Employment Land and Premises Needs Assessment

Final report

For **London Borough of Richmond upon Thames**

December 2021

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1 Introduction

1.1 This report updates the 'economic need' for land and floorspace in LB Richmond.

1.2 This was last undertaken in 2017 to inform an update of the development plan. Since then the Council has taken the opportunity to revisit the plan and extend its plan period. It is also the case that there have been changes to Planning Practice Guidance (PPG), the National Planning Policy Framework (NPPF) and the market in general.

1.3 One particular challenge has been that the office market has still struggled to deliver net additional office space. Despite a positive demand for space coupled with low vacancy rates new development is rare. There have been a few success stories – including planning permission for the re-use of the former House of Fraser Store for offices – but these are uncommon.

1.4 At the other end of the employment land spectrum there is positive industrial demand. Importantly in the current context there is almost no new space for logistics firms. The decline of traditional high street retail is well underway and may never fully recover – this decline is moving goods from the high street into logistics space for delivery to the end consumer. Here there is no supply of logistics space to accommodate this switch. The Borough is increasingly reliant on industrial and logistics space outside the Borough to service its population.

1.5 The shortage of space is not new – the deficit for industrial and logistics existed when the last plan was adopted and found sound. There is also a recognised strategic deficit now the London Plan has been published which makes it much harder for the Boroughs to progress their plans and balance the market.

1.6 With no prospect of significant new land being identified for development, one significant challenge for this Plan is how to facilitate the intensification of space. Without new land, intensification is the only route available to increase the stock. The Borough however does not own the major employment sites and a number have a track record of being promoted for housing regardless of their status in the development plan.

1.7 In this report we highlight where intensification may be appropriate but the report currently lacks the tools to secure this without the will of developers and site owners. As we highlight in our property market review development is viable in the Borough with good headline rents for both offices and industrial space, but hope value limits market appetite for redevelopment. It is also the case that much of the Boroughs stock is in reasonable condition and well let – there is not always the commercial motivation or logic to redevelop space while the stock remains fit for purpose and remains commercially successful.

1.8 A key recommendation of this report is that a continued strong employment land protection policy is needed. Without this protection developers' preferred approach is to promote mixed use redevelopment and unlock the high residential hope values. Mixed use redevelopment does not always meet the qualitative need for industrial space and/or potential non-employment intensification uses. Particularly for harder to accommodate industrial and logistics activity.

1.9 In the absence of a supply of new land the Council needs to focus on managing the stock and maximising any redevelopment potential for economic needs – it is exceptionally unlikely that any new employment sites will be promoted via the next plan round.

Report Structure

1.10 In the next section we review the relevant national and local policy context in Richmond and neighbouring areas.

1.11 We then (section 3) update the property market profile for the Borough recognising that the Borough is unlikely to meet its quantitative needs in full due to a lack of land. Before considering the quantitative need for space it is important to first consider the viability and market demand for property in the Borough.

1.12 Section 4 updates the quantitative analysis including job targets drawn from the London Plan, projections of past trends and a new economic forecast. We also consider how the job growth expected here aligns with other boroughs.

1.13 Section 5 provides a review of the Boroughs workspace sector. Workspace is a growing sector across London and meets the needs of firms who fall outside the traditional office / industrial portfolio. For the Borough workspace is easier to accommodate in mixed use schemes and via policy supported in the London Plan. Richmond has the scope to secure 'affordable workspace'.

1.14 Section 7 provides recommendations.

Covid-19

1.15 Finally, this report has been prepared in very challenging circumstances. The pandemic is still well underway and will leave a permanent mark on England's economic landscape.

1.16 We don't know exactly how the economy will recover; at the outset a number of Councils and Local Enterprise Partnerships (LEPs) commissioned work to understand the recovery but this is already out of date and of limited use for land use planning.

1.17 For Planning purposes, the pandemic has not removed the pre-pandemic *capacity* of land and floorspace to re-accommodate jobs. An office that closed in lockdown remains available for re-occupation. Sites allocated in plans for economic development remain available to be taken up post pandemic. So considerable care is needed before concluding that recovering from the pandemic needs more employment space.

1.18 However, we need to consider whether the way we use space post pandemic may change and how the planning authorities should manage this new risk. This 'second guessing' is hard – homeworking may increase but conversely the remaining office stock may be used less efficiently as offices are de-densified. Only time will tell. In this report we are reminded that Planning should not constrain growth – we must be careful in using the pandemic to cut land/floorspace from the supply that, in very uncertain times, we come to need as the recovery takes shape. Throughout the report we note where the pandemic may influence our analysis or recommendations.

1.19 Other proposals may also affect the assessment moving forward.

2 Policy Context

Introduction

2.1 This section provides an update on policy and guidance changes at national, regional (GLA), local, and neighbouring local planning authorities since the 2016/17 Employment Sites & Premises Study undertaken by Peter Brett Associates.

2.2 Since that Study, there has been a number of changes to key policy including the National Planning Policy Framework (NPPF), a New London Plan, progress with a number of neighbouring Local Plans, and several major amendments to the General Permitted Development Order and the Use Class Order.

2.3 Below we consider each of the relevant policy changes and consider the implications the proposed changes could have for LBRuT.

National Planning Policy and Legislation

National Planning Policy Framework

2.4 In July 2018, a revised National Planning Policy Framework (NPPF) was published, and further updates made on 19th February 2019 and 20th July 2021. The revised NPPF sets out the overarching planning policy for England.

2.5 When compared to the original NPPF, the wording and overarching economic objective has not changed with the revised NPPF continuing to emphasise the need to support economic growth and productivity. The revised NPPF states that the Government's overarching economic objective for the planning system is to help build a strong, responsive and competitive economy, by ensuring that sufficient land of the right types is available in the right places and at the right time to support growth, innovation and improved productivity; and by identifying and coordinating the provision of infrastructure (paragraph 8a).

2.6 The presumption in favour of sustainable development is carried forward from the original NPPF with local plans expected to apply a presumption in favour of sustainable development, which means they should: positively seek opportunities to meet the development needs of their area and be sufficiently flexible to adapt to rapid change (paragraph 11). In respect of economic development, as for all other land uses, the guiding principle is that local plans and decisions should apply significant weight on the need to support economic growth and productivity. This should take account of local business needs and wider opportunities for development (paragraph 81).

2.7 Little has changed since the previous NPPF with regards to the expectations of local authorities on economic strategy. Paragraph 82 states that planning policies should:

a) set out a clear economic vision and strategy which positively and proactively encourages sustainable economic growth, having regard to Local Industrial Strategies and other local policies for economic development and regeneration;

b) set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period;

c) seek to address potential barriers to investment, such as inadequate infrastructure, services or housing, or a poor environment; and

d) be flexible enough to accommodate needs not anticipated in the plan, allow for new and flexible working practices (such as live-work accommodation), and to enable a rapid response to changes in economic circumstances.

2.8 One significant change to the NPPF is the introduction of paragraph 83 which supports storage and distribution operations, and high technology industries. In paragraph 83, planning policies are expected to recognise and address the specific locational requirements of the different sectors. The recognition of storage and distribution operations is considered to be long overdue and is testament to the growing role that logistics plays in the wider economy.

Planning Practice Guidance (PPG)

2.9 Revised planning practice guidance (PPG) for planning for economic needs was published in February 2019. A further update on planning for logistics, storage and specialised sectors was issued in July 2019. The guidance is considered to be similar to the original guidance in providing little detail. The guidance is detailed below.

2.10 The PPG acknowledges that national economic trends will not apply universally, and business needs will vary according to local circumstances and market conditions. Functional Economic Market Areas (FEMA) may extend over more than one Local Authority area, and the assessment of employment land need should reflect this.

2.11 The guidance states that evidence on economic need should cover the following:

- Best fit FEMA;
- The existing stock of employment land;
- Recent patterns of gains and losses of employment land;
- Market demand and business requirements (including requirements for particular types of business);
- Wider market signals; and
- Oversupply and market failure (preventing the land being used effectively for employment).

2.12 Paragraph 27 of the PPG goes on to state that future need should be based on a range of data such as:

- Sectoral and employment forecasts and projections;
- Demographically derived assessments of current and future local labour supply;
- Analysis based on the past take-up of employment land and property and/or future property market requirements; and,
- Consultation with relevant organisations, studies of business trends, and an understanding of innovative and changing business models.

2.13 The guidance states that existing stock can be identified through a simple typology of employment land by market segment and sub-areas and supplemented by information on permissions for other uses on sites formerly in employment use.

2.14 Current market demand according to the guidance can be analysed by comparing the available stock of land with the particular requirements of the area. It is also important to consider recent employment land take-up, projections and forecasts.

2.15 Paragraph 30 of the guidance states that when translating employment and output forecasts into land requirements there are four key relationships which need to be qualified. The following can be used to inform the assessment of land requirements:

- Standard Industrial Classification sectors to use classes;
- Standard Industrial Classification sectors to type of property;
- Employment to floorspace (employment density); and
- Floorspace to site area (plot ratios based on industry proxies).

2.16 Finally, the July 2019 amendment expands the guidance as it relates to logistics and warehousing. The amendment recognises the critical role of logistics and the substantial expansion there continues to be in logistics and distribution that requires warehouse space.

2.17 The guidance advises that strategic facilities serving national or regional markets are likely to require significant amounts of land, good access to strategic transport networks, sufficient power capacity and access to appropriately skilled local labour. The need can be informed by:

- Engagement with logistics developers and occupiers to understand the changing nature of requirements in terms of type, size and location including impact of new technologies;
- Analysis of market signals, including trends in take up and availability of logistics land;
- Analysis of economic forecasts to identify potential changes in demand and anticipated growth in sectors likely to occupy logistics facilities; and
- Engagement with LEP.

2.18 Authorities will also need to assess the extent to which land and policy support is required for other forms of logistics requirements, including the needs of small to medium-sized enterprises (SMEs) and of 'last mile' facilities serving local markets.

2.19 Overall, the PPG has broadly remained the same albeit a number of the wider themes have been moved into different sections. One key difference is the addition of a logistics paragraph which highlights the crucial role that logistics and associated services provide, and the continued expansion of the industry. Employment evidence will need to be particularly focused on the rising expansion of logistics.

General Permitted Development Order (GPDO)

2.20 In 2020, major changes were made to the General Permitted Development Order including the introduction of Class ZA which allows for the demolition of a single detached building in existence on 12 March 2020 that was used for office, research and development or light industrial processes (i.e. the previous Use Class B1), or a free-standing purpose-built block of flats, and its replacement by an individual detached block of flats or a single detached house within the footprint of the old building, with up to two additional storeys.

2.21 The new permitted development rights are subject to a number of limitations and conditions, including only applying to buildings built before 31st December 1989.

2.22 There is also a requirement for prior approval from the local planning authority in relation to certain matters including transport & highways and the impact on business and new residential of the development introduction or increase in residential use in the area. No consideration with regards the loss of employment space is required when considering prior approval.

2.23 An additional change was made to the GPDO was the introduction of Class AA which allows for the construction of up to two new storeys of flats in the airspace above detached buildings in commercial or mixed use, including where there is an element of residential use. This is unlikely to have as much an impact on employment land as Class ZA.

2.24 In addition to the above, the Government announced in April 2021 that they would introduce a new permitted development right, known as Class MA, to allow the newly introduced Use Class E ('Commercial, business and service uses), which includes office and light industrial to convert to residential use. The permitted development right was introduced on 1st August 2021 and applies to buildings which have been vacant for at least three continuous months prior to submission of the prior approval. This builds on the flexibility created by the introduction of the new Use Class E in September 2020. Further information on the changes to the use class are detailed in the section below.

2.25 A non–immediate Article 4 Direction was made on 30 July 2021[1] by Richmond Council to protect 67 locations within the Borough, subject to approval by the Secretary of State, which will come into force on 31 July 2022. The Article 4 Direction is limited to those offices that make the most valuable contribution to the employment floorspace needs of the Borough, and which have been designated as Key Office Areas. The existing Article 4 Directions relating to office to residential PDR (Class O) will remain effective until 31 July 2022.

Use Class Order

2.26 Since the last employment study, the Government revised on the 1st September 2020 the Use Class Order including the merging of Use Classes A1, A2, A3, B1, B2, D1 and D2 into Use Class E 'commercial, business and service'. This now means that effectively buildings can change uses within the same use class without requiring planning permission including office previously Use Class B1a, and light industrial previously Use Class B1c, to any of the uses classes detailed above, or reverse.

2.27 Use Classes B2 (general industrial) and B8 (storage and distribution) remain unaffected by the amendments to the Use Class Order; certain uses are still specifically excluded and become Sui Generis, which continues to include some employment uses such as scrap yards and car showrooms. The NPPF and PPG also remain unchanged and planning authorities are still required to understand and plan for their business needs regardless of the Use Class Order amendments.

2.28 Nonetheless, the new amendments to the Use Class Order are likely to have some impact on the supply of office and light industrial space given the flexibility now given to change between uses within Use Class E.

Regional Planning Policy

The London Plan

2.29 Since the 2016 study, a new London Plan has since been published and subsequently adopted by the Mayor of London in March 2021. The London Plan guides development throughout London up to 2041.

[1] www.richmond.gov.uk/article_4_directions_commercial_to_residential

2.30 The London Plan is guided by the Good Growth policies which include policy GG5 of the London Plan which seeks to conserve and enhance London's global economic competitiveness and ensure that economic success is shared amongst all Londoners. Those involved in planning and development are expected to plan for sufficient employment and industrial space in the right locations to support economic development and regeneration.

2.31 Policy E1 of the London Plan states that increases in the current stock of offices should be supported in locations such as town centre office locations, existing urban business parks, and locally-orientated town centre office provision to meet local needs. The policy goes on to state that existing viable office floorspace capacity in locations outside the areas above should be retained, supported by Article 4 Directions to remove permitted development rights where appropriate, facilitating the redevelopment, renewal and re-provision of office space where viable and releasing surplus office capacity to other uses.

2.32 Policy E2 of the London Plan expects boroughs to include policies in local development plan documents that support the provision, and where appropriate, protection of a range of B Use Class business space, in terms of type, use and size. Policy E3 of the London Plan also asks boroughs to consider detailed affordable workspace policies in light of local evidence of need and viability.

2.33 Policy E4 aims to provide and maintain a sufficient supply of land and premises to meet current and future demands for industrial and related functions; taking account of strategic and local employment land reviews and the potential for intensification, co-location and substitution. The policy states that retention, enhancement and provision of additional industrial capacity should be prioritised in locations that are accessible to the strategic road network and/or potential for transport by rail/water, provide capacity for logistics, waste management and emerging sectors that support London's economy and population, and provide capacity for micro, small and medium sized enterprises.

2.34 Previous iterations of the New London Plan, especially Policy E4, had a 'no net loss' stance, and categorised each borough based on whether there was scope to release industrial land, retain industrial land or increase provision. Richmond was categorised as a 'retain capacity' borough and was expected to intensify industrial floorspace capacity. The Secretary of State directed the Mayor to take a more proportionate stance by removing the 'no net loss' and the categorisation. The adopted London Plan, as detailed in Policy E4 above, instead encourages boroughs to deliver intensified industrial floorspace as supported by appropriate evidence.

2.35 Policy E6 advises on locally significant industrial locations (LSIS). Boroughs are expected to designate and define detailed boundaries and policies for LSIS justified by evidence in local employment land reviews. Boroughs should also make it clear in policy that a range of industrial and related uses are acceptable in LSIS

2.36 Policy E7 of the London Plan states that Development Plans should be proactive and encourage the intensification of business uses in Use Classes B1c, B2 and B8 occupying all categories of industrial land. The policy goes on to state that mixed-use or residential development proposals on non-designated industrial sites should only be supported where there is no reasonable prospect of the site being used for industrial and related purposes, or where it's been allocated in a Development Plan, or where industrial, storage or distribution floorspace is provided as part of the mixed-use intensification. Development Plans should also consider in collaboration with the GLA and neighbouring authorities the scope to facilitate the substitution of some of London's industrial capacity to related property markets.

Employment Evidence – London Plan

2.37 The Industrial Land Demand Study (2017) commissioned by the GLA indicates that there will be positive net demand for industrial land in London's North, South and West sub-regions over the period 2016 to 2041, mostly driven by strong demand for logistics to service growth in London's economy and population.

2.38 The GLA's Employment Projections (2015) estimate that the number of jobs in LBRuT will be 105,000 by 2031 and 109,000 by 2036. This equates to an increase in 18,000 jobs between 2011 and 2031 and therefore suggests that the borough will experience very strong demand for employment space.

2.39 The London Industrial Land Demand Study (2017) states that LBRuT is expected to lose 10,700sqm of industrial floorspace by 2041. The demand for warehouse provisions is expected to be 72,800sqm to 2041. In total, the demand is expected to be 12ha for industrial land between 2016-2041.

2.40 GLA's Industrial Land Supply and Economy Study (2016) demonstrates that LBRuT has a very limited supply of industrial land, with only 17.3 hectares of general and light industrial space (B2 and B1(c)), and 8.1 hectares of warehousing and storage (B8) facilities. An additional 12.3ha is wider industrial uses that are industrial in nature and support the functioning of London for instance by way of providing space for infrastructure. The identified provision is amongst the lowest of all the outer London boroughs with the vacancy rate at a very low 2.6%.

2.41 The evidence detailed above underpinned the recently published London Plan with no further evidence expected to be published until the London Plan is next under review.

Local Planning Policy

2.42 The Richmond Local Plan, which sets out policies and guidance for development until July 2033, was adopted in July 2018, replaced the previous Core Strategy and Development Management Plan. Subsequently, two legal challenges were raised and further amendments were made with an amended Local Plan published in March 2020.

2.43 The Local Plan sets out the strategic vision for the Borough including for jobs and the local economy. The vision states,

> *"The borough's local economy will be successful. Jobs will be readily available and there will be a choice of employment opportunities as the borough's Key Office Areas as well as the industrial land and business parks will have been protected from encroaching residential development. Employment space will have supported new business start-ups and enabled businesses to grow. There will continue to be a high proportion and variety of small local businesses, offering local jobs, and further opportunities for residents to set up their own enterprise."*

2.44 To achieve the vision, the Local Plan sets out objectives including "protect and encourage land for employment use, particularly for affordable small/medium spaces, start-up and incubator units and flexible employment space, in order to support the borough's current and future economic and employment needs".

2.45 Policy LP40 of the Local Plan states that the Council will support a diverse and strong local economy, including encouraging affordable workspace and flexible workspaces, by following a number of principles including land in employment use should be retained in employment use for business, industrial or storage purposes. With regards to major new employment development, the policy advises that this should be directed towards Richmond and Twickenham centres. New employment floorspace of an appropriate scale may be located elsewhere.

2.46 Policy LP41 of the Local Plan aims to support a strong local economy and ensure there is a range of office premises within the borough. The policy goes on to mention that there is a presumption against the loss of office floorspace in all parts of the borough, with any loss of office floorspace (on sites outside of designated key office areas) where robust evidence demonstrates that there is no longer demand for an office based use, and a sequential test approach to development is applied. In designated key office areas, no net loss of office floorspace will be permitted. The explanatory text of the policy states that a substantial quantity of office space has been lost in the borough as a result of the introduction of permitted development rights for change of use from B1 office to C3 residential.

2.47 Policy LP42 of the Local Plan states that the borough has a very limited supply of industrial floorspace and demand for this type of land is high, therefore the Council will protect, and where possible enhance, the existing stock of industrial premises to meet local needs. There is a presumption against loss of industrial land in all parts of the borough. The policy test for the loss of industrial land includes robust marketing for at least two years and a sequential test that examines the prospect of different employment uses operating at the site. The policy achieves a restrictive approach on the transfer of industrial land to other uses.

2.48 Policy LP42 goes on to advise on locally important industrial land and business parks, stating that in these areas the loss of industrial floorspace will be resisted unless appropriate replacement is provided. Development of new industrial floorspace is encouraged and proposals for non-industrial uses will be resisted where their introduction would impact unacceptably on industrial activities.

2.49 Underpinning Policy LP42 is the 2016 Study which noted that there has been a significant loss of employment land with only 25ha remaining. The study concluded that the remaining industrial land in Richmond needs to be retained as the lack of sufficient employment floorspace is a constraint on future employment and business growth in the borough.

2.50 Since the adoption of the Local Plan, LBRuT are progressing with the early stages of a new local plan. In February 2020, a Direction of Travel document and a call for sites was published for consultation. Consultation ended in April 2020.

2.51 Within the Direction of Travel, LBRuT set out the key themes and objectives of a future local plan and highlights the economic challenges including limited land availability for employment purposes.

2.52 One of the key themes identified in the Direction of Travel is increasing jobs and helping business to grow. The document states that there is a lack of affordable land for business and pressure for redevelopment to residential, and therefore there remains a need to further protect its loss. The document also highlights the impact that permitted development rights for change of use from office to residential with large areas of the borough still at risk of being converted.

2.53 The Direction of Travel sets out the following policy directions for employment land:

> "Establish through future employment evidence base work if further Locally Significant Industrial Sites and/or Key Office Areas should be designated in the Local Plan in order to ensure that sufficient affordable premises are available for a range of businesses, but in particular SMEs;

Provide further guidance on the types of offices that could be encouraged through the Local Plan employment policies;

Require all development providing economic floorspace to contribute to the provision of affordable, flexible and/or managed workspace to support local enterprise and business development; and,

Encourage intensification of existing employment sites, particularly industrial land, for further industrial uses rather than substitution."

Neighbouring Local Planning Authorities

2.54 Since the 2016 Study, a number of neighbouring authorities have updated their local plan and employment evidence base. Below, the neighbouring authorities positions are set out.

London Borough of Hounslow

2.55 The London Borough of Hounslow adopted its Local Plan in September 2015. Policy ED2 of the Local Plan seeks to secure and consolidate the Borough's existing supply of employment land. The Local Plan Inspector identified the need for an early Plan review and specifically the need to identify the demand and supply of employment land.

2.56 Subsequently, the council have undertaken a partial local plan review on the Great West Corridor and the West of Borough. Underpinning the review, is the Employment Land Review (2016). The study identified a significant need for additional office and industrial floorspace that cannot currently be met from known supply, with Heathrow related warehousing demand being a major contributor to that need. The study recommended that to balance supply to meet demand in full required the release of two or three parcels of Green Belt land and further intensification of existing sites.

2.57 Following the ELR, the Council have updated the net requirement and pipeline figures to reflect the up-to-date position regarding employment land. The new figures show that the requirement for additional industrial floorspace is reduced but there is still a significant need for additional land. A total of 255,913 sqm of office floorspace and 158,540 sqm of industrial floorspace is required.

2.58 Note that these numbers are likely to change as the Plan move through examination (late 2021 / early 2022). The Plan was prepared pre-Covid and may be updated to reflect a weaker office market as it passes through examination.

London Borough of Hammersmith and Fulham

2.59 On 28th February 2018, the council adopted its new Local Plan. Policy E1 of the Local Plan seeks to support the retention, enhancement, and intensification of existing employment uses. Policy E2 of the Local Plan states that the Council will require the retention of land and premises capable of providing accommodation for employment uses unless certain criteria permitting its release is met including marketing for 12 months.

2.60 The Employment Study (2016), which underpinned the employment policies, identified a potential supply of 349,304 sq.m of office space by 2036 against a projected demand of 383,454 sq.m over the same period indicating a shortfall in employment floorspace.

London Borough of Wandsworth

2.61 Since the 2016 Study, the London Borough of Wandsworth adopted their Wandsworth Employment and Industry Document (2018) in December 2018 which sets out the policies relating to planning for employment uses in Wandsworth.

2.62 Policy EI1 of the Local Plan aims to encourage sustainable economic growth through ensuring established town centres and emerging centre at Battersea as the main focus for office development. The policy also states that economic uses will be intensified in appropriate locations to provide modern industrial floorspace and workspace for SMEs. Existing employment premises will be protected where they are well located, form a cluster of employment uses, or contribute to the economic vitality and viability of the area.

2.63 The Council are currently in the process of a local plan review and recently finished their consultation on the 'pre-publication' draft local plan. As part of the review, an Employment Land and Premises Study was undertaken in October 2020. The study states that they have a net requirement of 22,500sqm of office floorspace. The driver for the new floorspace is an increase in demand of 27,500sqm of office floorspace.

2.64 With industrial land, there is a net requirement for 8.6ha between 2019 and 2034. Of this, approximately 5.5ha is to capture additional demand for core industrial land uses and 2.1ha is to capture additional demand for waste uses.

2.65 In terms of the pipeline, the study states that the Vauxhall, Nine Elms, Battersea Opportunity Area is expected to deliver the majority of office need. With industrial land there is expected to be a total reduction of 6.3ha of industrial floorspace. The forecast reduction in employment land due to planning applications highlights the need to provide additional industrial land.

Royal Borough of Kingston upon Thames

2.66 The Kingston Core Strategy was adopted in April 2012 with Policy CS11 of the Core Strategy seeking to diversify the Borough's offer of employment floorspace and ensuring that land is available for both traditional industrial and office based employment activities. The policy advises that where appropriate the council will support the provision of flexible business spaces to meet the diverse needs of start-ups and SMEs including new emerging sectors.

2.67 Policy DM17 of the Core Strategy seeks to protect all employment land and premises in local centres, industrial/business areas, district centres and Kingston Town Centre. Other locations outside of the employment locations will be protected for employment uses to meet business needs. Alternative uses will not be acceptable unless evidence demonstrates marketing for a minimum of 2 years.

2.68 The Council are currently in the early stages of a local plan review with the regulation 18 consultation finishing in July 2019. The Council undertook further engagement to shape the draft Local Plan in summer 2021. Underpinning the local plan review, the most recent employment evidence document is the Economic Analysis Study (2014) which establishes that the Borough has insufficient employment floorspace to meet future needs up to 2031.

2.69 Prior to the analysis study, the last employment land review was published in 2008. The employment land review demonstrated that there was to be a 59,285sqm reduction in need for B2 and 24,000sqm reduction in need for B8 uses. The only uplift in need was for B1 uses which had a need of 237,700sqm. Care needs to be taken when considering these figures as the evidence from this report is now out of date and industrial land has changed significantly since then. Based on the more recent assessments, demand outstrips supply of employment land.

Spelthorne Borough

2.70 Spelthorne's development plan currently comprises the Core Strategy (2009). Policy SP3 of the Core Strategy aims to retain sufficient well located employment land and to support redevelopment of well located land to meet business needs. Policy SP3 is supported by Policy EM1 of the Core Strategy which lists employment areas and states that the Council will encourage proposals for development that enable business needs to be met and will refuse proposals that involve a net loss of employment land or floorspace in employment areas.

2.71 The council are currently in the process of a new local plan with the Council looking to publish the regulation 19 publication local plan for consultation in mid-2021. The latest employment evidence base, which forms part of the emerging local plan, consists of the Employment Land Needs Assessment (2018). The study shows that there is a 15,270sqm requirement for B1 uses, a reduction of 20,826sqm for B2, and a requirement of 13,720sqm of B8 floorspace. In total, this is a required uplift of 8,164sqm of employment floorspace.

Elmbridge Borough

2.72 The Elmbridge Core Strategy was adopted in 2011 and acts as the main document guiding development in Elmbridge Borough. Policy CS23 of the Core Strategy aims to accommodate future growth and ensure that strategic employment land is protected in order to make the most efficient use of land to support the sustainable economic growth. Sites outside of strategic employment land should be retained for employment uses unless redevelopment for other purposes provide wider benefits to the community.

2.73 The Elmbridge Development Management Plan was adopted in 2015 and contains the day-to-day policies against which planning applications will be assessed. Policy DM11 states that the Council will encourage employment development that supports sustainable growth and support the vitality and viability of town, district and local centres.

2.74 The Council are now consulting on their new local plan which will guide development for a further 15 years. This includes how they want to develop and support key employment areas. Where proposals result in the loss of non-strategic employment sites, the Council expect applicants to demonstrate that the site has been marketed unsuccessfully for employment purposes for an appropriate time.

2.75 The vision, objectives and direction document sets out the Council's vision to provide and maintain a portfolio of employment sites that respond to various business needs and ensure an efficient use of land by densifying and intensifying new and existing employment uses in strategic locations. Following the visions document, the Council are looking to undertake regulation 19 consultation in 2021.

2.76 The new draft local plan will be informed by evidence documents including the Strategic Employment Land Review (2019) and the Local Market Appraisal (2020). The employment land review study confirmed that the Borough's employment sites will make a major contribution towards the growth, strength and diversity of the local and wider functional economic area economy by providing a portfolio of employment sites.

Conclusions

2.77 All of the neighbouring local planning authorities do not have a surplus of employment land with many of the neighbouring authorities failing to meet the demand for industrial and office floorspace.

2.78 All neighbouring authorities have lost significant office floorspace through permitted development rights and the demand for housing. All authorities have a positive demand for employment floorspace. It is unlikely that the need can be met for LBRuT through neighbouring authorities given the significant demand for each authority and the historic under-delivery.

2.79 To meet the demand for employment land, the majority of the neighbouring authorities including the Greater London boroughs of Hounslow, Kingston upon Thames, Hammersmith and Fulham, and Wandsworth, are looking to intensification of existing employment spaces and in some cases such as Hounslow green belt release.

3 Property market analysis

Introduction

3.1 This chapter reviews the property market for employment space in the Borough covering office and general industrial/logistics space. For office and general industrial/logistics space we consider in turn demand, supply and the balance of the market. The main purpose of the analysis is to identify where there is potential demand for new floorspace, and hence a need for development land to be identified in the emerging plan.

3.2 In relation to demand, we identify the types of business that are taking space in the Borough or may consider doing so, and what property they are looking for in terms of size and quality. In relation to supply and market balance, we analyse the stock which is currently available, recently developed and in the pipeline, and the rental values that properties in the area are achieving. The purpose of our analysis is to determine:

- How far the existing floorspace stock is meeting current and foreseeable occupier requirements;
- Hence, how far there is likely to be demand for more or different space, now or in the future;
- Conversely, if property and land are oversupplied, overall or in particular sections of the market.

3.3 These findings help assess the potential demand for new employment floorspace, and hence the quantity and qualitative mix of development sites that the emerging plan should identify for employment uses.

3.4 A strength of the market-facing analysis is that it considers real-life property transactions, including the values (rents and prices) realised in such transactions, and whether these values are enough to support viable development. This provides evidence of effective, or viable, demand – which means that potential occupiers will pay enough, and (where relevant) provide sufficient covenant strength[2] to support financially viable development.

Sources and definitions

3.5 The main market indicators we have considered are rental values, recent take-up and floorspace availability. In a property market context, 'take-up' means businesses taking occupation of business floorspace[3]. Take-up covers both new-build and second-hand space (second-hand being the larger share of the market).

3.6 Our property market research has drawn the following information:

- We have relied on the property market database CoStar and commercial property research reports for evidence of take-up, availability and values, both for the market overall and individual properties. For the supply side analysis in the report we have relied on availability figures as described by CoStar as follows:

[2] A business tenant has strong covenant if there is good evidence that they will be in good financial health, and able to pay the rent, through the period of the tenancy.

[3] By contrast, in a planning context 'take-up' means the development of new floorspace.

'The total amount of space that is currently being marketed as available for lease or sale in a given time period. It includes any space that is available, regardless of whether the space is vacant, occupied, available for sublease, or available at a future date. CoStar includes only existing, under construction, and under renovation buildings in its statistical calculations of available space.'

Availability is different from vacancy as availability indicates a property is being advertised for occupation but may not necessarily be vacant.

- Total stock figures across the Borough have been derived from analysis of VOA Non-Domestic Rating statistics. This data provides a round figure of total business floorspace in square metres and total number of properties. We have cross-referenced this data with the CoStar availability data to provide an indication of availability rates. Cross-referencing the CoStar and VOA data does have limitations, as there is no guarantee that the two sources are consistent regarding unit sizes and descriptions. The reason why there may be discrepancies with the unit type is that the VOA data has 999 description codes, which do not always correspond with the definition of employment premises as classified by CoStar. By contrast, properties listed on CoStar are divided in just three categories - industrial, light industrial and office – and some of them may fall outside the VOA definition of industrial, warehouse or office units. Due to the VOA figures being provided as a lump sum, it has not been possible to "iron out" these discrepancies.
- For greater qualitative understanding of the market, we have consulted a local property agent by phone in the summer of 2021.

Analysis areas

3.7 For our analysis of the industrial / warehouse market this is focused on the defined employment areas of Mill Farm Business Park Hanworth, Oldfield Road (incl. Kempton Gate Business Centre) Hampton, St Clare Business Park Hampton Hill, Teddington Business Park, Heathlands Industrial Estate Twickenham, St Margaret's Business Centre, St George's Industrial Estate and Mereway Road Industrial Estate.

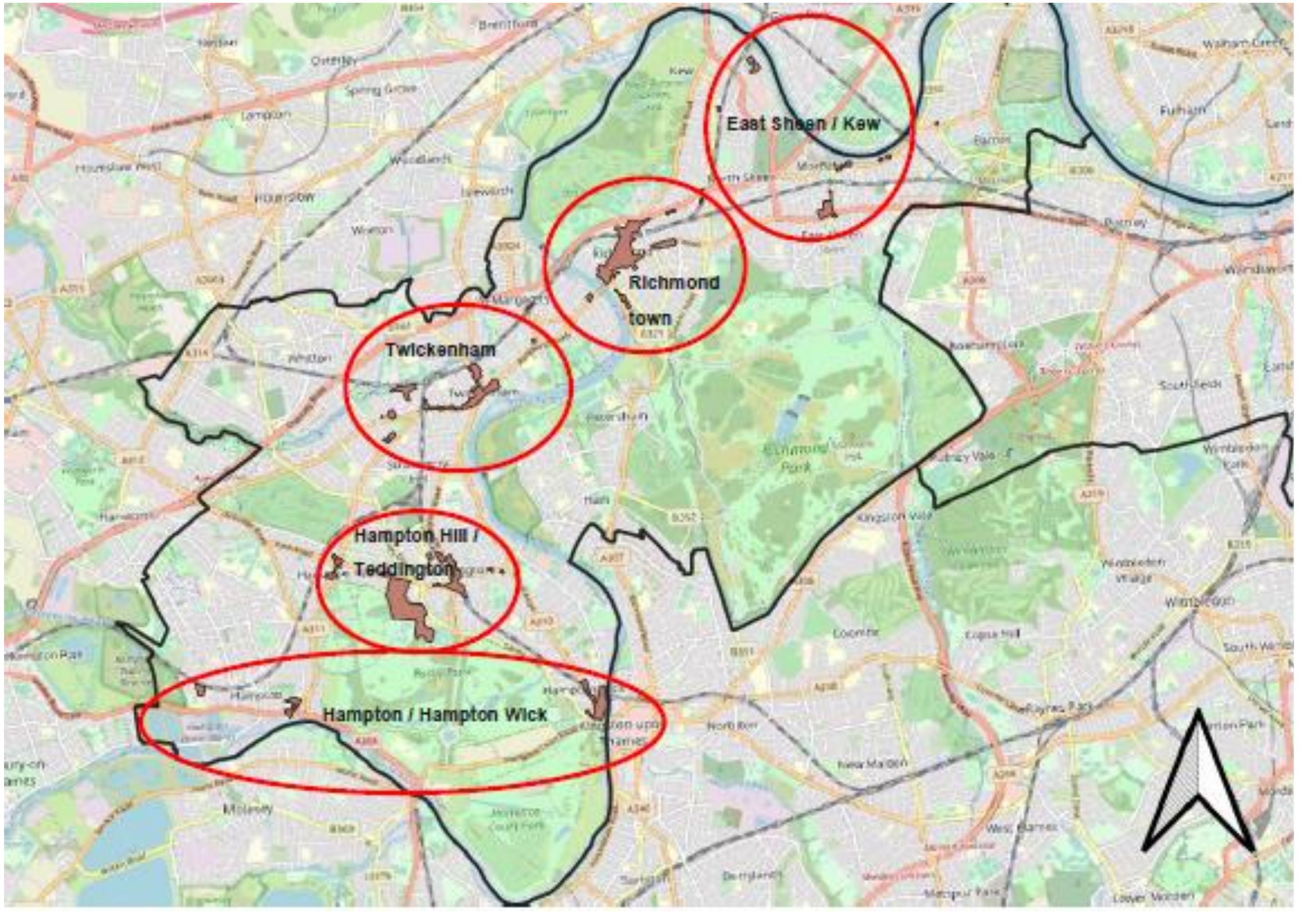
3.8 For our analysis we have divided the Borough into several sub-areas as set out in Figure 3.1. The Council's existing Article 4 Directions[4] covering office to residential (Class O) provide a helpful starting point for where there is existing provision as well as the industrial estates. These sub-areas are:

- East Sheen / Kew – this covers the council's Article 4 area found on the corner of the A205 Upper Richmond Road West and the B351 Sheen Lane. As well as the Article 4 areas along Mortlake High Street. The Kew area covers the Article 4 areas of Blake Mews and the National Archive.
- Richmond town – this covers the council's Article 4 areas found around Richmond town centre, Sheen Road, Richmond Road, and Petersham Road.

[4] www.richmond.gov.uk/article_4_directions_offices_to_residential

- Twickenham – this is the area around Twickenham town centre, including offices found around the Article 4 areas of Hampton Road and St Georges Industrial Estate.
- Hampton Hill / Teddington – this covers the Article 4 areas found around National Physical Laboratory, Tedding town centre and Hampton Hill, High Street.
- Hampton / Hampton Wick – this is the southern part of the Borough, sitting either side of Bushy Park. This area covers the Article 4 areas of Hampton Wick and Castle Business Village.

Figure 3.1 Richmond Borough office sub-areas



Source: OS data, AspinallVerdi, September 2021

The industrial/warehouse market

3.9 For our market analysis, we consider industrial and warehouses uses (E, B2 and B8) as one property market sector rather than separate industrial and warehouse. This is because in Richmond this total market is relatively small with occupiers using these types of units in flexible ways therefore it is not possible to disaggregate the data to form any meaningful analysis.

Regional overview

General Profile – Greater London

3.10 London's industrial land[5] is primarily concentrated around the east (39.5%) and west (29.5%) sub-regions. With London's single largest employment area, Park Royal, located in the west. The south accounts for around 15.9% of London's industrial land. London's industrial land supply has been under pressure for many years from higher alternative uses such as residential. This has led to a diminishing supply of space. Due to the competing land pressures in London, the GLA has been placing pressure on developers to be more innovative in providing higher density solutions either through multi-storey warehousing and / mixed-use industrial with residential. But due to a combination and development economics (higher build costs) and occupier requirements the market is being slow to respond to these solutions. How the market has responded, is to take advantage of the weakening retail sector and acquire retail parks to be repurposed e.g. Prologis bought Ravenside Retail, Edmonton for a small logistic hub.[6]

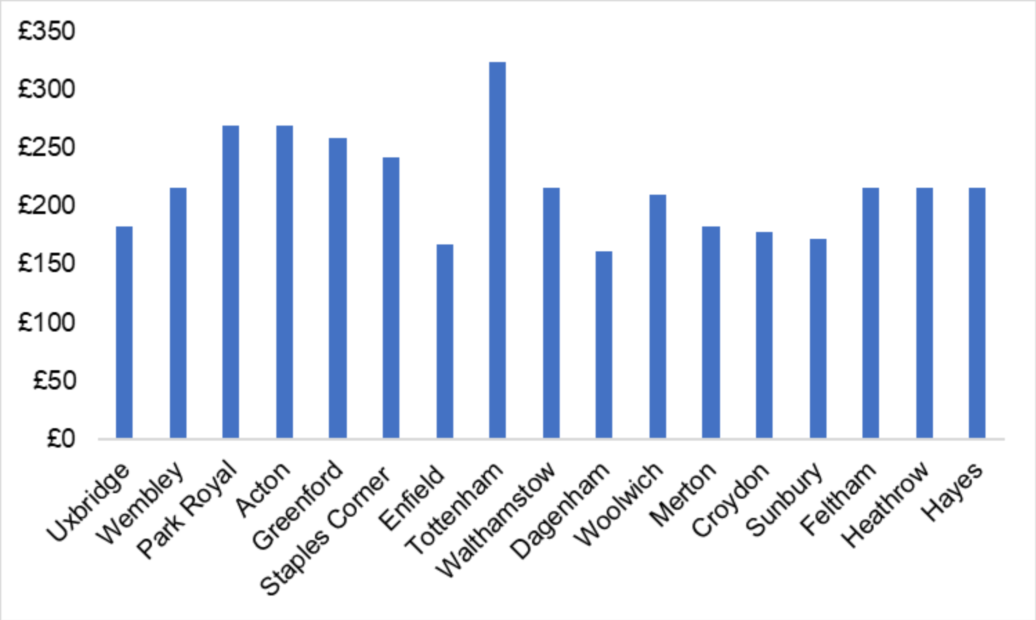
3.11 Demand for clean industrial/warehouse space across London is strong, this is driven by a range of industries such as light manufacturing, industries service central locations, dark kitchens (servicing Deliveroo etc.) retailers (such as amazon and supermarkets) and third party logistics (3PLs) companies. We also see some small units being used by creative industries who use the units in flexible ways e.g. part manufacturing, part office space, and warehousing.

3.12 Collier's report (see Figure 3.2) shows that prime industrial rents for units between 929 - 2,787 sqm are highest in Tottenham at £323 psm. Park Royal and the surrounding areas of Greenford and Acton have rents between £258 - £269 psm. In the south, rents in Sunbury, Croydon and Feltham range between £172 - £215 psm.

[5] CAG, October 2017, London Industrial Land Demand, Page 27

[6] Property Week, 06 January 2020, Prologis swoops for Ravenside Retail Park in £51m deal with M&G

Figure 3.2 London prime industrial rents



Source: Colliers, Prime rents - small sheds map 2021 H2

General Profile – Richmond Borough

3.13 The industrial market in Richmond is relatively small, with “pockets” of industrial estates dispersed throughout the Borough. A small number of the estates could be considered sub-optimal for occupier requirements as circulation and site access can be poor, with dated units located close to residential. But given the tight nature of industrial supply across the Borough and wider London they are still in demand.

3.14 In addition, there are a number of single occupied sites in the Borough such as Twickenham Film Studios and National Physical Laboratory.

Mill Farm Business Park, Hanworth

3.15 Mill Farm Business Park is located to the west of the Borough in Hanworth, just off the A314 Hanworth Road. It is a late 1980s purpose built small industrial estate of around 20-units.

3.16 As shown in Figure 3.3 the units are in a terrace with shared yard area and parking. The units are of reasonable quality and have been well maintained. Occupiers include Lifetime Shutters & Blinds (window covering supplier) in a 443 sqm unit, King’s Fine Food (fine food distributor) in a 243 sqm unit, and Hounslow Glass (glass manufacturer) in a 163 sqm unit. Occupiers are attracted to the business park as it provides purpose-built units slightly separated from residential, with the estate backing on to Heathrow Gateway. In addition, there is good access to the A316 Great Chertsey Road which provides a good link into Central London to the east and M3 to the west.

Figure 3.3 Examples of industrial units, Mill Farm Business Park, Hanworth

Unit 1 -	Unit2-
	

Source: CoStar, September 2021

Oldfield Road (incl. Kempton Gate Business Centre) Hampton

3.17 Oldfield Road is located to the southwest of the Borough. Kempton Business Centre and 74 Oldfield are found along Oldfield Road. The estate is bounded by woodland to the west, railway line to the north, a small office park to the east and St Mary's school to the south, with the water treatment works further south of this.

3.18 Kempton Business Centre is a modern (built 2007) industrial estate – see Figure 3.4. Occupiers here include Kinesys (technology for the entertainment industry) in two units that total 1,132 sqm, Aequitas (packaging) in a 327 sqm unit and AD Baker (shop fitters) in a 989 sqm unit.

3.19 74 Oldfield is slightly more dated (built late 1970s) – again see Figure 3.4 - but is also purpose built and provides small industrial units. Occupiers here include JBR Electrical Services (electrical contractor) in a 45 sqm unit, The Dive Show (arts and entertainment) in a 53 sqm unit and Nailco (wholesaler) in a 95 sqm unit.

3.20 Occupiers are attracted to this area as it provides modern purpose-built units which are segregated from residential uses.

Figure 3.4 Examples of industrial units, Oldfield Road

Kempton Gate Business Centre	74 Oldfield Road
	

Source: CoStar, September 2021

St Clare Business Park, Hampton Hill

3.21 St Care Business Park is located to the west of Hampton Hill High Street. The site is bounded by the railway line to the west and there is residential to the north and south.

3.22 The business park is a mix of 1970/80s industrial, warehouse and offices units. As shown in Figure 3.5 the industrial units as St Clare are small and dated benefitting from small service yard and dedicated parking.

Figure 3.5 Examples of industrial units, St Clare Business Park

Units 2 - 6	Unit 4
	a 

Source: CoStar, September 2021

3.23 The site is owned by Notting Hill Genesis and they have been promoting the redevelopment of the site for a mixed use development of 112 dwellings and 1,494 sqm of commercial space described as being suitable for office, research and workshop uses. An application was refused in December 2020 and is now subject to an appeal. Further details of the proposed development are provided later on in the chapter.

Teddington Business Park

3.24 Teddington Business Park is located just south of the A313 and north of Teddington railway station. The site is bounded by the railway to the west with residential lying to the east. This is a mid-1980s purpose built business park over 18-units, the units are a mix of warehouse, industrial and workshops. Many of the units do not have a traditional roller shutter door (see Figure 3.6) as we would typically expect to see on industrial units but do have double height loading doors.

3.25 Occupiers include Halford Autocentre (vehicle repair) in a 510 sqm unit, JJIS (fire and security systems) in an 87 sqm unit and AMC Express (3PL) in a 400 sqm unit.

Figure 3.6 Examples of industrial units, Teddington Business Park

Unit 1	Unit 10
	

Source: CoStar, September 2021, Sneller Commercial

3.26 Despite what appears to be quite a constrained site the business park is attractive to occupiers - it is the only location in Teddington which provides a range of industrial/warehouse units. With many of the occupiers seeking to service the local market.

Heathlands Industrial Estate, Twickenham

3.27 Heathlands Industrial Estate is located just south of Heath Road on the western edge of Twickenham town centre. The 1980s industrial estate is small in nature comprising 10-units which total approximately 3,680 sqm. The units are generally well maintained and benefit from a small service yard and dedicated parking.

3.28 The rear of the estate (western boundary) backs onto the railway line, there are allotments to the south, rear gardens to houses to the east and a relatively new flatted development to the north (located on Heath Road).

3.29 Occupiers include Brewers Decorator service (trade counter) in a 211 sqm unit, Phase 4 (promotional equipment supplier) in a 208 sqm unit, Plumb Centre (trade counter) in a 171 sqm unit. Occupiers are attracted to the estate because it provides modern purpose built units with small yard area and dedicated parking.

Figure 3.7 Examples of industrial units, Heathlands Industrial Estate

Unit 1 - 5	Units 6 -10
	

Source: CoStar, September 2021

St Margaret's Business Centre

3.30 St Margaret's Business Centre located in a residential area west of St Margarets railway station. The site is accessed through Winchester Road which provides a link to the A136 and A3004. The site is bounded by the railway line to the south with residential to its other sides. The late 1980s estate is small in nature comprising 7-units which total 3,110 sqm. The units are generally well maintained and benefit from a small service yard and dedicated parking – see Figure 3.8.

3.31 Occupiers include Burbeck Interiors (home staging/styling) in a 540 sqm unit, ETS Design (engineering design) in a 500 sqm unit, Powerhouse (steel fabrication design and engineering) in a 465 sqm unit and Tacklebag (sportswear supplier) in a 400 sqm unit.

3.32 Despite its proximity to residential uses, occupiers are attracted to the estate because it provides modern purpose built units with a small yard area and dedicated parking. In addition, the access to the A136/A3004 is attractive to those occupiers seeking to service the central London market.

Figure 3.8 Examples of industrial units, St Margaret's Business Centre

Units 1 - 6	Units 1 - 6
	

Source: CoStar, September 2021

St George's Industrial Estate

3.33 St George's Industrial Estate is located along the A305 The Green, towards the west of Twickenham town centre. St George's is a small mixed industrial and office estate. The estate comprises modern purpose built industrial / warehouse units – see Figure 3.9. The units benefit from a service yard and dedicated parking. The main industrial occupier here is Britannia Row Productions (audio) in a 3,000 sqm unit.

Figure 3.9 Examples of industrial units, St George's Industrial Estate

104 The Green	104 The Green
	

Source: https://www.britanniarow.com/location/

Mereway Road Industrial Estate

3.34 Mereway Road Industrial Estate is located in Twickenham on the corner of Mereway Road and Colne Road. The industrial estate is very small in nature and has a mix of dated units (see Figure 3.10), some have a small quantity of yard space. Occupiers here include Twickenham Fine Ales (brewery) in a 200 sqm unit and Ian Sargent (upholstery).

Figure 3.10 Examples of industrial units, Mereway Road Industrial Estate

Unit 1	Aerial view
	

Source: Sneller Commercial

Demand

3.35 In this section we analyse the take-up of industrial floorspace in the Borough over the last five years, drawing on the CoStar database. This floorspace take-up is the space that business occupiers move into, this includes lease agreements and owner-occupier acquisitions in any given year. It takes no account of floorspace vacated as businesses move out or close down. It is important not to confuse this floorspace take-up with the land take-up discussed above, which relates to the development of new floorspace into the market.

3.36 Table 3.1 shows that in the five years to 2020 the take-up of industrial space in the Borough averaged 1,537 sq m per annum, over an average of 8 units.

Table 3.1 Industrial floorspace take-up, 2016-21, Richmond

Calendar year	No. of transactions	Total take-up sq m
2016	5	369
2017	13	2,267
2018	10	3,185
2019	6	1,446
2020	5	416
2021*	1	39
Total	***40***	***7,722***
Annual Average 2016 - 2020	***8***	***1,537***

Source: CoStar 2021*2021 is a partial year, data taken between 1st January – 03rd July

3.37 In terms of floorspace, between 2016 and 2020, take-up varied between 369 in 2016 to 3,185 sqm in 2018. Given the tight nature of the industrial market in the Borough take-up figures don’t tell the whole story. The variable take-up figures in Table 3.1 are not due to variable demand but when space becomes available, for example in 2017 (the year of most transactions) there were two lease renewals and two new lettings at Oldfield Road. In 2018 we see two further new lettings and a single lease renewal here. Given the space was constructed in 2007, these new lettings and renewals are likely to be as a result of the expiry of the leases of the first tenants.

3.38 Demand for industrial space across the Borough is strong and comes from a variety of businesses representing different sectors with not one dominant sector driving demand. There is evidence of many individual specialist companies taking space in the Borough. Units taken-up in the five-year period include:

- Levco (sale and distribution of audio equipment) taking a 220 sqm unit on a 5-year lease as their head office at Heathlands Industrial Estate.
- Temis Luxury (3PL of luxury goods) taking a 200 sqm unit on a 5-year lease at Heathlands Industrial Estate.
- John Hollimore (curtain maker) taking a 250 sqm unit on a 10-year lease with 4-months' rent free at Kempton Gate Business Park.

3.39 Due to unmet demand in the market, companies who cannot find the space they need move to other places, or perhaps stay in premises that no longer meet their needs, compromising growth or efficiency.

Supply and market balance

3.40 There are some large sites in the Borough subject to redevelopment proposals by landowners/developers. Although there is uncertainty regarding their future use, potentially these could have a significant impact on floorspace availability, particularly where redevelopment proposals move away from reprovision of employment space (contrary to policy). Given the uncertainty regarding the redevelopment of the Greggs site (see details in sections 5 and 7), which potentially results in the most significant loss of industrial floorspace, and to help illustrate the impact this has on supply and market balance we have analysed the data with and without the stock.

3.41 As of September 2021, there were 16 existing industrial units available in the Borough, providing a total floorspace of 8,010 sq m (see Table 3.2). Against the total stock of 1,620 units and 1,620 sq m, this shows availability rates of 5.60% of total floorspace and 0.99% of total units. When we exclude the Greggs site the availability in terms of floorspace falls significantly to 0.65%.

Table 3.2 Floorspace availability, industrial, Richmond Borough - September 2021

	Incl. Greggs unit		Excl. Greggs unit	
	Floorspace sqm	No. of units	Floorspace sqm	No. of units
Total stock	143,000	1,620	143,000	1,620
Availability	8,010	16	928	15
	5.60%	0.99%	0.65%	0.93%

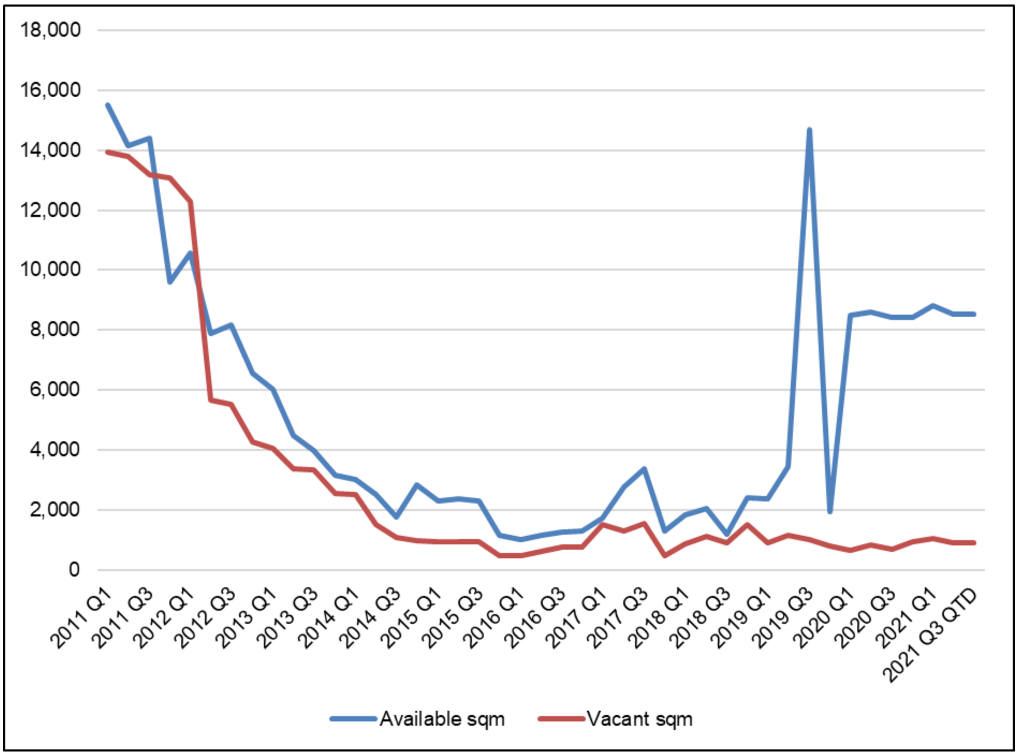
Source: CoStar, VOA, AspinallVerdi, September 2021

3.42 Against the average annual take-up of 1,537 sq m (see Table 3.1), it shows a supply of 7-months excluding the Greggs site but increases to 5-years and 2-months with the Greggs site.

3.43 CAG indicated in their study[7] that vacant industrial land should be around 5% and vacant industrial floorspace around 8% for efficient market operation (fictional rates). We can see without the Greggs availability is below the “fictional rate” identified by CAG.

3.44 But the low availability is not a new trend in the Borough, as shown in the graph in Figure 3.11 available and vacancy rates since 2014 have been at very low levels. With the last few years being a bit more erratic in terms of availability likely to be caused by the Greggs site.

Figure 3.11 LB Richmond industrial/logistics available and vacant floorspace stock sq m



Source: CoStar, September 2021

3.45 As we see in Table 3.3 the stock which is currently advertised on CoStar is not necessarily purpose built industrial units (i.e. railway arches) that meet modern occupier requirements. We would only consider Kempton Gate and Mill Farm units meeting those requirements. Although the other units provide an important function for non-traditional industrial industries.

3.46 This illustrates the strength of the market with most of the units available being railway arches or other compromised space. We note that the length of lease available on the Platts Eyot site being very short with little security for a potential occupier, although we are aware the site was affected by a fire in May 2021.

[7] CAG, October 2017, London Industrial Land Demand, Page 11

Table 3.3 Advertised industrial / warehouse unit – London Borough of Richmond

Property Address	Floorspace (sq m)	Asking Rent (psm)	Comments	Picture
Arch 7 Kew Bridge, Richmond	97	£215	Unlined light industrial arch which is accessed via wooden double doors at both the East and West elevation of the bridge. Apex height of 2.9m.	
Unit 10, Kempton Gate, Hampton	345	£161	Newly refurbished purpose built unit with first floor offices and 3 phase power and 6m eaves height.	
Platts Eyot, Hampton	214	£55	Light industrial unit with 3 phase power and high ceilings. Minimum term of 12 months with landlord rolling break option on the serving of 3 months' notice thereafter	
Arch 36 Popes Grove	37	£190	Railway arch unit	

Property Address	Floorspace (sq m)	Asking Rent (psm)	Comments	Picture
Arch 34 Popes Grove	34		Railway arch unit, asking rent withheld	
Mill Farm Business Park	102	£205	Purpose built Industrial unit with mezzanine floor.	
The Chapel. Orleans Road	193	N/a	Storage/warehouse space on ground with office style mezzanine floor. Dated unit.	
Arch 27 Popes Grove	35	£215	Railway arch unit.	

Property Address	Floorspace (sq m)	Asking Rent (psm)	Comments	Picture
Greggs of Twickenham	7,082	N/a	Former Greggs manufacturing site for sale, asking price withheld	

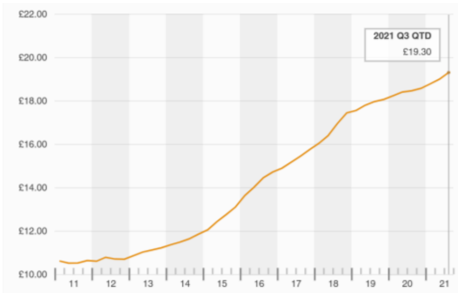
Source: CoStar, AspinallVerdi, September 2021

Rents and the economics of development

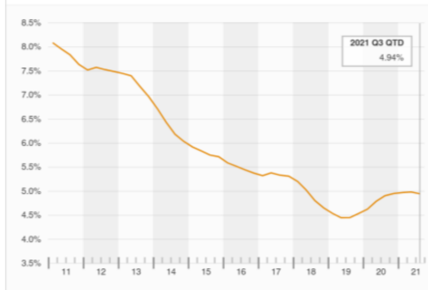
3.47 Market rent (as defined by CoStar[8]) has been steadily increasing (see Figure 3.12) across the Borough with CoStar reporting for quarter 3 a rent of £19.30 psf, which equates to £208 psm. In turn, market yield (as defined by CoStar[9]) have generally been falling (see Figure 3.12) across the Borough, with CoStar reporting for quarter 3 a yield of 4.94%. The combination of rising rents and falling yields mean that capital values have been increasing.

Figure 3.12 Market rent and market yield, Richmond Borough

Market rent



Market yield



Source: CoStar, September 2021

3.48 The Borough wide analysis from CoStar does reflect the details of specific deals, where there is evidence of both high and lower rents:

- JBR Electrical agreed a rent of £231 psm for a short term (12-month lease that commenced November 2020) on their small 45 sqm unit at Oldfield Road.
- Ark Distri agreed a rent of £199 psm for a 5-year lease (commenced December 2020) on their 140 sqm unit at Mill Farm Business Park.
- Levco agreed a rent of £206 psm for a 5-year lease (commenced December 2019) on their 220 sqm unit at Heathlands.

3.49 The above rents are sufficient to maintain existing premises and should be sufficient to support new build development, ignoring “hope value”[10] for residential on any land value assumption. This illustrates the risk that permitting housing on sites can undermine the commercial rationale to redevelop and intensify the existing stock. Hence why a continued strong protection policy is still justified to manage this hope value. As we discuss below hope value and aspirations for residential development hinders regeneration as most obviously the case with the vacant Greggs unit in Twickenham.

[8] CoStar defines market rent as the rental income that a property would most probably command in the open market.

[9] CoStar defines market yield as the smoothed average yield series using modelled yields and estimates as well as actual observations.

[10] RICS describes Hope Value as ‘An element of market value in excess of the existing use value, reflecting the prospect of some more valuable future use.’

Development

3.50 In recent years, no new sites have been promoted for employment development in the Borough, with proposals focused on redevelopment of existing employment areas:

St Clare Business Park, Hampton Hill

3.51 As discussed above St Clare Business Park is currently subject to a planning appeal for the redevelopment of the site for a mixed-use residential / employment scheme. The proposals are for a mixed-use development of 112 dwellings and 1,494 sqm of commercial space described as being suitable for office, research and workshop uses. Amongst the reason for refusal was the loss of employment floorspace.

3.52 The Applicant's employment strategy states that is envisaged that 40% of the employment space would be office (600 sqm GIA) accommodation located on the ground floor of Block 1; 60% (894 sqm GIA) would be flexible research & development and light industrial floorspace located in a separate building, Block 2.[11]

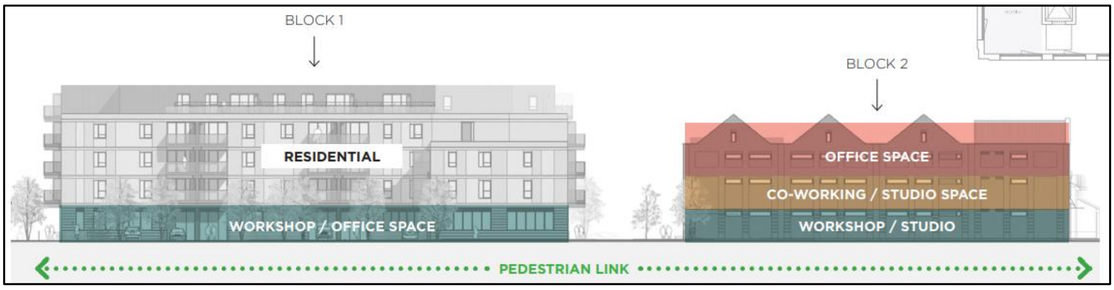
3.53 The employment strategy further explains that the site is unsuitable for B2 and B8 uses due to the sites proximity to residential and compromised access for commercial vehicles. It is also claimed there is a lack of identified demand for B1 uses and conversely also stated that there is demand for smaller spaces from SMEs and co-working enterprises. With regard to the B1b/B1c space, they identify demand for technology and 'maker' sectors. As shown in Figure 3.13 the workshop / office space is proposed to be delivered on the ground floor of a residential block and there is a separate commercial block which is proposed to deliver further workshop / office space, co-working / studio space and office space.

3.54 For this report this case illustrates that when mixed use is considered it is difficult to resecure industrial space. While the site, as with all sites in the borough, has housing nearby and less than ideal access, the site has been in operation as an industrial site for many years. The sites location however is still cited as grounds not to re-provide industrial stock. Similar arguments could be made for almost every site in the Borough.

3.55 Ultimately it is for others to balance the competing needs for homes and employment space. Here we note how it is important as part of any redevelopment mix to consider the quality and market sector which is losing space because they may be different to those that could be accommodated in the replacement. While the industrial and workshop market can blur office sector employment and activity, it is rarely a substitute for a loss of industrial space. While both may employ someone the economic purpose and contribution of the industrial space is materially different to offices.

[11] RPS, April 2020, 19/3201/FUL: St Clare Business Park: Employment Strategy

Figure 3.13 Proposed elevation of commercial space



Source: Notting Hill Genesis, Design & Access Statement, October 2019

Greggs site, Gould Road

3.56 The Greggs site was subject to a planning application (19/0646/FUL) for the redevelopment of the site for 116 residential units and 175 sqm commercial floorspace (Use Class B1). The application was refused in August 2020, amongst the reason for refusal was the loss of industrial floorspace. We consider this site in more detail elsewhere in this report.

Stag Brewery, Mortlake

3.57 The site has been proposed for redevelopment for some time, and a development brief was adopted in 2011, ahead of the brewery operations ceasing at the end of 2015. It is not located within a town centre, but falls within the Mortlake Area of Mixed Use and it is therefore expected that the site will provide a substantial mix of employment uses, including lower cost units suitable for small businesses, creative industries and scientific and technical businesses including green technology.

3.58 The Council resolved to approve applications in January 2020, which included flexible use floorspace as Class A1, A2, A3, A4, B1, D1 D2 and sui generis. The applications were then called in by the Mayor of London, with a revised mixed use scheme including up to 5,023 sqm flexible commercial plus 5,523sqm office floorspace, although this was refused in July 2021.

Conclusion

3.59 The industrial/warehouse market in the Borough is characterised by a number of large occupiers (e.g. Twickenham Film Studios and National Physical Laboratory) and “pockets” of industrial estates dispersed throughout.

3.60 A small number of the estates could be considered sub-optimal for occupier requirements as circulation and site access can be poor, with dated units located close to residential. Given the tight nature of industrial supply across the Borough and wider London however they are still in demand.

3.61 The majority of the existing stock is being well maintained, although some of the units are slightly dated. Rents are at sufficient levels to maintain the existing stock, and the rent / yield dynamic is sufficient to support viable development, ignoring residential hope value for any land value assumption.

3.62 Availability of space is low, which has been a trend for a number of years. What space that is available is not necessarily purpose-built stock such as railway arches. Therefore some of the advertised supply is unlikely to be suitable for all industrial/warehouse requirements, which places further pressure on the purpose built stock.

3.63 Demand for space comes from a variety of sectors, many of which are specialist companies servicing more than just the local market.

3.64 The market indicators show that existing industrial/warehouse space needs to be continued to be protected. Any reprovision of industrial/warehouse space needs to be carefully planned to allow for vehicle access, yard area and parking. The internal layout and configuration of the space needs be carefully planned to ensure this is not compromised for occupier requirements.

The office market

Office market overview

3.65 Before the pandemic, speculative office development was only occurring in strong and established office markets such as in London, Thames Valley (e.g. around Reading) and key regional centres such as Birmingham and Manchester. In other markets, new development required a pre-let in place to a blue-chip covenant on institutional lease terms. At this time, we were also seeing a shift in office requirements from out of town locations to town and city centres. This was driven by staff wanting to be closer to public transport links and amenities. More latterly, corporate occupier requirements were providing greater emphasis on Environmental Social Governance (ESG).

3.66 During the start of the pandemic, the government encouraged working from home measures, many offices were left unoccupied or at greatly reduced occupancy. Companies were forced to embrace video conferencing and other measures to ensure business continuity.

3.67 In this section we try to summarise current market data and demand. But this is challenging and especially for the office market.

3.68 While there is little firm data around a post Covid economy data is emerging suggesting that the post Covid office economy will look very different. Agents reports often present a mixed picture. In the current climate steering a path between reporting (weak) market evidence with an element of market boosterism. But where hard facts are starting to emerge they do not support a return to the office in line with pre-Covid norms. The recent South Western Railway December 2022 timetable consultation[12]proposed removing capacity from the suburban network to better match supply and demand. Research to evidence the consultation found that commuting journeys would fall from 4.3 per week (per worker) to 2.6 per week. This is a stark reduction is commuting trips and a significant reduction in the number of office workers requiring space.

3.69 Despite the easing of restrictions, it is still too early to tell what the future of the office market will look like. But current signs are that some companies will allow some form of working from home to continue, for example, Nationwide are now allowing all staff to work remotely and the likes of HSBC, KPMG and Deutche Bank are introducing some form of hybrid working. At the other end, Goldman Sachs is insisting everyone return to the office. Savills indicate that offices will remain vital, and they predict there will be an increasing demand for flexible and locally managed workplaces.[13] While the outlook for managed office workspace may be positive (as per Savills) it is

[12] https://www.southwesternrailway.com/plan-my-journey/timetables/timetable-consultation-december-2022

[13] Savills, 2021, Office FiT

unclear whether this will drive floorspace growth or whether existing floorplates will be reconfigured.

3.70 In recent years the main drivers of demand for new office space have been from finance, professional services, Technology, Media and Telecommunications (TMTs) and flexible workspace providers.

Regional overview

General Profile – Greater London

3.71 London's office market is primarily concentrated in central London, stretching from Paddington to the west through to Canary Wharf in the east and from Kings Cross in the north through to Victoria in the south. Demand for office space in central London is from a range of sectors including banking and finance, professional services, public sector, creative industries, insurance, and TMTs. Many companies use central London as their UK and/or European headquarters. As with the wider UK market prior to the global pandemic, there was strong demand from flexible workspace providers.

3.72 Agents Carter Jonas[14] report that the central London office market has been impacted by the pandemic with the following trends emerging:

- Reduction in advertised rents of between 7.5 – 15%.
- Discounts on advertised rents can be negotiated between 5 – 10%.
- Rent-free period increasing.
- Shorter leases lengths as tenants seek greater flexibility.
- Downsizing – reflecting new working practices and reduced headcount, to reduce costs.
- Rising vacancy rates.
- Short-term improvement in demand for services and co-working space as "stop-gap" solution whilst seeking new space.

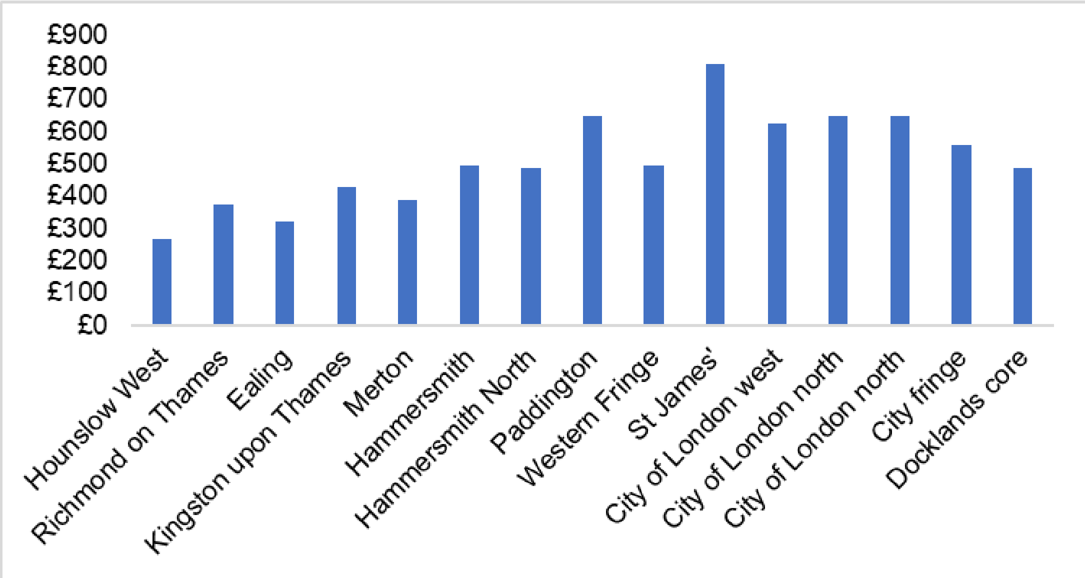
3.73 The outer London market is relatively smaller than the central London market. Occupiers tend to be here for: historic reasons, affordability, servicing the local market or owners have links to the areas e.g. they live nearby.

3.74 As shown in Figure 3.14 market rents[15] in central London locations tend to be higher than in outer locations. Rents in St James' are £807 psm and the city £646 psm. Whereas Merton (£388 psm) and Ealing (£323 psm) are much lower. Market rents in Richmond are £323 psm which are below that of neighbouring Kingston (£431 psm). Situations, where rents are lower, means the viability of new office space is more challenging.

[14] Carter Jonas, Q1 2021, The London Office Market – a guide to rents, rent free periods and market trends

[15] CoStar defines market rent as the rental income that a property would most probably command in the open market.

Figure 3.14 London office "Market Rents"



Source: CoStar, September 2021

General Profile – Richmond Borough

3.75 The office market in the Borough is found in the town centres, with a small element in out of town employment areas. As we go on to show the majority of stock is purpose-built offices of various ages e.g. 1900s through to the 2000s. Demand for office space comes from a broad range of sectors, with many specialist companies found in the Borough. These specialist companies are both large and small in size.

East Sheen / Kew

3.76 The office market around East Sheen is concentrated on the corner of Upper Richmond Road West / Sheen Lane and along Mortlake High Street.

3.77 At the corner of Upper Richmond Road West / Sheen Lane, the offices include Parkway House. Parkway House is a purpose-built 1960s office (See Figure 3.15) and is currently being offered on a serviced workspace basis. Occupiers here include Lawrence & Smith (property management) in a 1,536 sqm unit and Glenstone Property (property REIT) in a 1,430 sqm unit.

Figure 3.15 Examples of office units, East Sheen / Kew

Parkway House	20 Mortlake
	

Source: CoStar, Estates Gazette, September 2021

3.78 Along Mortlake High Street, there is the business centre known as 20 Mortlake that forms part of a relatively new (early 2000s) residential scheme. Occupiers here include Asia Pacific Offset (book manufacturer) in a 46 sqm unit, Frendcastle (property development) in 46 sqm unit and MNG Maritime (logistics).

3.79 Also found along Mortlake High Steet are Tideway Yard and The old Fire Station, both of which are converted properties now used as offices – see Figure 3.16. Occupiers at Tideway Yard include Detail Management Services (event space) in an 88 sqm unit Andrew Wich Design (super yacht designer) in a 969 sqm unit.

Figure 3.16 Examples of office units, Tideway & Old Fire Station

Tideway Yard	The Old Fire Station
	

Source: CoStar, September 2021

3.80 The main office occupier around Kew is the National Archives with the balance of the market small. Smaller occupiers include Loop Horizon (technology) in a 100 sqm unit.

3.81 Occupiers are attracted to this area due to the close links to Putney, Clapham Junction, Vauxhall and Waterloo and / or having specific links to the area.

Richmond town

3.82 Richmond town is the Borough's main office market. The office market is diverse here, with a range in age of buildings including converted properties and purpose-built. Also, some of the offices are found above retail units whereas others are individual – see Figure 3.17).

3.83 Examples of offices above shops include 1 Eton Street which is a modern 2013 purpose-built mixed-use retail and office building. Occupiers here include Ecover (cleaning products) in a 690 sqm unit used for their headquarters and Autosport (media) in a 670 sqm unit. In the older (1900s) building of 9 – 11 The Quadrant tenants include Shaw & Company (chartered surveyors) in a 300 sqm unit and HML Group (lettings and management) in a 148 sqm unit.

3.84 Examples of individual offices include Shearwater House and the Printworks. Shearwater House has been modernised to Grade A standard and has attracted Minesoft (software) in a 484 sqm unit. In the Printworks, occupiers include Spoke (clothing) in a 239 sqm unit and Enterprise Commodity Services (energy broker) in a 78 sqm unit.

3.85 Occupiers are attracted to Richmond due to the range of quality and size of space as well as access to amenities and rail links to south and central London.

Figure 3.17 Examples of office units, Richmond town

1 Eton Street

9-11 The Quadrant

Shearwater House

Printworks

Source: CoStar, September 2021

Twickenham

3.86 The office market in Twickenham market is smaller than Richmond town. Twickenham benefits from both town centre and “out of town” purpose built offices – see Figure 3.18).

3.87 In the town centre, we find the1960s Regal House which has attracted occupiers such as Hawk (training provider) in a 1,337 sqm unit, 3c Payment (payment merchant) in a 557 sqm unit and Rugby Players’ Association (rugby player representative body) in a 697 sqm unit and Premiership Rugby (administrators) in a 464 sqm unit. Regus (serviced office provider) also has a 1,944 sqm unit. In the nearby 1970s Premier House is Kelliher Insurance (finance) in a 515 sqm unit.

3.88 The out of town offices includes the late 1980s 102 The Green. Occupiers at The Green include Ashill (property development) in a 500 sqm unit and OLM Systems (software) in a 993 sqm unit.

Figure 3.18 Examples of office units, Twickenham

Regal House	102 The Green
	

Source: CoStar, September 2021

3.89 Some occupiers are attracted to Twickenham because of the links to the national rugby stadium and others are here due to links to the area.

Hampton Hill / Teddington

3.90 For a small market, the stock available in Hampton Hill / Teddington is diverse (see Figure 3.19) and includes a number of relatively modern purpose built offices. Offices include the 2010 built 8 Waldegrave Road which has attracted Co Op Homes (housing association) in a 347 sqm unit and Vouchedfor (software) in a 347 sqm unit. In Wellington House (2000 build) occupiers include Buchanan (estate agent) in a192 sqm unit, Henry Collison (food and drink wholesaler) and Distell (drinks distributor)

Figure 3.19 Examples of office units, Hampton Hill / Teddington

8 Waldegrove Road	Wellington House
	

Source: CoStar, September 2021

3.91 Occupiers are attracted to Hampton Hill / Teddington because of the availability of good quality space in smaller units as well as the availability of amenities.

Hampton / Hampton Wick

3.92 Hampton / Hampton Wick office market is characterised by a number of standalone purpose-built offices – see Figure 3.20. Examples include 1 Becketts Place, the late 1990s built office that includes occupiers such as Marketing Minds (digital marketing) in a 152 sqm unit and Chartersphere (air cargo). Castle Business Village, an early 2000 built office that has attracted occupiers such as Pharos Marine Automatic Power (offshore technology) in a 412 sqm unit and Isode (software) in a 312 sqm unit.

Figure 3.20 Examples of office units, Hampton / Hampton Wick

1 Becketts Place	Castle Business Village
	

Source: CoStar, September 2021

3.93 Occupiers are attracted to Hampton / Hampton Wick because of the availability of purpose-built offices and links to Kingston.

Demand

3.94 In this section we analyse the take-up of office floorspace in the Borough over the last five years, drawing on the CoStar database. This floorspace take-up is the space that business occupiers move into, this includes lease agreements and owner-occupier acquisitions in any given year. It covers both new and second-hand space and takes no account of floorspace vacated as businesses move out or close down.

3.95 As shown in Table 3.4 in the five years to 2020, the take-up of office space in the Borough averaged 10,621 sqm per annum over an average of 50 units.

Table 3.4 Office floorspace take-up, 2016-2020, LB Richmond

Calendar year	No. of transactions	Total take-up sq m
2016	50	14,924
2017	68	9,694
2018	67	13,539
2019	43	12,061
2020	24	2,887
2021*	20	3,632
Total	***272***	***56,738***
Annual Average 2016 - 2020	***50***	***10,621***

Source: CoStar 2021

*2021 is a partial year, data taken between 1st January – 03rd July

3.96 We see that between 2016 and 2018 take-up fluctuated between 9,694 and 14,924 sqm / 43 and 67 units. Although in 2016, where take-up was high, this does include the 966 sqm lease renewal of Treasury Wine Estates (wine company) at Regal

House in Twickenham as well as 1,585 sqm lease renewal of the Job Centre (public sector) at Chatsworth House, Twickenham. The evidence shows that the market in 2020 was impacted due to Covid-19. The evidence shows that in terms of floorspace take-up fell by around a quarter and in terms of the number of units around a half – this indicates that what take-up did occur was for smaller units. The year to date shows some recovery, with floorspace above the 2021 figure and the number of units similar to the whole of 2020.

3.97 Demand for office space across the Borough is from a variety of sectors. There is demand from TMTs, professional services, finance, service offices and several specialist companies. Demand is usually for smaller units typically requiring units up to 200 sqm. A large requirement for the Borough is circa. 1,000 sqm – which is still quite small when compared to central London. Most demand is for space around Richmond (where most of the supply lies, offers a range of stock, close to amenities and benefits from a railway station). Examples of recent take-up include:

- People Against Dirty (part of Ecover (cleaning products)) taking a 1,025 sqm in 1 Eton Street, Richmond, where the group already based their headquarters.
- Orange Square Company (high end perfume distributor) taking a 227 sqm unit at Peregrine House, Richmond.
- McLear (technology) taking a 92 sqm unit at Steel House, Richmond.
- Wanstar (ship navigation) taking a 288 sqm unit at Regal House, Twickenham

Supply and market balance

3.98 There are 125 office units currently available in the Borough, providing a total of 49,716 sqm of floorspace. This is against a total stock of 1,690 units / 232,000 sqm registered on VOA. This equates to a current availability rate of 21.43% of floorspace and 7.40% in terms of number of units. If we cross-reference the availability in Table 3.5 with the annual average take-up in Figure 3.21 of 10,621 sqm / 50 units, the availability across the Borough equates to around 2 years and 6 months' supply in relation to the number of units and 4 years and 8 months' supply in relation to floorspace. Availability in terms of floorspace is high but number of units is reasonable.

Table 3.5 Office floorspace availability, LB Richmond, 2021

	Floorspace sq m	No. of units
Total stock	232,000	1,690
Availability	49,716	125
	21.43%	7.40%

Source: CoStar, Aspinall Verdi (2021)

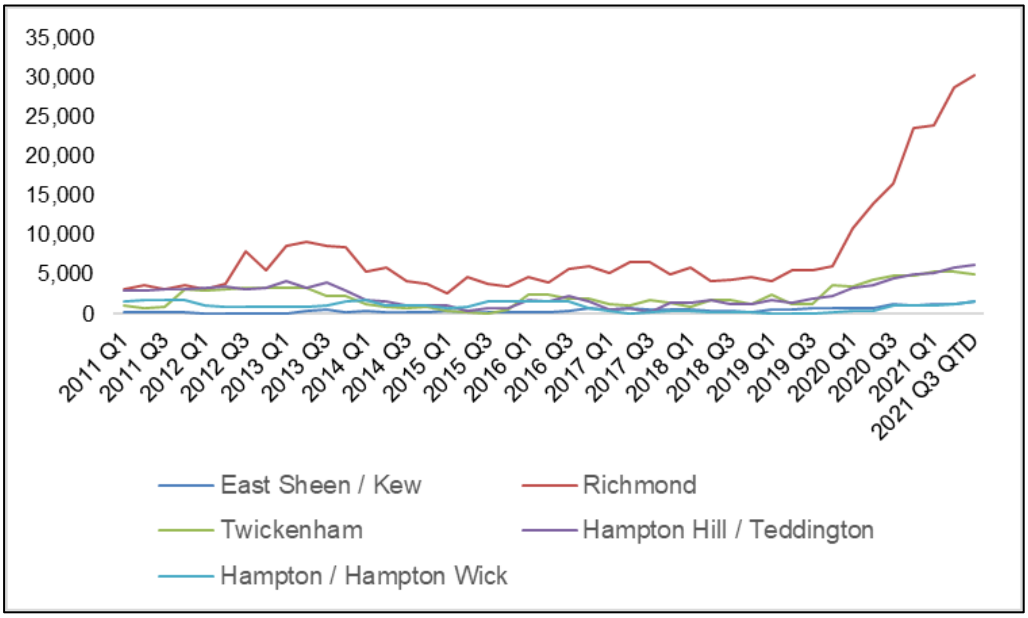
3.99 We have also looked at floorspace availability in more detail, considering past changes since 2011 – see Figure 3.21. At this finer-grained level, we have had to use availability rates as estimated by CoStar, which is useful for charting change over time and comparing sub-areas with each other.

3.100 We see at a Borough level office availability has been on a sharp upward trend since the start of the pandemic – this is most noticeable in Richmond, followed by Twickenham and Hampton Hill / Teddington. A significant element of the availability in

Richmond is the advertised space (circa. 6,000 sqm) for the redevelopment of the former House of Fraser store on George Street (the former retail site is proposed by the landowner for a £20m investment to refurbish,[16] including four floors of office space and other commercial uses, with a scheme granted permission in 2021) along with the offices of Oriel House (3,934 sqm) and Sovereign Gate (2,177 sqm) – these three accounting for about 35% of all available space.

3.101 It is reasonably clear that the current spike in floorspace available is directly tied to short term Covid reasons and the long term trend is one of limited availability. As the economy recovers from Covid we would hope to see the market stabilise but this obviously needs to be kept under review.

Figure 3.21 Borough office available floorspace stock sqm



Source: CoStar (2021)

Rents and the economics of development

3.102 Office rents in the Borough are generally more affordable than the nearby Kingston upon Thames but more expensive than Ealing and Hounslow.

3.103 Where space is provided to a high specification in the right location then premium rents are secured for example Shearwater House in Richmond has achieved £538 psm. As illustrated in Figure 3.22 Shearwater House is Grade A specification with air conditioning, raised floors, open plan with shower facilities set in a historic building. A rent of £511 psm has been achieved on similar internal specification space at Richmond Place but externally different being a 1980s build.

16 Planning application reference: 19/2392/FUL – Applicant response to scheme justification

Figure 3.22 Examples of type of office space in the Borough

Shearwater House	Tideway Yard
	

Source: CoStar, September 2021, Houston Lawrence

3.104 Rents in Twickenham are slightly lower, here we see Regal House achieving £350 psm – this is for good quality refurbished space with air conditioning. In East Sheen / Kew it is the more "quirky space" at Tideway Yard (see Figure 3.16) which achieves the premium rent in this area at £374 psm – some of these units benefit from views of the Thames. In Teddington, again it is the better-quality refurbished space that achieves the highest rents. 1 Park Road has achieved £360 psm, which provides air conditioning, raised floors, shower facilities and cycle storage. In Hampton, rents are at similar levels to elsewhere in the Borough although typically for smaller units.

3.105 Rents are sufficient across the Borough to maintain and refurbish space. Before the pandemic (May 2019) 1 Eton Street sold for a net initial yield of 5.4%, although this included an element of retail. Notwithstanding this, the combination of a 5.4% yield and rents achieved in the Borough would be sufficient to stimulate viable development. But the general market sentiment has weakened since 2020, so in the short term, yields are likely to increase making viable development more challenging.

Development

3.106 As set out above in the analysis of available space, this includes the proposed redevelopment of House of Fraser. Given its central location, this space is likely to be attractive to a range of occupiers. In addition, we have identified the following development opportunities:

St Clare Business Park, Hampton Hill

3.107 As discussed above St Clare Business Park is subject to a planning appeal and as part of the proposal includes an element of office accommodation of 600 sqm for SMEs and co-working enterprises. The location of St Clare Business Park for this type of office space is not ideal due the distance to the nearest railway station and lack of town centre amenities. However, the existing use includes 1,209 sq m office floorspace, including a number of office buildings (Figure 3.23) which supports some reprovision in this location. For the proposed space to be more attractive to future office occupiers, the applicants could consider providing some car parking, which is not being provided as part of the development proposals.

Figure 3.23 Existing offices at St Clare Business Park

Holly House	St Clare House
	

Source: Design & Access Statement Planning Ref: 19/3201/FUL

Greggs site, Gould Road

3.108 As discussed above, the Greggs site was subject to a planning application (19/0646/FUL) for the redevelopment of the site for 116 residential units and 175 sqm commercial floorspace (Use Class B1). The application was refused in August 2020, amongst the reason for refusal was the loss of industrial floorspace. We consider this site in more detail elsewhere in this report.

Conclusion

3.109 The office market in the Borough is primarily focused around Richmond with relatively smaller markets found in the other town centres. There are also some “out of town” style offices but this is relatively small. The stock throughout the Borough varies in age, with the older stock offered to the market on a refurbished basis normally to a good standard e.g. air conditioning, raised floors, with onsite facilities such as showers.

3.110 Demand for office space is from a broad range of sectors that include TMTs, professional services, finance, serviced offices and specialists (e.g. high end perfume distributor and super yacht designer). There is evidence that some occupiers are here due to specific links e.g. rugby.

3.111 The majority of companies seeking space are small, typically requiring units up to 200 sqm. With a large requirement being circa. 1,000 sqm – which is still quite small when compared to central London. There is evidence of lease renewals occurring which suggests that once an occupier takes space in the Borough they are happy to remain.

3.112 Many occupiers seek space of a good specification (e.g. new build or refurbished, air conditioning, raised floors and onsite facilities such as showers) and located close to the railway station and town centre amenities. The profile of the redevelopment of the House of Fraser in Richmond meets these occupier requirements whereas the more peripheral location of St Clare Business Park and the Gregg’s site may make the sites less attractive for some businesses.

3.113 As with the office market elsewhere, the local market has been impacted by Covid-19 with take-up falling and availability increasing. Although initial signs are showing that the market is recovering with demand emerging for flexible and locally managed workplaces which could suit locations within the Borough.

3.114 Rents across the Borough are sufficient to refurbish and maintain the stock to a good standard. Before Covid-19, the yield / rent dynamics in the Borough were sufficient to stimulate viable development. But in the short term development is likely to be more challenging as yields weaken due to the pandemic. For the development plan the lack of viability for new build stock is the main concern, but it is important to plan positively because at the moment there is very little new supply in the pipeline to absorb any increase in demand. If the market turns away from the CAZ and/or residents demand more local alternatives to their central London office the Borough has limited scope to respond.

4 Future Need

Introduction

4.1 In the next few sections, we assess the need for space over the period 2019-39; following the methods set out in the Planning Practice Guidance (PPG).

4.2 The PPG provides three broad approaches:

- Projections based on past trends of development completions
- An assessment based on labour demand (economic forecasts)
- Labour supply

4.3 Over the next three sections we start by looking at a Past Trends approach before looking at Labour Demand and supply. We then conclude on the preferable approach.

4.4 As we discuss later, population is an input to the Experian model and so the model considers both labour and supply. It is the only one of three main models available that makes explicit assumptions regarding the population size and profile.

4.5 While the PPG cites the three approaches in practice labour supply is very different. Past Trends and Labour Demand tell us what occupiers may demand in the future. They both seek to estimate how much space firms may take up in the future.

4.6 Labour supply tells us about an area's ability to accommodate economic growth – but it tells us little about whether the firms involved want or need this space. If there is demand for labour – these jobs won't be translated into a demand for floorspace.

Net and Gross

4.7 It is important to consider whether this study should make recommendations 'net' or 'gross'.

4.8 In this report 'net' means that recommendations relate to the change in the total stock of land and floorspace in the area. For example, if the Borough needs to increase the quantum of industrial stock from 100,000 sq m up to 125,000 sq m in order to accommodate an increase in 'need' of 25,000 sq m, the 25,000 sq m is described as the net additional need.

4.9 But, behind that 25,000 sq m is a planning pipeline which could be positive or negative. This pipeline could be from planning permissions, PDR or allocations. When this pipeline is factors in, we describe the result as 'gross'. So, for example, if the net need was 25,000 sq m of industrial, but the sum of the planning pipeline was negative 10,000 sq m then the gross need becomes 35,000 sq m. The Council needs to identify additional supply in the Plan for 35,000 sq m while also limiting further losses. Any further losses would have to be added to the 'need' as calculated in this study.

4.10 This study's property market assessment confirms that almost all the stock – especially the industrial stock is occupied. Rents are also viable to retain stock. There is no rationale to release occupied stock, unless we were to expect demand to fall – which as noted by the property market assessment and the need assessment is not the case.

Market balance at the base date

4.11 As part of this study consultees (as part of the research outlined in paragraphs 3.6 and 6.30) noted that the market was not 'balanced'. The vacancy rate of both the office and industrial stock were too low, particularly the latter.

4.12 In this work we have taken these concerns on board. Agents agree that for the market to function efficiently between 5-10% of stock should be vacant and available for occupation. While there is no statistical data to confirm this exact range, a vacancy 'buffer' rates within this range are normally considered 'sound' by Plan Inspectors. The London Plan Industrial land SPG (2017) uses 8% for example[17].

4.13 So here we make two adjustments. We firstly adjust the assessment of 'need' derived from the forecast job change to allow for 7.5% of space to be vacant. This adds additional space on top of our 'raw' assessment of need (the vacancy adjustment).

4.14 We also identify current industrial and office market vacancy rates using data from CoStar[18] and the VOA[19]. Where we find vacancy rates, separately for office and industrial above 7.5% (the vacant stock as a proportion of total stock) we consider this as space available to be taken up to meet 'need'. Vacant stock is available to be (re)occupied. We make this final adjustment in our conclusions and recommendations section (the vacant stock adjustment). Where we find vacancy below 7.5% at the base date this indicates insufficient space in the market to allow efficient operation, and we increase the 'need' accordingly, to return the vacant stock level to 7.5%.

Margins and Contingency

4.15 It is sometimes good practice to provide for more land than is 'needed' for two main reasons:

- Firstly, the market always requires a choice of site. Unlike housing, where the product is reasonably uniform and so are the sites, the employment space market is much more complex. Some firms require specific design and build, some a large warehouse, others a small warehouse. Some need town centres and others out of town.
- Secondly, in the past it was common that development plans would not be regularly reviewed and so many plans became 'time expired'. If a plan only had 15 years of supply, and not reviewed until year 14, then there was a risk there was little or no supply remaining. Evidence base studies often adjusted for this by, for example, advising that 20 years of 'need' are accommodated in a 15 year plan or simply overproviding land.

4.16 However, the plan making system has changed in recent years – and will change again in the near future. Plans are now required to be reviewed at least every 5 years with penalties in place for Councils who fail to review their plans and especially their housing land supply. If land can be front loaded in the plan, and deliverable /

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17 https://www.london.gov.uk/sites/default/files/gla_migrate_files_destination/SPG%20Land%20for%20Industry%20and%20Transport.pdf

18 CoStar are a commercial property data organisation

19 The VOA provide estimates of commercial floorspace on a land use and Local Authority basis.

available in the short term the provision of 15 or 20 years of land provides ample contingency for the early years of the plan period.

4.17 Here we already know that the Borough lacks a supply of land to meet minimum 'need', and while overprovision may be helpful in some markets it serves little practical purpose to add an additional margin here.

4.18 In summary we don't make any further adjustments to our estimate of 'need' to address margin or contingency as doing so would only exacerbate the shortfall. It is also questionable whether, in the light of buoyant housing demand, reserving economic land for floorspace 'just in case' is sensible and pragmatic. While we would be unsure whether the commercial space would be taken up it is very clear that this approach would sterilise land for housing.

Floorspace to Land

4.19 Some of the tables that follow show both floorspace (sq. m) and land area (Hectares / Ha).

4.20 For industrial uses, until recently, it was reasonably common to assume 4,000 sq m per hectare (a 40% plot ratio[20]). This was because for many industrial firms their 'yardage' was almost as important to the efficient operation of their firms as the built space. Also, the additional structural cost of multistorey industrial property is prohibitive and makes more intensive formats unviable. The GLA benchmark plot ratio for outer London boroughs is 65%, as evidenced through the London Employment Sites Database work referenced in the 2017 London Industrial Land Demand report prepared by CAG.

4.21 For office uses we illustrate a 60% plot ratio – representing a modern, efficient laid out business park. Traditionally 40% has been used instead – reflecting a 1990s' style campus office park but, as the market recovers developers are likely to make better use of their land and, via planning policies, be encouraged to use their sites more efficiently. In practice many offices are developed on much denser urban sites where plot ratios can be much higher. So, for offices, the floorspace numbers should be used in preference – it avoids the need to make very risky plot ratios assumptions in advance of knowing the capacity of potentially allocated sites.

4.22 Because plot ratios can vary so much in an urban area, we suggest focusing on the floorspace as a better guide for both industrial and office uses.

Past trends

4.23 The first and simplest approach to assessing future demand is to project forward the past. As with any approach to 'need' set out in the PPG there is no guarantee that there is land to accommodate this projection, but the logic follows that if land was taken up in the past there is at least evidence of demand that similar may be taken up again in the same market area in the future.

4.24 For this assessment we use the Council's Plan monitoring data that monitors the gains and losses in completed developments involving employment uses. For this study we have been provided with 11 years of data. The results of this analysis are set out below

[20] Plot ratio is the ratio of floorspace to land area. A ratio of 100% would indicate the amount of floorspace (provided on one or more levels) is the same as the sq m of the site area. A ratio of 40% indicates that more than half the surface area (the other 60%) is outside the building footprint.

Table 4.1 Richmond Borough- eleven years past trends

2010/11-2020/21	Gross gains sq m	Losses sq m	Net change sq m
Office	57,782	193,921	-136,139
Industrial	3,659	17,298	-13,639
Warehousing	3,627	21,852	-18,225

Source: LBRuT Plan monitoring data

Table 4.2 Richmond Borough, four years past trends

2015/16-2018/19	Gross gains sq m	Losses sq m	Net change sq m
Office	12,803	86,046	-73,243
Industrial	740	5,103	-4,363
Warehousing	214	5,550	-5,336

Source: LBRuT Plan monitoring data

4.25 Any projection of past take-up in this Borough will be low or negative because the Borough has lost a substantial amount of office stock via permitted development rights (PDR) and planning permissions. In the past the Borough also lost industrial land despite strong restraint policies.

Where are the jobs?

4.26 One particular feature of the Richmond economy is that while space has been lost the Borough has not lost jobs.

4.27 The table below shows the employment density in Richmond in both 2015 and 2019 and clearly illustrates that densities have tightened in order to accommodate a growth in jobs.

4.28 In 2015 the Borough accommodated almost 32,000 office sector jobs in 285,000 sq m of space at a density of 8.9 sq m per worker. By 2019 this has tightened to 7 sq m per worker with almost 33,500 jobs in 235,000 sq m of stock.

4.29 A similar pattern is evident in the industrial stock with densities tightening from 22 to 19 sq m / job between 2015 and 2019.

4.30 For the Borough this means that densities are now well below any 'rule of thumb' including those adopted by the GLA in their work for the London Plan. The London Employment Sites Database (2017) used 11.3 sq m per office worker[21] and 1:36 sq m for industrial jobs for example.

[21] Office densities - based on current Experian job forecasts and borough level office floorspace data from VOA, we identify a 2019 London-wide worker to floorspace average of 11.2 sq m. So very close to the GLA estimate.

Table 4.3 Richmond Borough, Floorspace densities 2015

Densities 2015	Floorspace sq m	Jobs	Density sq m / job
Office	285,000	31,852	8.9
Industrial/warehousing	177,000	7,984	22.2

Source: VOA for floorspace and Experian and Stantec analysis for jobs

Table 4.4 Richmond Borough, Floorspace densities 2019

Densities 2019	Floorspace sq m	Jobs	Density sq m / job
Office	235,000	33,408	7.0
Industrial/warehousing	163,000	8,403	19.4

Source: VOA for floorspace and Experian and Stantec analysis for jobs

Working from Home

4.31 One feature of the local economy not picked up in the above data is that Richmond residents appear to have a higher propensity to work from homes than other boroughs. Data released by the ONS to monitor Covid homeworking shows that in 2019 10.6 % of Richmond residents worked 'mainly from their own home' and a further 9.7% worked in the 'grounds' of their home. The equivalent for Hounslow is 6.7% and 5.4%[22] .

4.32 The homeworking data is very heavily caveated and is based on small samples which requires scaling up. But the data would suggest that office densities may always be tighter here because of higher rates of homeworking. However, this still would not explain the exceptionally low densities being reported, and even with homeworking the stock would appear to be very, arguably overly intensively used.

Summary

4.33 The PPG requires us to estimate future need using a past take-up approach, however this would not appear practical. The Borough has been growing jobs while losing floorspace. This pressure is now so extreme that there is only 7 sq m per office worker and around 20 sq m per industrial worker.

4.34 High rates of homeworking may allow the stock here to be used more intensively than standard benchmarks, but the fact remains that jobs have been growing and floorspace shrinking does not support using a past trends approach to estimate future needs.

Labour demand- economic forecasts

4.35 The PPG requires consideration of the need for land arising from an assessment of 'labour demand' and also 'labour supply'. In reality the two approaches are linked

[22] ONS - Homeworking in the UK labour market May 2021

because if there is insufficient labour demand in the economy then any increase in labour supply will not result in a need for additional employment space.

4.36 In the following analysis we first start with the baseline forecast from Experian and similar data from the GLA.

4.37 For any consideration of labour supply Experian are more explicit compared to other forecasting houses regarding their labour supply assumptions, using ONS population projections at the local level as their baseline. Other forecasting houses use their own population models that may not align with official data. We return to this when discussing labour supply.

4.38 The data we have used represents Experian's view at April 2021 and broadly reflects the Government's view of a 'V' shape Covid recession and recovery. This is where the economy quickly rebounds and returns to growth. The base year used for the forecasts is 2019 with end date of 2039, giving a forecast period spanning the recession and the 'V' period.

4.39 For the GLA data we report industrial from the GLA Industrial Baseline report (2017) and offices from the London Office Policy Review (2017) – both of which informed the 2021 London Plan. For industrial uses the GLA report in land area whereas jobs and floorspace are used for offices.

4.40 The table below summarises the number of net additional jobs per annum by office and industrial sector (and the land area in hectares for industrial as the GLA did not project job change). We have also shown the older Experian forecast used in our earlier work for the Borough in 2016/17. The full Experian forecast (April 2021) are available in Appendix A.

4.41 As regards office jobs recent performance has outpaced the older Experian model – between 2015-19 an annual average of 389 office jobs were added, but growth has not reached the 545 jobs per annum suggested by the GLA. For industrial we know the Borough lost stock whereas the GLA was looking for a gain in industrial land. For industrial jobs in the same 2015-19 period the Borough gained 105 jobs per year compared to the forecast of only 38.

4.42 Considerable care is needed before concluding any source is 'wrong' because the exact number of jobs was missed in the 2015 – 19 period. The forecasts are long term estimates and vulnerable to short term economic pressures – most obviously Brexit, but with hindsight 2015-19 is likely to be the very top of an economic cycle. It is also important to note that the numbers are also small in the context of the Richmond economy – that has around 100,000 jobs.

4.43 However, the direction of travel would appear clear - positive job growth and increasing demand for employment floorspace.

Table 4.5 Per annum job and land growth forecasts for Plan periods

	Industrial		Office
	jobs pa	ha pa	jobs pa
Experian (Sept16)	38	0.5	175
GLA (2017)	-	0.5	545
Experian (Apr21)	6	-	130

Source: Experian Sept 2016 and April 21 and Stantec analysis, and for GLA figures - Industrial Land Demand Study, 2017 and London Office Policy Review 2017

Demand and supply for offices

4.44 First, we examine the demand and supply floorspace balance for offices based on the baseline forecast, then we compare that to a floorspace balance based on the last GLA projection of office jobs growth.

Experian

4.45 The baseline forecast comes from Experian's April 2021 forecast, which as referred to above is 130 office jobs per annum, or 2,599 jobs over the 20 year plan period, as shown in Table 4.6 below. The table goes on to calculate the floorspace requirement based on those jobs as explained below.

Table 4.6 Net demand for offices, Richmond Borough

		Total
a	Jobs change (2019-39)	2,599
b	Density factor (sq m NIA /job)	12.0
c	Occupier demand (sq m NIA) [a*b]	31,187
d	Vacancy factor (sq m NIA) [c*8.1%]	2,526
e	Stock vacancy adjustment (sq m NIA)	5,698
f	Net demand (sq m NIA) [c+d+e]	39,411
g	**Net demand (sq m GIA)** [f/0.85]	**46,366**

Sources: Experian forecast (Apr21), density factor - HCA Guide (2015) figure for professional services. Stock vacancy adjustment - CoStar for vacant floorspace (5.1%) and VOA for total stock floorspace (235,000 sq m), NIA to GIA 85% factor as advised by the HCA Guide.

4.46 Applying a standard density factor of 12 sq m NIA per job (b) to the additional job number (a) identifies the floorspace those jobs will occupy (c), added to which is an adjustment to allow for a little flexibility in that new stock, which at 8.1% increases the demand figure by 2,500 sq m (d). Additionally, the current shortage in available supply in the existing stock – the market assessment identified a 2019 vacancy rate of 5.1%, which requires a 2.4% uplift in total stock to reach the industry accepted optimum vacancy level of 7.5%, where the market will operate at its most effective, and this figure requires 5,700 sq m (e) to achieve this. Thus, net demand sums to 39,400 sq m or 46,400 sq m GIA.

4.47 Next, we turn net demand (the floorspace generated by job change plus an adjustment for current under-provision) to gross demand. We need to do this to identify the total office floorspace that will be developed if the planning authority provides land for it.

4.48 We do this by accounting for future losses in the stock of premises and land as shown in Table 4.7 below.

Table 4.7 Richmond Borough, gross demand for office floorspace, 2019-39

		2019-39 Sq m
g	**Net demand (sq m GIA)**	**46,366**
	Future losses	
h	Completions 2019/20-20/21	31,548
i	Planning permissions	2,648
j	Prior approvals	11,742
k	Plan allocations	0
l	Total future losses (h+i+j+k)	45,938
m	**Gross demand (sq m GIA)** [g+l]	**92,304**

Source: Council planning monitoring data and Stantec analysis. Note – lines h-l are office losses added to the net demand.

4.49 The latest phase of the redevelopment for residential of Teddington Studios accounted for over half of the 2019/20-2020/21 completed office losses.

4.50 There are 13 modestly sized office planning permission losses in the pipeline and in the region of 40 permitted prior approval schemes identified, mostly very modest in size with only one Mortlake Rd, Kew over 4,000 sq m -. While it is possible that not all these permissions for loss of office use will be implemented, the implementation rate in the Borough is high, and the much higher residential values mean it is very unlikely that office use will continue once permission/approval for residential is secured. We therefore include 100% of these schemes in the calculation.

4.51 With no Plan allocation losses identified, the total planned losses total just below 46,000 sq m, and added to the net demand generates a gross demand of just over 92,000 sq m.

4.52 The penultimate stage is to identify the known future floorspace available for office uses. We account for three types of supply (i) any employment floorspace completed since 2019, (ii) any extant planning permissions for employment uses and (iii) any plan allocations for industrial use. The totals are shown in Table 4.8 below.

Table 4.8 Gross supply of office floorspace, Richmond Borough 2019

		Sq m
n	Completions 2019/20-20/21	11,036
o	Planning permissions	8,553
p	Plan allocations	0
q	**Total supply (sq m GIA)** [n+o+p]	**19,589**

Source: Council planning monitoring data and Stantec analysis

4.53 Of the 14 completed schemes the two largest are the conversion of the Richmond Magistrates Court (a gain of 4,400 sq m) and Sovereign Gate, Kew Rd (recorded as a gain of 2,600 sq m as the existing offices had changed use to a police front counter/local policing base and training centre, and when that ceased reverted to office use). The other schemes are much more modest.

4.54 A total of 19 schemes have planning permission, with the largest being the former House of Fraser building (5,777 sq m), with all others being much more modest.

4.55 Together completions and permissions total to approximately 20,000 sq m.

4.56 The final stage is to calculate the market balance, which assesses if there is sufficient supply to meet the identified demand for offices. If the balance is positive then there is sufficient, or possibly more than sufficient floorspace to meet the demand. If there is a shortfall, this will denote a need for more floorspace to be identified and allocated in the plan.

4.57 Table 4.9 below carries forward the gross demand (m) and gross supply of floorspace (q) from previous tables to calculate the 'balance'.

Table 4.9 Office market balance, Richmond Borough

		2019-39 Sq m
m	Gross demand (sq m GIA)	92,304
q	Total supply (sq m GIA)	19,589
r	**Over (under) supply (sq m GIA)** [q-m]	**-72,715**

Source: Stantec analysis

4.58 In quantitative terms the Borough has a shortfall of office floorspace of approximately73,000 sq m. This is generated in fairly equal measure by net demand from job growth and the need to make up for low vacancy and future losses in floorspace – space that was most likely occupied in the recent past but is being redeveloped for alternative uses.

GLA

4.59 Next, we turn to quantify what the equivalent balance figure would be for the last GLA projection. We do not need to go through the same detail as is set out above for the Experian forecast because the calculation of gross demand – accounting for future losses and the pipeline of supply is exactly the same. So, we set out the calculation of net demand and then move on to set out the overall balance.

Table 4.10 Net demand for offices based on GLA projection, Richmond Borough

		Total
a	Jobs change (2019-39)	10,900
b	Density factor (sq m NIA /job)	12.0
c	Occupier demand (sq m NIA) [a*b]	130,800
d	Vacancy factor (sq m NIA) [c*8.1%]	10,595
e	Stock vacancy adjustment (sq m NIA)	5,698
f	Net demand (sq m NIA) [c+d+e]	147,093
g	**Net demand (sq m GIA)** [f/0.85]	**173,051**

Sources: job change from GLA London Office Policy Review, 2017, all other data as per Table 4.6

4.60 The GLA job change projection is four times that of the latest Experian forecast, and although the stock vacancy adjustment is unchanged the difference in net demand terms is broadly four times – 127,000 sq m more.

4.61 Table 4.11 below calculates gross demand (m) by summing (g) in the table above plus the future losses from row (l) in Table 4.7 above and gross supply of floorspace (q) from previous tables to calculate the ''balance'.

Table 4.11 Office market balance based on GLA projection, Richmond Borough

		2019-39 Sq m
m	Gross demand (sq m GIA)	218,989
q	Total supply (sq m GIA)	19,589
r	**Over (under) supply (sq m GIA)** [q-m]	**-199,400**

Source: Stantec analysis

4.62 On the basis of the GLA projection the Borough has a shortfall of office floorspace of 200,000 sq m. This is largely derived from the projected levels of job growth (which is much higher / faster than Experian), but also exacerbated by the need to replace space being lost from the stock.

Demand and supply for Industrial

4.63 We have identified three possible sources of quantifying demand for industrial uses.

- Firstly, we have the Experian forecast, this generates a very small positive job change and so a small demand for net additional land.
- Secondly, the GLA Industrial Benchmarks which expresses demand in hectares is also very low (0.5 ha pa).
- Thirdly, we have considered past job change. In the years pre-Covid (2015-19 – Tables 4.3 and 4.4 above) the Council grew the number of industrial sector jobs

by around 100 per year. As shown in the Tables 4.3 and 4.4, this was absorbed in the stock of floorspace resulting in a tightening of densities. Our market review suggests a tight market with buoyant demand but a lack of space. Coupled with positive job change in the past the market evidence would support planning for higher job growth than suggested in Experian forecasts.

4.64 Table 4.12estimates the demand for industrial floorspace (and land) were we to provide for 100 new industrial sector jobs per annum in line with past job growth. We have however used the observed industrial floorspace density of 1:19 sq m as opposed to densities from guidance (i.e. HCA Employment Densities guide).

4.65 This use of 1:19 sq m is largely pragmatic – the use of an alternative density will only increase the 'need' as 1:19 sq m is below any recognised industrial density. The HCA guide suggests 1:47 sq m for 'light industrial' which would more than double our floorspace estimates compared to use of 1:19 sq m. We also know that the stock is operating at 1:19 sq m and this is likely to be partly the product of Richmond being an expensive market area. In expensive areas we expect firms to use their space more efficiently than any national benchmark may suggest

4.66 In the table below therefore, we use a job target of 100 per year (in line with the recent past) but use 1:19 sq m as the density assumption, reflecting the observed recent past.

Table 4.12 Industrial (net demand)

		Total
a	Jobs change (2019-39)	2,000
b	Density factor (sq m GIA /job)	19.4
c	Occupier demand (sq m GIA) [a*b]	38,798
d	Vacancy factor (sq m GIA) [c*8.1%]	3,143
e	Stock vacancy adjustment (sq m GIA)	11,413
f	**Net demand** (sq m GIA) [c+d+e]	**53,353**
g	**Net demand** (hectare) [f @40% plot ratio]	**13.3**

Sources: jobs – Experian data and Stantec analysis of 2015-19 job delivery, density factor – Based on job number and total industrial stock from VOA. Stock vacancy adjustment - CoStar for 2019 vacant floorspace (rate 0.5%) and VOA for total 2019 stock floorspace (163,000 sq m).

4.67 We apply the current density factor (b) to the 2,000 jobs (100 jobs pa over the 20 year plan period) that will be delivered if the future mirrors the recent past, and adding a modest amount extra to allow for some flexibility in this new provision (d) we arrive at a net demand of 42,000 sq m (c + d). To this is added the stock vacancy adjustment to return the stock from 0.5% to 7.5% of stock to allow for choice and competition in the market, and this produces an industrial net demand of in rounded terms of 54,000 sq m, or what equates to just over 13 ha in land terms.

4.68 We next move on to calculate gross demand. There are very few future losses recorded (columns h-l) of Table 4.13 below). Completed losses (h) are a mix of generally small industrial and warehouses. The three largest being 1,095 sq m warehouse loss on Sheen Lane to D2 use (gym), replacement of 777 sq m store buildings with residential at East Sheen and replacement of a 480 sq m industrial building on Kings Rd, Richmond. There are eight permissions (i), all modest in size, and 14 prior approvals (j) eight of which are light industrial accounting for the majority of the losses.

Table 4.13 Gross demand for industrial floorspace, Richmond Borough 2019-39

		2019-39 Sq m
g	**Net demand (sq m GIA)**	**53,353**
	Future losses	
h	Completions 2019/20-20/21	5,368
i	Planning permissions	1,183
j	Prior approvals	1,505
k	Plan allocations	0
l	**Total future losses (sq m)** [h+i+j+k]	**8,056**
m	Gross demand (sq m GIA) [g+l]	61,409
n	**Gross demand (hectare)** [m/4,000]	**15.4**

Source: Council planning monitoring data and Stantec analysis

4.69 In total the losses that need replacing amount to 8,000 sq m, a modest amount that takes the overall demand (gross) to almost 62,000 sq m.

4.70 Next, we account for the supply of industrial floorspace.

Table 4.14 Gross supply of industrial floorspace, Richmond Borough 2019

		Sq m
o	Completions 2019/20-20/21	329
p	Planning permissions	0
q	Plan allocations	0
r	Total supply (sq m GIA) [o+p+q]	329
s	**Total supply (hectare)** [r/4,000]	**0.1**

Source: Council planning monitoring data and Stantec analysis

4.71 The positive supply of industrial floorspace from two schemes provides just 329 sq m. These are Station Rd Hampton, a three storey building with ground floor light industrial use (254 sq m) with apartments above, and Kew Green a 73 sq m change of use from public toilets to joinery shop.

4.72 Finally, turning to market balance, Table 4.15 below carries forward the gross demand (m) and gross supply of floorspace (q) from previous tables to calculate the 'balance'.

Table 4.15 Industrial market balance, Richmond Borough

		Sq m	ha
n	Gross demand (hectare)	61,409	15.4
s	Gross supply (hectare)	329	0.1
t	**Over (under) supply (ha)** [s-n]	**61,080**	**-15.3**

Source: Stantec analysis

4.73 In quantitative terms, on the basis of seeking to accommodate growth of 100 industrial jobs per annum over the 20 year plan period, will require the Borough to find approximately 60,000 sq m, which in land terms would require approximately 15 ha if developed at a low 40% ratio. As plot ratios vary so much, we suggest focusing on the 60,000 sq m. A positive 15 ha land demand is not practical for a Borough such as Richmond because it lacks access to new land and intensification through redevelopment is the main source of supply.

Labour supply

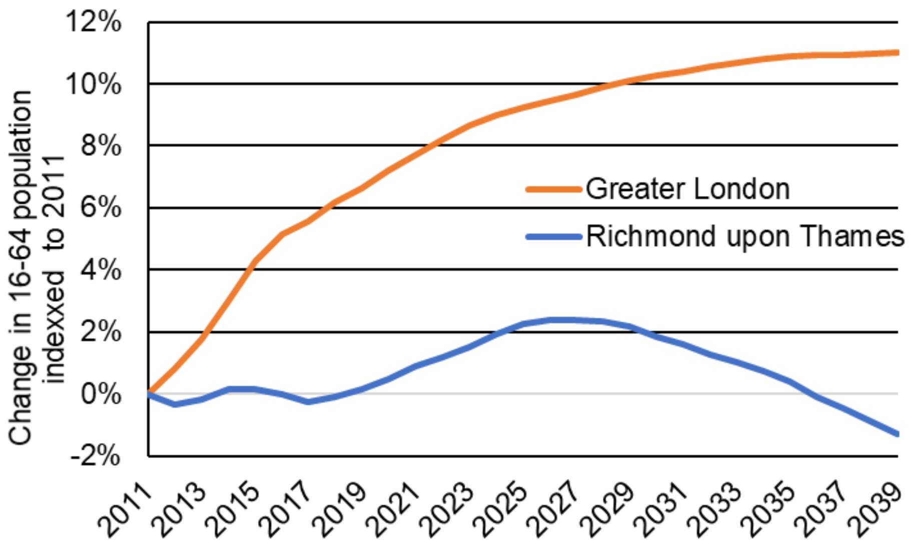
4.74 Before concluding on 'need' we briefly consider the supply of labour in Richmond.

4.75 If labour supply growth was strong then this may warrant an upward adjustment to our assessment of economic need. Examination of the data here however suggests that the supply of labour may be a constraint to job growth.

Population Growth - ONS

4.76 The chart below shows the most recent population projections (2018 based ONS) for Richmond and Greater London as a whole for the core working age population (16-64).

Figure 4.1 Change in 16-64 population



Source: Experian (ONS population projections 2018)

4.77 The data shows that Richmond grows its labour force much slower than London as a whole and the labour force starts to contract towards the end of the plan period. Some of this decline may be offset by older age workers remaining in the workplace but the pattern is clear.

Population Growth – GLA

4.78 In London the GLA disagree with ONS Population Projections and develops their own demographic scenarios. These projections would also support a low labour supply growth.

4.79 In 2019 the GLA published population projections aligned to the Boroughs housing delivery. These show that the housing stock grows slowly in Richmond compared to other boroughs, with Richmond stock growing by 13% compared to 28% for London as a whole (18-41).

4.80 The same GLA projections show a population growth of only 6% in Richmond but 18% for London.

4.81 The GLA also provide a breakdown by age group. For the main working ages of 16-64 these show no population growth in Richmond.

4.82 This may appear contradictory – the housing stock in Richmond growing faster than the population and much faster than the 16-64 ages. The answer relates to the age profile and structure of the Borough, which is generally older than most other boroughs, including outer London neighbours such as Hounslow.

4.83 The two charts below, from the GLA, compare the profile of Richmond's population (2020) with neighbouring Hounslow. Richmond is generally an older Borough.

Figure 4.2 Richmond Borough population profile

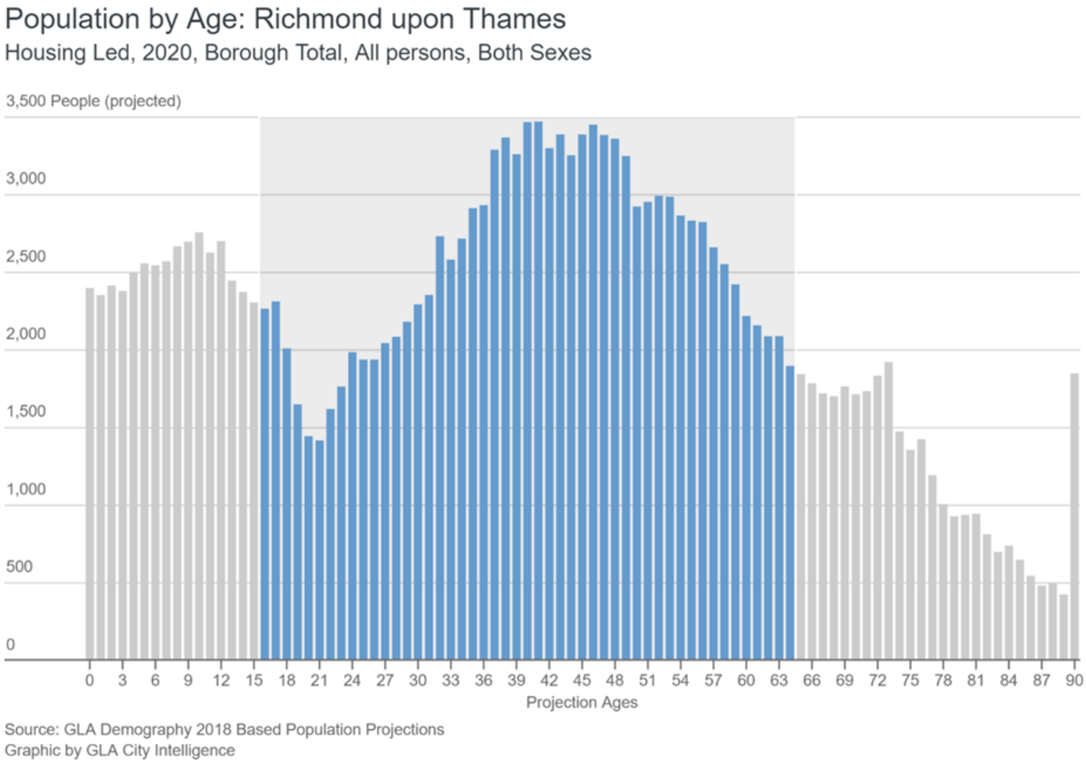
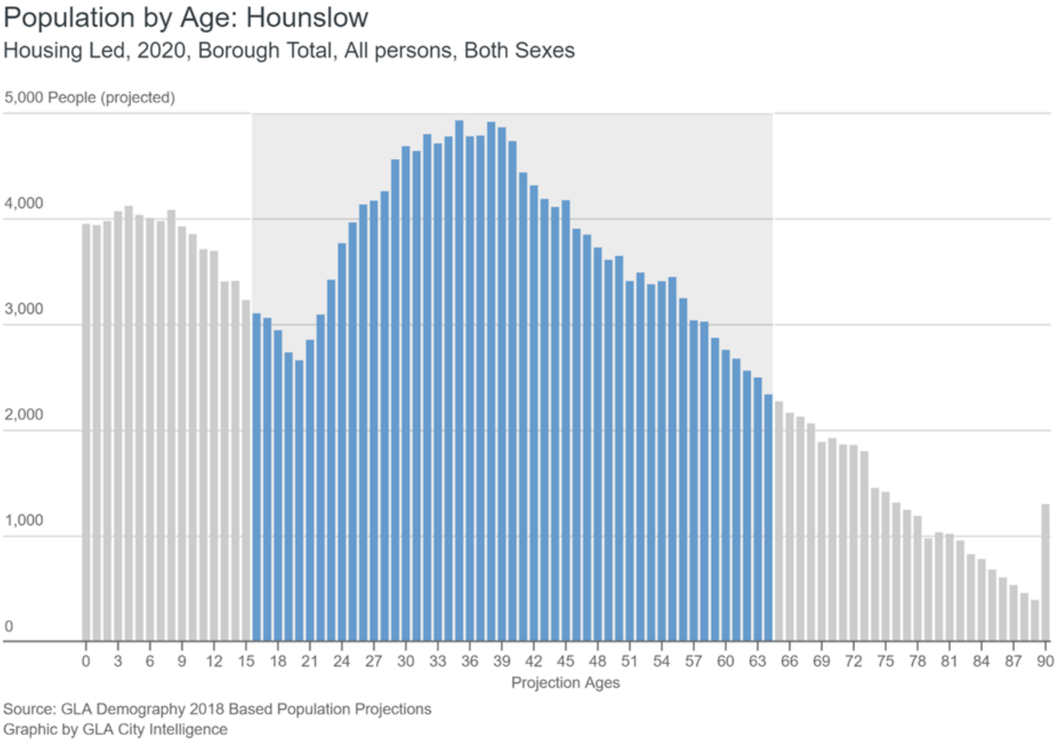


Figure 4.3 Hounslow Borough population profile



4.84 With both the ONS and GLA concluding little growth in the labour supply further increasing our estimates of economic need would not appear sensible.

Commuting

4.85 Richmond has a larger labour supply than resident workforce. Richmond could grow its workspace economy faster if this strong outflow was limited – regardless of population growth.

4.86 In 2011 the Census reported a (net) outflow of nearly 21,000 workers. Around 60,000 residents commuted out of the Borough in 2011 replaced by 40,000 inward commuters. Outward flows are generally to City of London and inner London Boroughs, while inward flows are from neighbours.

4.87 Experian data suggests that this trend will continue and possibly worsen over the plan period. Experian model the commuting balance and in 2019 estimated that there were 107,200 working residents in Richmond and 97,300 jobs, which gives an implied commuting balance of 9,900 workers[23]. By 2039 this grows to 125,100 working residents but only 107,000 jobs – an imbalance of 17,900. This is because the model expects a stronger demand for labour in inner London than Richmond and so expects commuting to increase.

4.88 We don't make any adjustments for this trend in our report. This is mainly because this commuting relationship has been financially favourable for Richmond residents. Workplace wages in Richmond are only £668 per week but residents' earnings approach £900 per week (£893. ONS 2020). Richmond would need to significantly increase its workplace wages to compete, and we don't consider this likely.

[23] This is lower than recorded in the Census but the two sources are different and so direct comparisons cannot be made. Both sources agree that the Borough exports labour.

Summary

4.89 Earlier we discussed an assessment of need drawn from an analysis of past trends, economic forecasts, and data from the GLA. Above we considered whether there are demographic grounds (labour) to increase our assessment of need. We have also considered whether an adjustment is needed for commuting reasons.

4.90 We have found no evidence of strong labour supply growth – on the contrary the GLA and ONS population projects illustrate that the Borough faces a considerable challenge in securing a supply of labour. The GLA projections suggest that current housing targets are not generating an increase in the core working age population.

4.91 Regardless of population growth a higher estimate of economic need could be supported were we to assume a reversal in commuting flows. The Census illustrated that nearly 60,000 residents commute out for work.

4.92 We don’t make any adjustment to this flow here because this is likely to be the product of higher wages attracting commuters and it is not realistic to assume that Richmond can directly compete. But there is scope to recall some commuters if the quality of local jobs can be improved.

4.93 Finally, the data illustrates a risk for the Borough related to a post-Covid Central London Employment market. At the moment we assume that the economy recovers, and the high wage central London economy will continue to employ a large number of Richmond residents over the plan period. If this faulters then the effect for Richmond could be significant. With an exceptionally tight Richmond market there is little scope for local employment to pick up any slack.

Summary and Conclusions

Offices

4.94 We have two sources of forecast data – one from the GLA and a second from Experian. The Experian data is more recent than the GLA data and is also more detailed. In previous studies we used Experian data and there remains considerable merit in continuing this approach. Even at the height of the last economic cycle the Borough did not reach the office job growth implied by the GLA.

4.95 We note that the Experian office outlook is very low, but we have identified that this is largely a product of poor/low population growth in Richmond. Also, in Experian’s view Richmond residents increasingly commute out to work instead of staying locally. We would suggest that the only way the Borough can reach the level of office job growth set out in the GLA evidence is to reverse this trend, however with a very large wage gap in Richmond this could only be achieved with a wholesale step change in Richmond workplace wages.

4.96 For this study and to inform the plan review, we suggest using Experian as an absolute minimum target but, if possible, look to provide land for the higher GLA forecast. Experian illustrates the minimum number of jobs to be supported, but under this scenario workers continue to commute out over time to higher wage economies.

4.97 Obviously, any office assessment has a unusually high level of uncertainty at the moment. It is possible that demand will shift from the CAZ to the outer boroughs over time; this may increase demand for offices in Richmond. We considered whether we should introduce added contingency into our assessment to manage this, but decided this was not pragmatic. This was partly because any positive gain in the Borough’s office stock is directly counter to recent past trends. Even pre-Covid the Borough struggled to deliver net additional office space and currently struggles for viability. Also, we consider the upper end of the office range, driven by the GLA office forecasts, to be highly aspirational in the Richmond context. Any possible scenario would fall between the Experian and GLA scenarios outlined above.

4.98 When aspiring to a higher growth scenario, including that set out by the GLA the Borough needs to recognise that only exceptionally high quality sites able to compete with the central London and attract higher workplace wages will successfully deliver additional job growth. ‘Business as usual’ office demand will not deliver the step change needed in the workplace economy to make living and working in the Borough attractive.

4.99 Taking this approach results in a minimum need of73,000 sq m (Experian), but an objective to meet 200,000 sq m (GLA) recognising that this will be challenging and highly aspirational. We note that in the context of the stock (c 230,000 sq m) even the lower Experian target looks large – increasing the stock of offices by a third. This is because we are looking at replacing the space in the pipeline, on the assumption that the space was occupied or capable of being occupied and there is evidence that office space was already used very efficiently in the Borough. Only 40,000 sq m is net additional. This is still a sizable growth and suggests the Borough will need to increase its office stock by 20% over the plan period to meet the minimum identified.

Industrial

4.100 For industrial uses the Experian forecast suggests almost no job growth, but conventional thinking and market evidence suggest that industrial demand is increasing as retail moves away from the high street and into logistics space. This trend was evident pre-Covid and Covid appears to have sped this up.

4.101 Despite low forecast job growth, since 2015 the Borough had gained around 100 jobs in the industrial sector per year despite no growth in the stock. The market evidence would suggest growth has been constrained by a lack of property.

4.102 It seems reasonable therefore to plan for continued industrial sector job growth and ensure that growth, as a minimum is provided with space. Projecting forward 100 jobs per annum at the current industrial job density in the Borough results in a need for around 50,000 sq m net additional space and 60,000 gross.

4.103 Co-incidentally were the Council to plan for the 0.5 ha pa GLA number that land would accommodate between 40,000 – 60,000 sq m of space depending on plot ratio (40-60%).

5 Sources of New Supply

Introduction

5.1 Above we have identified a positive need for new space across offices and industrial. Here we look at possible sources of supply focusing on industrial intensification. A Call for Sites was made by the Council alongside the Direction of Travel consultation in 2020, resulting in 33 responses, predominantly for residential use, and while some sites were proposed for mixed uses these were largely sites with existing protective designations.

5.2 For this report we can only speculate as regards this new supply because no new supply has been promoted to the Council. The GLA's evidence as regards intensification and especially the 2018 GLA Intensification 'primer' has had little or no impact on the Borough's industrial property market, with agents generally reporting that strategic intensification evidence is not grounded in economic nor market realities.

5.3 The main issue is that as buildings increase in height, and costs increase, the additional rental income from upper floor space decreases in comparison to the ground floor. Only in very buoyant markets, for example adjacent to the North Circular, does vertically intensified industrial space work for traditional industrial uses. Also, that intensified formats, designed to meet the needs of logistics firms, require large and generally unconstrained sites due to the bulk and massing for the units.

5.4 There are however templates that may work in the Richmond context, and here we explore how these could be applied. The challenge with any work looking at intensification in the Borough is the number of sites in Richmond is very small and so it is difficult to focus on generic sites when almost every site here is unique.

Intensification formats

5.5 In this work we focus on intensification formats that deliver net additional economic floorspace.

5.6 We do not consider scenarios where intensification of local industrial sites simply facilitates the release of land for other uses and re-accommodates the same quantum of floorspace on site via a different format, for example where a single floor industrial unit is replaced by a three story unit releasing half the site for housing.

5.7 We do this because the Borough has a positive requirement for net additional economic floorspace but no new land. Policy E7(b) of the London Plan first directs the Council to consider using its stock of sites to secure to provide additional industrial capacity. The policy goes on to say that intensification *"**can also** [our emphasis] be used to facilitate the consolidation of an identified SIL or LSIS to support the delivery of residential and other uses, such as social infrastructure, or to contribute to town centre renewal".*

5.8 The critical question for the Borough therefore is whether redevelopment sites can help meet the outstanding positive need for employment floorspace, before any consideration is made of using additional capacity for other uses.

Applied Richmond Sites

5.9 We focus on the main large sites because these have the greatest potential to deliver upper floor space via redevelopment.

5.10 There are only six sites larger than one ha in the Borough and two of these are Government Institutions (Laboratories). Setting these aside we have:

- Kempton Gate
- Kingsway
- Waldegrave Road (Teddington)
- Greggs Cluster (Twickenham)

5.11 It is important to note that this analysis can only be taken as speculation as none of these sites are promoted for intensification and some (Greggs) have been promoted for release.

5.12 **Kempton Gate Business Park** is the largest of the Boroughs designated industrial sites but is still only 2.9ha.

5.13 As the Boroughs largest site this is probably the only site that could be developed for heavier industrial uses and due to the size of the estate can accommodate upper floor ramps. Smaller sites will always be limited in their inability to provide ramped deck access along the lines of the “smaller industrial units above larger units” scenario discussed in the GLA 2018 Primer. Smaller sites will always be reliant on goods lifts to access upper floors which limits their market appeal.

5.14 While it is reasonable that a 2.9ha site could be redeveloped, with decking provided to access upper floor units, the site is already intensively developed and the property on site is far from being life expired. The very back of the site includes some older uses that could benefit from inclusion in a redevelopment scenario. The main estate however is very new, being built in 2007.

5.15 **Kingsway Business Park** extends to 1.1 ha and is adjacent to Kempton Gate, but is a very different style of industrial estate. A small number of units have industrial characteristics (roller shutter doors) but most are small office/workshop units. Some of these are in use as offices, others in light industrial use and one occupied by a nursery. The site remains one of the Borough’s least intensely developed sites, as is apparent from a comparison with the adjacent Kempton Gate Business Park site where the industrial units are much taller and bulkier, and also provided with more HVG servicing space compared with the Kingsway Business Park.

5.16 Given the limited stock of floorspace on site it could be intensified if redeveloped. This would ideally be redeveloped in tandem with Kempton Gate with the sites combined into a potentially large (for Richmond) development site.

5.17 Such a scenario has not so far been promoted by the site owners, and could be something for the Council to investigate, albeit redevelopment is likely to be complicated by previous residential prior approvals and the nursery.

5.18 **Waldegrave Road** was previously the Borough’s third largest industrial site – in 2017 it was assessed incorrectly as 2.8 ha, but is actually 0.28 ha. The site still has a small industrial core, including motor repair and the laboratory (which has recently been redeveloped/renewed). These uses are adjacent to the University building, and the recently completed office occupied by a housing association. Scope for industrial intensification is limited as so little industrial space remains on site. What limited redevelopment opportunities there are could take the form of a ‘B’ style property – retaining some light industrial uses on the ground floor, but recognising the site constraints are likely to limit the ability to provide upper floor industrial space beyond lift accessible light workshop style units.

5.19 **West Twickenham Cluster (Greggs).** This site was promoted for release / residential led mixed use redevelopment via the last local plan. The Inspector ultimately agreed with the Council and retained the site as a designated employment site. Despite this the promoters still chose to progress a (unsuccessful) planning application.

5.20 The site was in use as an industrial bakery in 2017. We understand some activity remains on site, but the industrial bakery has stopped production.

5.21 A critical question as regards this site is to what extent the promoters have sought to market the site in line with planning policy. We also note that the building has been vacant for a number of years, part of the reason may be related to marketing and possible hope value, but in the current market shortage a 'meanwhile' use should be considered. This would be supported by the London Plan, and should be cited when considering a possible redevelopment scenario. Other boroughs, for example Newham, have explicit policies to support such uses, and this could be relevant to this Borough where commercial 'meanwhile' uses can support the local economy, such as short-term affordable accommodation for SMEs.

Large Site Summary

5.22 There are very few large sites larger than 1ha in Richmond. Two of these from part of a larger cluster around Kingsway / Kempton. A third (Greggs) is currently pending redevelopment.

5.23 Kingsway/Kempton are reasonably modern and purpose built sites, and we question the commercial logic in pursuing the industrial intensification of fit for purpose stock. But because of their size the Council working with the landowners ought to consider further proactive work to assess their true potential. In this work we can only suggest that there is potential, but we cannot confirm this and certainly not to the extent that we would suggest an intensification strategy here is deliverable.

5.24 The Greggs site has a long history of site promotion but not in accordance with the development plan policy. In theory the intensification potential for the site is limited as it is already intensively developed. In practice the space has not been used for a number of years so redevelopment of the site would not need to accommodate an existing tenant or type of activity.

Other smaller sites

5.25 Above we have focused on the Boroughs larger sites. None are promoted for any form of industrial intensification but there is scope to secure additional floorspace if the opportunity arises.

5.26 There is also a grouping of smaller sized industrial estates around 0.8ha which currently accommodate modern but mostly single storey industrial units.

5.27 **St Margaret's Business Park** is a successful and modern industrial site developed at a low plot ratio (40%). With a low plot ratio there is scope to intensify the site via redevelopment and scope to increase the amount of ground floor industrial space while also encouraging lighter uses above. As is common in Richmond the site is adjacent to housing and the permissible height is likely to limit scope for significant intensification via upper floors.

5.28 **Heathlands Business Park** is similar to St Margaret's – a traditional but modern industrial development adjacent the Railway. As with St Margaret's the intensification potential is mainly on upper floors. If redeveloped the priority should be to replace the traditional format space on the ground floors while intensifying upper floor space, recognising that the likely end user of the upper floor space would potentially be materially different to the ground floor occupiers.

5.29 **St Georges Business Park** is not adjacent the railway and we understand the units are used by TV and Media for storage. As with Heathland and St Margarets there is theoretical upper floor capacity but the site would require comprehensive redevelopment to secure this and the units do not yet appear ready for redevelopment and remain fit for purpose.

5.30 **Mill Farm Business Park** is a purpose built (1980s) grouping of light industrial units (around 20 small units). These units are much smaller than the three business parks above and the plot ratio reflects the age of the scheme and the need for the industrial units to have adequate yardage and parking. Unlike the sites above, this site is similar in size but accommodates 20 units. This appears to generate a large demand for on-site vehicles. From our visits we would suggest that intensification scope is limited because the yards appear intensively used for cars and vans.

5.31 Redevelopment of upper floors could result in some additional floorspace, but this is not an area of the Borough we would expect to see strong demand from lighter industrial/workshop/office uses. With a chronic shortage however throughout the borough, we cannot dismiss this as a source of demand. In a weak part of the Borough securing this space, viability is likely to limit scope to secure intensified space.

5.32 **Teddington Business Park** was assessed at 0.8 ha in 2017. The site remains well occupied for a range of light industrial uses and trade counter uses. It is however a very low density site given its accessibly to the station and town centre more generally. Since 2017 the front for the site (facing A313) has been lost to housing.

5.33 There is considerable scope for intensification here, but the narrowness of the site may limit upper floor potential to light industrial workshops and office style formats. It would be challenging also to fit deck access to any intensive upper floor space.

5.34 It is also clear that the current site is very intensely used. Not only is there no vacant space available, car parking and access is constrained which suggests scope to further intensify plot ratios would be a challenge.

5.35 However, this is a town centre site, and it is the case that the nature of activity on site is already 'light'. The largest unit is a Halfords workshop, and most units are used as offices or workshops (inc. former B1c).

5.36 **Market Road, Richmond** is the last of medium sized business estates (0.6ha) in the Borough. This is an area which has seen considerable residential development in recent years, but designed with the adjacent industrial in mind. However, the very close proximity of new (and old) residential may complicate any intensification of the remaining traditional employment space.

5.37 Given the site layout and plot ratio, scope for intensification of the ground floor is very limited and so any intensification floorspace would be limited to upper floors.

5.38 There is merit in the Council taking a proactive stance with this site, as it has become increasingly fragmented over time and the units are (or becoming) of an age where they may need to be redeveloped. Redevelopment will be complex due to the constraints and even re-accommodating existing uses as part of redevelopment may require considerable reconfiguration of the remaining industrial area. Given the fragmented nature of the remaining stock there may be merit in promoting an industrial workspace solution in preference to full replacement of the traditional space on site.

5.39 We don't discuss the very small sites in the Borough – each one has site specific constraints and opportunities but even collectively are unlikely to deliver a significant quantum of intensified space. This does not mean the policy should not encourage this, but we recognise the intensification yield is always going to be small.

Retail and High Street Space

5.40 In the recent past the issue of recycling former retail space for economic uses has become more relevant as the high street retail landscape has struggled to adapt to e-commerce. Covid has sped up a trend already evident.

5.41 This decline of the high street is part of the rationale for the Governments changes to the use class order. As previously demonstrated here, however, the changes when originally introduced had the effect of stripping out occupied office stock and has resulted in the remaining stock in the Borough being very efficiently used – arguably too efficiently.

5.42 We also understand that Richmond's high street economy is generally in better condition than seen elsewhere in London. The Council has commissioned a separate retail needs and leisure assessment that includes a review of the retail policy areas. We would note that ground floor retail may be a route to meet local and small scale economic needs, especially for workshops or offices. We understand this fits with the initial findings of the retail assessment, that an initial oversupply of floorspace can be repurposed for other commercial uses, including employment floorspace.

5.43 With Covid still underway we cannot confirm the scale of likely demand to reuse this space, but it is clear that Richmond firms are used to accepting compromise when looking for property because the ideal is rarely available.

5.44 For small offices ground floor (retail) is a realistic prospect should residential conversion not be reasonable. Where access and servicing is available small workshop and creative space could be supported – possibly with an element of retail. It is unlikely that retail could be re-purposed for significant logistics space – despite this being the strongest source of demand to the very mixed nature of the borough's high street stock. Accessibility by public transport would also make these areas a poor location to prioritise logistics need/demand.

5.45 The GLA has provided a primer guide to the reuse of retail / high street space for flexible workspaces[24]. For Richmond the prospect that post-Covid retail space could be repurposed for workshops and offices only re-prioritises the need to focus the provision of general industrial uses on the few existing industrial estates. Unlike for offices and light industrial uses (both within the new E class) there are no alternative sites to meet this type of need.

5.46 Should significant town centre sites come forward for redevelopment, offices need to be prioritised given the positive need for space (in both a GLA or an Experian) scenario. The recent House of Fraser scheme is a good and substantial example of what could be coming forward. There are some other key site allocations for a mix of uses in town centres which include the expectation to contribute to future employment floorspace, including at Richmond Station and Twickenham Riverside, but also opportunities such as at Kew Retail Park.

5.47 As many of these sites don't exist yet, but may in the future, expressing the need for delivery of net additional office space via town centre redevelopment ought to be expressed in general non site specific policy. A generic policy should be included to catch windfall opportunities.

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[24] 210316_GLA High Streets_compressed.pdf (lep.london)

Summary

5.48 We cannot assess intensification potential for every site in the Borough, but we have explored the Borough's main sites, those large enough where redevelopment could secure additional floorspace.

5.49 This is unlikely to be a product of increased plot ratios/ground coverage but via vertical intensification and the provision of additional upper floor space.

5.50 This pragmatically limits the market sector that we can provide space for via intensification.

5.51 Because no sites are promoted it is hard to even estimate the contribution intensification could make to meeting the Boroughs needs. There is no prospect of securing the GLA's 0.5ha per annum target with little 'infill' opportunity on the main sites to increase plot ratios.

5.52 In terms of floorspace we identified a need for 50,000 sqm of net additional industrial space. We have also identified scope to redevelop a number of industrial sites because they are generally single storey developments in locations where there is some scope for upper floor development. More detailed work would be needed to further scope and confirm potential, but even then we consider it unlikely that intensification can meet the boroughs needs in full.

5.53 There are only a small number of sites over 0.7 ha which together sum to 11 ha of land (excluding Waldegrave Road and Greggs). To reach a net additional 50,000 sqm every one of these medium and large sites will need to be redeveloped and roughly double their floorspace with a final plot ratio around 100% compared to 40-60% on the sites today.

5.54 As part of the post-Pandemic recovery, there is an opportunity to fill vacant high street retail units with small offices, workshop and creative space to meet local and small-scale economic needs.

6 Workspace and Affordable Workspace

Introduction

6.1 It is clear from section 5 above that the Borough will struggle to meet economic needs on the limited land supply and via 'traditional' delivery routes of factories, warehouses or offices. Intensification of some land / estates may help increase the stock of property, but the limited portfolio of land will always limit the impact of this as a route to meet economic needs.

6.2 But in a complex and highly pressured borough we need to recognise that not every firm can be accommodated in traditional formats. We have also identified that upper floor space, less suitable for traditional industrial sectors but acceptable to lighter formats, is likely to be the main product secured via intensification.

6.3 In this section we look in more detail at the role that workspace and affordable workspace could play in meeting the economic needs and aspirations of the Borough.

6.4 In addition, we look at workspace in detail because there is an affordable workspace 'hook' in the new London Plan and also an extant local plan policy requiring the provision of affordable workspace as part of larger schemes.

6.5 In this section we look therefore at the supply and demand for workspace units in the Borough.

Defining Workspace

6.6 Workspace is an 'umbrella' term, which is used interchangeably to describe a number of different typologies and operating models of commercial floorspace principally aimed at small and medium sized businesses. However, increasingly it has come to be a common shorthand for any space accommodation predominantly B Class business activity and the new E Class business activities.

6.7 However, for this study we need to look carefully at how workspace is defined. There is no definition in the London Plan, the Glossary provides no definition of workspace nor do the London Plan policies.

6.8 For this work we assume that 'workspace' is materially different in format to traditional units by design. So, the property is purpose built (or converted) for sub-division and the flexibility to use the space for a variety of processes is built in, in addition to accommodating desks.

6.9 This would appear sensible for planning purposes given the limited control available as regards internal configuration of property and commercial lease terms. What we can control, or influence, is the physical building and the location where policy may encourage (or discourage) workspace provision.

6.10 We therefore exclude the provision of former B1(a) specified office space from our discussion – any office unit could be subdivided for small businesses, and any unit could be let on flexible terms if is viable to do so. Instead, we consider workspace as a more hybrid format which blurs the boundaries between offices and industrial units.

6.11 The degree of 'blurring' will depend on the target market – some creative firms may only require the lightest of industrial characteristics, for example occasional use of a goods lift to move machinery in or out, whereas others may require more specialist space. For workshops offered as studio space, these may require higher ceiling heights than a traditional office unit.

What do we mean by affordable workspace?

6.12 The New London Plan (Policy E3) defines "affordable workspace" as workspace that is provided at rents maintained below the market rate for that space for a specific social, cultural, or economic development purpose.

6.13 Such circumstances include workspace that is:

- Dedicated for specific sectors that have social value such as charities or social enterprises.
- Dedicated for specific sectors that have cultural value such as artists' studios and designer-maker spaces.
- Dedicated for disadvantaged groups starting up in any sector.
- Providing educational outcomes through connections to schools, colleges or higher education.
- Supporting start-up businesses or regeneration.

6.14 Affordable workspace can be provided directly by a public, charitable or other supporting body; through grant and management arrangements (for example through land trusts); and/or secured permanently by planning or other agreements.

6.15 The definition in the London Plan makes it impossible to quantify the demand for affordable workspace – in theory the market for space offered below market rents is infinite and any commercial firm would seek to align themselves to an affordable offer. It is more useful therefore to consider how to plan for workspace 'top down' and identify those sectors the Borough for "specific social, cultural, or economic development purpose" would like to foster.

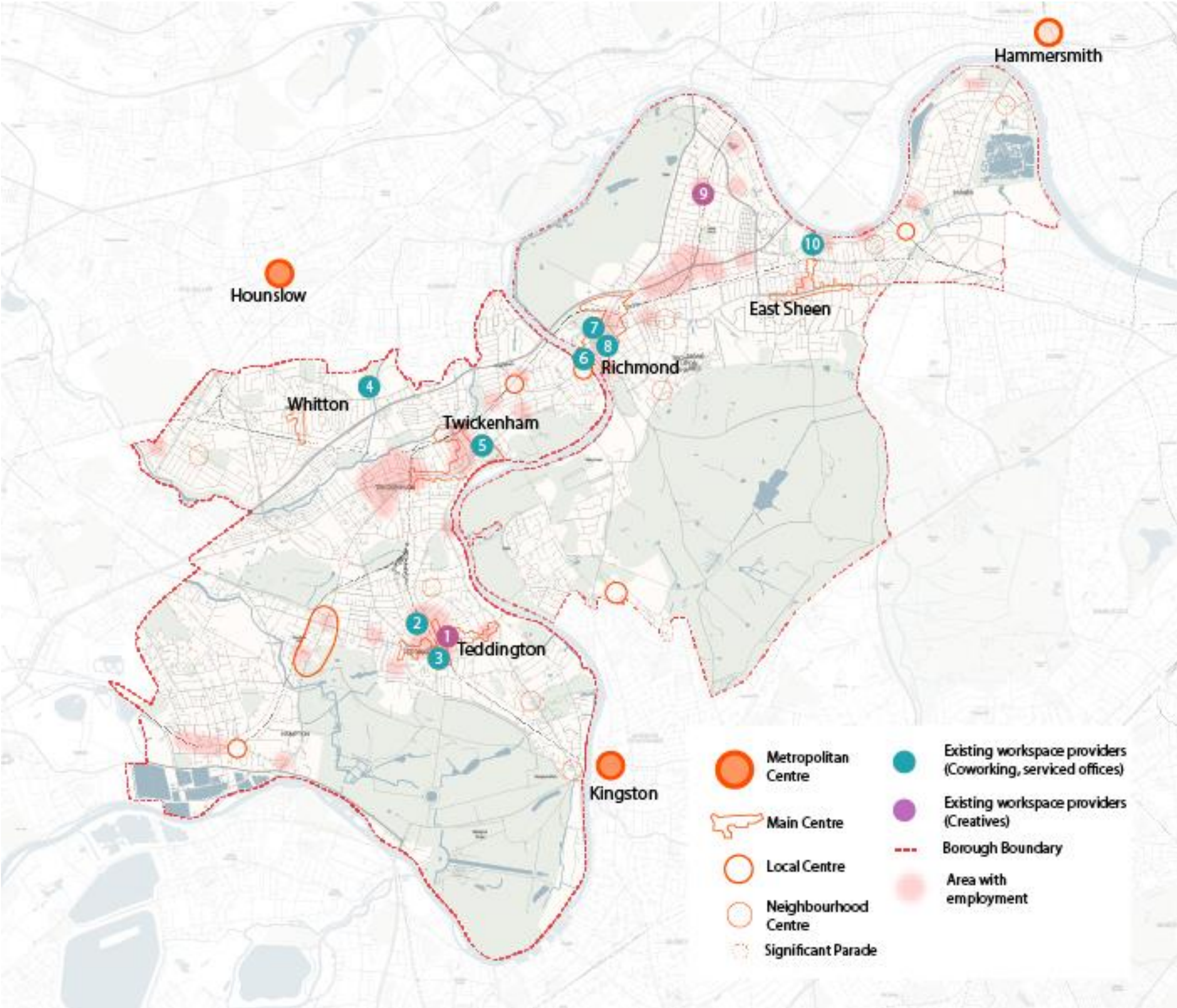
6.16 We do this first by looking at the existing provision of workspace in the Borough to understand where 'workspace' is marketed at the moment and in what format and what rent. We then look at how the Council could provide further support to the workspace market in the future and for what type of occupier the Council should look to prioritise.

Existing workspace provision in Richmond

6.17 Appendix C summarises the key workspace provision within the Borough, and the types of businesses that are currently served. As a starting point, it is important to note that the Borough accommodates very limited workspace stock.

6.18 The map below outlines the current supply of space targeted at the workspace market, more detail is contained in Appendix C.

Figure 6.1 Workspace provision in Richmond Borough



6.19 In general, where we find space promoted as workspace it tends to follow the format of sub divided office property targeted at professional and business service sectors. These may provide flexible terms and other features that appeal to small firms but are still essentially offices. For our work if there is viable demand for this format, we would expect to see more office space targeted and marketed this way. The exception to this general statement is that there may be new scope to re-use former retail space for offices and so workspace – there may be a new supply of space that could be used in this way that was previously better used for retail – a source of supply we return to.

6.20 What appears absent from the Richmond stock is a provision specially targeted at firms where sector and activity limit their ability to use standard office stock.

6.21 There is limited space targeted at the creative media sector despite proximity to the ‘TV Triangle’ and Twickenham Film Studios. However, the Studios have recently been granted permission, subject to a legal agreement, to expand to provide new spaces for the creative industries and community collaboration thus expanding creative media capabilities in the Borough.

6.22 There is also a limited supply of small flexible studio space in the Borough for firms who may struggle to be accommodated in an office floorplate. This would appear to be at odds with the headline economic indicators for Richmond which point to a Borough with a larger (than average for London) small business structure.

6.23 As we show in Appendix C in the Demand and Supply Review section, Richmond has a slightly larger share of small and especially micro firms compared to London as a whole, and a cluster of creative firms that we would normally expect to generate a demand for workspace.

6.24 Again, the fact that this market is unaddressed is likely to be the product of a tight market in general and the lack of suitable property available at a reasonable cost to target this market. It is highly likely that this is a product of the long term market stress in Richmond where more marginal uses have been displaced and the industrial land (and office) portfolios reduced to the minimum.

6.25 Any workspace provider is competing for space in a highly pressured market.

Priority Sectors in Richmond

6.26 Above we have established that there is very limited workspace supply in the borough. This is likely to be the product of a tight market in general, which has prevented the growth of workspace provision and/or displaced any space that was historically located in the Borough.

6.27 In this section we draw on the London Plan affordable workspace policy to focus on sectors that could be supported for a specific social, cultural, or economic development purpose.

6.28 While we draw on the affordable workspace policy of the London Plan in the Richmond context the absolute lack of property is as important as the affordability of the space. Without a supply of workspace stock the affordability of the space offered to the market is a 'red herring'.

6.29 Appendix C provides more detail, but in summary three broad groups for firms have been identified:

- Firstly, the need to support the Boroughs more entrepreneurial and small business structure. Richmond has a larger share of small and micro firms than the London average and a greater number of home workers.
- Secondly, the need to support the Borough's creative and media sector. This is a strong sector in nearby boroughs, as best illustrated by the Hounslow Creative Enterprise Zone, and has a presence in Richmond and Twickenham, but is not a sector we can find a ready supply of space available for.
- Thirdly, while the Borough accommodates a number of large research institutions, most obviously the national laboratories, there is no complimentary local offer for smaller firms operating in the same sector.

6.30 Conversations with the current small portfolio of workspace providers have highlighted these latter two broad sectors as possible growth options for Richmond. Creative workshops and small scale R&D incubator or co-locating space are not established markets, but would appear to be gaps operators would be keen to explore further – but as with Richmond as a whole – the limited availability of stock has hindered any growth aspirations the workspace market may have had.

6.31 The Council, through its Economic Development Office is working to support affordable managed workspaces across the Borough when and where opportunities allow, for example through Section 106 obligations and/or with grant funding from the

Strategic Investment Pot, including within their own property portfolio. Where feasible, potential links are also being made with Higher Education Institutions, and anchor institutions to support innovative growth companies in these spaces with a view to generating jobs and business growth within the local economy.

Scale

6.32 It is important to consider the scale of each of these three sources of demand and also who else may be competing for the same market.

6.33 The SME economy is a clear strength of Richmond and its residents. It is likely to be the largest source of any workspace demand spanning general office space but also industrial formats.

6.34 The creative sector is more challenging because it a highly competitive and targeted sector. Most Boroughs have identified the creative sector as a growth opportunity, and many are responding with a pipeline of space. Hounslow being a very relevant example with nearly 200,000 sq m of new employment space proposed in the Great West Corridor (Creative Enterprise Zone) with a strong creative industry focus.

6.35 The Richmond R&D market is largely untested for workspace but has been identified as a sector that could be encouraged to grow here.

How to respond?

6.36 As noted above the main constraint is simply a lack of land or property for workspace providers but this also applies to any firm looking for employment space in the Borough. Setting this aside we look at how the Borough could support the specific workspace sector by shaping future development proposals, including anywhere affordable workspace may be required.

6.37 To move from understanding the needs and opportunities to the successful delivery and operation of affordable workspace to supporting Richmond businesses there are a series of other factors that need to be taken into account when formulating policy or negotiating provision. Within this section we consider a range of factors that will support the delivery of affordable workspaces that are both appropriate to local needs and can operate sustainably over the longer term – meaning they secure long term benefits to the Richmond economy.

6.38 This section has been informed by consultation with established operators in the Borough but also experience outside Richmond. As there is so little stock in the Borough existing operators provide only a particular picture of what the Borough could do to boost the market and so in turn assist priority sectors.

Scale and Operational Viability

6.39 Any affordable workspace will require some level of active management, therefore for an affordable workspace to be successful it needs to provide sufficient space to generate sufficient income to sustain its operational management structure. 7-10,000 sq ft (or 650 sq m to 950 sq m) is the minimum size of workspace the majority of operators interviewed would consider delivering. Location in terms of access to transport links and proximity to key amenities will also have an impact on the viability of the workspace.

Securing Appropriate Levels of Specification

6.40 Operational viability and the affordability of the space to both operators and occupiers will also depend on the nature of fit out provided. For operators it is critical that the appropriate fit out is secured at delivery, reducing the capital requirements on the operator and therefore increasing their ability to operate at affordable costs to businesses. For businesses it is critical that they are not paying for a specification of space they do not require. Consider reviewing the following things at this stage: location of units / accessibility, access and servicing requirements, waste management, unit dimensions (floor-plate; floor to ceiling), any particular M&E requirements, utilities, specification of material.

Appropriate Operational Approaches

6.41 Alongside the creation of the appropriate scale and nature of space, how the space is run on a day to day basis will also be a critical success factor. Who manages the space, their objectives, the security of tenure they enjoy and the costs of space to them will all drive success and affordability in the longer term.

6.42 Different Types of Operator: There are 4 main types of operators, ranging from the fully commercial operator to the public sector and charity/not for profit organisation. Each type of operator will aim at offering the best-value workspace, with the eternal debate of public versus private. The choice of the operator is important as each one has a different profile when it comes to access to capital, adversity to risk, expertise in operating spaces, capacity, provision of social values for the local communities, minimum space required to consider operating it. Many operators in the creative and food sectors mentioned a preference for long term leases with an interest in embedding themselves in the community and creating social value through enterprise programs.

6.43 The type of space, its location and the target sectors/industries/groups may sometimes restrict the type of operators that are willing to take on the space. Most operators mentioned proximity to transport links as a major factor in site selection. This was both for ease of access to future workspace users but also for operational reasons. To ensure the commercial and operational viability of a workspace, operators would generally focus their interest on segregated spaces of a minimum size threshold. Understanding the profile of each single operator (as even commercial operators are not all equivalent), particularly if establishing a list of recommended operators, is a very important step for the local planning authority.

6.44 Workspace can be operated in several ways, diverging from the more traditional way of operating employment space (office and industrial). In the past, the industry practice has been signing a long-term lease, in which the relationship between the workspace operator and the property owner has not had much difference with that of a conventional office lease. Nowadays, both sides of the market have shown greater interest in creative lease structures and operating models as a strategy for sustainable business growth.

6.45 Workspace is operated under 5 main models:

- Lease Model
- Joint Venture Model
- Management Model
- Franchise Model
- Owner-Operator Model

Minimising Additional Costs to Occupiers:

6.46 As discussed previously affordability for many businesses extends beyond the rent they pay for their space. Often equipment, support and utilities/service charges can also inhibit their ability to afford a general workspace. When seeking to secure new affordable workspace both the physical offer and the operational model for that space should be focused on minimising the 'add on' costs a business may face. This includes the provision of shared facilities and business support, service charges and flexible lease terms.

Affordable workspace

6.47 The Borough has an affordable workspace policy in the adopted plan that is tiggered when additional office space (>1,000 sq m) is proposed. Where this is the case 10% of the floorspace should be available as 'affordable' provision – with rents set at 80% of market rents.

6.48 Unfortunately, we understand that the policy is struggling to deliver space because the 'trigger' relates to new office development and as noted elsewhere in this report very little new office space has been delivered or is proposed in the pipeline

6.49 It is also unclear how, as drafted, the policy can deliver a workspace format which may share similarities with light industrial space. Above, we have highlighted demand for space from the creative industry sector and also some scope for small scale R&D space and both sectors are likely to need space that is not simply an office format.

6.50 This study is not a specific affordable workspace study, and it is important to note that it is almost impossible to calculate demand for a product that, by definition, is offered below market rents. Nor to provide guidance on a single right answer as regards the depth of a discount needed to secure genuine affordable space. The range of potential end users is so wide. But in the next section we briefly explore the current policy framework guiding affordable employment space provision.

The level of discount

6.51 Looking at the first of the two main features of the current policy the adopted policy requires rent to be set at 80% of market rent. This type of discount is common among boroughs and flows from the London Plan policy (E3) that supports the provision of space at discounted rents.

6.52 But in the Richmond context the level of discount means that the resulting space will struggle to be available at genuine 'affordable' rents and are likely to be above the rents workspace providers think would be required for their workspace products.

6.53 We have established through our consultations that workspace providers would look to invest in Richmond if workspace could be secured for between £15-£25 per square foot. £15 per square foot is the minimum for 'remote' areas of the Borough, including the Kingsway area. £25 per square foot would be appropriate for Richmond where the market is obviously stronger and the range of potential end users greater.

6.54 This does not mean that the policy and its discount, will not deliver additional space. Only that the level of discount is likely to limit the end user and will struggle to secure 'workspace' provision that is most likely to appeal to the range of occupiers cited in London Plan E3 and many, for example creative sectors, we would expect to be supported by the policy.

6.55 We note that a (small) number of other boroughs have adopted policies with a deeper discount with some (e.g. Brent) looking for a 50% discount. But often the discount is deeper in areas where there is significant development proposed; for example, Brent (Wembley Opportunity Area and Park Royal) or Lambeth where 50% is expected around Waterloo and Brixton. So, there is a greater scale of possible enabling development to offset deep discounts.

6.56 To explore what discount might be appropriate in this Borough we have undertaken high level viability testing to establish the "tipping point" of viability. The purpose of this exercise is to advise on the parameters that should be tested at Local Plan Viability Testing stage. We provide this separately for both office and industrial workspace.

6.57 For offices we have assumed a generic 1,000 sq m office space with a market rent of £500 psm (£46 psf) and capitalised at a yield of 5.50%. We have used BCIS upper quartile costs and made reasonable allowance for external works, fees and profit. The land value assumed is £4.32 million per hectare. Because a workspace provider first needs to secure the property, and cover their costs, before offering the space to tenants the assessment has assumed an affordable workspace provider would require a 100% uplift on the discount rent in order to offer the stated discount on market rents to the end user. This has been reflected in the assessment e.g. where we show a 50% market rent (£250 psm (£23 psf)) in our testing it is assumed that the workspace provider pays a rent of £125 psm (11.50 psf).

6.58 Our results, as set out in Table 6.1 show that for offices 40% of the floorspace could be viably provided at 50% of market rent.

Table 6.1 Richmond Borough office affordability rates

		Percentage of affordable floorspace				
		10%	20%	30%	40%	50%
% of Mkt Rent	90%	1,901,560	1,526,896	1,152,232	777,568	402,904
	80%	1,867,500	1,458,775	1,050,051	641,326	232,602
	70%	1,833,439	1,390,654	947,870	505,085	62,300
	60%	1,799,379	1,322,534	845,688	368,843	-108,002
	50%	1,765,319	1,254,413	743,507	232,602	-278,304

Source: Urba

6.59 For industrial type uses we have assumed a generic 1,000 sq m of space with a market rent of £208 psm (£19.30 psf) and capitalised at a yield of 5.50%. We have used BCIS upper quartile costs and made reasonable allowance for external works, fees and profit. Land value assumed is £2.47 million per hectare. Again, an affordable workspace provider would require a 100% uplift on the discount rent in order to offer the stated discount on market rents to the end user. This has been reflected in the assessment where we show a 50% market rent (£104 psm (£9.65 psf)) in our testing, it is assumed that the workspace providing pays a rent of £52 psm (£4.83 psf).

6.60 For industrial type space the results as shown in Table 6.2 below, show that 30% of the floorspace could be viably provided at 80% of market rent, or 20% of floorspace at 50% of market rent.

Table 6.2 Richmond Borough industrial affordability rates

		Percentage of affordable floorspace				
		10%	**20%**	**30%**	**40%**	**50%**
% of Mkt Rent	**90%**	365,123	209,934	54,745	-100,445	-255,634
	80%	352,295	182,916	13,537	-155,842	-325,221
	70%	339,454	155,871	-27,711	-211,294	-394,876
	60%	326,599	128,800	-69,000	-266,800	-464,599
	50%	313,732	101,701	-110,329	-322,359	-534,390

Source: Urba

6.61 Obviously, any viability work is dependent on market rents and for offices the market is particularly challenging. Our evidence suggests that deeper discounts may be viable, but this would need testing as part of the plan viability work. The data is also sensitive to site specifics which would need to be carefully considered if affordable space is expected to be delivered as part of allocated sites.

The Trigger

6.62 The adopted plan secures affordable space where additional office space is proposed.

6.63 This would have been sensible in the context of the previous London Plan where the industrial sector was contracting, and offices were growing. Now logistics is a sector growing strongly, and the London Plan encourages industrial intensification, it would appear sensible to extend the scope of the policy to also cover net additional employment provision in the industrial use classes.

6.64 We recognise that with a limited portfolio of sites this may struggle to deliver significant quantities of space. But this does not remove or mitigate the need for affordable workspace, and here any contribution should be welcomed.

6.65 If the Council wishes to secure a meaningful supply of affordable workspace in the short term, at least until confidence in the office market returns, pragmatically the Council needs to look at its own assets (underway) and extent the scope to secure space from other uses and most obviously new housing.

Summary

6.66 The Richmond market is undersupplied in general; with low vacancy rates and very high employment densities reported for the extant stock. With an undersupplied market this has obvious implications for those less able to access the commercial stock. Policy E3 of the London Plan promotes the provision of ‘affordable’ space for a list of likely occupiers including charities, social enterprises and creative sectors.

6.67 The adopted plan policy encourages ‘affordable workspace’ (LP40) but an affordable product is only required when office space is delivered (LP41).

6.68 LP41 has struggled to be effective because so little office space has been delivered. Also, our market evidence suggests that a 80% discount may still not be affordable.

6.69 This is not a specific workspace evidence base document, but to address these concerns we suggest redrafting LP40 and LP41 to require an affordable product in the event either office or industrial space is provided.

6.70 The 80% market rent / 10% space is useful in being simple, but may not be affordable for many firms we may expect to be accessing ‘affordable space’. Especially given the priority sectors listed in policy E3 of the London Plan. A small number of councils have adopted different thresholds. For this report there is undoubtably demand for space at more affordable rents and we have shown in this report that the current levels of discount can be improved upon. We recommend that the Council's viability evidence tests a deeper discount for an industrial intensification scenario in addition to an office scenario.

6.71 We also suggest the Council considers scope for offsite provision because offsite provision may better allow the Borough to secure more effective affordable workspace provision. For example, securing 10% provision of 'affordable' office space in Richmond Town Centre may be less effective in meeting the needs of the Borough's priority sectors than provision of (possibly) more space in a different format and elsewhere in the Borough. The Borough may also need to consider how to most efficiently use what could be a large number of very small affordable schemes that may be difficult to manage and not allow for efficient 'clustering'. Above we noted that managed workspace providers need at last 650 sq m to operate efficiently. At a 10% yield this requires a very large site / development to secure. There may be merit in exploring how contributions could be pooled.

7 Conclusions and Recommendations

Introduction

7.1 This report is drafted in very uncertain times. Not only are planning authorities subject to a changing policy landscape with Government introducing a new Use Class, but also much more aggressive housing targets and the impact of Covid-19.

7.2 However, plans need to be kept up to date and regularly reviewed. At the time of drafting, England is hoping for a rapid post-pandemic return to growth, and while it is difficult to second guess how the market and occupiers will respond, planning authorities need to be ready to respond positively and, most importantly, ensure land is available for development so growth is not constrained.

7.3 The recently adopted London Plan confirms that London as a whole has a chronic shortage of industrial land and needs to rely on intensification to deliver net additional employment floorspace.

Quantified need for space in Richmond

7.4 In this report we have assessed plan monitoring data from the Council (past trends), economic forecast data from Experian, and also economic projections from the GLA.

Industrial Need

7.5 For industrial uses past trends are negative, as the Borough has continued to lose stock, with the VOA recording a total industrial stock of 177,000 sq m in 2015 falling to 163,000 sq m in the Plan base date 2019[25]. This is despite the Borough gaining industrial sector jobs over the same period, increased from around 8,000 to 8,500. Without an increase in floorspace, indeed a floorspace reduction, the increase in jobs means that the stock is being used more intensively than was previously the case.

7.6 Employment densities in the industrial stock have moved from 1:22.2 sq m in 2015 to 1:19.4 sq m in 2020. The GLA 'guide' is 1:36 sq m for each industrial job, showing space in the Borough is used at roughly double the intensity compared to the GLA guidance. Further to this, HCA guidance would suggest even more space is needed for each industrial job – 47 sq m NIA / job for light industrial.

7.7 To address this issue the Borough would ideally look to double its industrial stock – but this is not practical nor pragmatic. In this case we look at how much additional floorspace would be needed simply to accommodate job growth.

7.8 For the industrial sectors we have three job growth scenarios :

- Firstly, the GLA - where the evidence suggests (refer to Table 4.5) an increase of 0.5 ha industrial land per annum. If we apply a 60% plot ratio (requiring less land than a 40% ratio) this generates a need for 3,000 sq m per annum, or 60,000 sq m over the Plan period.
- Secondly, the Experian forecast shows almost no industrial job growth in the Borough, and so very little requirement for net additional space.

[25] VOA record a substantial drop (13,000 sq m) to 150,000 sq m in 2020 and a further reduction to 143,000 sq m in 2021

- Thirdly, we have assessed past trends, which in terms of past floorspace completions are negative; with too much space lost as clearly evidenced by our job density analysis. However, past trends in jobs saw a little over 100 new industrial jobs per annum delivered since 2015.

7.9 Therefore, in the context of positive market demand for space, and viable to retain / deliver rents, it would not appear sensible to plan for industrial floorspace decline and limited or no job growth. It would appear therefore that the Borough should look to accommodate jobs in line with the recent past, which we estimate requires around 54,000 sq m of new additional stock. Growing the Borough's stock by around one third over the plan period from 163,000 sq m (in 2019) to around 217,000 sq m.

Sites to meet Industrial need

Greggs Twickenham

7.10 The Borough has few if any options to easily address this deficit. Of the 'traditional' options only the Greggs site, largely vacant or underused, is available as a redevelopment option. There is strong local and GLA policy support that would suggest that economic uses should be firmly prioritised for the site with not only the current floorspace re-accommodated, but net additional floorspace secured as far as practical.

7.11 We recognise that density may be limited due to nearby residential property, and also that access will limit the number and possibly the type of vehicles that can access the site. However, there is a wide range of industrial type activities – including light industrial and workshops that are compatible with the nearby environment. Given that it was an operational bakery this demonstrates that some HGV movements are possible and with so little stock in the Borough suggestions that weak access should rule out any industrial activity on site is not practical.

Kempton and Kingsway

7.12 The largest cluster of industrial land in the Borough is found around the adjacent Kempton Gate Business Park and Kingsway Business Park, Hampton. Unlike Greggs there is very limited redevelopment potential here. However, both are modern estates and in theory could be redeveloped and intensified. Buildings are low rise and there is scope for vertical intensification if the site was comprehensively redeveloped. But the introduction of residential that has already taken place via PDR, may hinder this.

Other protected industrial sites

7.13 The remaining reservoir of sites is generally too small to warrant specific policies or allocations – all being below 1 ha and many below 0.5 ha..

7.14 To help guide these sites and other smaller sites, in the face of unmet economic needs, we would suggest a partial redrafting of policy LP40. As currently drafted, this seeks to protect the quantum of stock on site. Whereas the London Plan and the local evidence of need would support a more explicit intensification approach.

7.15 To achieve this, we suggest that the policy is amended to include an explicit expectation that redevelopment will deliver a net increase in industrial floorspace with ground floor priority to more traditional formats of space (high eve height and direct loading) with upper floors used for workspace and light industrial (where goods lifts are likely to be required) space where adequate vehicle servicing space can be provided.

7.16 Offices and very light formats should not be encouraged, especially given the prospect of high street space being reused that is likely to only be available for the very lightest form of industrial activity or for small offices.

Other opportunities

7.17 A combination of the above is unlikely to meet the need for a net additional increase in industrial floorspace. It is very unlikely that the Borough will be able to meet the growing need for logistics space with no large development or redevelopment sites easily identifiable. Nor would neighbours appear to be available to assist, with a London-wide shortfall of land for industrial uses.

7.18 It may be sensible for the Council to start thinking about the long term redevelopment potential of major sites in the Borough – sites that may come forward for redevelopment where it is prudent for the Council to put down a 'marker' that if redeveloped, there is an expectation that the sites will contribute to the Borough's future economic needs. For obvious reasons there is a risk redevelopment tends to be housing led with employment uses secondary. Even where large sites are redeveloped and where there is scope to secure appropriate industrial floorspace in the mix, this is not routinely offered by developers.

7.19 Developers should be encouraged to provide some industrial space from the outset of a large development or redevelopment proposal. A new policy requiring ground floor industrial provision for any major development or redevelopment proposal could be justified, capturing 'windfall' opportunities as or when they emerge. This would include where retail property comes forward for redevelopment for other uses, and possibly including well established existing employment sites that could be redeveloped in the future. The objective of the policy would not be to encourage redevelopment of these sites, but to provide a stronger policy hook to secure industrial space provision if the opportunity arises.

Office Need

7.20 It is almost certain that industrial demand will continue to strengthen as the economy recovers from Covid. Richmond's high street economy is more resilient than many other Boroughs, but the move from high street to logistics warehousing is now clear cut. Post-Covid home working trends are unlikely to weaken the need for more industrial space.

7.21 The story for the office economy is different. We have generated a 'need' for new space to accommodate an additional 130 – 545 jobs per annum. The lower end of the range is Experian and the upper the GLA. As regards the GLA number the Borough has not yet managed to achieve this level of job growth, and the low Experian number is likely to be a product of limited labour supply growth here compared to other areas and other boroughs. As with industrial, the Borough has been gaining jobs – around 400 per year since 2015, but not gaining floorspace. A job density around 1:7 sq m is at the very minimum of what would be expected pre-Covid.

7.22 We advise using the lower Experian based forecast as a very minimum target, while looking to accommodate the GLA's higher expectation should sites become available.

7.23 Even the low Experian number will be challenging in the current climate. Pre-Covid the office market struggled to deliver significant volumes of new space. It is unclear whether space lost to PDR will ever be replaced or has now been lost permanently to homeworking. But it is still important that the Borough plans positively and with a tight occupier market any increase in demand has little supply side response without the new plan proactively seeking new capacity. Also, as noted in the market review, new office products may emerge over the plan period as workers change their behaviour. This may drive a demand for new flexible offices close to where workers live and as an alternative to homeworking.

Sites to meet office need

7.24 As with industrial there is very limited pipeline supply. This is not an unusual finding for offices because, in general, the market has been weak and development unviable. Firms have chosen to invest and refurbish older property rather than develop new. Where redevelopment is an option, housing has been the priority and many office sites, where appropriately located have been redeveloped or re-used for housing.

Losses

7.25 Looking forward, with so little space available to let and the stock so intensively used, it is clear that further losses from the supply should be resisted. While we do not dwell on issues around the Use Class Order and Permitted Development Rights in this report, it is clear that any national assertion that there is ‘spare’ or unused office stock that can be lost to housing without planning control is a flawed understanding of the situation in boroughs such has Richmond.

New space

7.26 With so little remaining office stock there is a need to boost the supply wherever opportunity presents itself

7.27 For smaller office units many small office firms in the Borough also operate from light industrial style stock, so a policy push to promote light industrial and workshop style space on upper floors via intensification will assist with small scale office demand.

7.28 There is also scope to re-use high street retail supply for new small offices. We are mindful that a changing high street is likely to release some property for re-use This may require planning permission to reconfigure units, but the presence of upper floor residential and limited servicing opportunities means only the lightest of industrial activity could possibly take, while this space would be generally suitable for offices.

7.29 For larger units there is evidence that the Borough could be a favoured out of Central Activity Zone (CAZ) locations for offices – an alternative location for some office firms who still want to locate in London, but are looking outside the CAZ.

7.30 Recent successes in Richmond town centre demonstrates that the town has the ‘shiny’ profile that some firms are looking for which can compete with sites in the CAZ. We suspect that this ‘market halo’ is limited to Richmond town centre, and does not extend to the Borough’s other centres, nor is possible in out of centre sites.

7.31 At the moment development sites to meet the identified need do not exist. No new sites have been promoted to the Council for offices. As with industrial more generally, there is however, merit in strengthening the Borough’s office policy to require the provision of office space as part of any redevelopment opportunity. We suggest this is focused towards Richmond Town Centre because even pre-Covid demand in the other centres was limited.

7.32 The quantum of space needed to meet the minimum Experian scenario is modest at 40,000 sq m over the plan period, but this still requires around 10 schemes similar to the recent House of Fraser proposal to come forward in addition to controlling losses. Without the Council looking proactively for redevelopment and intensification sites it is unclear whether the market alone will be able to address this need.

A sequential approach to windfall development?

7.33 Employment uses are not being actively promoted by the development industry – even where potential exists to do so. The economic reality is that housing is almost universally favoured, and the policy construct (outside protected employment sites) does not require that consideration is given to other uses.

7.34 To address this there is merit in exploring a sequential approach to windfall redevelopment sites and seeking net additional provision where possible.

7.35 This should start with consideration given to industrial and logistics firms – this is the format of property that is hardest to accommodate. Even on the established estates the ground floors are already fully utilised with any open space necessary to service the buildings. On this basis, if opportunities emerge, for example large buildings brought forward for redevelopment or a masterplan being developed for a larger area, then priority ought to be given to this ‘hard to accommodate’ sector.

7.36 Secondly, light industrial and workshop space should be considered. This is easier to accommodate, and unlike logistics does not require large sites and associated yardage. It could be provided on ground floors or upper floors with servicing access. Light industrial and workshop style space can also address the demand for smaller office units across the Borough, replacing small flexible units lost via previous rounds of PDR.

7.37 Thirdly, we would suggest that more traditional office provision is limited to the Key Office Locations with offices dissuaded from industrial locations in favour of light industrial and workspace.

7.38 A more explicit additional request should be made for redevelopment in Richmond town centre. This is justified to ensure that if opportunities emerge then office development is considered as the priority over housing. Richmond Town Centre is the Borough’s strongest and best location to focus any additional office growth, justifying prioritisation over Twickenham and the other centres where this explicit prioritisation of new office space would not be justified.

Mixed use redevelopment

7.39 Given the shortage of industrial stock, mixed use redevelopment of industrial sites should be resisted.

7.40 Where sites are not viable to deliver industrial, it is likely to be the product of inflated land value expectations that cannot be supported in the current policy framework – which seeks to protect industrial sites.

7.41 A mixed use solution should only be entertained where it can be demonstrated that the mix of uses is needed to deliver additional employment space and not simply replace the existing quantum. There may be cases where a mix of uses can deliver an improved scheme – for example where a tall building may be appropriate, and the redevelopment can enable an uplift in commercial space in addition to upper floor homes. In these circumstances housing can be delivered in addition to the commercial maximisation of the employment offer.

Summary

7.42 For both offices and industrial the Borough is hampered by a lack of development sites and a negative pipeline. The London Plan has looked to tighten employment policies and particularly for industrial uses which may help control future losses. The Borough however will struggle to deliver net additional space, especially for logistics firms.

7.43 The Borough's industrial stock is small and fragmented' and while redevelopment may allow additional upper floor space for light industrial uses this will not address all of the market needs. A masterplan approach, in line with the GLA guidance on intensification of industrial uses will struggle to provide significant quanta of space. We have highlighted potential to redevelop a number of the Borough's larger sites and over time other smaller sites may come forward. Given the lack of site any increase in floorspace is always likely to need to involve upper floor light industrial.

7.44 For the purposes of the next plan without a pipeline or development sites the Borough will struggle to demonstrate how need can be addressed in full.

7.45 This is not a new scenario – the Borough had the same issue at the last plan round.

7.46 In this report we cannot invent new development sites – land in the Borough is almost all occupied, and even if sites were identified we would struggle to demonstrate that it is deliverable without an active and willing landowner.

7.47 Therefore, in the absence of sites, the Council will need to rely on windfall redevelopment proposals to meet economic needs. The use of windfall sites is well established as a route to deliver new homes, but has not been explicitly cited as a source to meet economic needs. We suggest amending and strengthening the Borough's main employment polices (LP40,41 and 42) to require net additional employment space following a sequential approach.

7.48 As with policy LP 40 and LP 42 (industrial) there is merit in strengthening policy LP41 (offices). As drafted the policy prevents the net loss of office stock and only encourages net additional 'where feasible'.

7.49 Priority should remain to protect the stock of space and encourage a new generation of industrial and workshop style provision. For many office occupiers, especially smaller firms, light industrial style units can work for office uses and be used flexibly as businesses grow and adapt. Upper floor workspace is likely to meet the needs of many local office firms in addition to industrial occupiers. It is also the case that planning control is focused on managing the loss of larger office buildings, but not smaller units.

7.50 It may also be helpful to remove the scope for offices to form part of the mix where sites are developed for mixed use.

7.51 Such 'just in case' policies are justified because in the Richmond context the redevelopment cycle is particularly rapid in that the Council often only finds out about opportunities after the site has been sold and redevelopment plans are well advanced. Also, circumstances change rapidly – the recent House of Fraser site is an example. In 2015, when we last advised the Council, it would have been unthinkable to speculate on the future of this building, but circumstances have changed and a new proposal, including good quality office provision has emerged. Policy should be orientated to capture additional windfall opportunities as they may appear.

Appendix A Detailed economic forecasts (Experian economics)

	Job forecasts (000s) selected years		
SIC Division	**2019**	**2029**	**2039**
Accommodation & Food Services	8.2	8.6	9.2
Administrative & Supportive Services	7.9	7.9	8.3
Agriculture, Forestry & Fishing			
Air & Water Transport			
Chemicals (manufacture of)			
Civil Engineering			
Computer & Electronic Products (manufacture of)			
Computing & Information Services	5.8	5.9	6.0
Construction of Buildings	2.0	1.9	1.9
Education	10.6	12.1	13.1
Extraction & Mining			
Finance	1.4	1.4	1.3
Food, Drink & Tobacco (manufacture of)	0.3	0.2	0.2
Fuel Refining			
Health	2.8	3.2	3.6
Insurance & Pensions			
Land Transport, Storage & Post	2.9	3.2	3.4
Machinery & Equipment (manufacture of)			
Media Activities	2.7	2.9	2.9
Metal Products (manufacture of)			
Non-Metallic Products (manufacture of)	0.3	0.3	0.3
Other Manufacturing	0.2	0.3	0.2
Other Private Services	3.5	3.5	3.5
Pharmaceuticals (manufacture of)			
Printing and Recorded Media (manufacture of)			
Professional Services	14.4	14.7	15.7
Public Administration & Defence	1.7	1.7	1.7
Real Estate	2.7	3.2	3.5
Recreation	9.4	9.3	10.1
Residential Care & Social Work	4.9	5.3	5.5
Retail	7.6	7.9	8.2
Specialised Construction Activities	3.5	3.4	3.7
Telecoms			
Textiles & Clothing (manufacture of)			
Transport Equipment (manufacture of)			
Utilities	0.3	0.3	0.2
Wholesale	3.2	3.1	3.1
Wood & Paper (manufacture of)			
TOTAL	**96.3**	**100.3**	**105.6**

Source: Experian Economics April 2021

Appendix B Economic sector to B class land use

1 Economic statistics and forecasts tell us nothing directly about employment space, because they do not classify jobs according to the type of space they occupy. Rather, the statistics split jobs into economic sectors (industries and services), according to the Standard Industrial Classification (SIC). To estimate how many jobs will be based in offices and industrial space, and how many in 'non-B' spaces such as retail premises, schools and hospitals, we need to translate sectors into land uses.

2 For this, we have used a method developed by the PBA team (formerly Roger Tym & Partners) over a series of employment land reviews, and tested in a large-scale study of the Yorkshire and Humber region in 2010[26]. To our knowledge there is no other published empirical research on the relationship between activity sectors and land uses.

3 The tables below show the sectors that are classified to industrial (subdivided into manufacturing and warehousing) and offices respectively. The names and numbers that identify each activity sector are from the UK Standard Classification of Economic Activities 2007 (SIC 2007)[27]. These tables aggregate the data from the finest grain 5 digit SIC level which is the base for the mapping. The reason we use the 5-digit level is that within each sector there may be activities that are industrial based and others that are office or manufacturing. Further on in this note we cite construction activity as an example of a sector containing different land use activities.

[26] Roger Tym & Partners with King Sturge for Yorkshire Forward, Planning for Employment Land: Translating Jobs into Land, March 2010

[27] http://www.businessballs.com/freespecialresources/SIC-2007-explanation.pdf

Table A7.1 Industrial sectors

Manufacturing		
Manufacturing and repairs	10-33	All manufacturing
	95.00	Repair of computers and personal and household goods
Other industrial		
Construction	43.2	Electrical, plumbing and other construction installation activities
	43.3	Building completion and finishing
	43.9	Other specialised construction activities not elsewhere specified (nec)
Motor vehicle activities	45.2	Maintenance and repair of motor vehicles
	45.4	Sale, maintenance and repair of motor cycles and related parts and accessories
Sewage and refuse disposal	37	Sewage
	38	Waste collection, treatment and disposal activities
Employment activities (part)	78	
Warehousing		
Wholesale trade except of motor vehicles and motorcycles	46	
Freight transport by road	49.41	
Removal services	49.42	
Storage and warehousing	52.10	
Other supporting land transport activities	52.21	
Cargo handling	52.24	
Post and courier activities	53.00	
Packaging activities	82.92	
Employment activities (part)	78	

Note
SIC 78, Employment Activities, covers workers employed through agencies in all activity sectors. They should be redistributed across the whole economy, both to B-class sectors and other sectors, in proportion to each sector's share of total employment.

Table A7.2 Office sectors

Office sectors		
Publishing	58	Motion picture production activities
Motion picture, video and TV programme activities	59.11	Motion picture, video and TV programme production activities
	59.12	Motion picture, video and TV programme post-production activities
	59.13	Motion picture, video and TV programme distribution activities
	59.20	Sound recording and music publishing activities
Programming and broadcasting activities	60	
Computer programming, consultancy and related activities	62	
Information service activities	63	
Financial service activities except insurance and pension funding	64	
Insurance, reinsurance and pension funding except compulsory social security	65	
Activities auxiliary to financial services and insurance activities	66	
Real estate activities	68	
Legal and accounting activities	69	
Activities of head offices, management consultancy activities	70.	
Architectural and engineering activities, technical testing and analysis	71	
Scientific research and development	72	
Advertising and market research	73	
Other professional, scientific and technical activities	74	
Renting and leasing activities	77.40	Leasing of intellectual property and similar products
Employment activities (part)	78	
Security and investigation activities	80	
Office admin, office support and other business support activities	82	
Public administration and defence; compulsory social security	84.1	Administration of the State and the economic and social policy of the community
	84.3	Compulsory social security activities

Note
SIC 78, Employment Activities, covers workers employed through agencies in all activity sectors. They should be redistributed across the whole economy, both to B-class sectors and other sectors, in proportion to each sector's share of total employment

4 On a technical note, most economic forecasts show around 20-30 broad activity sectors, a much coarser-grained classification than the SIC sectors in the table above, and the 5 digit SIC level we use that is set out in the Annex below. For example, the table counts as a B-space activity only part of the Construction industry (SIC 43.2, 43.3 and 43.9), whereas forecasts typically show only Construction as a whole (SIC 43). To estimate future employment in sub-sectors such as SIC 43.2, we assume that the share of each sub-sector's employment in its 'parent' sector stays constant.

5 There are two further technical difficulties with the relationship of sectors to land uses. The first is that the line between production space (factories and workshops) and warehousing is blurred. This is not surprising, because manufacturing and warehousing largely occupy the same kinds of buildings, many units combine both functions in proportions that vary over time, and smaller buildings are allowed to shift between the two without planning permission.

6 In setting total land provision targets, therefore, factories, workshops and warehouses, should be merged into a single 'industrial' category. This should not cause any problems, because these uses operate in similar buildings and at similar employment densities, except for very large units including strategic warehousing. In areas where they form a significant part of the stock, these large units should be allowed for separately.

7 The other problem with the tables is that some of the jobs which the table allocates to industrial space are in fact in offices. These jobs are probably in administration, sales and marketing functions of industrial and related businesses. A construction or plumbing business, for example, will often have an office that deals with orders, appointments, record-keeping and the like. In some cases this will be ancillary to an industrial unit and therefore not count as office space, but in other cases it will be free-standing. If the business is small, the office may be its only premises.

8 In total, the Yorkshire and Humber survey found that around one tenth of the jobs which our method allocates to industrial space (factories, workshops and warehouses) are in fact in offices. For a large area such as the region, this is too small a proportion to distort land provision targets. But in some local authority areas, especially the more highly urbanised, it is likely that the distortion is significant. Employment land reviews should aim to correct these distortions, using local knowledge to adjust the relationships shown in the tables above.

9 There are many other, place-specific factors why the sector-to-land-use relationships in the tables above may be invalid. For example, in some places large business units are assigned to the wrong sector or the wrong side of the local authority boundary. In other places, particular sectors are untypical and do not occupy the kinds of space that one would normally expect. In one local authority area in England, for example, there are many jobs classified to Other Supporting Land Transport Activities, SIC 52.21, which normally would occupy warehousing in the local authority area. But in this case most of the SIC 52.21 jobs relate to railway maintenance and the people concerned work all over the country, mostly outdoors.

10 Where such anomalies arise, close inspection of the numbers, combined with local knowledge, should help correct the statistics and customise the sector-to-land-use assumptions.

11 However, it is inevitable that sector-to-land-use relationships are less reliable for small than larger areas. As the Yorkshire and Humber survey illustrated, the relationships

shown in our tables work very well for whole regions. But they are not reliable for individual buildings or employment areas, and may not be reliable at local authority level. This is one of the reasons why demand forecasts are more robust for regions that individual local authority areas.

12 The Yorkshire and Humber report provides further information and advice on sector- to-land-use relationships.

13 The schedule that follows drills down to the lowest level SIC (5-digit) categories, showing the type of space assigned to each activity. The schedule excludes categories that are not associated with the B Use Class.

Appendix C Richmond Borough's existing workspace provision

Executive summary

In this segment of the report, we start by considering the notion of “affordable workspace” by understanding the term “workspace” and the factors that contribute to the affordability of space.

We then build the narrative for investment in affordable and flexible workspace by first briefly looking at the demand and the existing provision of workspace in the Borough to understand where ‘workspace’ is marketed at the moment and analyse any gaps that emerge.

In the following section we define the priority sectors for the Borough by drawing on the London Plan’s affordable workspace policy, with a focus on sectors that could be supported for specific social, cultural, or economic development purposes. The priority sectors are also informed by market testing interviews with operators.

We then look at how the Council could provide further support to the workspace market in the future by highlighting the key delivery considerations and the limits to current affordable workspace policy.

In the last section we elaborate the opportunities and recommendations for delivering workspaces. Here we explore the approach to marketing existing council-owned assets, any opportunities for repurposing existing high street units to bring forward flexible workspaces and the approach to intensifying/redeveloping the Borough’s limited industrial sites.

Affordable Workspace

This section of the report explores the factors that contribute to the affordability of space, beyond solely a discount to the market rent.

What do we mean by workspace?

Workspace is an umbrella term which is used interchangeably to describe a number of different typologies and operating models of commercial floorspace principally aimed at small and medium sized businesses. However, increasingly it has come to be a common shorthand for any space accommodating predominantly B Class business activity and the new E Class business activities.

What do we mean by affordable workspace?

The New London Plan (Policy E3) defines “affordable workspace” as workspace that is provided at rents maintained below the market rate for that space for a specific social, cultural, or economic development purpose.

Such circumstances include workspace that is:

- Dedicated for specific sectors that have social value such as charities or social enterprises.
- Dedicated for specific sectors that have cultural value such as artists’ studios and designer-maker spaces.
- Dedicated for disadvantaged groups starting up in any sector.
- Providing educational outcomes through connections to schools, colleges or higher education.
- Supporting start-up businesses or regeneration.

Affordable workspace can be provided directly by a public, charitable or other supporting body; through grant and management arrangements (for example through land trusts); and/or secured permanently by planning or other agreements.

Policy E3 of the New London Plan states that particular consideration should be given to the need for affordable workspace for the purposes below:

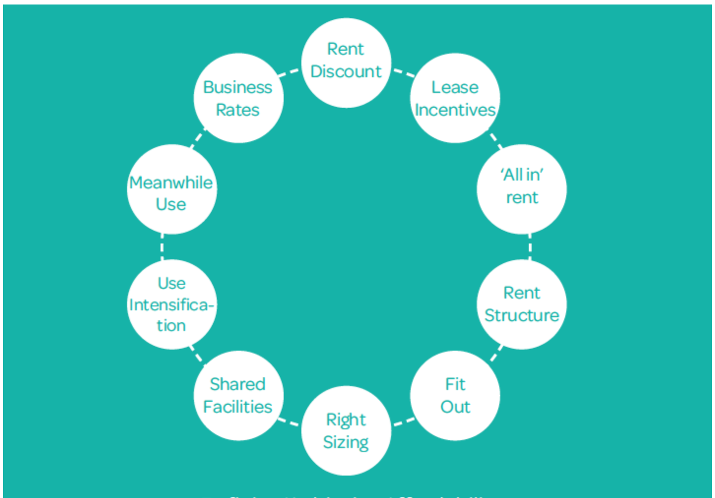
1) Where there is an existing affordable workspace on-site.

2) In areas where cost pressures could lead to the loss of affordable workspace for micro, small and medium sized enterprises (such as in the City Fringe around the CAZ and in Creative Enterprise Zones)

3) In locations where the provision of affordable workspace would be necessary or desirable to sustain a mix of business or cultural uses which contribute to the character of an area.

What makes a space affordable?

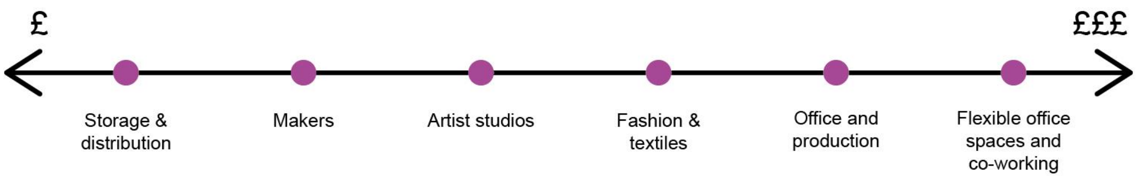
Policies within the New London Plan identify the strategic considerations facing businesses but lack a more detailed understanding or approach to affordability as a more holistic issue facing many existing and new businesses. A truly effective approach to affordable workspace delivery will need to consider all of the factors affecting affordability of space (not just rent) to ensure that a range of spaces are available and affordable to target businesses. To be effective, policies need to be adapted to the local context (both in terms of the condition of the local market and local policy objectives).



Defining/Achieving Affordability
Source: Avison Young/00

As will be discussed in more detail in the following pages, affordability of space varies greatly between different sectors (see diagram below), business models, and business stages, as well as the wider offer of a managed workspace which can provide business services, and clustering benefits. Rather than replicating the offer on the market, it is therefore more useful to identify target sectors or business stages which may not be able to access spaces on the market but if allowed to foster would provide specific social, cultural or economic benefits to the Borough.

We do this first by briefly looking at the demand and the existing provision of workspace in the Borough to understand where 'workspace' is marketed at the moment – in what format and what rent. We then look at how the Council could provide further support to the workspace market in the future – and for what type of occupier the Council should look to prioritise.



Demand and Supply Review

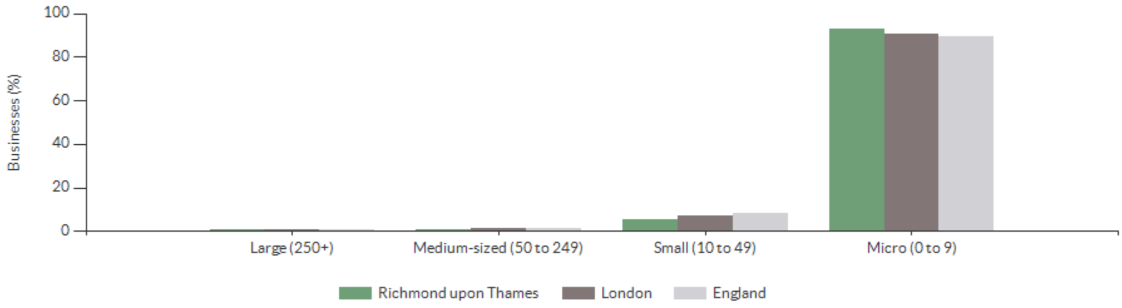
LBRuT's market in brief

Understanding the make-up of the Borough's economy in more detail enables us to understand its future potential– i.e.. the future workspaces delivered provide the appropriate accommodation and facilities for the target sectors and businesses that need support in the area.

It is important to note that the increasing focus of the Richmond Borough's economy lies within activities that are set to drive the growth of the London economy more broadly: its activities cut across creative endeavour, digital technology, software, product and content design and small batch production on the one hand and professional services on the other.

Creative industries are an area of specialisation for the borough's economy. Within this sector the borough stands out in a number of activities: software consultancy, architectural and engineering activities, and advertising. Retail in specialised stores is also significant as are publishing activities, reproduction of video and sound recording and computer media. Another key feature of the sector is the weight of small enterprises: 91% have fewer than 5 employees. They include large numbers of interior and garden designers, architect studios and graphic designers amongst others, most of whom will be working from home.

Gathering data from Richmond' Borough Profile (2020) it is clear that the Borough's economy is characterised by the large proportion of micro-business units both, as a result of businesses employing <10 employees and of the large proportion of self-employed residents. The current split by business size across the borough identifies that a majority of businesses falls within the SMEs category. There are 13,535 businesses in Richmond of which 93.1% employ fewer than 10 people. This proportion of micro businesses is higher than the London average of 90.8%. Furthermore, 14.6% of Richmond's population is self-employed which is higher than the London average of 11.1%.



Date: 2020   Source: ONS IDBR

Existing workspace provision in LBRuT

The map below outlines the Borough's current availability of workspace and to whom it is catering to. This helps explain the gaps in the supply of employment space which suggests the types of activities that need support. Further details on each workspace can be found in Appendix 1.

As is evident in the map, there are few existing workspace providers in the Borough and most of them are clustered around the Teddington and Richmond town centres. In general, within the existing provision, most workspaces offer the format of sub-divided office property and coworking space targeted at professional and business service sectors – these may provide flexible terms and other features that appeal to small firms but are still essentially offices. They are located either in serviced office buildings like Spaces Teddington, or within institutional buildings like The Bridge Workspace operating out of Richmond and Hillcroft Adult Community College.

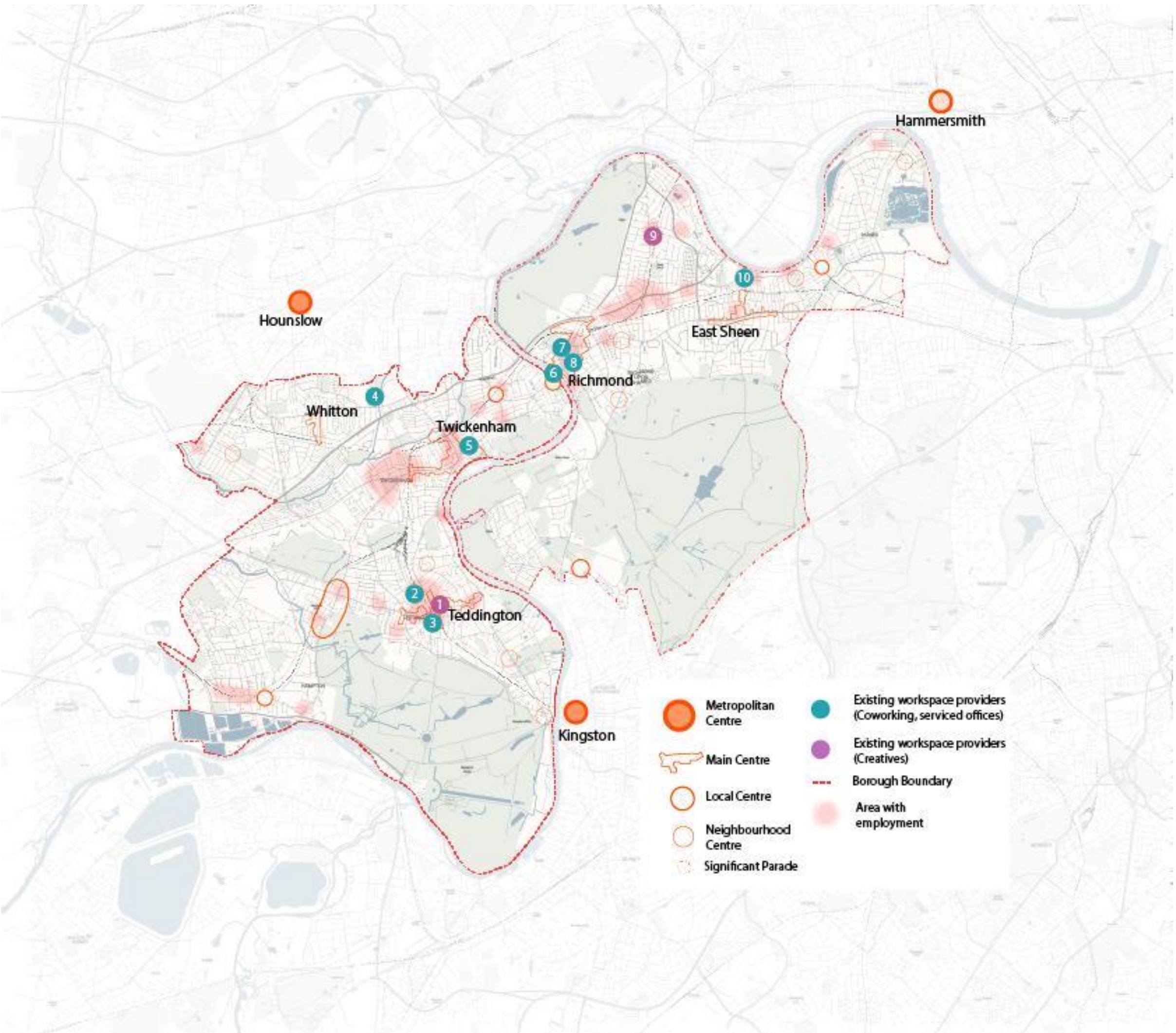
Within the existing workspace providers, average office rents typically range from £250-300/month for hot desking in a co-working office. These rent levels are more characteristic of co-working office markets on the fringe of central London than of outer London Boroughs. As a point of reference, Meanwhile Space, one of the operator's that were consulted for this study, offers a desk at Tripod, their Brixton based affordable co-working space for £189/month. Additionally, Health Foundry, a Southwark based co-working space funded by Guy's & St. Thomas' Foundation, offers memberships for £225/month for hot-desking. On the other end of the spectrum, WeWork, a commercial provider, offers hot desking at £400/month on an average. This may suggest that the current office market in Richmond is catering to a segment of the demand that is willing to pay the relatively high rents in a pressured market and that there may be a segment of users who are priced out and could benefit from more affordable workspace of this format.

It should also be noted however that these averages are based on limited data, reflecting the lack of stock in the Borough, and also that spaces tend to be 'serviced office space' which command a higher equivalent per square foot value. We would expect larger spaces with lower density activities to achieve rents below this.

What is visibly missing from the Borough's stock is a provision for firms and sectors that cannot operate within traditional office and co-working spaces. This includes a lack of affordable, flexible 'studio workroom' units and ground floor light industrial and larger industrial units for creatives, local makers and film related industries.

As was highlighted in the previous section, there is clearly a demand for a greater diversity of workspaces beyond the standard office format to support a range of sectors across business stages. This gap may be explained by a lack of capacity i.e. the availability of adequate/suitable property; available at a reasonable cost, to target this market and the fact that any workspace provider will be competing for space in a highly pressured market. There is also an acute shortage of potential development sites and pressure from higher value uses, namely housing.

Existing workspace providers



Priority Sectors

The previous section of this report has considered the specific nature of demand within the Borough with an indication of the gaps in supply. This is likely to be the product of a tight market in general – which has prevented the growth of workspace provision and/or displaced any space that was historically located in the Borough. In this section we define the priority sectors for the borough by drawing on the London Plan's affordable workspace policy, with a focus on sectors that could be supported for specific social, cultural, or economic development purposes. The priority sectors are also informed by market testing interviews with operators to understand their needs and interest in locating in Richmond (see Appendix 2 for the Workspace Operator interview summary).

Three broad priority sectors have been identified:

1. Support micro businesses and small businesses:

The high presence of micro-businesses and self-employment in the borough's economy shows the presence of an entrepreneurial and dynamic population. As has been highlighted, Richmond Borough has a larger share of small and micro firms than the London average and a greater number of home workers.

In terms of space these enterprises require flexible office spaces that can accommodate small teams (micro-small businesses), to grow-on premises, and expand to a sizable business within 2-3-5 years.

Appropriate property typologies: SME office units / co-working space; light industrial studio / workroom space.

2. Support creative sector:

Secondly; there is a need to support the Borough's creative and media sector. This is a sector strong in nearby Boroughs – as best illustrated by the Hounslow Creative Enterprise Zone and has a presence in Richmond and Twickenham. As was indicated in the last section, it is not a sector we can find a ready supply of space available for.

To accommodate this sector, employment space needs to be of varying size, adaptable and with a mix of ceiling heights, offering both ground floor and upper floors, with some spaces suitable for accommodating and servicing production / light industrial activities.

Appropriate property typologies: SME office units / co-working space; studio / workroom space / light industrial units.

3. Support small scale scientific, innovation and research space with a provision of incubator units and laboratories

While the Borough accommodates a number of large anchor universities and research institutions – most notably the National Physical Laboratory – there is no complimentary local offer for smaller firms operating in the same sector. There is a need and an opportunity to create an ecosystem of dynamic SME/University collaborations to stimulate knowledge-based growth which in turn can lead to business start-ups or expansion, improved productivity and high-quality jobs. Most operators that were consulted across Med Tech, Science, Creative and Food sectors expressed an interest in locating near universities, schools and institutions to take advantage of spin out programmes and have access to young entrepreneurs.

To accommodate this sector, the council will need to support the creation of innovation hubs and R&D incubators which offer opportunities for co-location.

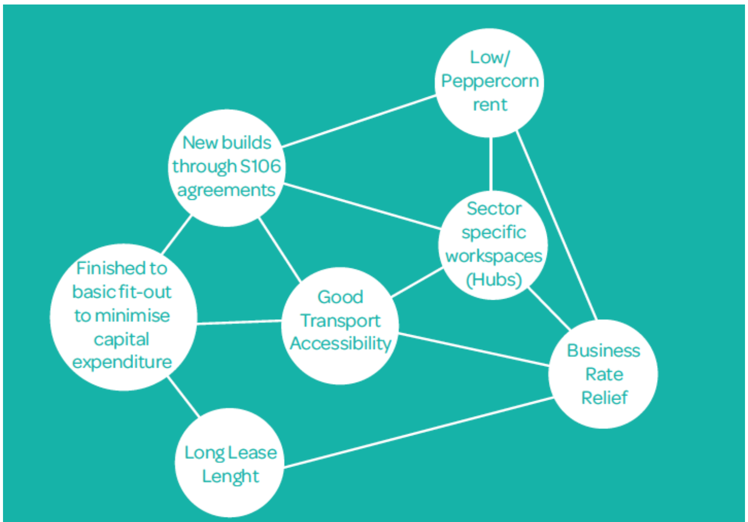
Conversations with the current, small, portfolio of workspace providers have highlighted these latter two broad sectors as possible growth options for Richmond. Creative workshops and small scale R&D incubator or co-locating space are not established markets but would appear to be gaps operators would be keen to explore further – but as with Richmond as a whole – the limited availability of stock has hindered any growth aspirations the workspace market may have had.

How to respond?

As noted above the main constraint is simply a lack of land or property for workspace providers but this also applies to any firm looking for employment space in the Borough. Setting this aside we look at how the Borough could support the priority sectors by shaping future development proposals – including any where affordable workspace may be required.

Delivery Considerations

To move from understanding the needs and opportunities to the successful delivery and operation of affordable workspace towards supporting Richmond's businesses there are a series of other factors that need to be taken into account when formulating policy or negotiating provision. Within this section we consider a range of factors that will support the delivery of affordable workspaces that are both appropriate to local needs and can operate sustainably over the longer term – meaning they secure long term benefits to the Richmond economy. This section has been informed by consultation with established operators in the Borough but also experience outside Richmond. Since there is so little stock within the Borough, existing operators provide only a particular picture of what the Borough could to do to boost the market and so; in turn assist priority sectors (see Appendix 2 for the Workspace Operator interview summary).



Factors mentioned by Workspace Operators as attractors to deliver affordable workspaces

Scale and Operational Viability:

Any affordable workspace will require some level of active management, therefore for an affordable workspace to be successful it needs to provide sufficient space, and therefore generate sufficient income, to sustain its operational management structure.7,000 to 10,000 sq ft (or 650 sq m to 950 sq m) was the minimum size of workspace the majority of operators interviewed would consider delivering with a preference for long leases (10 years +).

Location i.e. access to transport links and proximity to key amenities will also have an impact on the viability.

A “lower overhead” hands-off workspace management approach may be feasible for smaller-scale workspace proposals if on-site curation of businesses is not desired or required. A development seeking to encourage micro SME growth and development using a more “hands-on” approach, such as clustering, business support or identity building for a sector, is likely to require a larger scale of overall workspace to sustain the overhead of on-site management or curation

Securing Appropriate Levels of Specification:

Operational viability and the affordability of the space to both operators and occupiers will also depend on the nature of fit out provided. For operators it is critical that the appropriate fit out is secured at delivery, reducing the capital requirements on the operator and therefore increasing their ability to operate at affordable costs to businesses. For businesses it is critical that they are not paying for a specification of space they do not require. Consider reviewing the following things at this stage: Location of units / accessibility, access and servicing requirements, waste management, unit dimensions (floor-plate; floor to ceiling) Any particular M&E requirements, utilities, specification of materials.

Appropriate Operational Approaches:

Alongside the creation of the appropriate scale and nature of space, how the space is run on a day to day basis will also be a critical success factor. Who manages the space, their objectives, the security of tenure they enjoy and the costs of space to them will all drive success and affordability in the longer term.

Different Types of Operator: There are 4 main types of operators, ranging from the fully commercial operator to the public sector and charity/not for profit organisation. Each type of operator will aim at offering the best-value workspace, with the eternal debate of public versus private. The choice of the operator is important as each one has a different profile when it comes to access to capital, adversity to risk, expertise in operating spaces, capacity, provision of social values for the local communities, minimum space required to consider operating it. Many operators in the creative and food sectors mentioned a preference for long term leases with an interest in embedding themselves in the community and creating social value through enterprise programs.

The type of space, its location and the target sectors/industries/groups may sometimes restrict the type of operators that will be willing to take on the space. Most operators mentioned proximity to transport links as a major factor in site selection. This was both for ease of access to future workspace users but also for operational reasons. To ensure the commercial and operational viability of a workspace, operators would generally focus their interest on segregated spaces of a minimum size threshold. Understanding the profile of each single operator (as even commercial operators are not all equivalent), particularly if establishing a list of recommended operators, is a very important step for the local planning authority.

Workspace can be operated in several ways, diverging from the more traditional way of operating employment space (office and industrial). In the past, the industry practice has been signing a long-term lease, in which the relationship between the workspace operator and the property owner has not had much difference with that of a conventional office lease. Nowadays, both sides of the market have shown greater interest in creative lease structures and operating models as a strategy for sustainable business growth.
Workspace are operated under 5 main models:

- Lease Model
- Joint Venture Model
- Management Model
- Franchise Model
- Owner-Operator Model

Minimising Additional Costs to Occupiers:

As discussed previously affordability for many businesses extends beyond the rent they pay for their space. Often equipment, support and utilities/service charges can also inhibit their ability to afford a general workspace. When seeking to secure new affordable workspace both the physical offer and the operational model for that space should be focused on minimising the ‘add on’ costs a business may face. This includes the provision of shared facilities and business support, service charges and flexible lease terms.

Affordable workspace policy and the rationales for intervention

The rationale for intervention in the workspace market to ensure the delivery of affordable workspace is ultimately linked to the local authority's objectives. Objectives to be achieved by the provision of affordable workspace will inform the policy and delivery mechanism to be considered, the typology of the space and the operating model that should be sought by the local authority.

Rationale for intervention 1: Widening the office workspace market through discounted rent

As presented in the New London Plan, discounted rent is often the best-known way of delivering affordable workspace. LBRuT has an affordable workspace policy in the adopted plan that is triggered when additional office space (>1,000 sqm) is proposed. Where this is the case 10% of the floorspace should be available as 'affordable' provision – with rents set at 80% of market rents.

If the council's intent is to widen the workspace market, then a discounted rent might provide some relief to certain sectors that can afford to pay rents at a 20% discount on the market price. However, in contexts like LBRuT, where the markets are quite pressured and rents are relatively high, discounted rent may not always have the desired effect and several considerations have to be assessed.

Firstly, the discount is relative to the market price. Whilst a certain percentage of the market rate can be perceived as affordable in a certain year, this discount may quickly be insufficient to provide affordability if market prices are rapidly increasing.

Secondly, we need to consider what is affordable? This is a difficult question as what may seem affordable for a specific industry or a specific business may be unaffordable for another industry or business. It is therefore important to understand who the target audience is and, if necessary, to apply restrictions to access to this discounted space. It is also important to note that this policy applies to new office development and as noted elsewhere in the report we find very little new office space has been delivered or is proposed in the Borough, but also office development is not valuable to all sectors.

Lastly, who is benefiting from the discount? Is the discount applied by the property owner on the lease to the operator? Is the operator passing this discount onto the end users?

Therefore, the discounted rent policy is most effective at widening the market. With this intent the Council can create certainty of outcomes through 'case by case' mechanisms of securing affordable office workspace such as through s.106 agreements. These are dependent on a buoyant development market, overall scheme cost considerations and the need to balance competing priorities for planning obligations from a viability perspective. A clear, common, policy approach (whilst still subject to viability) can overcome these issues and create a clear pipeline of space for businesses.

Rationale for intervention 2: Support target sectors through a more proactive approach

On the other hand if the Council's objective is to support target sectors and retain businesses, the Council may have to consider an alternative policy. Particular sectors may warrant greater support given their wider impact in terms of employment, supply chain or even place branding roles. The creative sectors including artists and craftspeople, some production sectors (e.g. food and specialist fabricators) and early stage tech are often priced out of changing locations, despite having strong links locally. The "Third Sector" (i.e. Voluntary, Community and Social Enterprise organisations) is also an important consideration as they provide much wider positive benefits to their area, however often struggle to pay high rents. For these sectors affordability needs to be looked at from both the end tenant user's perspective as well as the operator's perspective.

Through our consultations with workspace providers it has been established that for these sectors operators often charge the end user 50-80% of market rent depending on the location. Bow Arts, an educational arts charity that provides affordable creative workspace offers artist studios for £15/sq ft. Another operator Meanwhile Space, a social enterprise offering affordable workspace, offers studios in the £12 - £20 range depending on location. Often these projects are possible through grants or more proactive support from the Local Authority. In some cases the operators pay a peppercorn rent on Council owned assets in exchange for delivering social value and public benefit.

In essence the 20% discount on 10% stock as a blanket rule is not appropriate in every case and the Council could consider alternative approaches to the delivery of their affordable workspace policy depending on context and objectives.

Opportunities and recommendations for Delivering Workspace

As discussed in the previous sections, the borough has a limited stock of sites which can enable a significant pipeline of new workspace in the short to medium term. In this section we explore the approach to marketing existing council-owned assets, any opportunities for repurposing existing high street units to bring forward flexible workspaces and the approach to intensifying/redeveloping the Borough's limited industrial sites.

Using the Council's land assets

Given that the borough has a limited stock of new sites, the Council should consider reviewing their assets in the borough and repurposing any vacant or underused Local Authority owned assets, such as former council offices, or underused spaces within libraries. The Council's role could extend beyond policy and design guidance to include the utilisation of its own land assets, demonstrating to the wider development community the potential of a true mixed use approach to growth, and creating demonstration projects through partnership with a range of co-investors. This will require different approaches to delivery and measurement of return. Overall, the Council will need to take a strong leadership role, it will need to work closely with private sector partners, either to negotiate site specific issues or create new delivery structures that enable a diverse and dynamic economy to grow. This could include mission-driven investors, many which are increasingly looking at investment in employment space to achieve inclusive growth outcomes.

We understand the Economic Development Office (EDO) in LB Richmond is currently working to support affordable managed workspaces across the borough when and where opportunities allow, for example through Section 106 obligations and/or with grant funding from the Strategic Investment Pot (SIP), including within their own property portfolio. Where feasible, potential links are also being made with Higher Education Institutions (HEIs) and anchor institutions to support innovative growth companies in these spaces with a view to generating jobs and business growth within the local economy.

High street opportunities

The Government's changes to the Use Classes Order which came into effect in September 2020, have significant impacts in terms of granting new flexibility for landlords to change between retail and workspace uses, and the abilities of councils to plan the activity mix on high streets. There is an opportunity for high street retail units to switch to workspace and other (former) B1 employment activities with greater flexibility and room for hybrid models that combine retail and workspace functions.

The changing economies for the retail sector, alongside the shifting patterns of how and where people choose to work, highlight significant opportunities to bring back into use small vacant retail spaces, while providing flexible workspaces closer to where people live.

Richmond has many high quality retail units that can be repurposed as flexible workspaces for businesses that do not require spaces with high specifications. These high street units can support activities that are complementary to the upper floors of industrial sites and also serve businesses looking for small micro workspace units with their own front door. Given that these units will be fragmented, with no high street governance vehicle and may not all come forward at once, they are most suitable for leasing out to individual businesses that don't necessarily need an operator.

Units positioned in areas of higher footfall can suit workspace needs with more customer-facing activity (retail incubators and other points of sale, creatives like graphic artists, architects), while units in quieter locations on the high street can accommodate more maker and production-type activities. There is also potential to define the different types of grow-on space needed locally, and target occupiers for suitable units.

Beyond the provision of space for businesses, workspaces can reinvigorate the high street and neighbourhood resilience by:

- Growing the high street governance - workspace operators gather insight into local community and needs, and can support and advocate for high street improvement.
- Not competing with existing high street businesses - complimenting by enabling production and secondary and tertiary sectors to grow supply chains for existing businesses.
- Incubate businesses that then grow onto taking up space on the high street, or facilitate pop-up opportunities on the high street.
- Diversify the offer and therefore a wider visitor base to the high street.
- Provide business support services or complementary space for existing businesses to take advantage of - desk space for food businesses for example.

Redevelopment/intensification of industrial sites

The Borough has few industrial sites that are vacant or underutilised. We have considered options for intensification of existing large employment sites and whether redevelopment could achieve a percentage of additional employment space. With an understanding of priority sectors and the nature of future demand, the previous sections highlighted that employment space needs to be of varying size, adaptable and with a mix of ceiling heights, offering both ground floor and upper floors, and suitable for accommodating and servicing production / light industrial activities. In principle site intensification can deliver a diversity of employment space beyond the standard office format and it is possible to integrate such workspaces successfully along with other uses that may include a residential element.

It is important to note that the Borough's stock is small and fragmented and while redevelopment may allow additional upper floor space for light industrial uses this will not address all market needs.

Appendix and sources:

Appendix 1_Richmond existing workspace bios (Attachment)

Appendix 2_Workspace operator summary (Attachment)

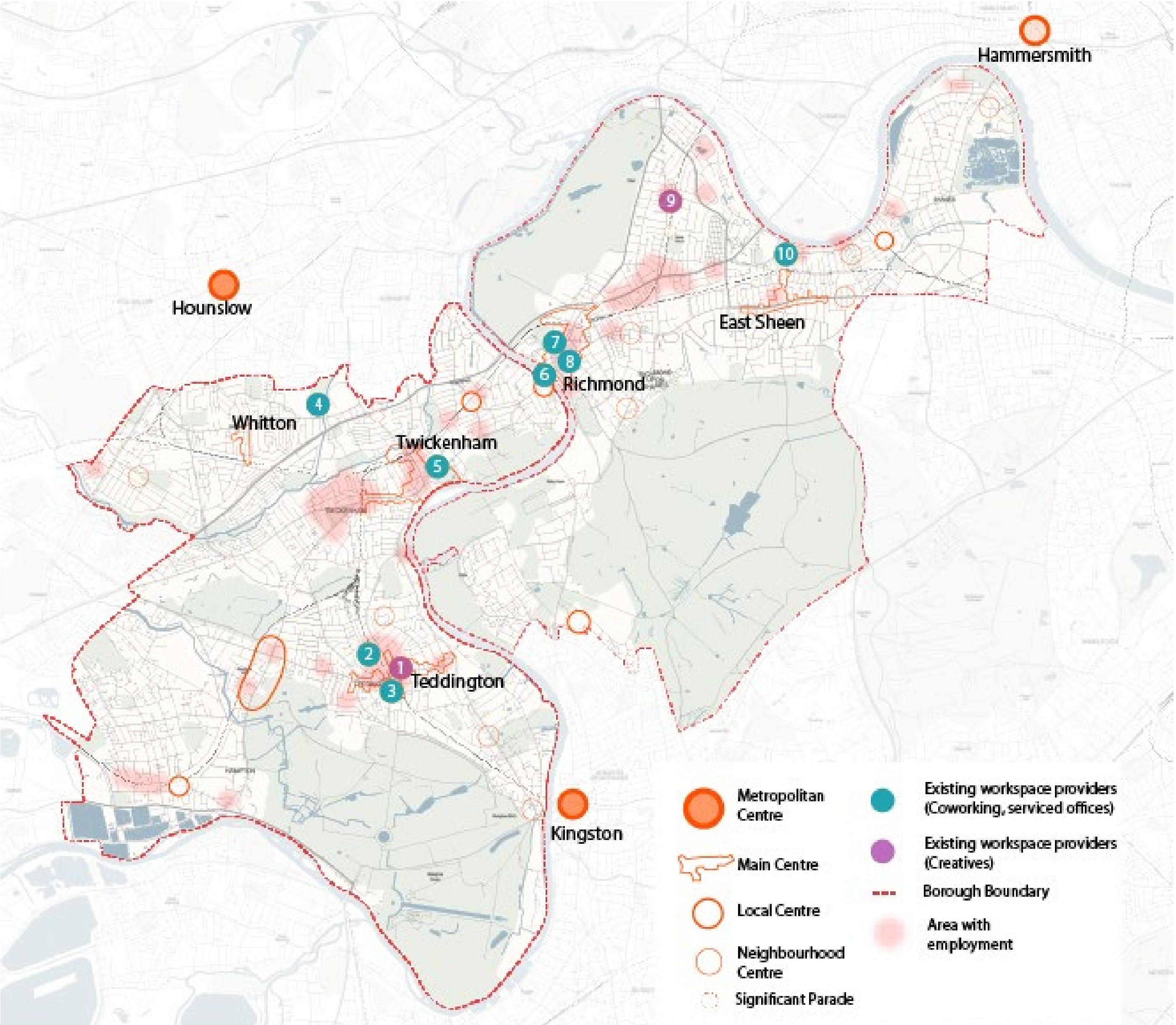
Datarich: https://www.datarich.info/economy-and-employment/

Richmond employment research: https://www.richmond.gov.uk/services/planning/planning_policy/local_plan/local_plan_evidence/employment_research

South London Partnership: http://southlondonpartnership.co.uk/

BIG Programme: http://southlondonpartnership.co.uk/economy/big-south-london/

Hounslow Creative Enterprise Zones: https://www.westlondon.com/initiatives-networks/creative-enterprise-zone/



1: Design workspace

2: The Business Centre Teddington

3: Spaces Teddington

4: HUB XV, Twickenham Stadium

5: The Royal Oak

6: Twickenham Riverside

7: House of Fraser redevelopment

8: Richmond Library Annexe, The Quadrant, The Bridge at RHACC

9: Kew Art Studio

10: 20 Mortlake

The Bridge at RHACC
Co-working space and office hire

The Bridge co-working space is an affordable workspace located within Richmond and Hillcroft Adult Community College (RHACC) and run in partnerhship with the college.

Key activities and space: 8 offices, 21 flexible desks, 9 fixed desks, kitchen, canteen, break out areas (lounge),showers.

Additional programmes: Members only networking events, business support activities.

Catering to: Professionals from IT, software, finance industries, charities, very few creatives like independent graphic artists.

Address: 7b Parkshot, TW9 2RT

Rent: £145/month for hot desking, £220/month for fixed desk

20 Mortlake
Coworking spaces

20 Mortlake is a serviced co-working space offering individual office space and shared deskspace for hire.

Key activities and space: Hotdesking, meeting rooms, breakout Areas, cafe and catering for events, reception/ concierge, gym.

Additional programmes: Members only networking events, business support.

Catering to: Business services, start-ups.

Address: 20 Mortlake, 20 Mortlake High Street, SW148JN

Rent: Starts at £300 per month

HUB XV, Twickenham Stadium
Coworking space

Forthcoming launch of the Twickenham Stadium Business Hub managed by HubXV. The hub is based within the extensively refurbished East Wing of the stadium.

Key activities and space: Open plan meeting spaces, meeting rooms, breakout areas, catering, printing facilities.

Additional programmes: Complimentary monthly business seminars and networking events.

Catering to: Business services

Address: 200, Whitton Rd, Twickenham, TW2 7BA

Rent: Starts at £250/month

Spaces Teddington
Co-working space and office hire

Spaces Teddington is a serviced co-working space offering individual office space and shared deskspace for hire. Positioned to take advantage of networking with science-led industries such as the National Physical Laboratory.

Key activities and space: 2 Meeting Rooms, Breakout Areas Coffee and Sandwich Bar, 39 Dedicated Desks

Additional programmes: Business support

Catering to: Business services, science-led businesses

Address: Causeway House, Teddington, TW11 0JR

Rent: Starts at £ 197/month

Design Workspace
Co-working space for design industry

Design Workspace offers a flexible co-working environment for creatives. Located close to Teddington station the facility offers a modern environment all housed in an architect designed studio fit for a variety of requirements.

Key activities and space: 10 desks, 1 meeting room, breakout areas, coffee bar, 3D printing facilities, showers.

Additional programmes: Members only networking events, business support activities.

Catering to: Creative businesses

Address:15,Teddington Business Park, TW11 9BQ

Rent: undisclosed

Kew Art Studio
Affordable studio space for creatives

Kew Studio is an educational charity aimed at encouraging the visual arts. They offer a range of activities from workshops and classes to full membership. Some artists base themselves at the Studio, while others make occasional visits.

Key activities and space: The studio comprises two large, open-plan rooms and a Print Studio, which provide Resident Artist studio spaces, Shared open Studio space, exhibition space, etching and screen printing studio.

Additional programmes: Workshops, art classes, exhibitions.

Catering to: Artists

Address: St Luke’s House, Kew, TW9 3NP

Rent: £60 annual membership

Sectors	Organisation	In borough already?	Q1 : Where in Richmond would you want to be located.	Q2 : What scale of space would be of interest to you	Q3 : What rental costs would you expect	Q4 : What type of business activity do you think can benefit from affordable workspace in Richmond?	Q5 : Do you have plans to look at expansion in Richmond	Q6 : If not, any particular reasons?	Q7 : Would you be interested in collaborations with local universities and HE institutions as part of the offer?	Q8 : Any other comments about affordable workspace in Richmond?
Med tech and science	**Open Cell**	No	By the river; richmond park, keen cyclists from various surrounding areas could be advantageous; close to station for ease of transport. Open cell model needs very large space. Currently 70 shipping containers that house 30 businesses (as multiple units/businesses). Tesco is a decent site size. Buildings in Richmond not so appropriate; are there any large warehouses that can be converted?	Think a lot of people are looking to move out of town so rRchmond is not a bad location; 50,000sqf min	Depends on location; depends on rent. 150sqf £799 for shipping container is the cost to end user. Probably keep that price or slightly more. No smaller than shipping container - labs need space as equipment is big. Smallest is 3x2m but allows 1 workbench with fridges/freezers underneath.	Co working - a lot of people working at home but not with suitable conditions. Allocated desk, quiet area to take calls. Smilar to library.	Probably not thinking about expansion in different areas of London. University centric - spin outs with specialism in science. No uni in Richmond. Current location has UCL and Hammersmith hospital.	As above.	Yes. Kingston doesn't have as much output as other uni's for Opencell focus. Don't have funding from uni or help with meeting investors. Doesn't have same enterprise set up as other unis.	Make it affordable - Richmond is high value area, may be affordable but not affordable to most. Could entice Kingston Uni students over to Richmond with competitive pricing.
	National Physical Laboratories	Yes	Currently located in Teddington. Had looked into Science parks around Richmond in the past, but there were none. Pre pandemic had also looked at co-working spaces for their staff in Richmond but there were very few. Post pandemic dropped the idea because office patterns changed. Additionally since they are funded by the government there were complications around the government paying for such coworking space.	Need large scale site. Lots of specialist facilities Anechoic chamber, massive water tanks to simulate underwater experiments	Complex ownership of site (Part owned by crown estate, department of business and industrial strategy etc) Off Hampton road is the office of safety and security, it's the only entity that doesn't fall under NPL. Rest 95% of land all NPL operated. 60% of work is commissioned by govt, 40% by private companies.	There isnt much science and tech enterprise presence in the borough Mainly due to rent prices. Coworking could work.	No.	Have plans to grown but the growth will mainly take place in other areas of the country where there is a levelling up agenda as part of governmental strategy. Eg: Ex industrial sites for regeneration etc	They don't have many links to universities and enterprise. They host 12 phd students a year from various organisations like Imperial College. This is part of the post grad institute within NPL.	Science and tech sector has issues around attracting younger staff in the 20-mid 20s since Richmond is expensive to live in, and most people move away. In the very long term, NPL might relocate entirely.
Film & media, creative	**Meanwhile Space**	No	Near good transport links into London is more desirable; part for operational reasons as they operate across multiple sites and not need a whole day to make a visit; less affluent areas - places that could see the beneift of MWS intervention and interest, need for affordable and social impact. Richmond more favourable than Twickenham; eg Teddington very affluent so what is the need. Are we thinking about refurbishment or new build opporunity in less populated but high footfall areas.	In region of 7,000sqf+ but if that location then larger floor space eg 10,000 sqf+ to justify resources and longer term (10+ yrs)	Depends on social impact requirements and delivery for that; rather pay no rent and lots of social output than high rent obligation. Model doesn't work if charging 2/3 market rate 1/3 to operation and 1/3 rent. No income if charging an aff. rate to be able to pay a rent and puts financial risk on model. But there is an argument for profit and risk share. More comfortable with turnover rent (eg covid, or maintenance issue) or churn that risk not purely bourne by AWS provider. True partnership risk share approach.	MWS would want to do engagement; probably mixed use; retail incubator/maker. Depends on setting and area. Probably combination of creative and social.	Happy to expand anywhere; not outside of MWS realm of thinking		Yes	Not really - would be interesting to understand need and resource available. Wet lab space (ie for HE instititions) only works if partnerhsips with them. What is needed, what do people want space for, strategic support for people in the area are questions that are interesting to MWS. eg supporting young people, women, demographics that need support.
	Bow Arts	No	Yes would be interested in Richmond, haven't looked much at the area. It would depend on the offer, but need a large scale of space over a long time.	18000-20000sqft over 20 year lease	They don't usually pay rent the building is handed over to them. Usually they charge artists £15/sqft out of which they are willing to pay £5/sqft rent inclusive of all vat. In exchange they feel they deliver social value and public benefit.	Haven't looked at the area in much detail but is aware that the adjoining boroughs have the lowest level of creative space in London, so there is a need. Bow Arts model focussed on enterprise placemaking: includes art spaces, but also ground floor activate spaces for wider public. Cafes, community venues, fitness programs, clubs etc	Yes would be interested in Richmond, haven't looked much at the area. It would depend on the offer, but need a large scale of space over a long time. So far no one from in and around Richmond has gotten in touch with them.		Yes regularly collaborate with schools. Have a large learning team working with consortium of schools across london. Trained artists set up long term curriculums with schools and teach kids skills. Schools pay for this and Bow Arts's cross subsidy models allows them to make these programs affordable for schools.	
Co-working / office	**The Bridge Workspace**	Yes	Currently located in Parkshot Richmond. Situated within RACC - Richmond Adult Community College and run in partnership with them.	Occupy space within the college. 8 offices, 21 flexible desks, 9 fixed desks, kitchen, canteen, break out areas (lounge), shower. No plans to replicate this model anywhere else for now.	Next to nothing. They don't pay any rent right now since the college owns the space and all the profit goes to the college. They had received little funding from the council to renovate the space and get it running. They charge: £145/month for hot desking £220/month for fixed desk	There is a demand for local, small coworking spaces close to neighbourhoods as opposed to the We work model. High proportion of 30 yrs+, mainly professionals (Consultants, small business owners, freelancers. Increasingly companies pay a monthly membership fee to have three or four of their employees work locally). Professionals mainly from the following industries: IT, Software, finance, charities, few creatives like independent graphic artists.	Not as of now.	Have broadly thought about replicating business model outside of Richmond but nothing in the works as of now. They are doing well but it is a struggle have to take a calculated risk and the college does not have the resources to expand right now.	They mainly run internal member only events. Networking, social events etc	Coworking spaces are a growing trend in Richmond and there is room for expansion. Quite a few private ones popping up There is a demand for local, small coworking spaces close to neighbourhoods as opposed to the We Work model.
Kitchen and food business	**Mission Kitchen**	No	Town centre locations; access to public transport; as a borough not really on radar	20,000 sqf +	type as much as rental/pref for profit share or turnover rent; £5-15 psf; hard to be generous while also providing low cost space to people; not highly profitable sector	Mixed use feasibility - food/drink next to co working; not sort of location Mission Kitchen if food service angle eg market + kitchens model; otherwise co-working and general workspace. DSV - science would be of interest could work in those lcoations.	Not currently	Lack of awareness of area; understanding if strong creative community; nice part of london - could see people wanting to be around river and parks.		Good for council to bring forward portfolio of opportunities - what orgs; what steady feeder of young people from young institutions - what alternatives if not universities.