Employment Land and Premises Needs Assessment Update

For **London Borough of Richmond upon Thames**

April 2023

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1 Introduction

1.1 In late 2021 Stantec prepared an Employment Land and Premises Needs Assessment (the ELPNA) to inform the Draft Local Plan: Pre-Publication version at the Regulation 18 stage, and now is preparing to consult on the 'Publication' version of the Local Plan later this year (the Regulation 19 stage).

1.2 Since the employment needs evidence was prepared in 2021 there has been continued turbulence in the economy and shifts at the national level in economic and employment policy. Policy support for offices has shifted through the Government's approach to PDR/A4D, and changes have been introduced to the GPDO and Use Class E that, in particular, impact on town centres and on the local economy. The Council introduced a Class E Article 4 Direction on 31st July 2022 in response to continued concerns about office losses. This is discussed in the office discussion below.

1.3 This Update provides an update to the 2021 ELPNA, drawing on the most uptodate economic forecasts and other such data to ensure the employment needs policies in the Publication version of the draft Local Plan are soundly based. The Update will check to see whether the conclusions and recommendations reached in 2021 remain sound in light of both the new data and also the responses received to the Regulation 18 consultation.

1.4 To inform this work we have obtained the latest economic forecast from Experian Economics issued December 2022, and Plan Monitoring data to 31st March 2022, which is a year on from that informing the 2021 ELPNA. We have also reviewed representations relating to employment needs and land made in response to the Regulation 18 Draft Local Plan.

1.5 The updating of this evidence base will assist the Council in responding to the matters raised in the Regulation 18 representations and the drafting of the 'Publication' Regulation 19 Draft Local Plan.

2 The 2021 employment land need assessment

Need conclusions

2.1 The 2021 ELPNA considered different approaches to quantifying the employment land need assessment over the 2019-39 Plan period. For industrial (light, general industrial (Eg(iii) and B2 activities) and logistics/distribution (in warehouses B8 activities) it found:

- Past trends floorspace change was negative, albeit marginally (two periods assessed 2010/11-2020/21 and 2015/16-2018/19) – so for plan-making purposes given other approaches identified a positive need, this approach that did not align with property market sentiment where the market signals point to positive growth. This view of the future was therefore set aside.
- Economic forecast – this identified very low job growth – a total of 118 additional industrial jobs over the 20 years (just six jobs pa), and neither did this view of the future pass the industrial property market 'sense test' that pointed to local, sub-regional / regional strong demand that had been evident for a number of years, and had been 'super-charged' by Covid – so this was also set aside.
- Past trends in job delivery – industrial job growth over the recent past (a four-year period 2015-19) had averaged approximately 100 pa. This generated a gross demand for approximately 60,000 sq m of floorspace, with the pipeline of supply negligible.
- The current, albeit historic (2017) GLA projection (over the period 2016-41) was a requirement of 0.5 ha pa. At a 60% plot ratio this land provision over the 20-year plan period would deliver 60,000 sq m, thus in alignment with the recent past trend in job delivery.

2.2 Thus, based on past job delivery and the GLA view **the industrial need over the 2019/39 plan period is 60,000 sq m.**

2.3 For offices:

- Past trends floorspace change was very negative (two periods assessed 2010/11-2020/21 and 2015/16-2018/19) and given market sentiment was showing signs of positivity – this approach was set aside.
- Past trends in job delivery – approximately 390 pa (four-year period 2015-19) that would generate a requirement for around 150,000 sq m if all were met in new office. While this was broadly the order of stock that had been lost since 2013 through PDR, set against a current office stock of 230,000 sq m this rate of growth was not considered to be realistic or achievable.
- Economic forecast –office job growth of 130 pa plus making good future losses, generated a minimum gross requirement for 73,000 sq m of floorspace. Of this, the net demand[1] was 46,000 sq m that represents a 20% increase in office floorspace. This positive view was recommended for the Plan.

[1] Net demand is that generated by jobs/workers, the overall gross requirement (73,000 sq m) includes a contribution to making good future losses.

- GLA projection (for the period 2016-41) projected 545 additional office jobs pa, and generated a plan period requirement for 200,000 sq m of floorspace– in the context of projecting an almost doubling of the office floorspace stock – this projection was set aside.

2.4 Thus, the economic forecast figure for **offices - a positive 73,000 sq m -** was recommended, albeit it was acknowledged that this, which represents a 20% increase on current office floorspace, would be challenging to deliver.

3 The 2023 review

3.1 The review considers the latest data to test whether the 2021 ELPNA recommendations remain robust.

3.2 Each of the PPG approaches (as bulleted above) are reviewed to test the outputs.

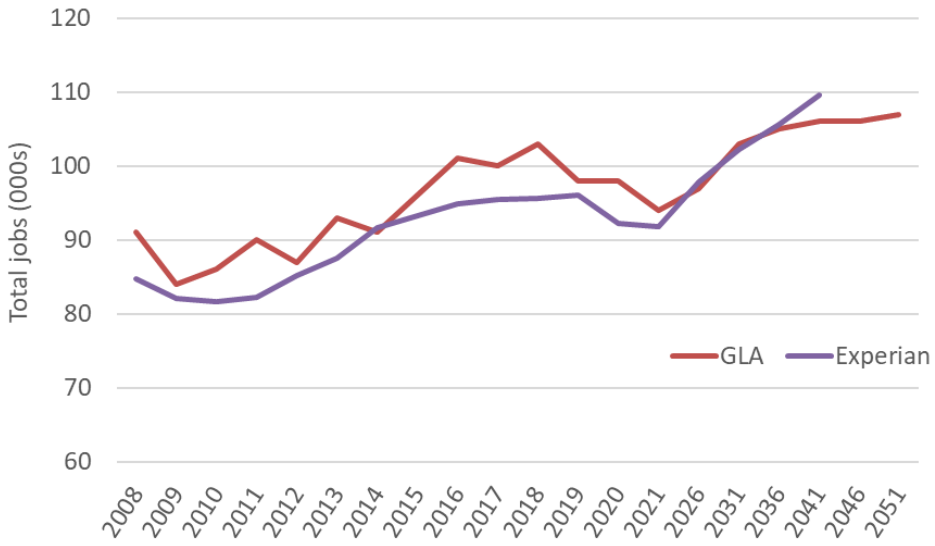
3.3 The latest data are:

- December 2022 Experian economic forecast,
- 2022 GLA London Long Term Labour Market Projections, published Oct 2022,
- 2020 London Industrial Land Supply (LILS) Study, published in part early 2023[2],
- 2022 VOA (Valuation Office Agency) floorspace data,
- 2021 BRES (Business Register and Employment Survey) data, and
- 2021/22 LBRuT plan monitoring data.

3.4 For the purposes of this analysis, we look at available floorspace as existing space that is being marketed as available for lease or space, regardless of whether the space is vacant, occupied, available for sublease, or will be available at a future date subject to lease's length.

3.5 Before we move on to consider the industrial and office employment classes in detail, we firstly compare the economic forecast data (Experian) with the new GLA data to see if the two are aligned or otherwise. The GLA projections at borough-level is total employment only, and is not disaggregated into sectors for the boroughs, so in the chart below we compare the two datasets in terms of total jobs. The chart is annual until 2021 then five yearly in line with the GLA data, albeit Experian's economic forecast ends in 2041.

Table 3.1Total jobs – Richmond Borough -- past and future



Source: GLA London Long Term Labour Market Projections Oct 2022 and Experian Economics Dec 2022

[2] further work including a London Industrial Demand Study is programmed to follow later in 2023.

3.6 The chart illustrates that in terms of number of total jobs the two data sources broadly align in the past and align very closely for the future. Experian's data – past and forecast - is constantly updated to reflect new data, and the marginally lower Experian data for the past (to 2021) compared to GLA, may reflect Experian have updated the past to reflect recent published 'actual' official data, whereas GLA is not adjusted in the same way. However, given the scale the difference is relatively marginal and the critical thing for this work is that GLA and Experian align in terms of future growth.

3.7 It is relevant to mention here that the GLA's commentary on the new projections for London as a whole is that the new projections are lower than the last (2017) projections, and that after fast medium-term growth, job growth will slow significantly in the long term. The GLA estimate that the job growth rate for Richmond (0.36% pa) is only a little over half that of the London average (0.6%). As illustrated in the chart Experian are more positive in the longer term – by 2041 the difference is 4,000 jobs (or roughly 4%), but this is relatively modest difference and once restricted to the specific land uses we are planning for, is a minor difference.

3.8 On final data comparison is in terms of existing stock with the latest data being the Aecom Industrial Land Supply Study prepared for the GLA and the latest annual floorspace update from the VOA. The land supply data is difficult to interpret because of inconsistencies. On the face of the data Richmond Borough's industrial land rose from 48.3 ha in 2010 to 66.5 ha in 2015 and 84.4 ha in 2020. However, this is because 25 ha land used for rail was first recorded in 2015 and switched to utilities in 2020, and 17.4 ha of land used for R&D was first included in 2020. Industrial land in Richmond Borough has certainly not increased over the years since 2001, indeed as the Aecom report shows core industrial activity has reduced from 38.4 ha in 2001 to 26 ha in 2020, with the loss accounted for by general industrial uses. The other notable point from the Aecom data is there appears to be very little (indeed none) non-employment uses within designated and non-designated areas.

3.9 The Aecom report shows Richmond Borough has one of the lowest quantums of industrial floorspace in London[3]. The data published to date does not identify the floorspace estimate, but the chart (Figure 0.15) indicates that it is around the 141,000 sq m VOA estimates figure. The Aecom study goes on to identify that Richmond Borough's 2020 vacancy rate at 0.4%, and a 1.4% ten-year average[4], is comfortably the lowest in London.

Industrial

3.10 In the following three sections we review the different approaches to assessing future need for employment land – past delivery of jobs, forecast job change and past delivery of floorspace. The review assesses what has been delivered in the past to explore which approach now makes best sense.

[3] Figure 0.15 Industrial floorspace (figure unspecified)

[4] Figure 0.19 Floorspace vacancy rate

Past delivery of industrial jobs

3.11 The 2021 study identified a pre-Covid additional industrial jobs trend of 100 jobs per annum (over the 2015-19 period). The base year was 2015 to retain consistency with the Council's 2016 ELPNA, and the period endpoint 2019 because that was the endpoint of historic data[5] available to Experian. The historic data is 'actual', as opposed to forecast data within the future forecast.

3.12 Below, we compare the outputs of the original April 2021 industrial jobs trend assessment with the latest December 2022 economic forecast. While more recent data is available (now the endpoint for actual is 2020 quarter 4), we retain the 2015-19 period because the data for 2020 (and 2021), is 'contaminated' by the effects of Covid, which saw a huge drop in job numbers in those years, and is not therefore a suitable basis for assessing and basing trend periods.

3.13 The latest Experian economic data updates their estimates of past job change (as well as the future forecast), and the table below compares the job change outputs by land use sector from the two economic forecasts. The table identifies total and per annum job change based separately for core industrial, warehousing and then in combination over the four-year period.

Table 3.2 LB Richmond - industrial job change 2015-19

	Job change 2015-19			
	Based on April 2021 data		Based on Dec 2022 data	
	Total	p.a.	Total	p.a.
Industrial (core)	200	50	92	23
Warehousing	219	55	243	61
Total industrial	**419**	**105**	**335**	**84**

Source: Experian Economics forecasts April 2021 and December 2022 and Stantec analysis to translate employment sector data to land use types (core industrial being light and general industrial).

3.14 Table 3.2 above shows that while the 'big' change is the core industrial, down to 23 per annum from 50 pa – these numbers are very small, and small numbers are prone to volatility, and in broad terms little has changed in the forecast since the 2021 ELPNA. The comparatively small growth in job numbers (other London boroughs have experienced much higher growth as we report later on) reflects the on-going constrained industrial market in LB Richmond where industrial floorspace is already being used at high job density ratios (circa 20 sq m / job, which is around half the floorspace we would expect).

3.15 Both core industrial and warehousing sectors remain positive, and the latest data shows that the 2015-19 total industrial trend (84 jobs pa) remains broadly in line with a gain of circa 100 jobs per annum. Not reported here, but we also looked further back, as far as 2009, and the latest forecast data shows that the six years to 2015 averaged 80 jobs per annum. Thus, the longer and shorter-term trends align, and therefore basing the assessment of future need on a gain of 100 industrial jobs per annum remains a very reasonable approach.

[5] Official Government survey data such as the Annual Business Register and Employment Survey

3.16 In context, the very small shift in numbers (around 20) is very modest and could very easily be one or two firms moving in the period. It is also important to note that in an exceptionally tight industrial market faster job growth would be challenging given the lack of space.

Industrial – forecast job change

3.17 The corresponding job change data for the plan years (2019-39) are set out in the table below.

Table 3.3 LB Richmond - industrial job change 2019-39

	Job change 2019-39			
	Based on April 2021 data		Based on Dec 2022 data	
	Total	p.a.	Total	p.a.
Industrial (core)	10	1	305	15
Warehousing	108	5	54	3
Total industrial	**118**	**6**	**359**	**18**

Source: Experian Economics forecasts April 2021 and December 2022 and Stantec analysis

3.18 As with the 2021 study (based on an April 2021 forecast) based on the latest data, the forecast for industrial job change is very low – overall just an addition of 18 jobs pa compared to 6 pa in the 2021 study. These are both very low forecasts and below what has been delivered in the recent past, and given past delivery is a component of the forecast, this again reflects the very constrained nature of Richmond's industrial market.

3.19 The position in respect of the forecast is not surprising given the Borough's relatively modest quantum of industrial stock (latest March 2022 VOA identifies this as 141,000 sq m), which is already operating at very high worker densities, and there has been almost no stock additions in recent years. Thus, while in recent years some jobs (a relatively modest number) have been absorbed in the Borough's existing stock, the national upturn in industrial/ warehousing requirements is not reflected in the drivers of the forecast for the Borough.

3.20 To set this in context we look at the comparable data for LB Hounslow. Hounslow's industrial stock at 1.3M sq m is around ten times that of LB Richmond. Hounslow delivered 550 industrial jobs per annum over the recent past (2015/19 – compared to 84 in LB Richmond), and LB Hounslow's industrial floorspace density is around 50 sq m per worker. Industrial stock has been built in that borough, and more land is identified to meet future need. It is highly likely that LB Richmond's longstanding inability to accommodate industrial growth in recent years has contributed to the much higher growth in neighbouring LB Hounslow where developments such as the Jubilee Mail centre, which services the Twickenham postcode area are likely to have attracted occupiers serving Richmond Borough.

Industrial – past delivery of floorspace

3.21 The third approach to the assessment of employment land need is to look at past completions of industrial floorspace. The 2021 study reviewed a short four year and a

longer 11 year past, separately for core industrial and warehousing. This data is shown in the updated tables below that show the gains, losses and the net change. The summary data for each year is shown (top half of table), plus the annual average for specific periods to aid comparison (bottom half).

Table 3.4 LB Richmond - industrial floorspace change

	Gross gains (sq m)	Gross losses (sq m)	Net change (sq m)
2010/11	433	802	-369
2011/12	461	1,106	-645
2012/13	671	1,617	-946
2013/14	782	4,524	-3,742
2014/15	243	1,584	-1,341
2015/16	580	1,839	-1,259
2016/17	0	1,416	-1,416
2017/18	160	367	-207
2018/19	0	1,481	-1,481
2019/20	73	1,408	-1,335
2020/21	256	1,154	-898
2021/22	0	518	-518
Total	**3,659**	**17,816**	**-14,157**
Total 2010/11-20/21	**3,659**	**17,298**	**-13,639**
Per ann ave 2010/11-20/21	**333**	**1,573**	**-1,240**
Total 2015/16-18/19	**740**	**5,103**	**-4,363**
Per ann ave 2015/16-18/19	**185**	**1,276**	**-1,091**
Per ann ave 2010/11-14/15	**518**	**1,927**	**-1,409**
Per ann ave 2015/16-21/22	**153**	**1,169**	**-1,016**
Per ann ave 2017/18-21/22	**98**	**986**	**-888**
Per ann ave 2010/12-21/22	**305**	**1,485**	**-1,180**

Source: LBRuT monitoring

3.22 The table replicates the annual averages shown in the 2021 ELPNA that for the different trend periods were of net losses of between 1,091 and 1,240 sq m pa.

3.23 Activity in 2021/22 (the latest year) was of a very low order, relating to just four schemes, all of which involved loss to residential. The most recent data year has only very marginal effect, reducing the average net change loss range to 1,016-1,180 sq m pa, overall making no material difference to the industrial past trends, which remain modestly negative.

3.24 What is striking when looking at the individual years is that in every year since at least 2010/11 the Borough has lost more industrial floorspace than it has gained. The gains in every year are small, with all year's well below 1,000 sq m, and over the

entire period less than 4,000 sq m has been added, while losses approach 20,000 sq m.

3.25 Next, we turn to warehouse past trends.

Table 3.5 LB Richmond - warehouse floorspace change

	Gross gains (sq m)	Gross losses (sq m)	Net change (sq m)
2010/11	1,546	4,804	-3,258
2011/12	20	2,486	-2,466
2012/13	565	5,130	-4,565
2013/14	181	1,016	-835
2014/15	1,101	60	1,041
2015/16	40	2,325	-2,285
2016/17	174	1,903	-1,729
2017/18	0	1,031	-1,031
2018/19	0	291	-291
2019/20	0	1,713	-1,713
2020/21	0	741	-741
2021/22	0	63	-63
Total	**3,627**	**21,563**	**-17,936**
Total 2010/11-20/21	**3,627**	**21,500**	**-17,873**
Per ann ave 2010/11-20/21	**330**	**1,955**	**-1,625**
Total 2015/16-18/19	**214**	**5,550**	**-5,336**
Per ann ave 2015/16-18/19	**54**	**1,388**	**-1,334**
Per ann ave 2010/11-14/15	**683**	**2,699**	**-2,017**
Per ann ave 2015/16-21/22	**31**	**1,152**	**-1,122**
Per ann ave 2017/18-21/22	**0**	**768**	**-768**
Per ann ave 2010/12-21/22	**302**	**1,797**	**-1,495**

Source: LBRuT monitoring

3.26 Changes to the warehouse floorspace stock for logistics and distribution is very similar to that for the (light and general) industrial stock. Virtually no floorspace added (first data column), and net losses (right hand column) in all but one year, with negligible activity in the most recent year.

3.27 The addition of the latest data reduces the longer-term negative net change (right hand column) from 1,657 sq m pa to 1,495 sq m pa, a very marginal change.

3.28 Losses (middle column) have slowed, with losses in the most recent five years 768 sq m pa, compared to 2,699 sq m pa in the more distant past (2010/11-14/15).

Industrial - property market review

3.29 Here we briefly update and review the headline indicators to check for any change since the 2021 ELPNA.

Take-up

3.30 The 2021 analysis showed an average annual take-up over a 5-year period (between 2016 and 2020), of eight-units / 1,537 sq m, and as we see in Table 3.6 below, once we extend the period to cover 2021 and 2022 the average remains broadly the same.

Table 3.6 LB Richmond - industrial floorspace take-up, 2016-22

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	6	1,246
2022	8	1,313
Total	***53***	***10,241***
Annual Average 2016 - 2022	***8***	***1,463***

Source: CoStar, Urbà, January 2023

3.31 Since the 2021 assessment occupiers which have taken space include:

- DS Property Services (property development and maintenance) taking a 120 sq m unit on a 3-year lease at Platts Eyot.
- Southern Cross Flooring (suppliers and fitting of flooring) taking a 215 sq m unit on a 6-year lease at Heathlands Industrial Estate.

Supply and market balance

3.32 In our updated assessment of supply and market balance, we only report availability of floorspace and not the number of units. We only report the floorspace because it is no longer possible to easily access the number of units on the VOA website without analysing each entry, such a level of analysis would be disproportionate. We also need to point out the distinction between availability and vacancy – the former can include stock that is occupied, while the latter is unoccupied stock. In terms of supply, we review availability in the market, but in terms of demand we refer to stock vacancy.

3.33 The 2021 analysis showed that against the 5-year average annual take-up of 1,537 sq m the 928 sq m of available floorspace excluding the Greggs site, and 8,010 sq m with the Greggs site, equated to a supply of either 7-months or 4-years and 8-months. The 928 sq m or 8,010 sq m of available floorspace equated to an availability rate of either 0.65% or 5.6%, against a total stock figure of 143,000 sq m. Both availability

rates were considered low when benchmarked against the required 8% for an efficient market operation.

3.34 Our updated analysis (see Table 3.7) shows that availability has increased, excluding the Greggs site to 3,909 sq m, and during this period the total stock has fallen slightly to 141,000 sq m. The availability rate now equates to 2.77%. Based on the 7-year annual average take-in Table 3.6, this level of availability equates to 2-years and 8-months' supply. Around 45% of the available floorspace is contained at Units A and B Sandfield Industrial Estate, this means that one letting could account for almost the whole supply of floorspace. Even with availability increasing, it remains significantly below what is required for efficient market operation.

Table 3.7 LB Richmond - industrial floorspace availability, January 2023

	Floorspace sqm
Total stock	141,000
Availability	3,909
	2.77%

Source: CoStar, VOA, Urbà, January 2023

3.35 This reinforces the view that whilst market demand for industrial floorspace across London remains strong, the lack of opportunity to add to the industrial floorspace in LB Richmond is restricting opportunity for economic growth in the Borough.

3.36 Thus, in conclusion, we find that the updated property market review and the latest economic and monitoring data does not change the 2021 ELPNA's recommendations – the most appropriate approach to the assessment of future employment land need. remains that based on past job delivery.

LB Richmond industrial – forecasting future employment land need

3.37 Next, we re-run the demand supply tables to quantify an overall updated need for industrial floorspace / land. Given the past trend job delivery has been 84 jobs pa and we know availability is substantially below the benchmark threshold, we retain the 100 new jobs pa figure as an appropriate rounding up (ie 2,000 jobs over the 20-year period). We also maintain the approach of using the prevailing floorspace to job density factor, which has shifted marginally from 19.4 to 19.5 sq m/job. The stock vacancy adjustment (row e) has reduced marginally because the latest VOA data revises down the 2019 industrial floorspace stock from 163,000 sq m to 160,000 sq m.

Table 3.8 LB Richmond - net demand for industrial (based on past job change), 2019-39

		Total
a	Jobs change (2019-39)	2,000
b	Density factor (sq m GIA /job)	19.5
c	Occupier demand (sq m GIA) [a*b]	39,063
d	Vacancy factor (sq m GIA) [c*8.1%]	3,164
e	Stock vacancy adjustment (sq m GIA)	11,188
f	**Net demand** (sq m GIA) [c+d+e]	**53,415**
g	**Net demand** (hectare) [f @40% plot ratio]	**13.4**

Source: Experian Economics Sept 2022 and Stantec analysis

3.38 The differences in density factor and stock output are so marginal that the revised net demand is almost exactly the same as the 2021 figure (53,353 sq m).

3.39 Next, we identify gross industrial demand by making an allowance for future losses.

Table 3.9 LB Richmond - gross demand for industrial, 2019-39

		2019-39 Sq m
g	**Net demand (sq m GIA)**	**53,415**
	Future losses	
h	Completions 2019/20-21/22	5,949
i	Planning permissions	1,821
j	Prior approvals	0
k	Plan allocations	0
l	**Total future losses (sq m)** [h+i+j+k]	**7,770**
m	Gross demand (sq m GIA) [g+l]	61,185
n	**Gross demand (hectare)** [m@65% plot ratio]	**9.4**

Source: Experian Economics Sept 2022 and Stantec analysis

3.40 The scale of recent and future losses in the updated gross demand table above is very similar to the 2021 findings, with gross demand again virtually unchanged at just over 60,000 sq m that at a revised absolute minimum 65% plot ratio would require a little less than 10 ha.

3.41 Next in Table 3.10 we identify how much industrial stock is in the pipeline of supply to meet the gross demand.

Table 3.10 LB Richmond - pipeline supply for industrial

		Sq m
o	Completions 2019/20-20/22	329
p	Planning permissions	337
q	Plan allocations	0
r	Total supply (sq m GIA) [o+p+q]	666
s	**Total supply (hectare)** [r/6,500]	**0.1**

Source: Experian Economics Sept 2022 and Stantec analysis

3.42 The pipeline of supply remains negligible, and as shown in the final industrial table below makes almost no difference to the scale of under-supply.

Table 3.11 LB Richmond - market balance for industrial, 2019-39

		Sq m	ha
n	Gross demand	61,185	9.4
s	Gross supply	666	0.1
t	**Under supply** [n-s]	**60,519**	**9.3**

Source: Experian Economics Sept 2022 and Stantec analysis

3.43 The scale of industrial need remains the same as identified in 2021 – 60,000 sq m equivalent to just less than 10 ha. While Table 3.11 above provides a land area equivalent, given the lack of development land and the need for net additional space to come forward primarily through intensification the floorspace figure is more relevant.

Industrial conclusion

3.44 The basis of the 2021 assessment when considered in light of the most uptodate data, remains sound. While the macro-economic situation for industrial activity has improved substantially over recent years and was 'turbo-charged' by Covid, especially the London market, this has not fed through to the land constrained Richmond market.

3.45 The requirement over the plan period remains at a minimum of approximately 60,000 sq m. As we refer to above, the indications are that the constrained nature of LB Richmond has led to stronger economic growth in neighbouring authority areas.

3.46 The range of approaches identified in the 2021 ELPNA remain the most appropriate means of seeking to meet the requirement. This included just two sites capable of meeting some of the need, and this general lack of potential capacity remains the case. The approach also included taking a much more proactive and explicit policy expectation to increase industrial floorspace, but the ELPNA erred away from relying on intensification approaches to deliver more than a minor element of future industrial

floorspace. However, with no new land available, net additional floorspace can only come through intensification of existing sites. Thus, intensification should be the 'default' sought wherever possible, albeit the Borough's employment areas are generally small scale and have neighbouring residential, which are major limitations on intensification opportunities.

Offices

3.47 We now consider the position regarding the need for future office floorspace. Firstly, recapping the position in the 2021 ELPNA, then an update of the property market indicators followed by an update of the need assessments – focusing on the economic forecast rather than the past trends approach because the latter shows no change from the 2021 ELPNA position.

3.48 It is relevant to note that in respect of office areas protected by Article 4 Direction from loss through PDR to residential, following Government intervention, a modified Class E Article 4 Direction came into force on 31st July 2022. This covered a reduced area compared with the original Class E Article 4 Direction for Richmond borough. The Article 4 Direction covers parts of the Borough's centres and designated employment areas. Outside these areas there is scope to change use to residential without requiring planning permission for the change of use (other matters are considered under Prior Approval).

Recap on the 2021 position

3.49 The 2021 study identified that over the plan period economic growth in LB Richmond would generate an average of 130 additional office-based jobs per annum, a total of 2,599 office jobs over the Plan period and an additional 46,000 sq m of office floorspace would be needed over the Plan period to accommodate these jobs. This represented a 20% increase to LB Richmond's 235,000 sq m[6] (at 2019) office stock.

3.50 To put that floorspace figure into context, in 2013, prior to the PDR changes taking effect, the Borough's total office stock was 291,000 sq m; thus, on the basis of VOA published data, in six years the Borough lost 56,000 sq m of office floorspace. Bringing the analysis uptodate the VOA 2022 figure for LB Richmond office floorspace is 226,000 sq m, and thus over the decade since 2013, 65,000 sq m of office floorspace has been lost: a 22% reduction in stock. With allowances for the replacement of future losses, the overall need identified in the 2021 ELPNA was for 73,000 sq m of additional office space.

3.51 The 2021 ELPNA base year was 2019, and office vacancy in 2019 was 5%, a rate suggesting a tight market. Our estimate of office floorspace to job density was around 7 sq m per job, which is a high density (around 12 sq m per job is the London average), meaning that the Borough had some of the most intensively occupied office stock in London. This is reflective of high numbers of workers in a comparatively small and relatively expensive office stock. Market sentiment in 2019 was one of an undersupplied and pressured market that would benefit from an increase in supply because stock had been occupied and only lost via PDR. Thus, additional floorspace

[6] Source: VOA business floorspace data (2021)

was needed in the Borough, to avoid constraining existing businesses looking to expand, and to avoid not being able to accommodate new jobs / businesses in firms looking to locate in the Borough, who would then be forced to locate elsewhere.

3.52 With office space so intensively used there was little or no flexibility for an evidence base study to assume there was remaining flexibility in the stock to absorb future job growth. While the 2021 ELPNA base year was 2019, in 2021 when then the report was prepared there were signs that space was starting to be offered back to the market, with vacancy jumping from the 5% in 2019 to 14%, but the reason for this was likely to reflect short-term Covid distress rather than a long-term picture. So, our conclusions (at paragraph 7.23 of the 2021 ELPNA) expressed a note of caution. The 2021 assessment generated a positive need for additional space, but with a significantly larger margin or risk/error/uncertainty than previously was the case.

3.53 A point to note, that explains our cautious approach in the past is that the assessment of future need for employment floorspace has traditionally been based on the relationship between jobs and floorspace with growth in jobs requiring additional floorspace. However, in recent years the relationship between jobs and floorspace has weakened as changes in technology and office design has allowed firms to make ever more efficient use of floorspace, which has led to 'spaceless job growth'. This is a well observed national trend, but one that appears to have been 'supercharged' by PDR losses and the working at home phenomenon in the case of Richmond, and one that makes planning to accommodate job growth more challenging.

The office property market

3.54 Here we review recent and current market activity, updating on the findings of the 2021 ELPNA, looking at the key market trends in take-up and availability.

Take-up

3.55 The 2021 analysis showed an average annual take-up in the 5-year period between 2016 and 2020 of 50-units / 10,621 sq m. As we can see in Table 3.12, which extends the period to include 2021 and 2022, the averages fall, but only marginally.

3.56 At the time of the 2021 report, there was uncertainty as to the future of the office market in general following changes caused by the global pandemic. What Table 3.12 shows is that in the LB Richmond market the number of transactions has returned to roughly the same level seen the year preceding the global pandemic, but the volume of floorspace has not. Thus, the average unit size has fallen, which is consistent with the wider market due to a greater focus on smaller units, but of higher quality[7]. This is also consistent with a shift away from professionals commuting into the City. Our agent consultation has also revealed that demand for office space in Richmond is currently weak.

3.57 In the general office market hybrid working is now becoming much more common practice compared to pre-pandemic, and is the reason for the greater emphasis on smaller space. This shift in working practices has enabled some occupiers to re-evaluate their space requirements. As explained in a recent market report by Carter

[7]Carter Jonas, 20 December 2022, Commercial Market Outlook

Jonas, the focus on quality (often referred to as the "flight to quality") is being driven by the desire to create a vibrant and attractive work environment to encourage employees back to the office and assist with recruitment, retention, and productivity strategies, as well as staff health and wellbeing issues. There is also a greater focus on buildings that are sustainable and energy-efficient, as occupiers try to meet increasingly ambitious ESG is aspirations.[8] In addition, there is less pressure for micro companies to take office space on a traditional lease basis and they can work from home or take co-working space.

3.58 Demand for office space in LB Richmond is focused on quality space with character, and it is the "generic" space that is more challenging to let. It is the demand for the better quality/character space, which is seeing headline rents increasing, for example Holbrook Studios has seen rents move £538 to £646 psm.

Table 3.12 LB Richmond - office floorspace take-up

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	42	7,261
2022	40	9,263
Total	***334***	***69,628***
Annual Average 2016 - 2020	***48***	***9,947***

Source: CoStar, Urbà, January 2023

3.59 Since the 2021 assessment occupiers that have taken space include:

- NHS (public sector) taking a 460 sq m unit on undisclosed terms at Regal House, Twickenham.
- Treasury Wine Estates (wine makers and sellers) taking a 980 sq m unit a 1-year lease with break at year 5 at Regal House, Twickenham.
- Farrow Tax & Accounts (professional services) taking a 95 sq m unit on a 6-year lease assignment at Tideway Yard.
- The Bradford Group (direct marketing) taking a 310 sq m unit on undisclosed terms at 1 Park Road, Teddington.
- The Boutique Workplace Company (flexible workspace provider) taking a 2,265 sq m unit on undisclosed terms at Sovereign House, Richmond.
- Park Run (leisure company) taking a 188 sq m unit on undisclosed terms at Frameworks, Richmond.

[8] Ibid

Supply and market balance

3.60 As with our analysis of the industrial market, we only report availability of office floorspace and not the number of units. As previously mentioned, we only report the floorspace because it is no longer possible to easily access the number of units on the VOA website without analysing each entry, such level of analysis would be disproportionate.

3.61 The 2021 ELPNA analysis showed that in LB Richmond against the 5-year average annual take-up of 10,621 sq m, the 49,716 sq m of available floorspace equated to a supply of 4-years and 8-months. At that time, we considered availability in terms of floorspace to be high.[9] The 49,716 sq m of available floorspace in the Borough equated to an availability rate of 21%, against a total stock figure of 232,000 sq m. We noted that up to 2019 availability of office stock was much lower, and this uplift in availability was likely to be as a result of Covid, and that in time availability would revert to the long-term trend of limited availability.

3.62 Our updated analysis shows that rather than availability falling as most commentators anticipated, it has in fact increased albeit marginally to 54,890 sq m, against a total office stock that has fallen slightly to 226,000 sq m, thus the available rate is now almost 25% as shown in Table 3.13In our updated assessment of supply and market balance, we only report availability of floorspace and not the number of units. We only report the floorspace because it is no longer possible to easily access the number of units on the VOA website without analysing each entry, such a level of analysis would be disproportionate. We also need to point out the distinction between availability and vacancy – the former can include stock that is occupied, while the latter is unoccupied stock. In terms of supply, we review availability in the market, but in terms of demand we refer to stock vacancy.

3.63 The 2021 analysis showed that against the 5-year average annual take-up of 1,537 sq m the 928 sq m of available floorspace excluding the Greggs site, and 8,010 sq m with the Greggs site, equated to a supply of either 7-months or 4-years and 8-months. The 928 sq m or 8,010 sq m of available floorspace equated to an availability rate of either 0.65% or 5.6%, against a total stock figure of 143,000 sq m. Both availability rates were considered low when benchmarked against the required 8% for an efficient market operation.

3.64 Our updated analysis (see Table 3.7) shows that availability has increased, excluding the Greggs site to 3,909 sq m, and during this period the total stock has fallen slightly to 141,000 sq m. The availability rate now equates to 2.77%. Based on the 7-year annual average take-in Table 3.6, this level of availability equates to 2-years and 8-months' supply. Around 45% of the available floorspace is contained at Units A and B Sandfield Industrial Estate, this means that one letting could account for almost the whole supply of floorspace. Even with availability increasing, it remains significantly below what is required for efficient market operation.

[9] Stantec, et al, December 2021, Employment Land and Premises Needs Assessment for London Borough of Richmond upon Thames, paragraph 3.98

3.65 Table 3.7 below. Based on the 7-year annual average take-up shown in Table 3.12, this level of availability equates to 5-years and 6-month's supply.

Table 3.13 LB Richmond – office floorspace availability, January 2023

	Floorspace sq m
Total stock	226,000
Availability	54,890
	24.29%

Source: CoStar, VOA, Urbà, January 2023

3.66 So, the amount of floorspace that is on the market (available, but not necessarily vacant) has against market expectations, not decreased, at least not in this very short-term post-pandemic period. Office space being marketed in the Borough now represents a quarter of total stock, a moderate rise on the position reported in 2021, but much higher than the 2019 rate that was around 5%.

3.67 Looking at the spatial distribution of these vacancies, there is no clear pattern – office stock is available across the Borough, including in the centres, both the areas included within the A4D and beyond, rather than being focused in any one particular location.

3.68 It is also the case that almost all the space available in the Borough is in around 100 units in multi-let buildings, with an average size of just 500 sq m /unit (although most of these units can be combined to create large units, to accommodate larger requirements). Some of these units are/were the product of previous subdivisions where owners had adjusted to the weaker large unit demand and re-oriented their product to a more buoyant smaller, flexible, market. But they are now struggling to fill the space again.

3.69 The reasons why so much small unit space has come to the market will be complex:

- Lease expiry – occupiers not renewing or downsizing to better quality space e.g. British American Tobacco and PepsiCo relocating to Chiswick Park.
- New requirements entering into the market are taking smaller units but of higher quality (flight to quality), as described above.
- Change in working practices, as described above.
- Changes in building regulations since 2019 have increased residential conversion/development costs making alternative use less viable and hence less attractive.
- Article 4s have stemmed the rate of losses and encourage property to remain in economic use rather than seeking conversion.

Updating the need assessment

3.70 In regard to the past trend approach, as referred to above the new data for year 2021/22 makes no change on the 2021 position with office floorspace remaining firmly negative, thus not supporting a positive future projection. The past trends data

detailing this position is set out in Appendix A. The one positive in the data is that PDRs, that were the major component of the losses from the mid-2010s onwards, have reduced considerably since 2019/20, and this may indicate that the period of heavy office losses in the Borough has come to an end.

3.71 In this section we focus on the assessment of future office need based on the latest economic forecast. We first look at the forecast job change, and then at the other key factors – the vacancy rate and pipeline of supply.

3.72 Table 3.14 below compares the forecast office job change identified through the April 2021 forecast and the latest (December 2022) forecast.

Table 3.14 LB Richmond - office job change, 2019-39

	Job change 2019-39			
	Based on April 2021 data		Based on Dec 2022 data	
	Total	p.a.	Total	p.a.
Office	2,599	130	3,978	199

Source: Experian Economics April 2021 and Dec 2022, and Stantec analysis

3.73 The latest forecast (Dec 2022) for office job change over the Plan period is an average of 199 jobs per annum, which is more positive than that the 130 jobs pa figure in the 2021 ELPNA based on the April 2021 forecast. Both forecasts show relatively modest growth, but are positive, whereas other areas are seeing no/negative forecast office job change. The detail in the latest forecast, showing all 38 employment sectors is shown at Appendix B.

3.74 The extra growth in the latest forecast very largely relates to an increase in professional services sector job growth. This is a sector that is office based, but can be small firms / sole traders more inclined to be home office based. Allied to this is a view, currently anecdotal, that commuting from LB Richmond into the Central London CAZ has reduced markedly, another trend that appears to have been 'supercharged' by Covid. We await commuting data from the 2021 census[10] to verify this, and of course working practices in 2021 may be different to today, but again we think there are some permanent post-pandemic working practice changes with working much closer to home being one of them, and this trend is likely to lead to more interest in local office space. For LB Richmond this could be significant as recently released 2021 Census travel to work data[11] identifies that 59% of LB Richmond working residents now work at home at least part of the week, this is the highest rate of any Local Authority area in the country. While the timing of the 2021 Census during a lockdown in the Covid pandemic means the output so far may exaggerate the proportion, the data aligns with what we see in working practices – a significant shift to less commuting and more home working. These resident workers, no longer commuting, are likely to be highly skilled, operating in the professional services sector, and a proportion will require local office workspace including some that may start-up new businesses.

[10] This is programmed by the ONS for release in Spring 2023.

[11] Travel to work, England and Wales - Office for National Statistics (ons.gov.uk)

3.75 So, the combination of the post-pandemic workforce shift – with far less commuting into the CAZ and many more working locally (self-employed or otherwise) albeit a large proportion of this will be through home offices, aligns with how the local office market operates. Therefore, a more positive economic forecast does align with a more positive outlook for the office sector in LB Richmond.

3.76 Turning to vacancy, we cannot conclude that in 2023 the market is clear of Covid, but almost all firms are back in offices (where relevant) although still adjusting to a new normal. Converse to 2021 expectations, availability has not reduced and now stands at 25% - vacancy is around 15% - meaning that a further 10% is short term occupied ahead of being re-let. Our analysis spans 18 months, which is still short-term – but with the market moving in the opposite direction, we need to consider why and what implications this may have for the plan.

3.77 In terms of office jobs It is important to disconnect any assertion that the office sector's 'success' should be measured in terms of an increase in the built stock. The planning system seeks to facilitate success by enabling space, but the true measure of economic success is jobs and economic activity. If that increase in economic activity can be accommodated in different formats (ie work undertaken in locations other than in a traditional office) resulting in no/little new space, this is not an expression of failure. However, we do acknowledge that the shift in where work takes place could have a negative impact on vitality in some centres, although conversely more working at home for example is considered to have led to better economic outlook for local neighbourhood parades and centres.

3.78 In the LB Richmond context this is an important distinction. While office availability is now around 25%, we see that the number of office jobs in the Borough has fallen only very marginally (Appendix C). Comparing before and after Covid, the Experian data shows that in 2019 the Borough accommodated around 32,000 office sector jobs and in December 2022 this is largely unchanged – a small decrease (700 jobs) has been reported in the administrative and support services.

3.79 As we report above there is some market evidence that occupiers have taken the opportunity to move into better space nearby (that has been freed-up in Covid) with Pepsi (for example) moving into Chiswick Park, but the loss to the Borough in terms of jobs and floorspace has so far been modest.

3.80 So, the question is what has changed in the short term? One possible answer is that the business, demographics and social make-up of LB Richmond is more favourable to home working meaning the Borough has been disproportionately affected by 'new normal' working from home opportunities, and a 'new normal' office environment.

3.81 The ONS 'working from home' data referred to above suggests that this is the case, as does the fact that the Borough's office sector, although it has attracted some corporates and headquarters such as ebay, PayPal and Haymarket in the recent past, has the market here has never been strategic in nature (providing for large scale corporates), with those looking for larger offices in this part of London historically finding supply at Chiswick Park or in Hammersmith for example. As discussed above, almost all the space available in the Borough at this time is in small units.

3.82 Furthermore, the Borough is generally less reliant on hard to accommodate at home 'process' office jobs. High resident wages may also facilitate homeworking more readily, coupled with high cost of office space in the Borough making it less attractive to hold office space compared to home working. The opportunity cost of holding office space in LB Richmond is much higher than in other market areas.

3.83 Aside from homeworking and changing practices we understand that a further reason for this spike in availability is that the remaining stock is increasingly hard to convert – via PDR or via planning. After a decade of PDR most if not all of the suitable stock has been converted. As noted above, most of the available space is small and some in subdivided properties. We understand that changes to building standards have increased residential conversion costs that has reduced the commercial incentive when deciding to keep the existing office use or change to residential, especially those character buildings which are achieving some of the highest office rents.

3.84 This set of circumstances present a new policy dilemma for the Council and requires a change in approach for the employment land evidence. The 2021 ELPNA treated the spike in availability with care, and did not treat it as a robust indicator of the market that we would use to develop planning policy. There was a hope that the 'new normal' would include a return to offices – albeit maybe not to the same extent as before. So, for example, we looked to replace all recent office floorspace losses on the grounds that they had not been lost through any economic rationale, but through PDR or very short-term market signals.

3.85 In 2023, given the evidence of prolonged high rates of availability, it would not be robust to take the same very positive view. So, in a change from the 2021 ELPNA we have:

A) Switched from a 2019 position (when vacancy was just 5%) where more vacant stock was needed to allow the market to operate efficiently, to a position in 2023 (vacancy rate 16.7%) where there is surplus vacant stock. However, as we explain below, this should be retained – as it is needed for short-term flexibility, and to manage a possible uptick in demand as the 'new normal' establishes itself. This note of caution is needed as we now think many are working at home as the ONS data suggests, but it is not unreasonable to assume that some will, for lifestyle or other work reasons want to move back into offices at some point over the plan period. For the Council one issue is whether a changed commuting balance between the CAZ and Richmond will generate a need/demand for a new generation of walk to work offices as a third option between the CAZ, home and another workspace.

B) Not assumed recent losses in office stock need to or should be replaced. The jobs in space that has been lost have not been extinguished from the Borough (as evidenced by the only marginal overall office jobs reduction), but are currently in alternative space and/or space requirements have been reduced through homeworking and technology.

C) We still generate a positive need for additional land over the plan period. This is because we expect office sector job growth to continue and this growth to exceed the capacity of the currently available space. But this gap is uncertain – we have

maintained the assumption that every worker still needs 12 sq m of office space. We have not adjusted this figure down because were we to do so, we would need to add new contingency in case some of those currently elsewhere do return to the office. In the same way that 1:12 sq m per new worker is based on historic HCA evidence[12] and the 'flight to quality' points to more space per worker, there is no evidence to confirm homeworking will remain as strong here; these factors balance each other out.

3.86 We return in the conclusions to how best to respond to this positive need and balance this with supply.

LB Richmond office – forecasting future employment land need

3.87 In the preceding section we identified that the most credible positive approach to identifying the need for office floorspace over the plan period is through job generation via the latest economic forecast, and we turn to this now. This section addresses the detail of the above-mentioned method changes, and is based on the latest economic forecast for office job changes.

Table 3.15 LB Richmond - net demand for office

		Total	p.a.
a	Jobs change (2019-39)	3,978	199
b	Density factor (sq m NIA /job)	12.0	
c	Occupier demand (sq m NIA) [a*b]	47,732	
d	Vacancy factor (sq m NIA) [c*8.1%]	3,866	
d1	Total Occupier demand (sq m NIA) [c+d]	51,598	
e	Stock vacancy adjustment (sq m NIA)	-20,882	
f	Net demand (sq m NIA) [c+d+e]	30,716	
g	**Net demand (sq m GIA)** [f/0.85]	**36,137**	**1,807**

Source: Experian Economics for economic forecast (Dec 2022) and Stantec analysis

CoStar office vacancy is 16.7% (2023 figure) and total stock from VOA is 226,000 sq m (2022)

3.88 Stages a-d are consistent with the 2021 ELPNA. As discussed earlier the latest economic forecast is for 199 office jobs per annum (row a) up from 130 pa in the earlier forecast. Applying the standard office density factor (row b) as we did in the 2021 ELPNA generates an occupier demand (row c) of almost 48,000 sq m that is 50% higher than the 31,000 sq m identified in the 2021 ELPNA because of the more optimistic job forecast. We then apply a vacancy factor to the occupier demand (row d) to allow choice and flexibility in the market, which totals in row d1 to almost 52,000 sq m.

[12] Housing and Communities Agency, Employment Density Guide, 2015

3.89 The change in the approach to the stock vacancy adjustment (as discussed at point A above) is addressed in row e. In the 2021 ELPNA we made a positive adjustment, adding almost 6,000 sq m to the demand because in 2019 the vacancy rate was just 5%, and a floorspace adjustment was needed to return the existing stock to the 7.5% required to deliver an optimally functioning market.

3.90 However, for the reasons set out at A above we now apply the latest vacancy rate (16.7%), that identifies a surplus in stock vacancy of almost 21,000 sq m, that reduces net demand to almost 31,000 sq m (row f), and 36,000 sq m when converted to GIA (row g). Thus, net demand for office floorspace is 10,000 sq m less than the corresponding figure in the 2021 ELPNA (46,366 sq m). This new demand figure for the period to 2039 is equivalent to increasing the Borough's office floorspace by 16%.

3.91 The second change to our method (as discussed at point B above) - how losses are addressed means we do not make an allowance to replace recent completed losses as these do not need replacing in a market with comparatively high stock availability. Thus, we do not make an allowance for completed losses since 2019/20 that sum to 36,708 sq m, of which half are losses at Teddington Studios that were lost some years before, but were linked to the completed development. It does not therefore make sense to identify these losses as floorspace needing replacing. Nor do we make an adjustment for losses currently in the pipeline that sum to 11,843 sq m. Thus, with no allowance to replace any losses, the net and gross demand are the same at approximately 36,000 sq m.

3.92 Next, we turn to supply, and to align with the approach taken to demand – which did not include an adjustment for completed office losses - we also set aside completed office gains in the recent past – since 2019/20 these total to 14,485 sq m. We do however allow for the supply in the planning pipeline as shown below, because this will absorb some of the future jobs growth.

Table 3.16 LB Richmond - supply pipeline for office

		Sq m
h	Planning permissions	13,280
i	Plan allocations	0
j	**Total supply (sq m GIA)** [h+i]	**13,280**

Source: LBRuT monitoring and Stantec analysis

3.93 The current office pipeline shown in Table 3.16 above has increased from 8,500 sq m to just over 13,000 sq m. In terms of years supply, based on an annual requirement for 1,800 sq m (see Table 3.15 above) the Borough has 7.3 years' supply, with the House of Fraser repurposing accounting for almost half the total. Thus, setting aside House of Fraser, there is comparatively little coming through the development pipeline, which accords with there being high stock availability in the market as discussed earlier.

3.94 The final step is to calculate the market balance, and this is shown in Table 3.17 below. Deducting the supply pipeline (row j) from the gross demand (row g)

generates a balance to find in rounded terms of 23,000 sq m (row k), 50,000 sq m lower than the balance to find in the 2021 study (73,000 sq m). To reiterate this is because we have taken a more pragmatic approach to both office vacancy and office losses because neither is leading to potential job displacement. The much lower under-supply figure averages to a need for around 1,000 sq m of new office space per annum. Less than gross delivery in the past, albeit gross losses have more than matched this.

Table 3.17 LB Richmond - market balance for office

		2019-39 Sq m	Per annum Sq m
g	Gross demand (sq m GIA)	36,137	
j	Total supply (sq m GIA)	13,280	
k	**Under supply (sq m GIA)** [q-m]	**22,857**	**1,143**

Source: LBRuT monitoring and Stantec analysis

Office conclusions

3.95 The latest past trend data points to continuing net loss of office space, but shows PDR losses have slowed and office change through planning permissions is largely flat.

3.96 The latest economic forecast is more positive for LB Richmond office job growth, albeit the rate remains modest. However, the high rates of vacant and available space in the market, that was not there in 2019, but rose quickly from 2020 onwards and remain at a high rate in 2023, suggests that there is more vacant office stock than is justified in an efficiently operating property market. Given this position in the Borough has been sustained for the past three years, it needs addressing and hence is why we adjust the method of future office floorspace need calculation.

3.97 With 21,000 sq m of 'surplus' office floorspace (ie the quantum above the 7.5% market optimum), which at recent office floorspace development rates (around 4,000 sq m per annum) would take the market around five years to absorb. Thus, in the short-term the efficient operation of the office market in the Borough would not be affected if some of that floorspace was lost. This is the case because many of the units are small (around 500 sq m) and there is good geographical spread.

3.98 However, with a practically empty pipeline, this existing surplus vacancy constitutes the short-term office supply, and should this space be lost rapidly and/or the market turn, there would very quickly be a lack of short-term supply. The 'tipping point' where this vacancy needs to be retained is when a further 15,000 sq m of office space is lost, as this would take vacancy below 10% of total stock (10% being around 22,000 sq m). We therefore recommend that losses and the vacancy rate are closely monitored, and should losses sum to the 15,000 sq m threshold and/or vacancy drop below 22,000 sq m, then the development management approach will need to be more restrictive.

3.99 As a policy response – we support retaining the available stock in this way in the short term. Built stock is no substitute for a pipeline of new stock, and as the Borough's availability rose quickly it can also fall quickly. But with so much short-term availability, it would not be pragmatic to refuse Change of Use or redevelopment for comprehensive proposals where available space can be reprovided. We reiterate that this only applies to traditional office stock outside of the Borough centres/ areas covered by A4Ds, and does not apply to light industrial space because there is strong demand for this.

3.100 While surplus available stock provides a short-term supply; as with our 2021 study, there is no significant pipeline of new stock, and no new allocations. The weight of evidence today would not support new allocations in the short-term on quantitative grounds. But the Borough plan will look 15/20 years ahead, and has a role to ensure that there is flexibility to adjust to changing circumstances. We noted in the 2021 ELPNA, and it remains the case, that it would be sensible to flag (put a marker) in policy guiding the next generation of known or potential redevelopment sites where office could be a part of major mixed-use schemes – for example at House of Fraser, Richmond Railway Station and the former Stag Brewery.

3.101 One issue is that if the scope to consider offices (and industrial) is not carried into policy today, then it is much harder to introduce it as an option later. Given the scale of housing need and the likelihood that major (non-office) sites will be redeveloped in the plan period, asking major redevelopment proposals to consider the need for offices as part of a mixed and balanced redevelopment scheme would be pragmatic.

3.102 Thus, while there is a little more positivity in the economic forecast for office job growth now compared with in April 2021, the lack of new office coming to the market, the sustained high levels of vacancy/availability (the latter representing a quarter of total stock), and the fact that this is largely in the type of small sub-divided unit that should address market demand has led to a pragmatic change in approach in the assessment of demand. The revised approach identified a balance to find over the Plan period of 23,000 sq m office floorspace.

3.103 Having considered the property market signals and sentiment we have altered our method. Faced with availability at very high levels (a quarter of all stock), very little developer interest in the office market (save House of Fraser, but this is the type of 'character' property that is market attractive) and no clear sign that the demand for offices is on the rise, we have dampened down our estimate of demand to around half the level it was in the 2021 ELR. If the market turns in the short term and seeks new office floorspace, the immediate need can be met by the supply of surplus vacant stock, as this is available now and geographically spread. In the mid-longer term the requirement could, as we mention earlier, be met by office delivered through the major mixed-use schemes.

4 Conclusions

Industrial

4.1 The recommended approach remains to project on the basis of the past delivery of jobs, and this continues to be for a rounded 100 additional industrial jobs per annum. On this basis the gross demand remains a rounded 62,000 sq m, which net of the almost zero current supply means that the balance to find remains at 61,000 sq m. So, the 2021 study findings and recommendations in respect of industrial need remain valid.

4.2 The range of approaches identified in the 2021 ELPNA, including not relying on intensification approaches to deliver more than a minor element, remain the most appropriate means of meeting the requirement.

Office

4.3 The position for offices is more complex as the economic need for office jobs has risen, albeit from a relatively low base, but the market continues to experience sustained rates of vacancy and stock losses that are at rates that cannot be ignored. This has led to the shift in approach to the identification of office floorspace need, taking a more pragmatic approach whereby future losses are set aside and surplus vacant existing floorspace could be recycled for office (the short-term supply) or for other uses, up to the point where in an upturn in demand the available supply approaches the 7.5-10% mark. At that point the Council is justified to employ a more stringent policy to resist losses.

4.4 Overall future need for office floorspace has fallen substantially from the 73,000 sq m identified in the 2021 ELPNA to 23,000 sq m today. In the short term this can be delivered through the existing stock, which has a sustained high level of availability/vacancy. In the mid-long term, given the lack of new sites for office, the Council should ensure that office use is part of the mix of uses identified for the major mixed-use development sites, of which the Borough has very few.

Appendix A LB Richmond past trends office floorspace change - summary data

All years except for 2010/11 show negative net change in office floorspace.

The vast majority of PDR losses were in the second half of the decade.

Since 2018/19, losses via prior approval have slowed significantly.

The quantum of office floorspace losses via planning permissions has been much more consistent over the periods assessed (averaging around 10,000 sq m pa). We note that the most recent year has the lowest quantum of floorspace losses via planning permissions over the whole period.

	Gross gains (sq m)	**Gross losses** (sq m)			**Net change** (sq m)
		Prior approval	Planning permission	Total losses	
2010/11	7,520	0	5,709	5,709	1,811
2011/12	3,073	0	6,311	6,311	-3,238
2012/13	11,168	0	21,477	21,477	-10,309
2013/14	8,248	804	11,121	11,925	-3,677
2014/15	2,638	17,528	8,285	25,813	-23,175
2015/16	2,996	23,848	10,220	34,068	-31,072
2016/17	3,369	12,808	11,746	24,554	-21,185
2017/18	3,401	6,721	5,508	12,229	-8,828
2018/19	3,037	6,713	8,482	15,195	-12,158
2019/20	8,291	2,581	5,897	8,478	-187
2020/21	1,330	1,207	21,863	23,070	-21,740
2021/22	2,059	1,290	3,030	4,320	-2,261
Total	**57,130**	**73,500**	**119,649**	**193,149**	**-136,019**
Total 2010/11-20/21	**55,071**	**72,210**	**116,619**	**188,829**	**-133,758**
Per ann ave 2010/11-20/21	**5,006**	**6,565**	**10,602**	**17,166**	**-12,160**
Total 2015/16-18/19	**12,803**	**50,090**	**35,956**	**86,046**	**-73,243**
Per ann ave 2015/16-18/19	**3,201**	**12,523**	**8,989**	**21,512**	**-18,311**
Per ann ave 2010/11-14/15	**6,529**	**3,666**	**10,581**	**14,247**	**-7,718**
Per ann ave 2015/16-21/22	**3,498**	**7,881**	**9,535**	**17,416**	**-13,919**
Per ann ave 2017/18-21/22	**3,624**	**3,702**	**8,956**	**12,658**	**-9,035**
Per ann ave 2010/12-21/22	**4,761**	**6,125**	**9,971**	**16,096**	**-11,335**

Source: LBRuT monitoring and Stantec analysis

Appendix B Richmond Borough - Experian economic forecast 2019-39

SIC	SIC Division	Jobs 2019	Jobs 2039
A	Agriculture, Forestry & Fishing	0	0
B	Extraction & Mining	0	0
C	Food, Drink & Tobacco (manufacture of)	300	200
C	Textiles & Clothing (manufacture of)	0	0
C	Wood & Paper (manufacture of)	0	0
C	Printing and Recorded Media (manufacture of)	0	0
C	Fuel Refining	0	0
C	Chemicals (manufacture of)	0	0
C	Pharmaceuticals (manufacture of)	0	0
C	Non-Metallic Products (manufacture of)	300	200
C	Metal Products (manufacture of)	0	0
C	Computer & Electronic Products (manufacture of)	0	0
C	Machinery & Equipment (manufacture of)	0	0
C	Transport Equipment (manufacture of)	0	0
C	Other Manufacturing	300	300
D/E	Utilities	300	300
F	Construction of Buildings	1,800	1,600
F	Civil Engineering	0	0
F	Specialised Construction Activities	3,200	3,700
G	Wholesale	3,200	3,200
G	Retail	7,900	9,200
H	Land Transport, Storage & Post	2,900	3,100
H	Air & Water Transport	0	0
I	Accommodation & Food Services	8,300	8,400
R	Recreation	9,000	9,900
J	Media Activities	2,600	2,900
J	Telecoms	0	0
J	Computing & Information Services	5,500	5,700
K	Finance	1,400	1,300
K	Insurance & Pensions	0	0
L	Real Estate	2,700	3,000
M	Professional services	14,400	18,100
N	Administrative & Supportive Services	7,500	7,100
S	Other Private Services	3,400	3,700
O	Public Administration & Defence	1,700	1,700
P	Education	10,300	14,000
Q	Health	2,900	3,800
Q	Residential Care & Social Work	5,400	5,600
	TOTALS	**95,300**	**107,000**

Source: Experian Economics, December 2022 and Stantec analysis

Blue predominantly industrial, Green predominantly logistics & distribution, Salmon pink predominantly office, White predominantly non-employment classes

Appendix C Richmond Borough – office jobs by economic sector and year

SIC	SIC Division	Office Jobs 2019	2022	2039
A	Agriculture, Forestry & Fishing	0	0	0
B	Extraction & Mining	0	0	0
C	Food, Drink & Tobacco (manufacture of)	0	0	0
C	Textiles & Clothing (manufacture of)	0	0	0
C	Wood & Paper (manufacture of)	0	0	0
C	Printing and Recorded Media (manufacture of)	0	0	0
C	Fuel Refining	0	0	0
C	Chemicals (manufacture of)	0	0	0
C	Pharmaceuticals (manufacture of)	0	0	0
C	Non-Metallic Products (manufacture of)	0	0	0
C	Metal Products (manufacture of)	0	0	0
C	Computer & Electronic Products (manufacture of)	0	0	0
C	Machinery & Equipment (manufacture of)	0	0	0
C	Transport Equipment (manufacture of)	0	0	0
C	Other Manufacturing	0	0	0
D/E	Utilities	0	0	0
F	Construction of Buildings	0	0	0
F	Civil Engineering	0	0	0
F	Specialised Construction Activities	0	0	0
G	Wholesale	0	0	0
G	Retail	0	0	0
H	Land Transport, Storage & Post	0	0	0
H	Air & Water Transport	0	0	0
I	Accommodation & Food Services	0	0	0
R	Recreation	0	0	0
J	Media Activities	2,480	2,725	2,725
J	Telecoms	0	0	0
J	Computing & Information Services	5,500	5,400	5,700
K	Finance	1,400	1,300	1,300
K	Insurance & Pensions	0	0	0
L	Real Estate	2,700	2,600	3,000
M	Professional services	13,613	14,311	16,930
N	Administrative & Supportive Services	5,235	3,858	4,214
S	Other Private Services	837	795	891
O	Public Administration & Defence	944	1,000	1,000
P	Education	0	0	0
Q	Health	0	0	0
Q	Residential Care & Social Work	0	0	0
	TOTALS	**32,709**	**31,989**	**35,761**

Source: Experian Economics, December 2022 and Stantec analysis

Blue predominantly industrial, Green predominantly logistics & distribution, Salmon pink predominantly office, White predominantly non-employment classes