

Is the approach towards locally important industrial land and business parks supported adequately by the evidence base, consistent with national policy and in general conformity with the London Plan?

The London Plan, at Policy 4.4, does provide the ability for Boroughs to protect locally significant industrial sites where justified by evidence of demand. Paragraph 4.20 continues by stating that *'to justify strategic recognition and protection, locally significant industrial sites must be designated on the basis of robust evidence demonstrating their particular importance for local industrial type functions'*. It is therefore evident that there needs to be a clear justification for this designation to apply to certain sites. It is considered, however, that the proposed 'locally important industrial land and business park' designation is in effect a blanket designation for sites that simply have more than one property or unit in the same use, for example table 3.1 of the Council's 2017 Employment Sites update includes 8 designated sites that have a site area of less than 0.5Ha (with the smallest being just 0.1Ha) and so it is difficult to see, in the absence of any justification, how such sites could be considered to individually be of particular importance. Furthermore, certain sites (for example, Electroline House and surrounds) contain a range of smaller scale business and industrial uses that have developed in an ad-hoc way over a period of time meaning that it cannot be said that it provides an important supply of a specific type of industrial land and so as such in these circumstances it is considered that the general policy (if varied as per amendments described above) would provide sufficient protection. This conclusion is supported by our commercial review (Appendix B) which identifies that industrial premises within the Electroline House and surrounds is very limited (c 230sqm) and are of a poor quality. The circumstances in which the 'locally important industrial land and business park' designation would be applicable should therefore be made clear by the Council being transparent and specific on the criteria in which such a designation is applicable.

5 Meeting People's Needs

Adopted Development Management Plan

Policy DM EM 2

Retention of Employment

The Council seeks to retain land, sites and buildings which were last used for employment purposes, in employment use. The use of employment land for other purposes will only be permitted where:

(a) There is satisfactory evidence of completion over an extended period of time of a full and proper marketing exercise of the site at realistic prices both for the existing use and for redevelopment (if appropriate) for other employment uses; or suitable alternative evidence; and either

(b) A sequential approach has been applied to the development of the site as follows:

- i) solely employment-based redevelopment;
- ii) mixed-use or other alternative employment creating uses, where the employment floorspace is retained. Such sites should maximise the amount of affordable housing provided as part of the mix;
- iii) maximum provision of affordable housing in accordance with CP19;

Or (c): The location has such exceptionally severe site restrictions due to very poor access and servicing arrangements that its continued employment use would be inappropriate.

Proposals for Mixed Use schemes must maintain or improve the amount of employment floorspace on site. Each proposal will be considered on its merits and the Council will take account of the following factors when considering mixed use applications:

- i) the amount of employment floorspace;
- ii) the type and mix of uses as existing and proposed;
- iii) likely access, parking and traffic implications;
- iv) compatibility with the policies for other land uses;
- v) design quality;
- vi) the type, size and tenure of residential provision which should be in accordance with policies and guidance in order to maximise the amount of affordable housing provision.

If the above steps have been applied and the Council accepts the site is unsuitable for continued employment or commercial use, or other employment generating uses then affordable housing should be maximised.

5.3.8 The Council's approach to the local economy is set out in Core Policy CP19. The borough has limited employment floor space, which is often found in many small sites scattered across the mixed-use and residential areas, and relatively few industrial areas.

Appendix B - Commercial Review

Introduction

The client's we represent have the following property interests within the defined Electroline House and Surrounds cluster:

Korus House (Colne Road) – B1 Office

2-4 Colne Lane – A1 Retail

3- 9 Edwin Road – Light Industrial/Industrial

Electroline House – B1 Office

We have reviewed these commercial properties in the context of the intended designation of 'Electroline House and surrounds' as a locally important industrial land and business park and part of a key office location as set out in the Draft Local Plan. Our review considers the relative strength and contribution of this location relative to the Twickenham sub market and wider Borough Area. We consider market conditions and signals demonstrated by rents, vacancy levels and yields and provide our conclusions upon the economic and employment contribution our client's properties make toward the local Twickenham area and the Borough.

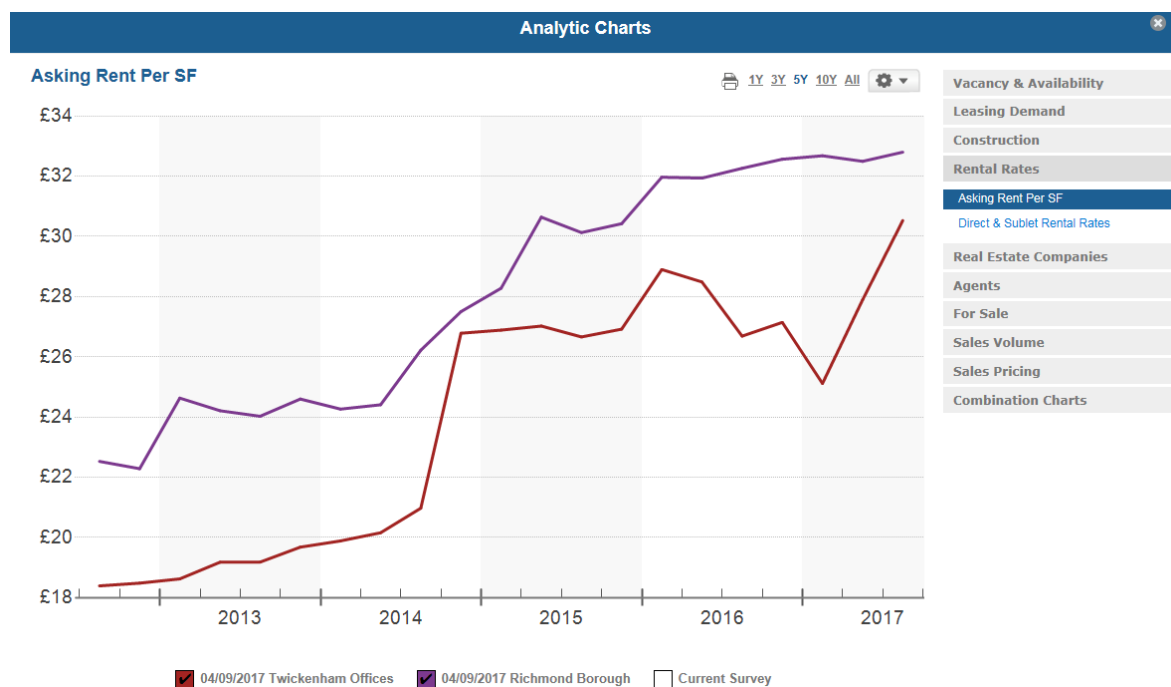
We also demonstrate how through appropriate redevelopment and the re provision of employment space, albeit with a quantitative reduction in floorspace, the overall quality and viability of these sites can be retained in the long term.

Offices Rental Levels

Korus House is predominately owner occupied comprising a total of around 9,000sqft with circa 4,000sqft let to office tenants on flexible leases at rentals around £15/sqft.

Compared to other locations within Twickenham and the wider Borough Area, these rents are very low.

Analysis from Costar shows that asking rents in Twickenham are currently at around £30/sqft and across the Borough asking rents are higher at around £33/sqft. The rate of increase in asking rents has been more marked in Twickenham as this is due to new better quality space coming into the market.



In Twickenham these headline office rentals are being set by 3 and 4 star graded offices including:

Regal House adjacent to the railway station, where circa 15,000sqft of office space is available to rent at an asking rent of £29.50.

Hydro House, 49-53 York Street where 7,360sqft of office space is available at an asking rent of £38.50/sqft. The property built in 1981 is in the process of being fully renovated to a Grade A specification, with open plan floor plates over four floors.

Shurlock Place, Third Cross Road which is a new build office development close to Twickenham Green set out as a mews of six high spec offices. The development will provide 6,750sqft of office and asking rents are undisclosed but we would expect this development to achieve around the £30/sqft level.

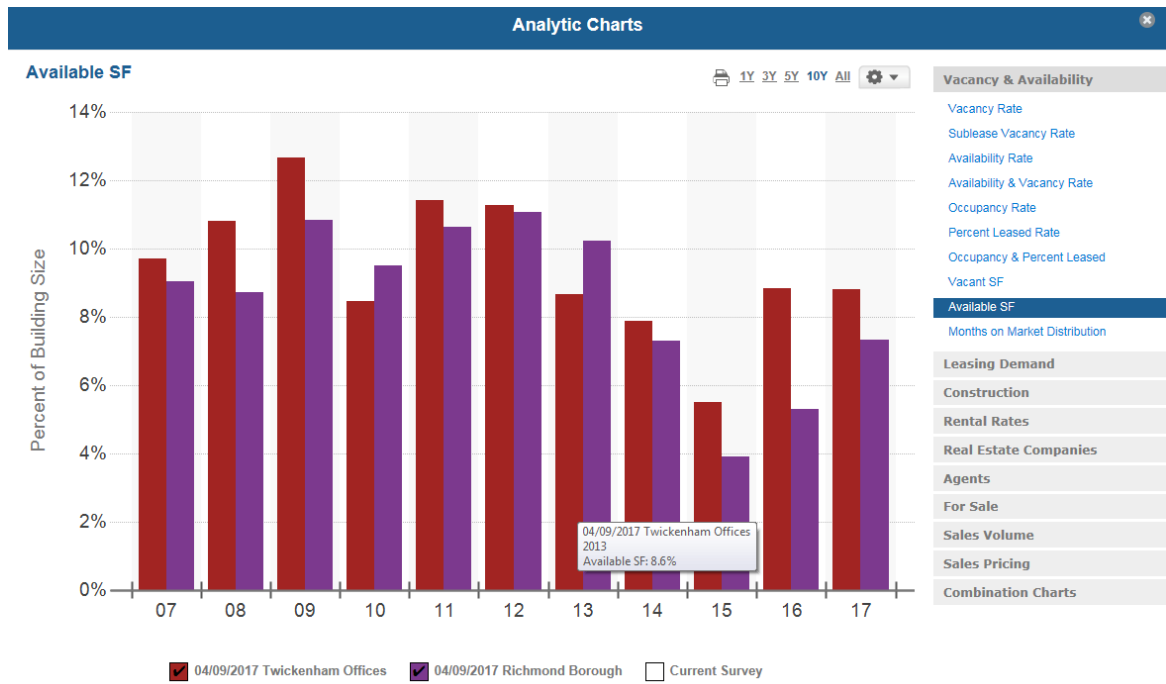
Web Ellis House, a late 1980's, two storey office building of 18,068 sq ft with 55 on-site parking spaces located on Rugby Road, opposite Twickenham Rugby Stadium. The premises are vacant and being refurbished. Asking rent is £30/sqft.

Within the Borough, the highest office asking rents are in Richmond town centre at The Square (£54/sqft), Eton House on Paradise Street (£48.50/sqft) and Parkshot House on Kew Road (£45/sqft).

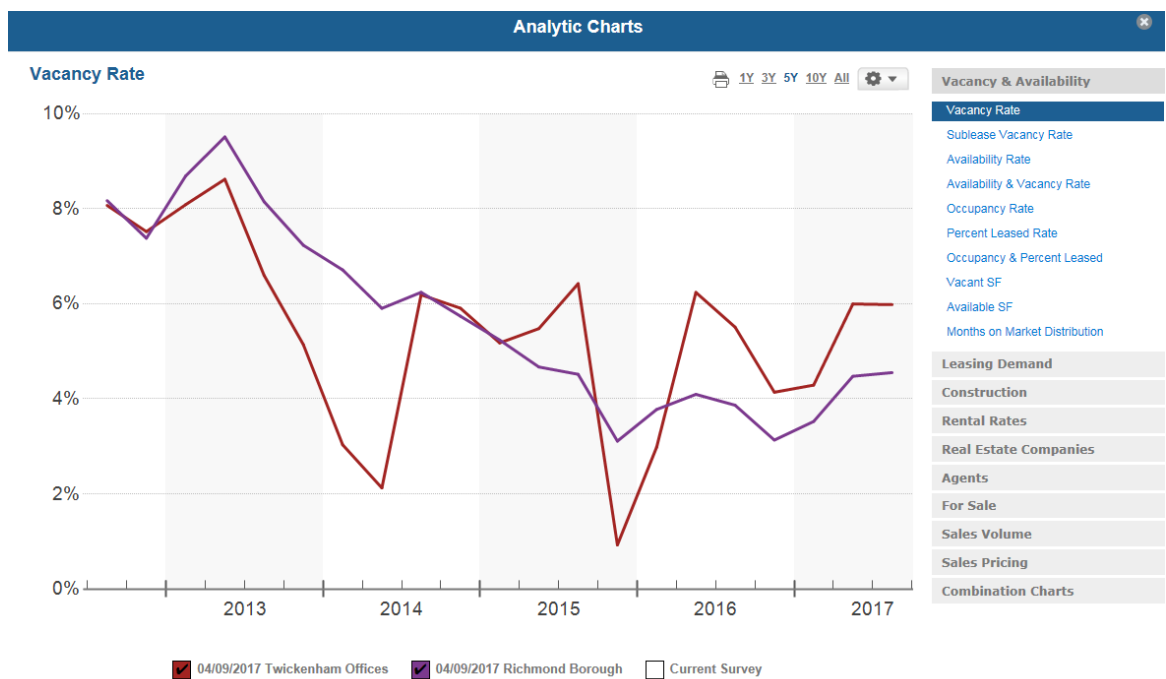
The office rent analysis demonstrates that Korus House is achieving a low rental level relative to Twickenham's better office locations and premises and is significantly behind the rents achieved in Richmond town centre. For rental levels at Korus House to be improved significant refurbishment and improvement would be required and it is marginal whether the investment required would provide sufficient return to make this refurbishment viable.

Office Vacancy Levels

Office availability and vacancy levels reported by Costar for a 1 mile radius around the site ie covering Twickenham town centre shows that compared to LB Richmond overall the Twickenham area has more percentage availability (8.8%) compared to (7.3%).



For vacancy rates the Twickenham area office vacancy rates are currently at 6% compared to 4.6% in LB Richmond. The trend on office availability across the Borough is downward from a 2013 high of 9.5% vacant whereas there has been more volatility around office vacancy rates in Twickenham and these are rising in the shorter term.



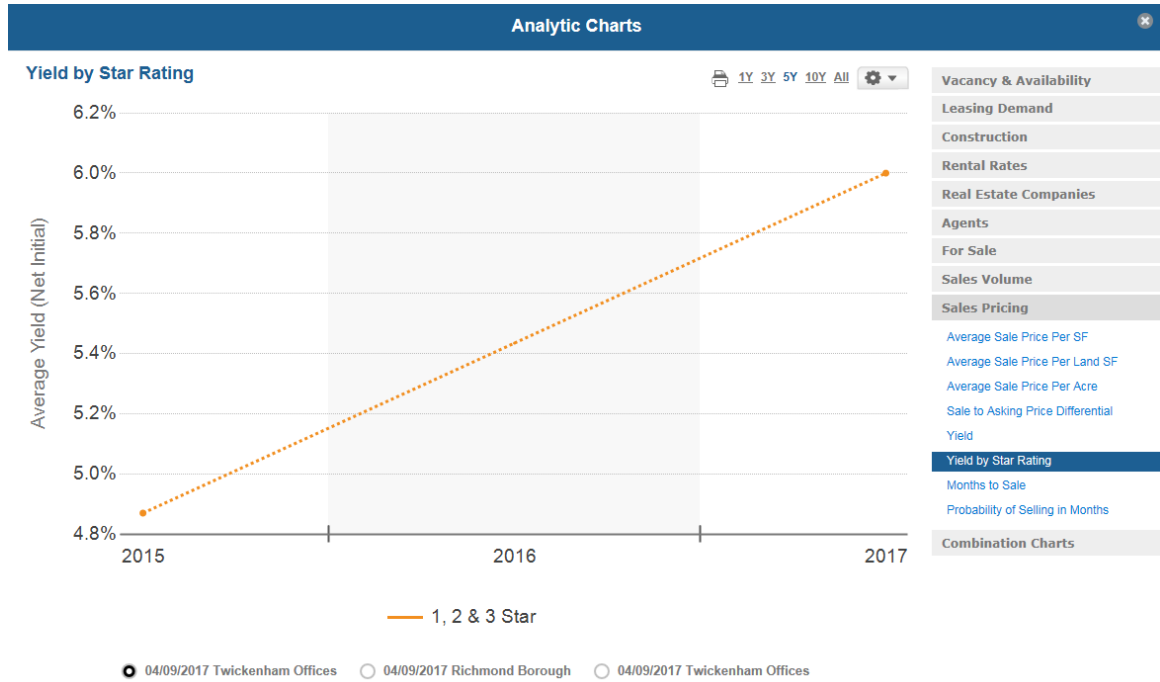
The office vacancy analysis demonstrates that there is availability in Twickenham at around 9% of all stock. There is some vacancy in Korus House and the longer term letting prospects of the building are not strong given the quality and attractiveness of the space. Given that there is not currently a pressing need for additional office space in Twickenham and that our clients site in its current form will make less of a contribution in future as voids increase, mixed use redevelopment which re-

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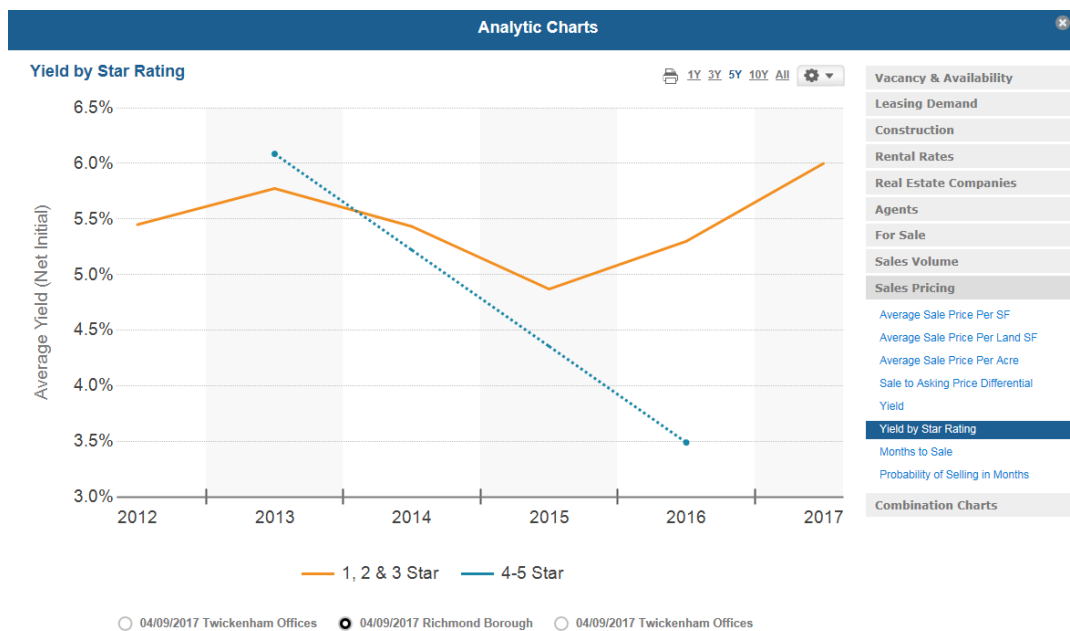
provides an improved quality, but reduction in quantitative terms, of office floorspace should be facilitated by policy in this location rather than restricted.

Office Yields

There have been limited office investment deals in Twickenham and sales have been for 1 to 3 star grade office properties. The chart below shows that yields have moved out from below 5% in 2013 to 6% in 2017.



Within the London Borough of Richmond, the average office yield for grade 1 to 3 star premises has fluctuated between 5% and 6% since 2012 and is currently at this higher 6% level. Higher quality 4 and 5 star office investment in the Borough show a strong yield (3.5%) demonstrating investor confidence.



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The yield profile shows that peripheral office space in Twickenham such as Korus House is reducing in attraction as an investment.

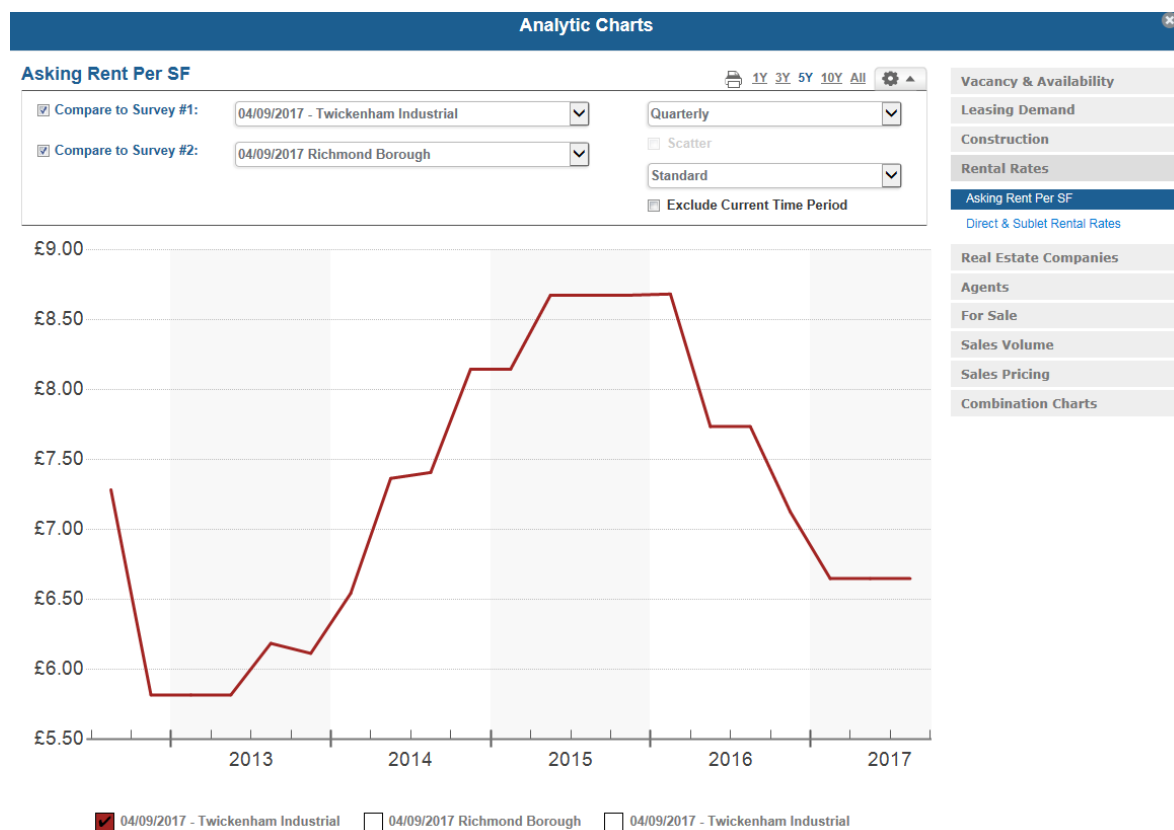
Industrial Rental Levels

Industrial premises within the proposed Electroline House cluster and in the control of the clients we represent are 3 – 5 Edwin Road (occupied by SW Motors), 4 – 6 Edwin Road (occupied by R Payne Print Services) and 7 to 9 Edwin Road (occupied by Twickenham Plating) these buildings are of variable but generally poorer quality and have an equivalent star rating of 1 or 2. However they remain functional albeit they have some servicing and parking issues and are expensive to operate and maintain given their age and relative inefficiency.

Overall they provide in combination of circa 2,500 sqft of industrial workshop floorspace.

Rental levels are very low in these premises and they are let on an informal basis. Their return to the owner is marginal once costs are accounted for.

In comparison average industrial rents in the Twickenham sub area are higher although they are starting to drop back from a peak of £8.75/sqft down to just over £6/sqft.



In Twickenham the best performing industrial locations are the purpose built estates at Heathland Gardens with last reported rents around £11/sqft and St Margarets Business Centre where last reported rents were approaching £9/sqft. Both are graded 3 out of 5 stars by Costar.

Across the Borough, average industrial asking rents peaked in 2015 at £12.50/sqft and have fallen back recently to around £10/sqft.

Industrial Vacancy

Latest information from Costar indicates that there is currently no industrial space available in the Twickenham Area and historically vacancy has been running at low levels, generally under 5% vacant and available. This is broadly mirrored by the situation across the Borough with a vacancy rate in 2017 of below 2%.

Industrial Yields

There have been very limited recent sales of industrial premises in the Twickenham area or indeed across the whole Borough. A sale in 2013 was reported on Units 1-5 and 6-10 Heathlands Industrial Estate - Heathlands Gdns, Twickenham. This multi-let estate comprises 10 units of varying sizes, totalling a gross internal area of approximately 39,581 sq ft (3,677.18 sq m). The Estate was sold by Aberdeen Asset Management in 2013 for £6.42m to CBRE Global Investors with a net initial yield of around 5.5%.

Industrial Conclusions

The industrial property sector in Twickenham comprises a diverse mix of premises and much of the existing stock, including the premises within the Electroline House Cluster are of poor quality and overall the stock available would benefit from upgrading to more efficient buildings with planned access and servicing arrangements.

Retail Analysis

There is one retail premise in the control of our clients this is 2-4 Colne Road which is occupied by Percy Chapman and Sons who operate a pet/hardware store. These premises have an area of approximately 1,000sqft NIA and are owner occupied and no rental information is available. They are in a secondary retail location at the farthest western extent of Twickenham's elongated shopping thoroughfare which includes Heath Road, King Street and London Road with additional shopping on Church Street and York Street. The strongest retail locations in Twickenham are focused upon prime King Street.

There is some retail space availability in Twickenham and the vacancy rate has been around 4% or below since 2013. Average asking rents on an overall basis (not ITZA) are around £25/sqft having fallen by a slight margin over the last two years from £27/sqft. Average yield reported by Costar on retail property in Twickenham is around 7%.

2-4 Colne Road makes a very small contribution to the overall retail provision in Twickenham and its presence in the proposed employment designation serves to illustrate the mixed nature of the area and general inconsistency of land use across the designation which also includes a Tesco express and an electrical store.

Conclusions

This brief commercial market report provides analysis of the key economic drivers relating to our client's land interests in West Twickenham/Twickenham Green at Colne Road, Edwin Road and Lion Road. These properties comprise a mix of B class (Office and light industrial) and A class land uses.

The analysis demonstrates that for the Twickenham sub-market this is a poor performing office/light industrial location and that the A1 Retail use is peripheral to the focus of retail/town centre activity

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focused upon Heath Road (secondary retail) and King Street/London Road (prime/primary retail). In the wider Richmond Borough context our clients land interests in west Twickenham achieve low rental levels which are well below the average for Twickenham and significantly behind the better functioning and more modern space at prime locations in central Twickenham and Richmond town centre. These low rental values and the weaker covenant strength of occupiers act to reduce the value of return secured by our clients investment and should be contrasted with the cost associated with owning and managing these premises.

We have considered the potential for intensification of the existing uses through refurbishment but the costs involved in this refurbishment compared to the low rental values which can be achieved in this area mean that this is neither viable nor practicable. For improvement to be secured there is a requirement for cross funding and this could only be achieved through a mixed use redevelopment which includes a meaningful amount of residential.

Local Policy as currently proposed is overly restrictive and rather than encourage the improvement and regeneration of the area for office and employment uses, the policy will have the opposite effect and lead to a decline in the contribution this area makes to the employment needs and economic prosperity of Twickenham and the Borough overall.