

Mayor of London
Greater London Authority
City Hall
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2 December 2013

By email and post

Dear Mayor

LONDON OFFICE REVIEW PANEL (LORP) RECOMMENDATIONS.

On behalf of the London Office Review Panel, I write to thank you for this opportunity to review London's strategic office market policies to inform potential further alterations to the London Plan (FALP). The Panel supports your objectives to secure sustainable economic growth and employment in the coming decade and beyond. This response has been prepared in the light of discussions at three Panel meetings held in September and October 2013 and provides recommendations on current issues, trends, policy and other property and office occupier related matters which bear on your objectives for office provision and associated development. The Panel's response to these matters is summarised below according to the issues outlined in its terms of reference.

1. Macro demand and the relationship between population and employment

The Panel notes the emerging economic forecasts and employment projections for London, and that the 2012 Census shows clearly that there has been a significant population increase in London and that housing need is increasing substantially. With regard to the relationship between population and office employment, the Panel's view is that employment growth in London's nationally and globally-oriented financial and business services is largely independent of population and driven by macro-economic and agglomeration factors. In contrast, office employment in much, but not all, of Outer London and Inner London outside CAZ and Canary Wharf, is more closely related to population growth and the consequent demand for local services, including those which are office based. This growth in locally based office activity may not have the 'added value' to generate demand for new office space but it could well create demand for cheaper, second hand space. The implications for this as a consequence of the government's liberalisation of changes from office to residential uses are noted below.

The Panel considered that most office development will continue to be attracted to the centre where the critical mass of global business is concentrated, along with its renowned cultural, leisure and environmental offer and high levels of public transport accessibility.

However, supported by investment in public transport and associated infrastructure, new office employment clusters are emerging on the edge of the Central Activities Zone (CAZ), for example at Kings Cross, Battersea and Nine Elms, and the South Bank, potentially reducing pressures on traditional office locations in the core of the Zone and offering occupiers a wider choice of conveniently located and competitive space.

The panel considered that locations not necessarily in the CAZ, but situated around transport hubs, provide significant opportunity for London. Planning policy should therefore provide flexibility to allow these areas to develop around transport hubs, where there is significant opportunity to increase employment densities and where there can be the greatest agglomeration benefits.

2. Liberalisation of the Use Classes Order for changes from business to residential use

The Panel welcomes the Mayor's initiative in seeking exemption for London's nationally important office locations from government's liberalisation of the Use Classes Order. However, it notes that while this has enabled the planning system to retain some control over changes from offices to residential uses, the widening gap between the two in terms of values could potentially still erode the strategically important stock of offices there, and especially in those areas where offices are part of a wider mix of uses. At present the office development pipeline contains sufficient capacity to meet demand for new space. Nevertheless, there is concern that the stock of cheaper, second hand space which is an important part of the office offer may be at risk in some places (see also 8 below).

The Panel has worked with the GLA and London Councils to establish interim monitoring arrangements for 'prior approvals' for change of use from offices to residential in other parts of the London office market. However the Panel is concerned that, to date, only a limited number of boroughs have responded to these arrangements with the relevant data requested – a robust evidence base will be required to advise government on the impact of its proposals, and it will be particularly important that this captures 'prior approvals' in the early phases of its implementation. The longer term change to the statutory London Development Database may well miss them.

Like the Mayor, the Panel acknowledges that there is a long term surplus of office space beyond the nationally important office locations. However, the release of this should be managed carefully through the planning system rather than being the result of ad hoc 'prior approvals'. There is particular concern over the impact on the areas immediately outside the boundaries of the nationally important office locations which are conveniently located for access to more established office locations but provide affordable space for potential new clusters of office based activity.

3. Approach to 'mega-schemes'

The Panel considered the role of mega-schemes, noting that research has shown that they represent 20% of supply. It is recognised that they provide a unique and high quality of business space. The Panel concluded that it is important to recognise that each mega-scheme is distinct, and emphasised that investment in infrastructure, including public transport, together with place-making are crucial to their success. Strategic planning policy should not be directional, but it should be aligned with infrastructure investment and support successful 'places' with a high quality business environment, amenities and public realm. With these in place, investment in offices will follow, rather than lead these large scale developments.

4. The implications of trends in office employment densities.

The Panel welcomes research on this matter in the London Office Policy Review and by the BCO. The Panel notes the continued trend towards rising employment densities and occupiers using space more efficiently. However the trend towards rising employment densities is being countered, particularly in central London, by the increase in the use of meeting and collaborative space, and ancillary services. The densities in the 2012 London Office Policy Review were considered sufficiently robust to be carried forward into FALP.

5. Realism in translating projected office employment growth into demand for office floorspace

The Panel agrees with the caveat in the London Plan that beyond central London, office employment has not always translated into demand for office floorspace and that use of employment based office demand benchmarks for this area should continue to be qualified in light of other indicators.

6. The role of 'hybrid' office and other more affordable workspace

Hybrid office floorspace can play an important role in supporting the emergence of new economic activities and clusters, and particularly the technology, media and telecommunications (TMT) sector (such as the cluster at Tech City) and the growing science/medical clusters including for example that associated with University of London (the Crick) around St. Pancras Way, and with the Queen Mary College and Royal London at Whitechapel (Med City). These clusters should be supported in FALP to ensure availability of suitable business accommodation in terms of size, type and cost to support their development. This may involve protection from changes of use to housing where appropriate.

Hybrid space can include flexible office/industrial accommodation, such as 'smart sheds'. Such space may be located in what conventional planning might regard as inappropriate conditions e.g. in ageing stock or simple warehouses. The Panel recommends that greater flexibility for hybrid office/industrial space should be taken into account in planning policy, including those for designated industrial locations.

7. The nature, scale of office and workspace provision in Tech City and new Opportunity Areas, such as for Old Oak

The Panel recommends a supportive approach to the Tech City cluster in FALP. As noted in 6 above, there is need to ensure the continued availability there of suitable business accommodation in terms of size, type and cost to support its development. This may well involve protection from changes of use to housing, drawing on the area's exemption from the Government's changes to permitted development rights.

For Old Oak, investment in the infrastructure together with attention to place-making and a high quality environment will provide the context in which office investment will follow. The employment capacity estimates should be realistic, taking into account the likely demand there relative to more central London locations and the Isle of Dogs.

8. The continued relevance of mixed use development requirements associated with office provision in different parts of London

There was considerable discussion as to whether the established mixed use policy for CAZ and the Isle of Dogs (Policy 4.3), and especially its associated affordable housing requirement was constraining office development in current housing market conditions, and for the longer term.

The Panel considered that, on balance, the policy should continue to be accepted because of the way it contributed to the attractive mix of activities in appropriate areas and helped to meet housing requirements associated with the central area. However, the policy should be more flexible and guidance on its implementation should make clear that it can be applied to create mixed use areas and not just mixed use buildings.

In light of these discussions, the Panel suggested that consideration be given to supplementing Policy 2.10/2.11 to enable boroughs to have the flexibility to protect small scale offices (under 500sqm), within limited specific areas, in the light of local supply and demand assessments. However, this protection should not be restrictive and create barriers to development in areas where the greatest opportunities are found, such as opportunity areas and around transport hubs, where flexibility should be allowed to provide greater densities and benefits. Similarly, consideration should be given to providing boroughs with the flexibility to require residential proposals which would otherwise lead to the loss of office provision in areas of identified need for small, affordable office spaces, to require these proposals to make a proportionate contribution to new office provision. This could be in line with, but the inverse of, established mixed use policy which generally requires CAZ offices to contribute to housing provision. Further details could be set out in Supplementary Planning Guidance.

9. CIL requirements and the realism of local viability studies

The Panel acknowledges the importance of CIL and s106 for public realm improvements that make places attractive for occupiers and developers, and the importance of the Mayor's CIL and S106 in securing strategic transport investment. Given that only a limited number of boroughs have declared CIL charging schedules to date, the Panel considers that it is still too early to provide a formal view on this matter overall. However, concern is raised about the scale of the levy in some boroughs, notably Tower Hamlets, and the potential impact that these charges might have on the London office market. The Panel urges the Mayor [and boroughs] to take a proactive role in securing realistic in CIL charging requirements to ensure that these do not undermine the viability of offices, distort the market or stifle development.

We trust that this letter is clear but should you have any queries please do not hesitate to contact me or my colleague, Laura Webster (ext. 2911) in my absence.

Yours faithfully



Stuart J. Robinson
Executive Director and Head of Planning
CBRE