Southwark Employment Land Study

Part 1 – FINAL REPORT

January 2016

LB Southwark
Southwark Employment Land Study

A report by **CAG Consultants**
in association with **Ramidus Consulting and Maccreanor Lavington**

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Summary

LB Southwark is one of London's largest and fastest growing employment locations. Employment in Southwark has grown rapidly since 2000, increasing by 41%, or 74,000 jobs, from 2000 to 2013. In London Plan terms it is an Inner London borough and forms part of the Central London Sub-Region. Employment is concentrated in the north of the borough in London's Central Activities Zone. The northern wards which make up the Southwark CAZ account for over 90% of all office employment in the borough, largely in the professional services sector. In the CAZ Hinterland, north of Camberwell Green/Peckham Road, there is a more mixed range of economic activity, much of it providing services to the central London economy. The south of the borough is predominantly residential with employment limited to local service functions with education, health and retail as the principal employment sectors.

In labour market terms Southwark is quite well balanced with large outflows of workers to central London matched by similar levels of inflows from neighbouring south London boroughs.

The area has, in commercial property markets terms, been transformed over the past fifteen or so years since the opening of the Jubilee Line Extension in 2000. But the area's success in regeneration terms does of itself present problems for some established business in the Bankside and Borough area in the shape of rising rents. .

Across the borough as a whole employment land is under strong pressure for conversion to residential. In the north this is mainly very high value residential, while to the east it is still largely broader market housing. There is a substantial value differential between commercial and residential property. With forecasts of continued high population growth and a housing-friendly planning regime, pressure for residential development will continue for the forseeable future. Businesses may then be faced with the choice of seeking locations outside of Southwark or having to settle for poorer quality space.

Loss of existing employment space will only add to these cost pressures as restricted supply causes prices to rise. For this reason it is important to consider carefully the position of smaller employment areas, because these are often the only outlet for smaller local firms. Their loss may be quantitatively trivial, but qualitatively significant for its impact on the business mix in the borough.

Yet despite these pressures on employment space, Southwark needs to create new and additional employment space in order to satisfy demand. Over the period 2011-36 Southwark is forecast to increase in employment terms by 84,000 jobs, with 26,000 of this having already occurred by 2014. Southwark is forecast to have high levels of employment growth in the types of professional and technical services sectors that generate demand for office space. The London Office Policy Review suggested a guideline figure of 400,000 sq m over the period 2011-36. On the basis of revised forecasts following London's recent strong economic performance we suggest this figure could be revised up to 600,000 sq m for that period, whilst noting that a large share of that demand has already been taken up to date by above trend growth between 2011-14. With adjustments for an 8% vacancy factor for efficient market operation we would estimate the guideline planning target for the period 2014-36 to be 460,000 sq m.

Industrial demand is forecast to decline modestly in line with the Industrial Release Benchmarks figure of 1 ha per annum. But recent releases have been running at well above this level and industrial land in the borough is also under pressure from residential encroachment.

Of the 460,000 sq m of net additional office floorspace predicted to be required between 2014 and 2036, around 80% of this should be provided in the CAZ. The requirement for net additional floorspace, taking account of the business cycle, is close to the 20,000 sq m per annum seen over the period 2000-12 when More London was being developed. There is the need for at least one scheme of comparable scale to come forward over the plan period.

Most of the CAZ floorspace demand will be for large Grade A units for professional service occupiers. But there will also need to be provision of hybrid and managed space for SMEs to provide services to the major occupiers or to fulfil high value niche functions.

In the CAZ Hinterland there will be demand for a range of cheaper and varied accommodation covering hybrid, shed, marginal and informal uses for local SMEs to service the CAZ economy. We have forecast a net addition of B1 floorspace for the CAZ Hinterland of 90,000 sq m over the period 2014-36, which is partially offset by the loss of 36,000 sq m of industrial space, so there may be some scope for re-use and intensification on existing employment sites.

In the south of the borough we do not see particular reason to promote new employment sites but we recognise the role that existing employment premises play in providing local services and the role that lower threshold enterprise space can play in enabling start-ups that may become the growth companies of the future.

Policy Recommendations

To deliver employment space across a range of types of provision to meet the borough's economic needs were recommend the following as priority areas for intervention:

- site assembly for Grade A offices in CAZ - either as an extension to the existing More London cluster or at the Elephant & Castle;
- offices for smaller occupiers – to meet the demand from smaller firms being driven from London's office core as costs escalate;
- nurturing flexible managed and hybrid space – by identifying suitable older buildings that could be re-purposed to meet modern demand;
- 'Industrial' space – by designating sites where certainty can be provided for longer term investment in new stock;
- informal space – working with Network Rail to maximise the employment space potential that is provided by the railway arches;
- working with providers – to ensure the delivery of appropriate specification workspace that meets market demand;
- mixed use development – to capitalise on the opportunities that may be enabled by new residential led schemes to provide the right type of space to meet the borough's growing employment needs.

1 Introduction

1.1 Study Brief

The London Borough of Southwark (LB Southwark) commissioned CAG Consultants, in association with Ramidus Consulting and Maccreanor Lavington Architects to undertake a Southwark Employment Land Study.

The study is in two parts:

- Part 1 of the Study is an Employment Land Review (ELR) for the borough as a whole to be produced in a manner consistent with Government Guidance that will inform, and act as part of the evidence base for, the emerging Southwark Plan; and

- Part 2 of the Study is an Employment Land Strategy for the Old Kent Road to inform the emerging Opportunity Area Planning Framework and proposed Area Action Plan.

This report forms Part 1 of the Study. Part 2 is reported separately. The objectives as set out in the brief are to:

- provide a review of national and regional planning policies;

- review the employment clusters identified in the 2010 ELR; assess the quality and characteristics of employment clusters in Southwark;

- carry out a property market analysis of supply and demand for employment land and floorspace and the balance between these;

- make a forecast demand for employment land and floorspace for the period 2015-2031;

- make recommendations on the council's policy approach towards the protection or release of employment land and towards stimulating investment in viable employment land for each of the employment clusters; and

- make recommendations on the type and nature of business space promoted in the borough, including format, design, approach to provision of business space in mixed use developments and need for 'affordable' business space.

1.2 Report Content

The report is set out as follows.

Chapter 2 sets out a socio-economic profile of LB Southwark. This covers population and labour supply; economic and employment structure; and labour market and travel to work analysis. The profile is presented for LB Southwark as a whole and also for sub-areas of the borough. The principal findings and messages are contained in this chapter while more detailed analysis is presented in Appendix 1.

Chapter 3 presents a property market profile, reviewing the commercial property market in data for the Borough and where appropriate sub-areas of the borough. It presents a typology of the local property market and assesses the proposed development pipeline.

Chapter 4 then sets out a site by site assessment of the principal employment areas of the borough. This covers both industrial premises and also main office locations premises and sites, and presents a high level update of previous assessments with commentary on relevant changes.

Chapter 5 sets out the policy context, covering borough and London-level policies on the economy and related matters such as housing and infrastructure.

Chapter 6 sets out forecasts for future growth in Southwark. Starting with the GLA’s projections of employment growth, this chapter analyses employment growth by sector, translating these into forecasts of commercial land and property. We then look at other potential drivers of future demand and carry out sensitivity tests around the initial projections.

Chapter 7 assesses projections of demand in the context of the preceding property market analysis and identifies priority themes for economic development interventions based on existing gaps, growth opportunities and policy objectives.

Finally, chapter 8 sets out overall conclusions and presents policy recommendations. Some are specific with regard to land to retain or release while others are more general, with regard to activities to encourage economic investment in the borough.

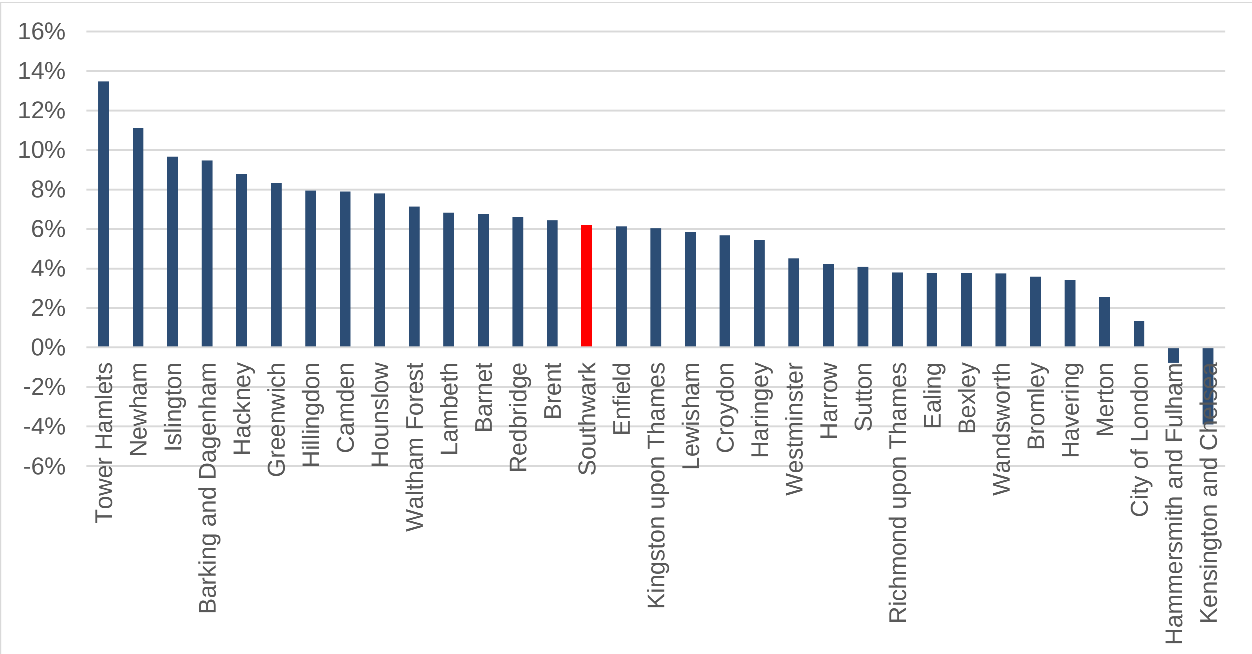
2 Southwark Economic Profile

2.1 Population and Labour Supply

The population of Southwark was estimated to be 298,500 in 2013, housing just over 3.5% of London's residents. The borough's population was then slightly larger than small-medium size cities such as Brighton or Newcastle-upon-Tyne.

The borough's population grew by 6% from 2009 to 2013, at a rate close to the London average. This growth rate was slightly faster than Lewisham, Wandsworth and Westminster, but not as fast as the cluster of boroughs around Docklands and the City of London (e.g. Tower Hamlets, Newham, Islington, Barking & Dagenham, Hackney, Greenwich).

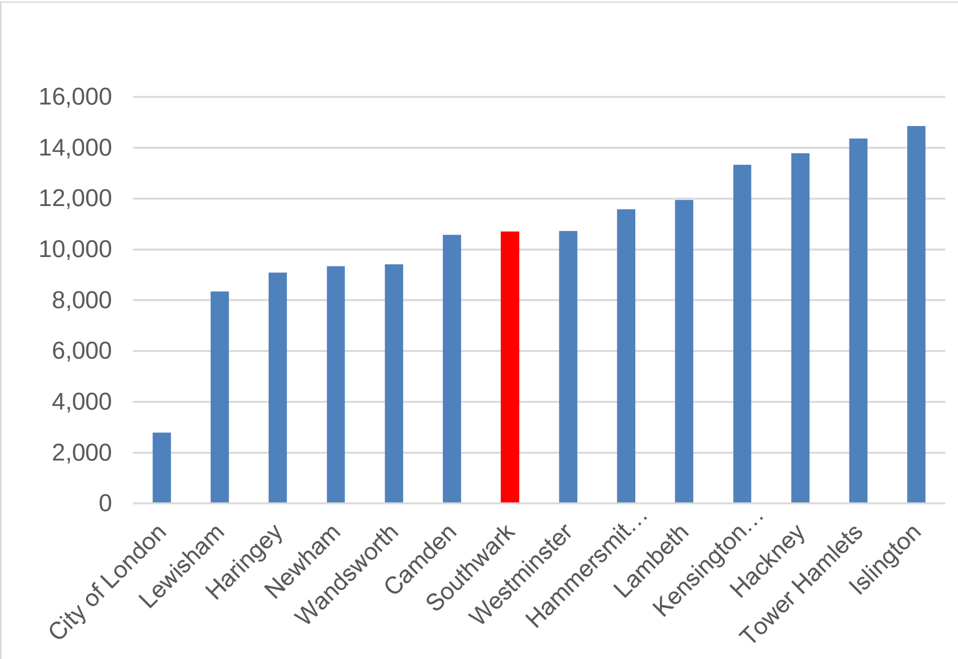
Figure 2.1 Population change by London Borough 2009-13



Source: Mid-year population estimates, Office for National Statistics (ONS).

The GLA estimate that Southwark's population had grown to 308,700 in 2015, with a population density of 10,700 per square kilometre. This population density is close to the median for Inner London boroughs: equivalent to Camden and Westminster, and higher than Lewisham, Wandsworth or Newham, but lower than Lambeth, Hackney, Islington and Tower Hamlets.

Figure 2.2 Population density by London Borough (2015 – population per sq km)



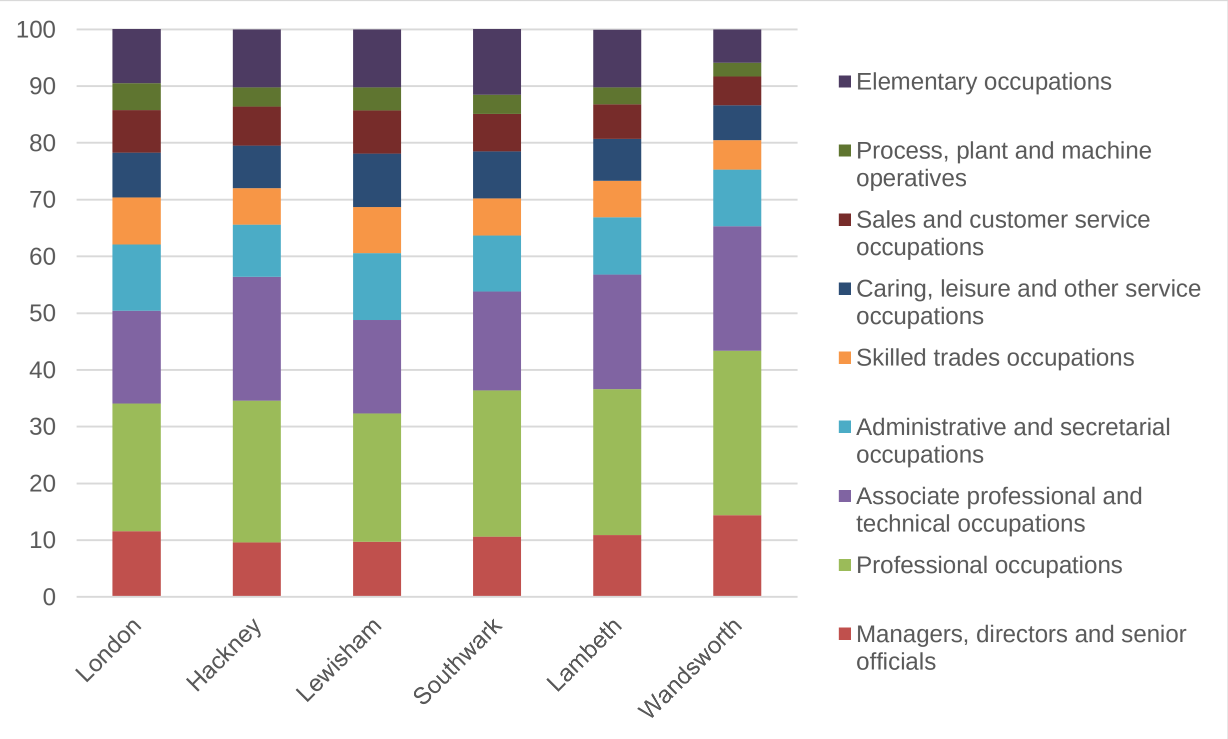
Source: GLA population projections, London Datastore.

Economic activity rates in Southwark are fairly high at 79.2%, above the London average of 76.7%[1]. This is slightly higher than boroughs such as Camden and Hackney (which have economic activity rates around 74%) but below the economic activity rates in Lambeth (85.4%) and in more affluent West London boroughs (e.g. Wandsworth and Richmond – 82%).

Unemployment rates are relatively high at 9.1% in 2014[2], slightly above the London average of 7.7%. Unemployment in Southwark has fluctuated quite widely over recent years, with the impact of the recession and the subsequent recovery. From a base of 8.4% in 2008, unemployment rose to 12.1% in 2011 and has since fallen back.

At the time of the 2011 Census, Southwark had 53.8% of residents working in managerial, professional and associate professional/technical occupations, slightly higher than London as a whole (50.3%). Southwark has a greater proportion of residents working in these higher-value occupations than Lewisham, but a lower proportion than Hackney, Lambeth and Lewisham. Also, Southwark had 11.6% of residents working in elementary occupations, slightly above the London average of 9.6% and higher than neighbouring boroughs.

Figure 2.3 Occupational structure of Southwark residents



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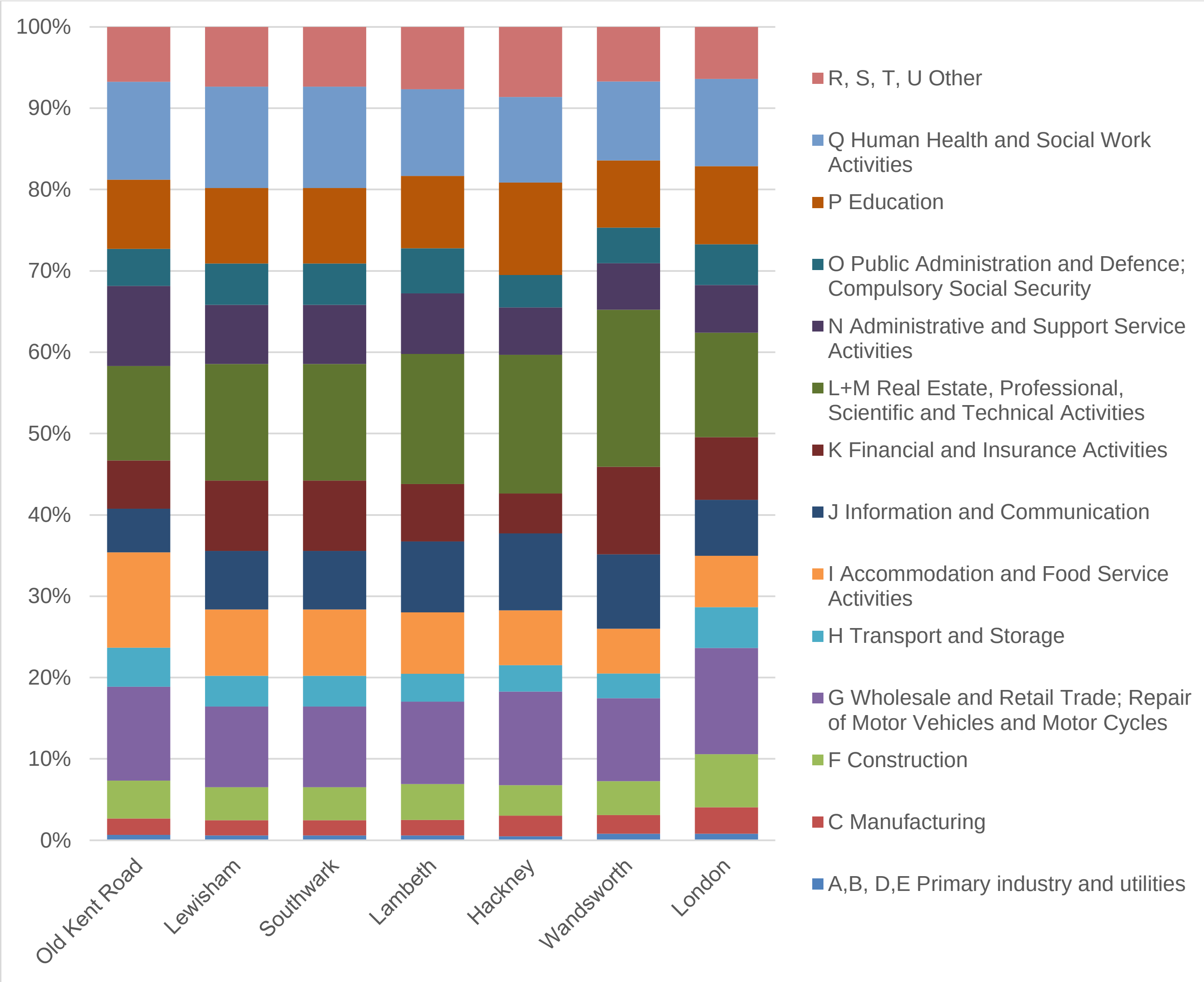
Source: Census 2011.

1 Annual Population Survey, ONS, 2014
2 Annual Population Survey, ONS, 2014

The industry sectors in which Southwark residents are employed are fairly similar to those in Lewisham. A lower proportion of residents are employed in wholesale and retail trade activities than across London as a whole. The proportion of residents employed in professional/technical and finance sectors is higher than for London as a whole, but not as high as in more affluent boroughs such as Wandsworth.

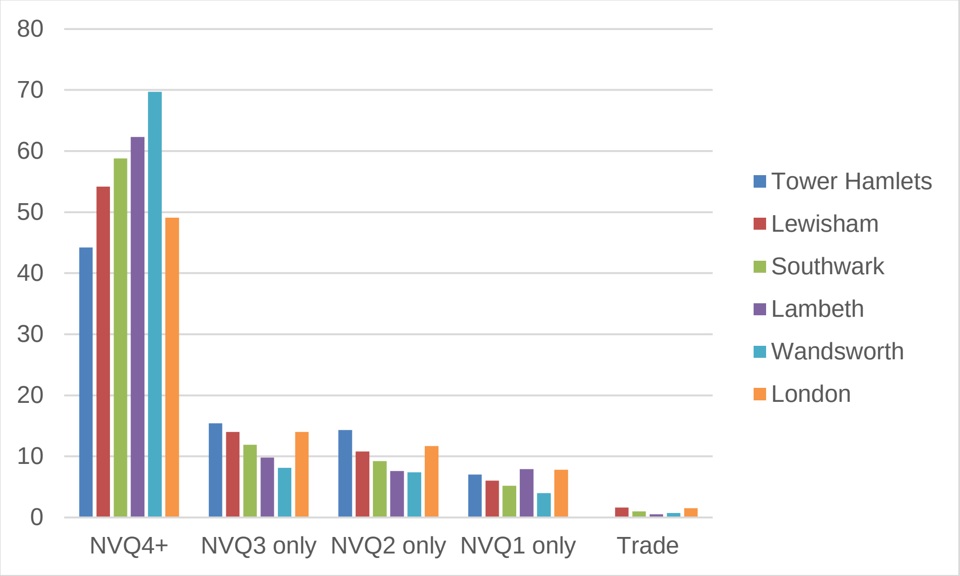
Figure 2.4 Sector breakdown of employment for Southwark residents



Source: Census 2011.

Southwark's residents are fairly well-qualified compared to the London average: 58.8% have qualifications of NVQ level 4 or above, compared to 49.1% for London as a whole (or 55.9% for Inner London boroughs). Rates of NVQ level 4+ are higher in Southwark than in Lewisham or Tower Hamlets but lower than in Lambeth and Wandsworth. The converse is true of lower level qualifications (e.g. NVQ levels 2 and 3).

Figure 2.5 Percentage of working age population qualified at each NVQ level

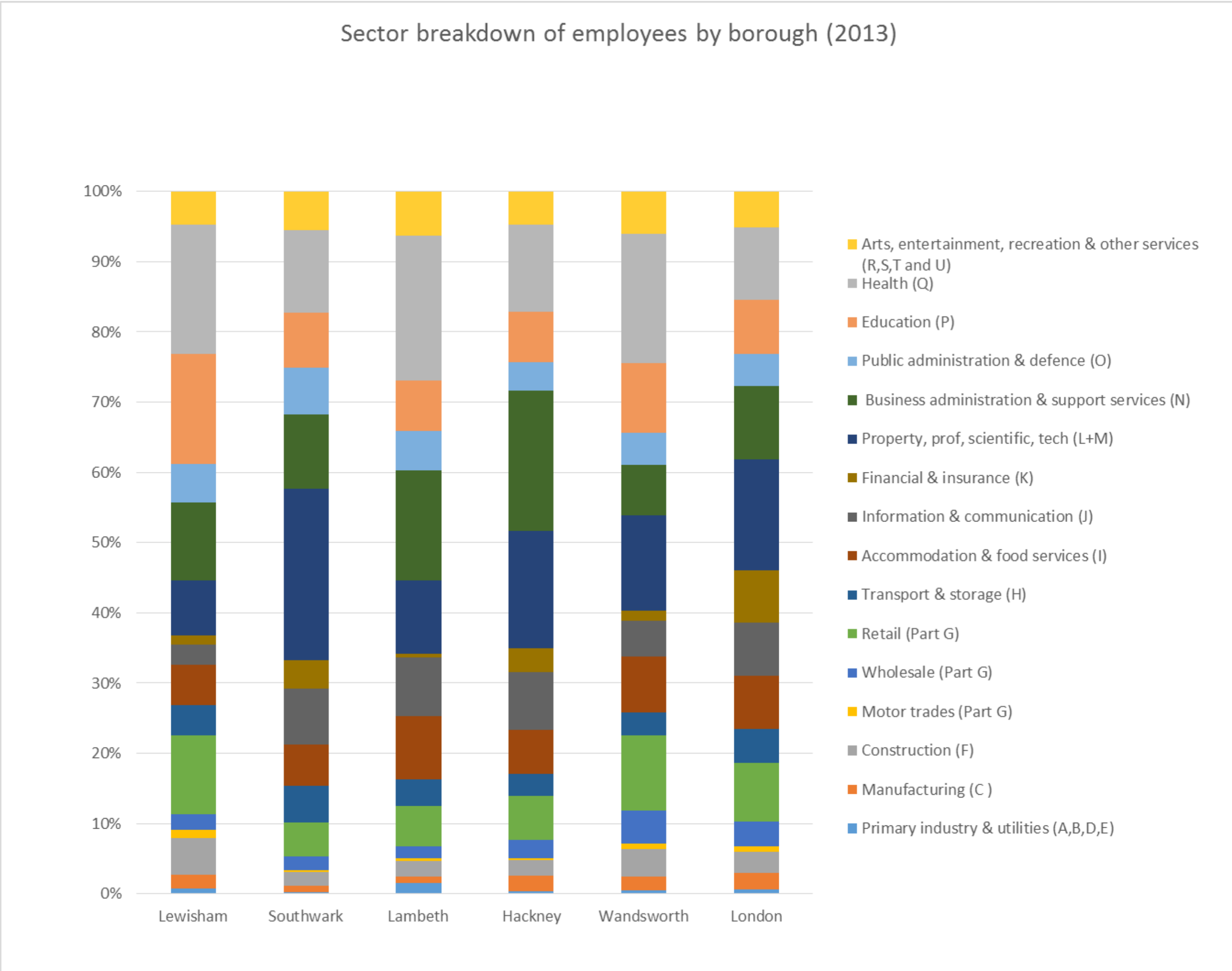


Source: Annual Population Survey, ONS

2.2 Economic and Employment Structure

Comparing the sector breakdown of employee jobs in Southwark to neighbouring boroughs, and to London as a whole, a couple of points are striking (see Figure 2.6). Firstly, Southwark has relatively low employment in the retail sector (4.8%): levels are marginally lower than Lambeth and Hackney but significantly lower than in Lewisham or Wandsworth, or London as a whole (8.4%). Also Southwark has relatively high employment in the property, professional, scientific and technical sectors, accounting for 24.4% of employees, compared to 15.9% for London as a whole. These sectors represent a higher proportion of employment in Southwark than they do for employment of Southwark residents, implying that Southwark is attracting employees from elsewhere in these sectors (see Figure 2.10 below for a fuller comparison of workplace and resident-based employment).

Figure 2.6 Sector breakdown of employees by borough (2013)

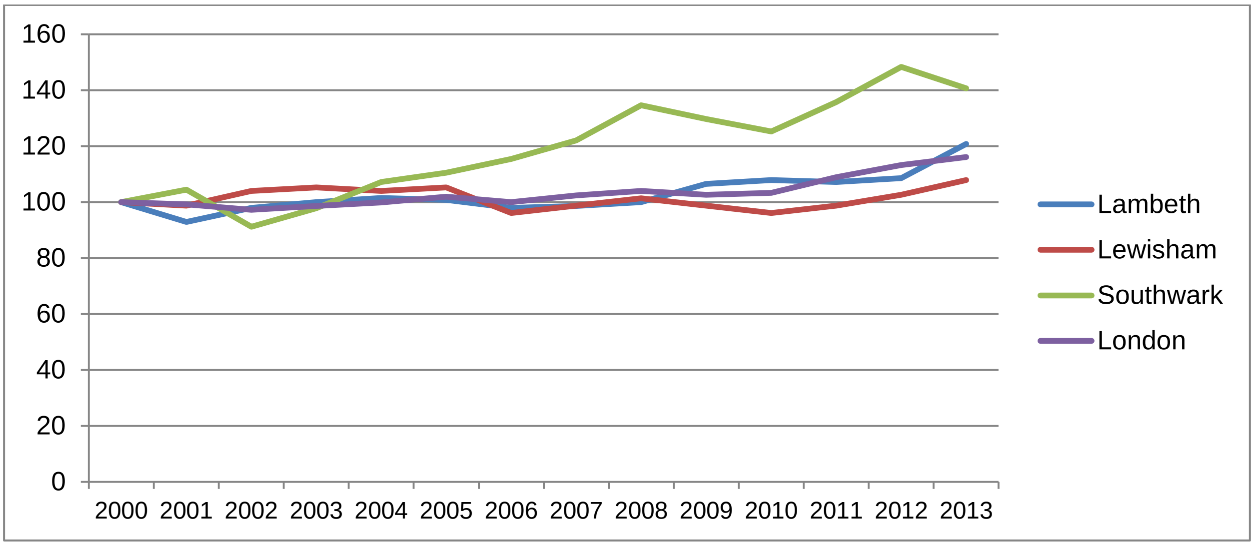


Source: Business Register Employment Survey (BRES), NOMIS – Official Labour Market statistics, ONS.

Employment in Southwark has grown strongly since 2000, faster than in neighbouring boroughs or London as a whole, as shown in Figure 2.7. Employment in Southwark grew by 41% from 2000 to 2013, compared to 21% for Lambeth, 8% for Lewisham and 16% for

London. This represents approximately 74,000 additional jobs in Southwark, which is nearly 10% of the increase in jobs across London over this period.

Figure 2.7 Index of employment growth for selected London Boroughs (2000 = 100)



Source: Workforce Jobs series, NOMIS, ONS.

The ratio of the number of jobs in the borough to the working-age population is higher in Southwark than in neighbouring boroughs. In 2013, the 'job density' ratio for Southwark was 1.17 compared to 0.41 for Lambeth and 0.72 for Lewisham, and 0.93 for London as a whole[3]. This is consistent with net in-migration of commuters from outside Southwark, since the borough is – on balance- more a destination for employment than a pool of labour for London as a whole (see Travel to Work data below).

Self-employment rates in Southwark are slightly lower than in neighbouring boroughs: the proportion of working-age population in self-employment in the year to March 2015 was 11.73% in Southwark compared to 11.7% in Lewisham and 13.3% in Lambeth (and 12.8% across London as a whole)[4].

Figure 2.8 below plots the representation of sectors in Southwark against growth in employees from 2009 to 2013. Representation is measured in terms of the Location Quotient for Southwark compared to London: i.e. the ratio of the proportion of Southwark employees in a particular sector compared to the proportion of London employees in that sector. This shows a healthy picture for Southwark: there is relatively good representation for a wide range of sectors which have shown strong growth in recent years. For example: property, professional, scientific and technical services, information & communications, public administration and transport. Conversely, there is relatively low representation of sectors which are declining, such as primary and utilities, manufacturing, construction and the motor trade. The retail and wholesale sectors have been fairly static in Southwark in recent years and have fairly low representation.

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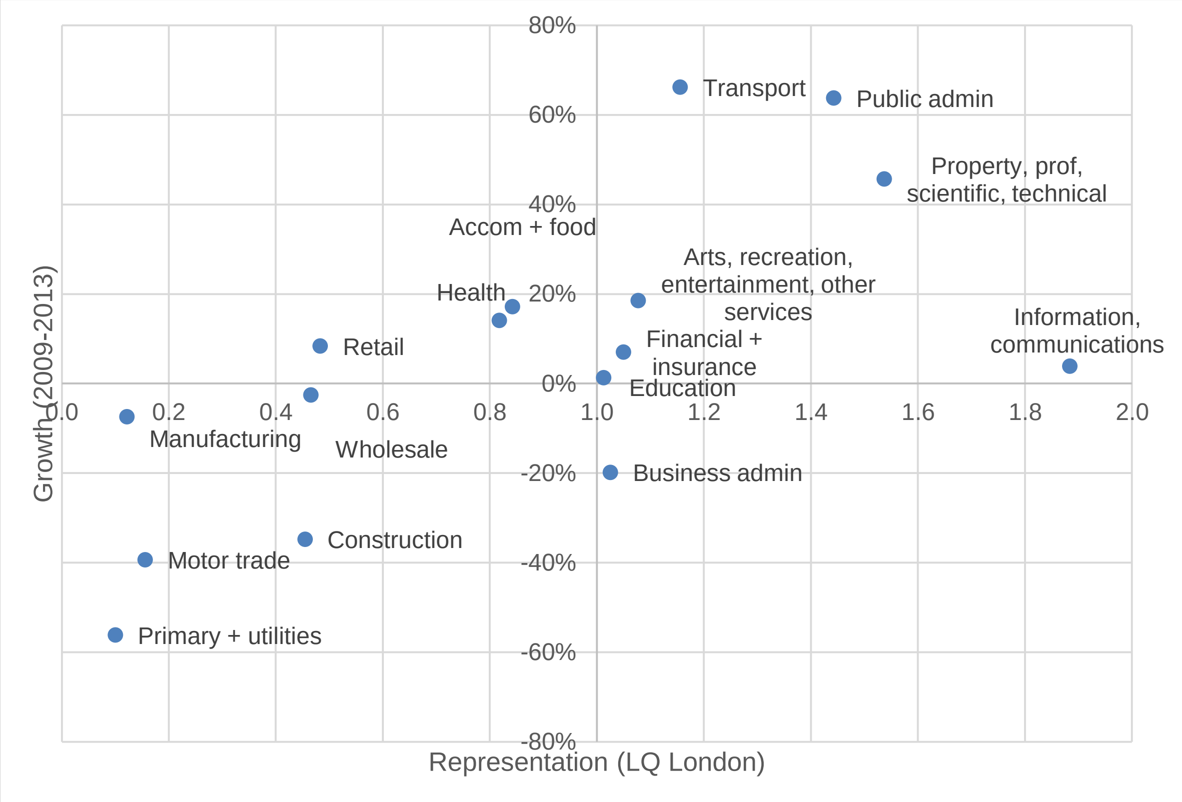
[3] Source: Job density, NOMIS.
[4] Source: Annual Population Survey, ONS.

Figure 2.8 Representation and growth of sectors in Southwark relative to London

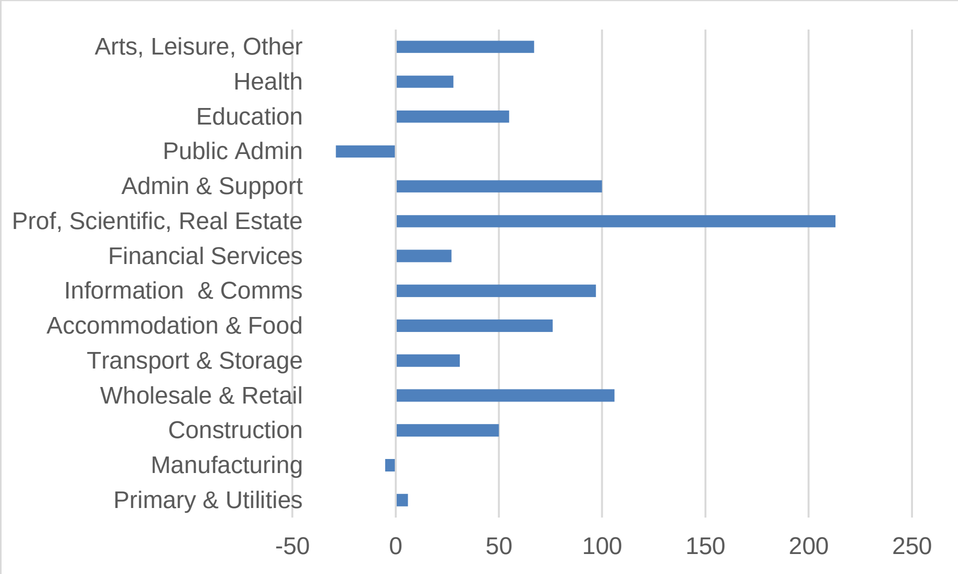


Source: BRES, NOMIS, ONS.

Table 1 in Appendix 1 shows more detail for particular sub-sectors which are well-represented in Southwark. This table shows the sub-sectors which have more than 500 employees in 2013, and which have a Location Quotient of more than 1.5 relative to London as a whole. Again, these sub-sectors are clustered in five sectors: transport services, public services, publishing/media/digital, professional services and second-tier office activities. The strongest growth and greatest concentration was in sub-sectors in the publishing/media/digital sector, professional and transport sectors.

For comparison, Figure 2.9 shows employment growth for London as a whole from 2009 to 2015. Consistent with the pattern in Southwark, there has been little growth in manufacturing, primary industry and utilities in London since 2009. Similarly, as in Southwark, there has been significant growth in the professional, scientific and real estate sectors (more than 200,000 more jobs), and also in administrative support and information/communications, each of which have contributed around 100,000 more jobs to London's employment since 2009. One striking difference between the pattern of growth for London and Southwark is that the wholesale and retail trades have grown in London but not in Southwark, which is consistent with the increasing concentration of the retail sector in certain parts of London. A second difference is that the number of public administration employees has grown overall in Southwark but fallen across London as a whole.

Figure 2.9 Employment growth by sector in London ('000 jobs) (Dec 2009 – Mar 2015)

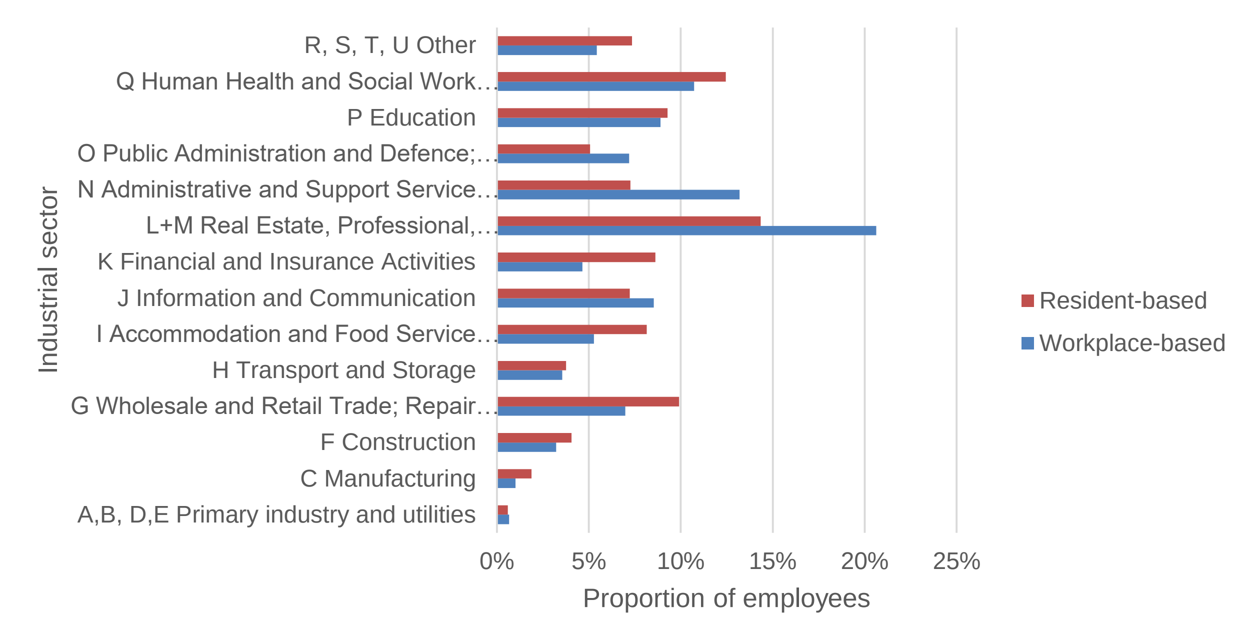


Source: Workforce jobs, ONS.

2.3 Labour Market and Travel to Work Analysis

The most important employment sector for both Southwark residents and Southwark workers is the property, professional, scientific and technical sector. In 2011 this sector employed over 20% of Southwark workers but only around 14% of Southwark residents. Southwark workers were also more likely than residents to be employed in public administration, administrative and support services and information and communications. Residents were more likely than workers to be employed in the financial and insurance sector, as well as accommodation and food services and wholesale/retail trades, as well as health and other services. This implies that Southwark is an employment destination for property, professional, scientific and technical services, administrative and support services and to a lesser extent information and communications and public administration. In contrast other boroughs are employment destinations for Southwark residents working in financial and insurance activities and the retail/wholesale trade, and – to a lesser extent – for health activities and arts, entertainment and other services.

Figure 2.10 Comparison of resident and workplace-based employment for Southwark



Source: BRES and Census, 2011.

At the time of the 2011 Census, more than 1 in 5 Southwark residents who were in employment worked within the borough, with a further 28% working in Westminster or the City of London. Other significant employment destinations for Southwark residents were Lambeth, Camden, Tower Hamlets and Islington.

As shown in Table 2.1, Southwark residents represented the largest group of Southwark workers. But workers also came from a wide range of inner and outer London boroughs, with Lewisham, Lambeth, Greenwich and Bromley being the most important.

Table 2.1 Travel to Work Analysis for Southwark (2011)

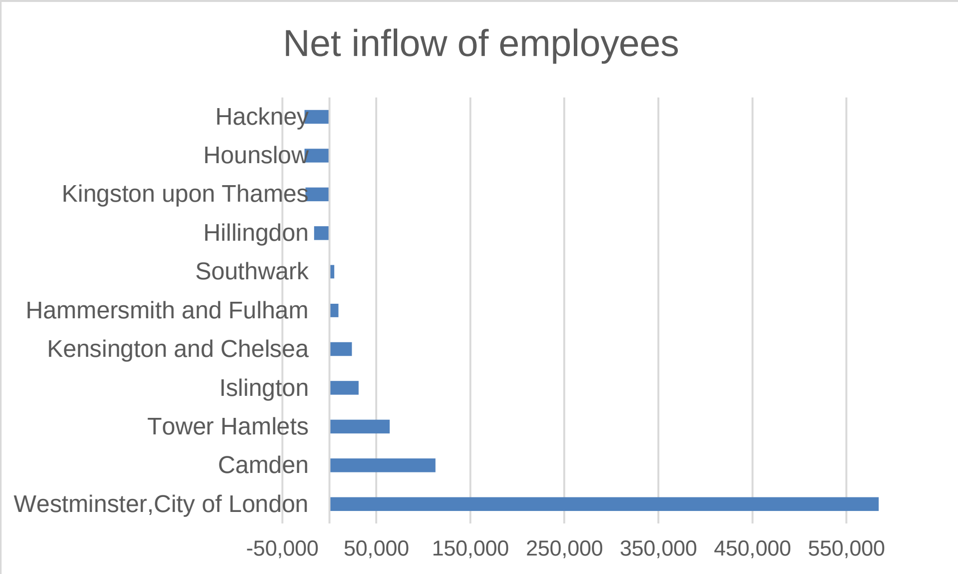
Where Southwark Residents Work		Where Southwark Workers Live	
Westminster,City of London	28.2%	Southwark	21.0%
Southwark	21.0%	Lewisham	10.6%
Lambeth	8.5%	Lambeth	7.8%
Camden	6.6%	Greenwich	6.0%
Tower Hamlets	6.5%	Bromley	5.1%
Islington	4.0%	Bexley	4.6%
Lewisham	2.8%	Wandsworth	4.1%
Kensington and Chelsea	2.5%	Tower Hamlets	4.0%
Wandsworth	2.5%	Croydon	3.8%
		Hackney	3.6%
		Islington	3.5%
		Merton	3.3%
		Newham	3.0%

Source: Census 2011.

In 2011 the number of people travelling into Southwark for work only just outnumbered the people travelling out of Southwark for work. About 101 thousand people from outside Southwark travelled to work in the borough, while around 95 thousand people from

Southwark travelled to work elsewhere in the UK, leaving a small net inflow of just over 5,000 people. While there are a few London boroughs which have a significant net inflow of employees (e.g. Westminster, City of London, Camden, Tower Hamlets, Islington), the majority of boroughs around Southwark have a net outflow (e.g. Lewisham, Lambeth, Wandsworth, Greenwich).

Figure 2.11 Net inflow of employees to London Boroughs



Source: Census 2011.

Southwark has fewer micro-enterprises relative to neighbouring boroughs and London as a whole (0-9 employees), but has relatively more small enterprises (10-49 employees) and medium-size businesses (50-249 employees). While there are few large organisations based in Southwark, the proportion of large enterprises (250+ employees) is slightly higher than for neighbouring boroughs and boroughs as a whole.

Table 2.2 Size structure of enterprises in Southwark (private and public sector)

	Southwark	Southwark %	Lewisham %	Lambeth %	Hackney %	Wandsworth %	London %
0 to 4	9,500	75.0%	85.4%	86.4%	79.2%	84.3%	78.9%
5 to 9	1,390	11.0%	8.3%	6.7%	11.1%	8.6%	10.7%
10 to 19	880	7.0%	3.7%	3.9%	5.5%	3.9%	5.5%
20 to 49	500	3.9%	1.8%	1.9%	2.7%	1.9%	2.9%
50 to 99	200	1.6%	0.3%	0.7%	0.8%	0.6%	1.0%
100 to 249	110	0.9%	0.3%	0.3%	0.4%	0.3%	0.6%
250 to 499	35	0.3%	0.1%	0.1%	0.1%	0.1%	0.2%
500 to 999	20	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%
1000+	30	0.2%	0.0%	0.1%	0.1%	0.1%	0.1%

Source: UK Business count – enterprises, ONS

The UK Competeveness Index (UKCI) produces an annual ranking of the competitiveness of UK local authority districts. In 2013 the UK Competitiveness Index ranked Southwark as the 4th most competitive locality in the UK (in a ranking of 379 local authorities), above many other London boroughs. Its competitiveness, as measured by the UKCI, increased significantly from 2010 to 2013 with its ranking increasing from the 10th to 4th.

To measure competitiveness the UKCI uses a bundle of different indicators as follows:

- input indicators - % of knowledge-based businesses; % of working age qualified to NVQ4; business registration per 10,000 inhabitants; businesses per 1,000 inhabitants; economic activity rate of working age population;

- output indicators – employment rate of working age population; Gross Value Added per capita; productivity; and

- outcome indicators – full-time weekly median pay; claimant rate unemployment.

Table 2.3: UKCI 2010 and 2013 top 10 localities (UK=100)

2013 Rank	Locality	Region	2013 UKCI	2010 UKCI	2010 Rank	Change 2010-13	Change in rank
1	City of London	London	773.6	688.4	1	+85.2	0
2	Westminster	London	203.4	202.5	2	+0.9	0
3	Camden	London	160.0	160.9	3	-0.9	0
4	Southwark	London	145.1	125.1	10	+20.0	+6
5	Kensington and Chelsea	London	141.1	133.6	7	+7.5	+2
6	Hammersmith and Fulham	London	140.0	141.0	4	-1.0	-2
7	Islington	London	131.6	137.5	5	-5.8	-2
8	Tower Hamlets	London	131.2	137.1	6	-5.9	-2
9	Wandsworth	London	126.5	129.1	8	-2.6	-1
10	Windsor and Maidenhead	South East	123.6	125.4	9	-1.7	-1

Source: UK Competitiveness Index 2013, Centre for International Competitiveness

2.4 Sub Area Analysis

To analyse employment patterns below borough-level, we have used three broad zones. These are broadly consistent with the analysis presented in the Southwark Industrial and Warehousing Land Study (2014), which differentiated the Central Activities Zone (CAZ) service economy in the north of the borough from the local service economy in the south of the borough. But we have split the northern area into two parts: the CAZ, consisting of wards that are predominantly within the CAZ, and the CAZ hinterland which lies beyond this. Our three sub-areas are therefore:

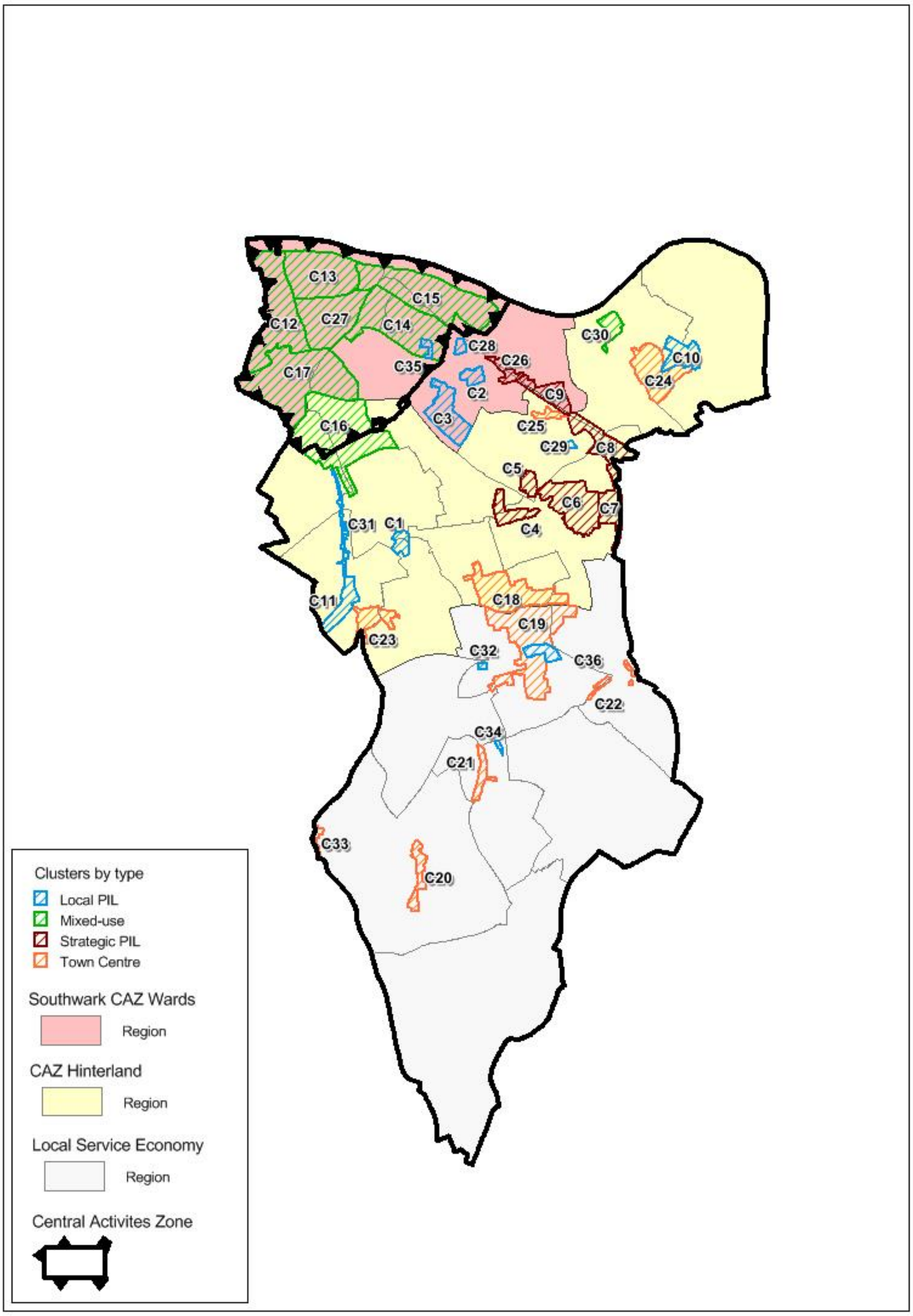
- the Southwark CAZ, consisting of four wards in the north west of the borough (Cathedrals, Chaucer, Grange and Riverside)

- the CAZ hinterland, consisting of 10 wards north of Camberwell Green and Peckham Road (Rotherhithe, Surrey Docks, South Bermondsey, Newington, East Walworth, Faraday, Livesey, Camberwell Green, Brunswick Park and Peckham); and

- the South of the borough, a local service economy, consisting of 7 wards in the south of the borough (South Camberwell, The Lane, Nunhead, East Dulwich, Peckham Rye, Village and College).

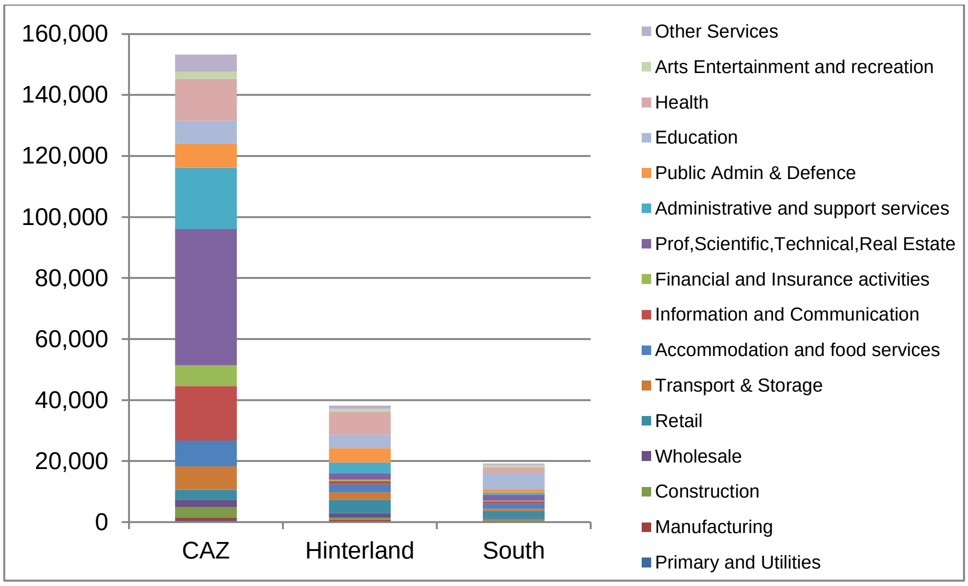
These areas are illustrated in the map (Figure 2.12) below.

Figure 2.12 Southwark Sub Areas and Employment Clusters



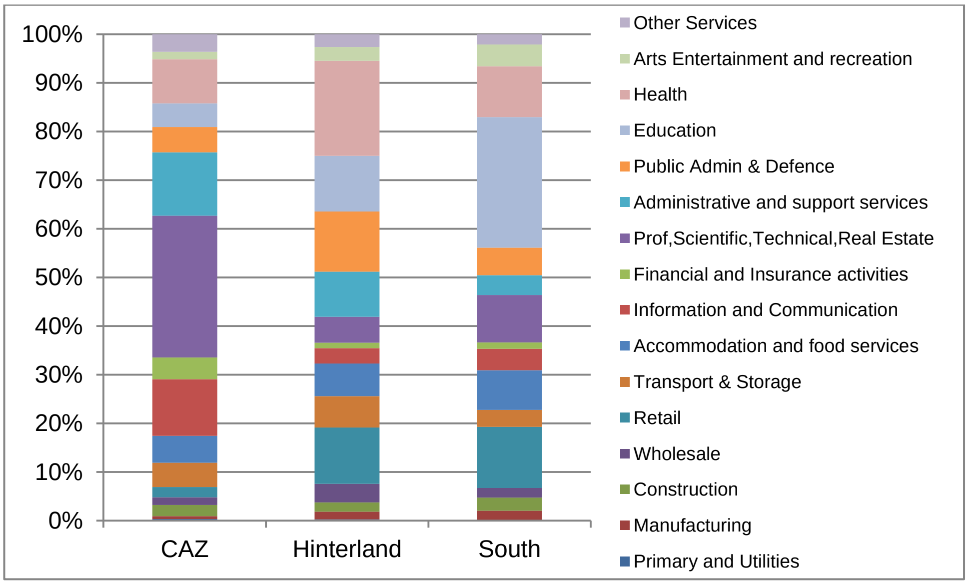
The comparative employment size and structure of these sub-areas is illustrated in Figures 2.13 and 2.14.

Figure 2.13 Total Employment by Sub Area



Source: BRES 2014, ONS.

Figure 2.14 Comparative Employment Structure for Southwark Sub Areas



Source: BRES 2014, ONS.

Southwark CAZ

We have defined the Southwark CAZ as the wards bordering the Thames, covering More London, Borough Market, down to the Elephant & Castle and northern end of the Old Kent Road. At the time of the 2011 Census, there were 50,300 residents of working age living in these wards (aged 16-74), representing 22% of the borough's working-age population. Employment levels are high: in 2011, 73% of these working-age residents were economically active and 68% were in employment.

A high proportion of residents in these wards have professional, technical or scientific occupations (30.1%) or managerial/senior officer roles (13.1%). A further 19.9% have associate professional occupations, with only 8.9% in elementary occupations[5] .

In 2014 these four wards provided 72% of Southwark's jobs, attracting workers from other parts of the borough and beyond. According to BRES data, the dominant sectors were property, professional, scientific and technical (29.2%) followed by business administration and support services (13.0%) and information and communications (11.7%), while the health sector represented 9.0%.

CAZ Hinterland

This area covers the ten wards between the Southwark CAZ and Camberwell Green/Peckham Road and the development areas around Canada Water and Surrey Quays. According to the Southwark Industrial and Warehouse Land Study (2014), this area is increasingly becoming a service economy for the CAZ. It has a number of mixed use areas, a high proportion of social housing (e.g. the Aylesbury Estate on Walworth Road) and several large hospitals (Guys Hospital, the Maudsley and parts of King's Hospital).

This area houses 47% of Southwark's working age population (104,900 people in 2011). Employment levels are slightly lower than in the CAZ Fringe: 72% of working age residents are economically active and 65% are in employment.

Compared to the Southwark CAZ, a greater proportion of residents in this area are in elementary occupations (15.3%), while fewer are in managerial roles (8.7%) or professional/technical/scientific occupations (21.0%). A further 15.0% are in associate professional roles[6].

These ten wards provided 18% of Southwark's jobs in 2014. A high proportion of these were in the health sector (19.5%) with public administration (12.3%), retail (11.6%) and education (11.5%) all well represented. Office sectors like professional, scientific and technical services only accounted for 5.4% of jobs. Manufacturing represented only 1.6% of jobs in this area

South of the borough

The seven wards in the south of the borough, south of Camberwell Green and Peckham Road, are home to 31% of the borough's working age residents. In 2011 the working-age population in this area was 69,400. Economic activity rates are similar to the CAZ and higher than the CAZ Hinterland, with 75% of working age residents being economically active and 70% being in employment.

The relative affluence of this area, compared to the CAZ Hinterland, is consistent with the occupational profile also being similar to the Southwark CAZ. Census data for 2011 shows that 29.5% of residents in this area had professional, scientific or technical occupations, with 11.4% in managerial roles and a further 19.0% in associate professional roles. Only 8.3% of residents had elementary occupations, which is very similar to the CAZ.

[5] Census 2011
[6] Census 2011

While the southern wards house 31% of working age residents in Southwark, they provided only 9% of employment in 2013[7]. This implies that residents in these wards will tend to travel to work in other Southwark wards or elsewhere. A high proportion of the jobs in the Local Service Economy area are in education (27.3%), because of schools located in or close to Dulwich such as the Charter School, Alleyns, JAGS and Dulwich College. Retail represents a further 13% of jobs, while health is still fairly high (10.6%) and professional, scientific, technical jobs represent a further 10.5%.

2.5 Demand for employment land

The focus of this employment land study is on 'B' class land uses including:

- offices including those for public administration (Class B1a);
- research and development (Class B1b);
- light industry (Class B1c);
- general industrial uses (Class B2);
- storage and distribution e.g. warehouses (Class B8); and
- sectors or individual employers important to the local economy (e.g. transport, waste management).

While facilities such as schools, further education colleges, health services and retail premises are important employers within some parts of Southwark, they do not fall within these land use classes and are therefore not directly relevant to this review.

We estimate that just under half, 46.5%, of all jobs in Southwark are in B-space activities. Of this total 41.5% are in office type employment and 5.0% are in industrial employment. The proportion of B-space jobs is highest in CAZ at 56.3%, of which 51.9% are office jobs.

91.1% of all office jobs are in the Southwark CAZ compared with 72.8% of all jobs. Industrial jobs are also more strongly represented in the CAZ which has 63.0%, compared to 26.3% in the Hinterland, whilst the South of the borough accounts for 13.9%.

The local service area in the South of the borough accounts for just 4.4% of office jobs and 9.1% of total jobs.

[7] BRES, ONS.

Table 2.4 B-Space Jobs in Southwark by Land Use Type

	CAZ	Hinterland	South	Southwark
Manufacturing	966	614	378	1,951
Other Industrial	2,588	582	330	3,486
Wholesale	3,143	1,598	454	5,185
Total Industrial Jobs	**6,697**	**2,794**	**1,162**	**10,622**
Office	**79,603**	**4,194**	**3,755**	**87,403**
Total Jobs	**153,242**	**38,121**	**19,152**	**210,516**
	CAZ	Hinterland	South	Southwark
Manufacturing	49.5%	31.5%	19.4%	100.0%
Other Industrial	74.2%	16.7%	9.5%	100.0%
Wholesale	60.6%	30.8%	8.8%	100.0%
Total Industrial Jobs	**63.0%**	**26.3%**	**10.9%**	**100.0%**
Office	**91.1%**	**4.8%**	**4.3%**	**100.0%**
Total Jobs	**72.8%**	**18.1%**	**9.1%**	**100.0%**

Source: BRES/CAG

2.6 Conclusion

Like most London boroughs, Southwark has been experiencing a period of rapid population growth and with a population of around 300,000 it is equivalent in size to a medium sized UK city. The Southwark resident workforce shows contrasting labour market characteristics. Economic activity rates in Southwark are above the London average but so are unemployment rates. Southwark has a well-qualified workforce and a higher proportion of managerial and professional workers than the London average but also a higher portion working in elementary occupations.

Many Southwark residents work in central London with just 21% working in the borough itself. But the large outflows of Southwark workers are almost exactly matched by workers travelling in to the borough, mainly from other south London boroughs.

Employment in Southwark has grown rapidly since 2000, increasing by 41%, or 74,000 jobs, from 2000 to 2013, compared to 16% for London. Employment growth has been particularly strong in professional, scientific and technical services and in administrative and support services. Southwark has developed strong representation around publishing/media/digital activities; professional services; and some public services activities such as health, education and transport services.

Employment in Southwark is located predominantly in the north of the borough with over 70% of all employment and over 90% of office employment located in the wards which make up the Southwark CAZ. The wards forming the CAZ Hinterland, north of Camberwell Green/Peckham Road, account for just under 20% of all employment in the borough, whilst the south of the borough accounts for under 10% of employment, mainly in local service activities.

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3 Property Market Profile

3.1 Context

In terms of employment land, the London Borough of Southwark is a borough of three contrasting areas. The first is the riverside and its near hinterland, including areas such as Guy's Hospital and Borough High Street, which, over the past two decades, has emerged as a major business and cultural district stretching westwards from Butler's Wharf (and other Wharfs) east of Tower Bridge to Bankside and the area east of Waterloo Station. The transformation of the area has been astonishing given that the raw material was a series of redundant wharfs and even a disused power station. This is the area noted as the Southwark CAZ in the preceding chapter.

The second distinct area in the borough stretches from the mainline rail route down to, and just beyond Old Kent Road. This area is typified by a much more industrial character, with older stock, lower margin businesses and less intensive land uses. Here are to be found a plethora of businesses involved in 'servicing the services', i.e., providing a host of services and products to businesses in central London. This is the area noted as the CAZ Hinterland in the preceding chapter.

The third area in the borough lies further south from Camberwell and Peckham and beyond. The stock is diverse; generally older and in poorer condition. The commercial property is concentrated in the town centres, and much of the office stock occurs within converted residential space rather than purpose-built buildings. Most office activity here is serving local needs, such as financial advice, legal advice, technology support, and property services. This is the area noted as the South in the preceding chapter.

The recent history of the borough's stock of property gives a clear indication of the overall dynamics of the commercial property market. Between 2000 and 2012 industrial floorspace stock fell from 1,197,000 sq m, to 798,000 sq m. Over the same period, its stock of office space grew from 1,033,000 sq m to 1,270,000 sq m.[8] More recent estimates from commercial property agents Union Street Partners (USP) suggest this stock figure has since risen further with USP reporting 1,400,000 sq m in Southwark's area of the CAZ. The rise of the office stock reflects the regeneration of the South Bank and, in particular, the delivery of More London and more recent developments including Land Securities' Bankside project and several other smaller schemes.

This chapter has been widely informed by discussions with locally active property agents and various publications of firms including Carter Jonas, Cushman & Wakefield, DTZ, Lambert Smith Hampton and Union Street Partners[9].

[8] VOA (2012) *Commercial and Industrial Floorspace and Rateable Value Statistics, 2012*

[9] Discussions were held with Farebrother, Field & Sons, Kalmar, Lambert Smith Hampton and Tuckermans.

3.2 Office market

During the past two decades the South Bank office market in Southwark has been transformed. The transformation is perhaps most notable for the fact that it has involved the relocation of core City firms from across the River. For example, More London attracted Ernst Young, Norton Rose and PricewaterhouseCoopers (among others) while Bankside attracted (initially) the Royal Bank of Scotland to be followed by The Omnicom Group and IPC Media (from nearby). Also in the past year, News Corp has leased around 43,000 sq m at The Place, while UBM and Boodle Hatfield have both pre-leased space at 240 Blackfriars Road.

The developments at Bankside, More London, The Place and The Shard alone have added a combined 550,000 sq m of prime central London office market space to the borough (in context, this is larger than Broadgate in the City). This has helped create critical mass and led to the area's recognition as a *bona fide* component of the central London office market. These factors should not be forgotten in assessing prospects for the area.

Take-up of prime Grade A space during 2015 and into 2016 is expected to be significantly below recent historic trends, due to the lack of new supply. As noted by Union Street Partners, with the exception of South Bank Central SE1, which will deliver around 22,000 sq m during 2016, the next wave of development is not due until 2018 (and that is just over the Southwark/Lambeth border at Shell Centre and Elizabeth House at Waterloo).

Prime rents along the South Bank are now running at around £52 per sq ft, which compares to £60 per sq ft in Midtown and the City.

Despite the arrival of large office schemes, the South Bank office market in Southwark remains characterised by the presence of a large number of Small and Medium-sized Enterprises (SMEs), many of which are dependent on clients in the City and West End for business. Blackfriars Road, Borough High Street and Southwark Street are typical in this respect. Another good example is Bermondsey Street.

Figure 3.1 75 Bermondsey Street

75 Bermondsey Street (right) typifies the multi-let buildings with a wide spectrum of occupiers. The building is clearly a nineteenth century converted warehouse building which has been refurbished to a good, modern standard. However, it is not a *corporate building*; it is designed with SMEs in mind.

Within this building are the following firms: Agent (account management); Animl (digital marketing); Beyond (design); Encore (digital media); Kurt Geiger (fashion); Lexis (creative communications); Morar Consulting (marketing); Next 15 (business investment) and Reverb (event management). The sector spread is diverse but, clearly, their premises requirements are reasonably uniform. They also all share a desire to be close to the centre of London; but not to the extent of a prime location or rent.

Figure 3.2 Woolyard

Also in Bermondsey Street is another relatively new development, known as Woolyard (left). The development comprises an integrated set of three new and historic buildings, providing simple and flexible space. The buildings combine refurbished, nineteenth century warehouse buildings with modern, Grade A office space. The buildings are designed around a gated, private courtyard.

The businesses here include the following: Bancroft Wines (wine trade); Foreman Roberts (building consultancy); Foresight (training); Forest Technologies (computer consultants); Mid Vision (marketing services); Puppet Labs (data management); Pure White (design and marketing); The Studio (photography) and ZPB (marketing).

The point about this long list of businesses, and those listed for 75 Bermondsey Street, is that they illustrate the vital role played by Southwark's refurbished stock in supporting the kinds of businesses which are so critical to London's current and evolving economic structure. Some of these firms will be seeking to grow rapidly and significantly; others will be planning stable but sustainable trading. They represent a range of sectors and undertake a wide range of activities.

Most are 'knowledge-based' businesses. Typically they are modern businesses: by and large technology-based (whether directly as providers or indirectly through their business process), occupying small units in what is clearly a 'community of businesses'.

Further away from the river, Southwark's office market takes on a different complexion. The office stock that is located here comprises relatively older stock, much of it either converted residential space or high street offices in centres such as Camberwell and Peckham. Table 3.1 illustrates this point by showing availability of space, by quality (Appendix 2 contains a map showing the sub-markets referred to in Table 3.1). Quite clearly, availability in Bermondsey, Borough West and SE17 is dominated by poorer stock, in contrast to Bankside and London Bridge. With the exception of London Bridge, the availability ratios are very low (at less than 2%) and are lower than in many other central London sub-markets.

Table 3.1 Office availability in Southwark sub-markets, Q1 2015

Sub Market	Availability	% of Total Available by Type		
	%	New Grade A	Second Hand Grade A and Refurbished	Second Hand Grade B
Bankside	1.9%	35%	39%	26%
Bermondsey	1.5%	-	8%	92%
Borough West	1.6%	-	26%	74%
London Bridge	8.2%	75%	9%	16%
SE17	0.3%	-	-	100%

Source: Union Street Partners *The London South Bank Offices and Retail Markets*, 2015 Q1

The stock is predominantly occupied by smaller business serving more local needs than is the case on the South Bank. According to the London Development Database data there has been minimal new office development outside the SE1 South Bank area since 2005, and a net loss of space everywhere except SE15 which saw a marginal net gain. Further, most of the new office development outside the South Bank, such as it is, consists of converted residential stock and premises above retail property. New development for small offices struggles to compete with strong and rising residential land values.

Most of the local office market is concentrated in town centres and along high streets in mixed use buildings. They are generally well-served with bus routes and relatively inexpensive. Camberwell, Elephant & Castle and Peckham are good examples of small, local office concentrations.

3.3 Hybrid space market

Employment Land Studies traditionally assess commercial stock in terms of the conventional office, industrial and warehouse use classifications. Obviously these uses relate to the Use Class Orders of B1, B2 and B8, respectively. However, this traditional interpretation of commercial property is increasingly challenged by fundamental changes in the economy that are resulting in new demands on buildings and building design.

Figure 3.3 Leather Market

As is well documented elsewhere[10] there has been a particularly strong growth in recent years (across London) in firms seeking 'hybrid space' – normally older, industrial-style stock that has been refurbished not as high quality office stock, but as studio/light production space, or low specification office space (non-air conditioned; revealed ceilings, flexible and collaborative). Of course, such space has been particularly attractive to the creative and digital

[10] See for example: URS (2014) *Places of Work: Incubators, Accelerators and Co-working Spaces* for the GLA

sectors (as exemplified around Old Street).

Such space has also been in high demand in Southwark, and there are a number of co-working and incubator spaces now available, including: Club Workspace (at Bankside, Kennington Park and London Bridge); Co-Work Borough (Borough High Street); Junction 9 (Mill Street); Renaissance Works (Bermondsey Street); Sustainable Bridges (London Bridge); Traveltech Lab (More London) and WeWork (Upper Ground).

Near Tower Bridge in Clements Road, there is The Biscuit Factory, a managed business centre run by Workspace Group, which offers 'affordable' and flexible small offices and studios to more than 100 occupiers, with relatively little available in the near future. Workspace Group operates similar facilities at Cargo Works (1-2 Hatfields); Metal Box Factory (Great Guildford Street); Mill House (Mill Street); Leather Market (Weston Street); Linton House (Union Street) and Little London (Mill Street).

Leather Market is illustrated at Figure 3.3. The fact that Workspace has invested so much in the area is indicative of its inherent attractiveness to start-ups, small and micro businesses in a range of sectors from digital to professional services.

The three largest South Bank lettings of 2015 Q1 were all to hybrid space operators. Workspace leased 60,000 sq m at Edinburgh House, Kennington Lane (just outside Southwark); One Avenue Group leased 3,300 sq m at 25 Lavington Street and Instant Offices took 3,000 sq m at 230 Blackfriars Road. Demand from flexible space operators is said to be strong, based on identified customer demand from predominantly small businesses based in south and south east London that want a presence at a site with good access to the central area.

The rise of the hybrid space market is an important and growing phenomenon; and in the following sub-section we discuss the industrial market and the growing presence of ‘industrial service’ activity. Both trends are related to the growing diversification of occupiers around the Central Activities Zone, and to the spreading of activities away from the core as rents there rise sharply. In their recent study[11] of industrial and warehousing land in Southwark, GVA note that “*Southwark has become a prime location for these ‘servicing’ activities, with their presence underpinning occupancy rates in a number of locations*”. Just as Grade A office development has spilled over the River in recent years, so too there is growing demand from ‘industrial service’ activity seeking lower cost accommodation and suitable premises. Southwark, and its neighbouring boroughs, thus performs an important function in terms of providing space in which to nurture those businesses that are so critical to the efficient functioning of the growing central London economy.

Of course there is an inherent tension in this observation because the further that supporting ‘industrial service’ activity is displaced from the centre, the higher that operating costs become in terms of, for example, travel times and costs.

GVA underscore the changing nature of occupiers and the consequent rise in demand for hybrid space. Their work notes that changes to industrial processes are *“changing the nature of space demand. Even traditional industrial activities require increasing proportions of office floorspace as design and engineering techniques change”.* The report draws

[11] GVA (2014) *Southwark Council Industrial and Warehousing Land Study*

attention to newer stock at the Bricklayers Arms Distribution Centre and the Glengall Business Centre as evidence of this new type of occupier.

3.4 Industrial market

Southwark contains a significant concentration of 'industrial' activity, and demand for property remains strong. However, the industrial market has undergone (and continues to undergo) significant change. Manufacturing activity has all but disappeared; and has been replaced by much 'industrial service' activity (often accommodated in the hybrid space referred to above). This comprises two generic activities: firstly, distribution and, secondly, the plethora of activities required to support the central London economy (building services, cleaning, food, printing, and so on). The former typically requires large, low density sites and buildings; the latter typically require smaller, but flexible and relatively cheap premises.

The recent study by GVA referred to the strong industrial market in Southwark.[12] It cited 232 deals between 2007 and 2013, totalling over 145,000 sq m of space. Moreover average rents over the period stood at £105 per sq m (£9.75 per sq ft) "*which is higher than many of London's core industrial locations such as the Thames Riverside and Upper Lea Valley*." The same report noted a sharp fall in demand as a result of the recession (particularly 2008-09), but that the market recovered to pre-recession levels (of 25,000-30,000 sq m per annum) in 2010, 2011 and 2012. This suggests a certain resilience in the market, perhaps linked to the area's 'industrial service' activities, particularly those linked to the central London economy.

The GVA report also highlights that the predominant demand for industrial stock within Southwark is for smaller units. It cites an average deal size over the period 2007-13 of 637 sq m. This is relatively small for the industrial market and reflects the importance of 'industrial service' activity rather than larger, lower density distribution and logistics activity.

Between 2007 and 2009, inclusive, industrial rents were steady at between £110 per sq m and £120 per sq m, rising briefly to a peak in 2010 of c.£130 per sq m The GVA report notes a downturn in values since 2010, falling to around £80 per sq m in 2013. Since this time, anecdotal evidence suggests that rents have recovered somewhat. A review of properties currently available suggest that quoting rents are currently running at around £90-110 per sq m (£9-£11 per sq ft).The recovery in industrial rents reflects a healthy demand market and falling availability. It also reflects a lack of new supply (see below). The consequence of this is that overall vacancy rates have fallen in recent times. The GVA study notes 58 available premises in September 2013, yielding around 30,000 sq m of space. There has been no comprehensive review of availability since, but rising rents suggests a tightening of demand and availability.

Overall, the stock of industrial premises in the borough is ageing and deteriorating. There has been very little new stock added in recent years; and there seems little prospect of this situation changing (Glengall Business Centre, referred to below, is a notable exception). This is an important consideration in policy approaches to stock retention because as stock dwindles in specific locations, it loses critical mass; and as it does so it loses its attractiveness. Add to this the fact that it is ageing, and the prospects of reinvestment for industrial use shrink dramatically: industrial land values make such a prospect unviable.

[12] GVA (2014) *Southwark Council Industrial and Warehousing Land Study*

The borough’s stock of industrial space includes a large concentration of industrial land between the mainline railway and Old Kent Road bounded to the east by the border with Lewisham. In addition to this major area, and spread around the rest of the borough, is a constellation of clusters from the Old Kent Road around to Peckham and through to Camberwell. Industrial property south of this area tends to operate within the local economy, servicing local businesses and individual customers.

GVA note that the occupiers of Southwark’s industrial stock have changed significantly in recent years. Mention has already been made here of ‘industrial service’ activity (see section 3.3) and of the spreading of lower cost occupiers away from the Central Activities Zone. GVA note a number of occupiers, including both multi-national companies providing support services to the City and surrounding business districts, and SMEs and local businesses utilising the cheaper properties that are available. GVA note the following as significant demand sectors.

- food production and preparation;
- retail warehouse;
- commercial printing;
- international courier and secure mail service;
- industrial laundry;
- document and data storage;
- waste transfer, management and recycling;
- building services;
- construction staging, materials and aggregates; and
- administrative support (bus depots, police, etc)

There is considerably more B8 floorspace in the area compared to B2, with the market for the latter continuing to decline because of structural economic change and the disappearance of manufacturing from inner London.

Figure 3.4 (left) shows a typical example of a large, low density space use on Mandela Way. SIG is a leading supplier of products required for the interior fit out of office buildings, and this facility clearly provides the firm with a space from which to service client sites in central London. The vast majority of the products SIG distributes have been manufactured by other companies.

Figure 3.4 (right) shows a typical example of a building previously used for local servicing purposes. The building was occupied by an electrical trade wholesale business. Whatever the reasons for the closure or relocation of the business, the relevant point is that, given rising land values for other uses, and given the relative isolation of this single unit, there are likely to be strongly competing uses for the premises in the future.

Figure 3.4 Typical distribution space (left) and local service space (right)

There are two main features of Southwark's stock of industrial premises that stand out above others. The first is that, inevitably due to lack of replacement, stock is ageing and much can be seen to be in a relatively poor state of repair. Secondly, the erosion of stock to other uses is reducing the sustainability, or viability, of some remaining sites/areas of provision. The one exception to this generalisation is, perhaps, the B8 market, which in some areas shows some resilience (although this must be caveated by the fact that there is a growing pipeline of unimplemented consents that are due to lead to a significant reduction of B8 space (see section 3.5)).

Figure 3.5 shows an example of a site that is deteriorating. The site is near the junction of Old Kent Road and Rotherhithe New Road. It sits opposite the construction site of the Bermondsey Works residential development. Clearly the business activity is marginal and the premises are in a deteriorating condition. It is difficult to envisage any future for this site other than residential or mixed use development.

Despite the overall picture of decline in industrial uses, there are some economically marginal uses that, while perhaps not thriving, are very active. Like many other central London boroughs, Southwark is traversed by rail lines into mainline termini. The arches of these rail lines are frequently used to accommodate small businesses providing an array of services, both to the local economy and to central London. Figure 3.6 shows one such example in Enid Street.

Figure 3.5 Example of site under threat from residential encroachment

Figure 3.6 Example of marginal economic activity

Other notable examples of railway arch activity occur at Walworth Road in the west of the borough and at Dockley Road, Clements Road and Raymouth Road, all between Bermondsey and South Bermondsey. Network Rail recognises the actual and potential demand for space within its arches, and is actively nurturing the market. It is thought that Network Rail is currently planning the refurbishment of 16,000 sq m of arch space; around 20,000 sq m has recently been brought back into use on Almond Road, and there will be further such development following the completion of Thameslink in 2018. The 'rail arch economy' is an important one: it provides a range of functions that cannot take place elsewhere (for economic reasons), and it is not vulnerable to residential encroachment like the wider industrial market.

It is perhaps obvious but worth stating that the extent and linear form of the viaducts mean that they have very different roles depending on the character of the neighbourhood they pass through (and Network Rail's investment strategy therefore responds to this). For example, in town centres such as Peckham and Elephant & Castle, they typically have town centre uses (e.g. food and drink); whereas in other areas they support more traditional industrial/distribution uses (which, in some instances, have become specialised, such as the Druid Street/Maltby Street/Dockley Road 'Spa Terminus' food production cluster).

Where replacement light industrial stock has been developed, the results appear to be positive. One such rare example of a relatively modern, light industrial development is Glengall Business Centre on Glengall Road. Figure 3.8 shows the modern nature of the buildings, with good quality, double-height space, office content and car parking.

Glengall Business Centre provides a very good example of the diversity of businesses occupying light industrial estates not only in Southwark but across large parts of London. The businesses here include: Ambius (office planting); Berkeley Catering (catering); McKenzie Clark (printing); Morrisons (facilities management); Perfect Colours (printing); Philip Kingsley (beauty care products); Science Ltd (art gallery); Standage (construction) and Tracgroup (office supplies).

Figure 3.7 Example of relatively modern, replacement industrial stock

Southwark's industrial property market has been experiencing significant pressure from alternative uses, most notably of course residential (see loss of B-space below). Figure 3.8 shows an example of residential land encroaching on industrial uses. Here, in the Spa Road, Neckinger Road and Grange Walk area (previously employment cluster C2 from the URS Employment Land Review in 2010[13]), much of the employment stock has disappeared.

[13] URS (2010) *London Borough of Southwark Employment Land Review*

Figure 3.8 Example of residential uses encroaching on industrial land use

There is little question that, with London's population growing sharply and with the acute need to build more homes, less intensive commercial land uses in the borough will come under further pressure and significant parcels will need to yield to conversion.

It is not only from the residential sector that industrial property supply is being squeezed. A relatively small and important influence in this respect has been the rise in demand for industrial premises from non-employment activities. GVA's report notes in particular the "*recent demand for new, large scale places of worship*", which are increasingly "*clustering in industrial sites where stock is no longer meeting business needs, buildings are vacant and rents low all of which drive landlords to seek any form of occupier to cover costs*". The report notes specific such clusters within the Ilderton Road/Penarth Street and Consort Road/Copeland Road areas.

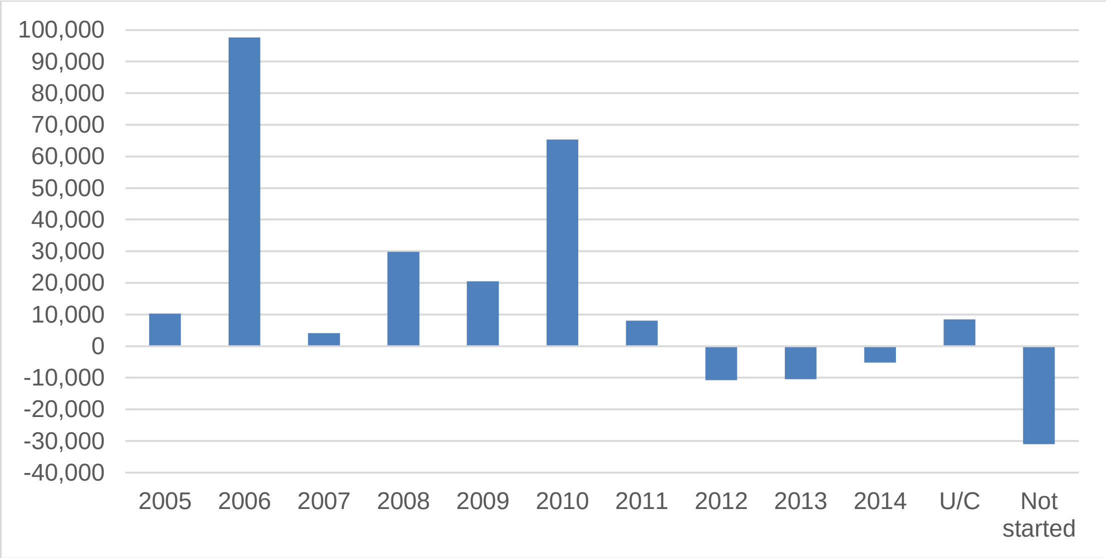
It should also be recognised that the loss of industrial space was well underway before the recent sharp rise in demand for housing: regional and national economic restructuring has led to a sharp decline in demand for manufacturing premises – although the same process has supported demand for equally low intensive use as warehouse and distribution space.

3.5 Commercial to residential conversion activity

As already noted, and widely understood, commercial property in Southwark and elsewhere in London is experiencing severe competitive pressure, particularly from the residential market. The extension of permitted development rights (PDR) has caused a particularly sharp uptick in conversion activity. Figure 3.9 shows the net change in B1a office space over the past 10 years, and the planning pipeline.

Give the very large scale of development between Tower Bridge and Blackfriars Bridge over recent years, it is no surprise that Southwark saw a substantial net gain to stock in the period before 2010. However each year since then has seen a net loss of office stock, and although space currently under construction will produce a small net gain, that which has consent but yet to start will lead to the loss of over 30,000 sq m.

Figure 3.9 Net change in B1a space, Southwark, 2005 to present



Source: London Development Database

Figure 3.10 shows the largest losses (greater than 1,500 sq m) of B1a floorspace, either completed or under construction, since 2005. Out of 226 such schemes in the London Development Database, 117 involve loss of B1a space. It should be noted that although Sea Containers House lost more than 11,000 sq m less B1a space during its refurbishment, it remains a substantial office building. The same is generally not true of the other schemes.

The table shows losses of only B1a floorspace though some of the schemes also include losses of other forms of B-class employment space as well.

Given that this loss of space is highly unlikely to be from the new Grade A office stock, the concern must be that secondary office space is being lost. Such space provides important economical space for the many services that support businesses in CAZ, including that part in Southwark.

Figure 3.10 Losses of B1a-use space (complete or under construction), since 2005

Address	B1 lost (sq m)
Sea Containers House, 20 Upper Ground SE1	11,025
128-150, Blackfriars Road	10,741
Bankside Industrial Estate, 118-122 Southwark Street SE1	5,981
South, West, Central and East House, Peckham Road SE5	4,973
40-46 Weston Street SE1	4,079
19 Spa Road SE16	4,050
201-211 Long Lane SE1	3,600
144-152 Walworth Road SE17	3,500
Universal House, 294-304, St. James Road	3,301
Chambers Wharf, Chambers Street SE16	3,270
Surrey House, 20 Lavington Street SE1	3,086
King's Reach Tower, Stamford Street SE1	2,953
Bermondsey Spa Site, Grange Walk' SE1	2,734
Pocock House, 235 Southwark Bridge Road SE1	2,598
Site Bounded by Grange Walk, Grange Yard and The Grange	2,317
Newington Industrial Estate, Crampton Street SE17	2,303
268-282 Waterloo Road SE1	2,178
Ruby House, Ruby Street SE15	2,050
Pelican House, 88-96 Peckham Road SE15	2,000
29 Peckham Road SE5	1,907
London Bridge Station, 64-84 Tooley Street SE1	1,860
506-510 Old Kent Road SE1	1,813
28-30 Trinity Street SE1	1,780
15 Spa Road SE16	1,692
284-302 Waterloo Road SE1	1,656
Palace House, 3 Cathedral Street SE1	1,627
Site adjacent to former St Giles's Hospital, St Giles's Road SE5	1,599

Source: London Development Database

Figure 3.11 shows the same dynamics in the other B-use classes. The loss of B8 space relative to B1c and B2 is striking, reflecting both the large amount of B8 space surviving to recent times, and the growing pressure on low density uses.

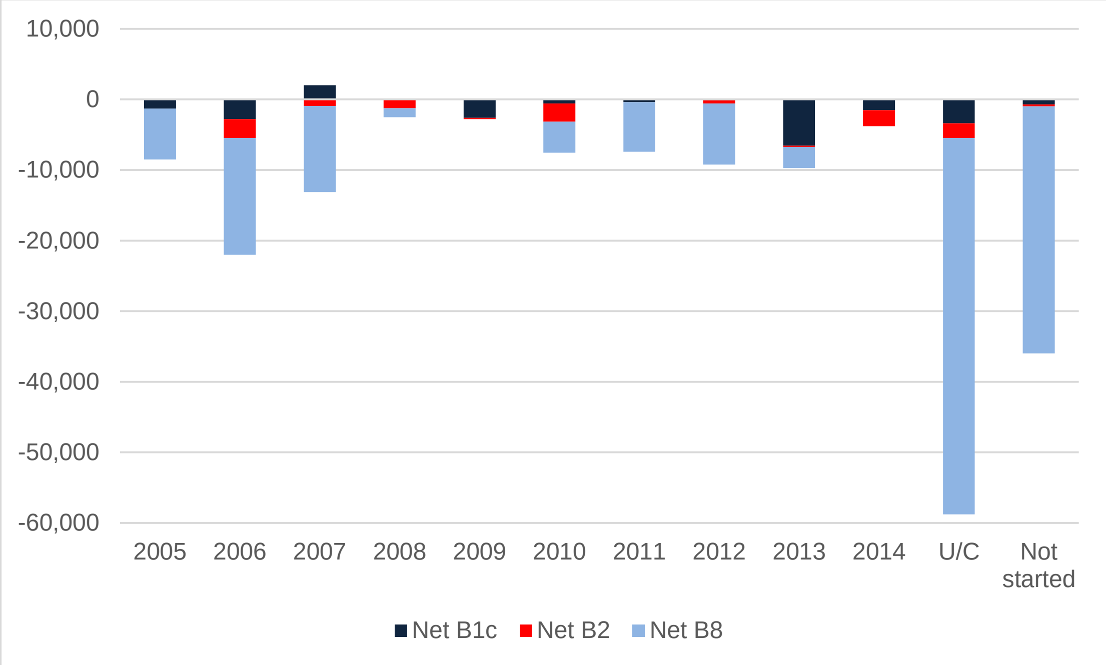
Relatively little of this space will be in the Opportunity Areas in the north of Southwark, and evidence from our site visits, and comments by agents, suggest that the entire borough is under severe pressure for conversion to other uses, notably residential. One agent said:

"With values for industrial in the £80-150 per sq ft range and residential from £600 to £1000 per sq ft, then look at it from an owners' point of view."

The clear suggestion is that the sheer force of market power is irresistible. Another agent cited the case of a property it had valued for residential on Ilderton Road at around £750 per sq ft, noting that it was:

"… a good old walk to any transport."

Figure 3.11 Net change in B1c, B2 and B8, Southwark, 2005 to mid-2015



Source: London Development Database

Figure 3.12 shows a recent residential development off Neckinger Road which has replaced employment land including industrial property and an old Town Hall (previously cluster C2).

Figure 3.12 Recent residential development

That there are unimplemented consents creating a net loss of more than 30,000 sq m of B8 space is a source for concern. ONS Neighbourhoods Statistics data show that Southwark's stock of factories and warehouses in 2008 (the most recent year it was updated) was just under 600,000 sq m. Combining 30,000 sq m of loss from unimplemented consents with more than 50,000 sq m already under construction represents a severe depletion of the borough's industrial stock.

But the impact of the large differential between industrial and residential values has another impact:

"While the period multi-floor industrial property has drawn in the residential developers, more modern, but ageing property hasn't seen new space provided."

In other words, there is almost no industrial development going on. The result is that:

"There are genuine businesses with good covenants who want to be [in Southwark] but can't find space".

The stories for office space and industrial space are quite distinct. As noted in section 3.2 above, the highly successful office-led regeneration of the north of the borough has seen a very substantial addition to the stock of Grade A space, now commanding rents to match the quality. This in turn has drawn in cultural uses and high-end residential to create a thriving locale.

The same cannot be said of industrial or distribution space. A combination of factors, including the changing preferences of B8 operators for larger and more efficient units, and the increasing inadequacy of the road network, led first to an attrition of stock to other uses, and then to intense pressure from residential developers (both market and social) seeking to address London's chronic housing shortage. The result is that around 15% of Southwark's B2/B8 space is either in the process of being redeveloped for other uses or has consent to do so.

3.6 Commercial property market conclusions

The northern part of Southwark has, in commercial property markets terms, been transformed over the past fifteen or so years.   The opening of the Jubilee Line Extension in 2000 was instrumental, underlining the enormous contribution that public transport links can make to regeneration.

The area’s success in regeneration terms does of itself present problems for some established business in the Bankside and Borough area in the shape of rising rents. While there is no real evidence yet of firms being pushed out by price hikes, there is evidence from elsewhere (particularly around Shoreditch in recent times) that premises costs pressures can lead to some firms leaving the areas in which they have become established.

Meanwhile, in the area around South Bermondsey and the Old Kent Road – the other major employment area in the borough – the problem is obsolescence. There has been only marginal new development over a number of years now; which means that the stock is ageing and, potentially, edging towards obsolescence.

But cutting across both of these areas is the pervasive pressure for conversion to residential. In the north this is mainly very high value residential, while to the east it is still largely broader market housing. It is further worth noting that in some areas – particularly Peckham and Camberwell – Housing Associations are significant players and are more than happy to take over former employment sites.

The themes for office space and industrial space are quite distinct. The highly successful office-led regeneration of the north of the borough has seen a very substantial addition to the stock of Grade A space. This in turn has drawn in cultural uses and high-end residential to create a thriving locale. One significant question here is whether the borough has the capacity – in terms of appropriate sites – to consolidate its position as a bone fide sub-market of the central London office market.

The industrial and distribution markets face a different set of pressures. A combination of factors, including economic restructuring and the changing preferences of B8 operators for larger and more efficient units, has led to a major reduction in the borough’s stock of such space. This process is continuing, and around 15% of Southwark's B2/B8 space is either in the process of being redeveloped for other uses or has consent to do so.

If the borough wishes to maintain its role in providing economic space for businesses servicing the needs of the central London economy, then it will need to bring greater certainty to land and sites. This is necessary to provide investors with confidence that their activities will be rewarded in the medium- to long-term.

With respect to the industrial sector in particular, there are two important points. The first is that the nature of ‘industrial’ occupiers has changed fundamentally – they require higher specification, flexible space, often with office content. The second is that the existing industrial stock is changing only very slowly and much of it is more likely to become obsolete than be occupied by new industrial users. The fundamental question therefore is whether there is a case for attracting new investment in buildings, or whether such uses should be allowed to diminish and find premises elsewhere.

4 Site Assessment

4.1 Cluster and site assessment

The borough's employment sites were last surveyed for employment land purposes by URS in 2009.[14] The study analysed employment land in terms of 'clusters' rather than individual sites. This is helpful because it discourages overly specific analysis and encourages a consideration of locales as business systems. A map showing the URS clusters is included in Appendix 3 and this analysis uses the same numbering system.

In this section we have reviewed the clusters and sites in order to assess how circumstances have changed since 2009. We have also paid cognisance to the more recent work by GVA.[15] Our analysis of the sites is driven by a *market interpretation* of their prospects, and is not intended as a full Employment Land Study site assessment. The clusters are grouped here into 'market areas' to reflect local similarities between sites within specific areas.

South Bank

The riverside area contains the most intensively occupied clusters in the borough. In the URS report they are identified as London Bridge Opportunity Area North **(C15)**, London Bridge Opportunity Area South **(C14)**, Bankside & Borough Action Area East of Thameslink and North of Union Street **(C13)** and the Bankside Action Area South of Union Street **(C27).** The western boundary is occupied by the Bankside Action Area West of Thameslink **(C12)**.

These clusters cover what is commonly referred to as the South Bank office market and include a notable cultural quarter and an area shaped by the presence of Guy's Hospital. The cluster has grown considerably in recent years as the area has provided a large amount of Grade A office space, attracting a large number of corporate occupiers from north of the river. Further south, but contiguous with these areas are the two Elephant & Castle business clusters **(C16 and C17)**.

Excluding 2009, when the full weight of the Credit Crunch was being felt in every market, it is a mark of how far the South Bank market has developed that, in common with other fringe markets, the discount to City prime rents has fallen substantially over the past four or five years (Table 4.1).

[14] URS (2010) *London Borough of Southwark Employment Land Review*
[15] GVA (2014) *Southwark Council Industrial and Warehousing Land Study*

Table 4.1 City and South Bank rents compared, 2006-2014

Year	City Core	South Bank	% Discount
2006	55.00	45.00	18.18
2007	67.00	47.50	29.10
2008	60.00	50.00	16.67
2009	45.00	42.50	5.56
2010	52.50	45.00	14.29
2011	55.00	47.50	13.64
2012	55.00	47.50	13.64
2013	60.00	52.50	12.50
2014	62.50	57.50	8.00

Source: Adapted from JLL *Central London Quarterly*, Q1 2015

This is something of a double-edged sword for the South Bank market. On the one hand it firmly establishes the area as a mature market powerful enough to attract global businesses. On the other, the key role that the area has fulfilled of providing relatively inexpensive space close to the City becomes harder to fulfil if the discounts are too compressed.

A summary of the prospects for each cluster is given in section 4.2 below. This section gives a market view, in terms of fitness for purposes, rents achievable and other market-pertinent indicators.

It is convenient to look at the borough in terms of area markets, although it should be noted that the only part of the borough that the only part of the borough that is subject to intensive property market analysis by other commentators' is the South Bank area, between Tower Bridge and Waterloo (broadly, those parts that are in the CAZ).

London Bridge Opportunity Area

Starting in the east, London Bridge lies at the centre of the profound change that has reshaped the South Bank over the past three decades. Butler's Wharf, and the complex of other wharfs, were at the vanguard of this change, and the area remains a visibly prosperous and dynamic creative hub with little sign of vacancy.

Moving along the River, the More London complex is now a fully developed and mature presence, with City Hall as a notable anchor in terms of generating 'street scene'. The large, Grade A offices are let to largely professional services firms. Rents for this space are now being quoted in excess of £60 per sq ft, levels that would have been unthinkable only five years ago.

The public realm in the riverside cluster **(C15)** ranges from good to outstanding. Public transport links are very good, with the exception of the far eastern end, near the Design Museum and Blueprint Café, where by London standards they are merely good.

Forthcoming research from the GLA shows that the South Bank sub-market has matured[16]. In 1995, 15% of companies in the area occupied less than 1,000 sq m and by 2010 this had risen to 20%. This is what would be both hoped for and expected as a new market – led initially by large-scale development – fully matures and secondary lettings begin to add diversity to the occupier base.

[16] Ramidus Consulting. Small Offices and Mixed Use in London's Central Activities Zone. GLA, July 2015

But the most notable addition is, of course, the Shard at London Bridge. The building has gradually found tenants, with rents reportedly ranging between £60 and £80 per sq ft, levels which still look relatively low compared to tower lettings in the City, where quoting terms reportedly approach £100 per sq ft.

The Shard is iconic on any measure, but it has a more immediate impact. Thanks in part to the scheme, London Bridge Station is undergoing a very major overhaul that will disrupt the area for several years, in particular the southern cluster, (**C14)**, and might also impact the availability of small units while arches are used for site work (the Southwark Playhouse, for example, has relocated).

Despite this, the focus around Guy's Hospital and King's College remains busy with relatively little sign of vacancy other than that directly caused by the London Bridge Station works. Small office space is available here for around £30 per sq ft for centrally heated space, suggesting a fairly steep rent gradient as we move inland from the river.

It is further noteworthy that one of the most conspicuous developments on the riverfront is Berkeley's One Tower Bridge residential scheme. Even where top class commercial uses are visibly successful, residential is a factor. One agent said this was the: *"only area [in Southwark] where commercial values challenge residential."*

Bankside and Borough

Moving westwards into the Bankside area **(C12)** and the sense of success continues, with cultural uses dominant at first sight. Away from the river, while the bustle of Borough Market remains, it is worth noting that there are signs of pressure for residential development around Borough Station. One scheme by Crest Nicholson is under construction at Brandon House, where around 1,000 sq m of offices are being lost: although some new B1 is bring provided, it is not featured in the street-side hoarding. This scenario has been typical in many parts of London over the past few years.

Despite this, there is a range of types and quality of business space. Access to the area is good, with light industrial space at Flat Iron Yard commanding rents from the mid-teens to the high £20s per sq ft. One agent comment, regarding high tech and creative users, was that: *"If you paint high-ceiling space white many of them will often prefer it to a 70s office block."*

There is another consequence of the influx of creative-industry occupiers, which is that they have bid up rents sufficiently that one agent cited the case of a wine distributor that is to relocate from SE1 to Lower Thames Street, in the City of London, where it has been able to secure rent £5 per sq ft cheaper than in Southwark. This is striking, although sensible caution about over-interpretation of anecdote is always prudent.

The lesson is that, with prime commercial values on the South Bank now at a very narrow discount to central London, a close watch should be kept not only on the 'commercial vs residential' equation around Borough **(C27)**, but on the 'established user' vs 'new economy' entrants, to ensure that potentially vital 'support' space is not lost, pushing smaller users away from the area.

To an extent this would be expected to result in successful redevelopment and regeneration, but the possible downside risk of pushing out important local services should be noted. The relatively steep rental gradient from the Grade A riverside space presents an opportunity and a problem here: the opportunity to accommodate support services and the problem of values pointing strongly towards residential conversion.

Continuing west, the refurbished Sea Containers House is to be occupied by advertising agency Ogilvy & Mather from August 2015, further intensifying the locale's status as a creative hub.

The proposed Bankside Quarter redevelopment (in **C12**) will, on the face of it, involve a slight loss of business space; but the buildings being replaced (Ludgate House and Sampson House) are unlikely to be as amenable to efficient use as modern buildings, so the net effect is very likely to be marginal. But the scheme is residential-led, with two residential tower buildings, and the character of the area will be changed.

Against the impact of The Shard should be also placed the conversion of the former IPC-occupied King's Reach Tower into the residential South Bank Tower. As noted above the ‘net change to stock’ equation has shifted to net loss and the arrival of very high profile buildings should not mask this.

Elephant & Castle

Providing a firm assessment of the two clusters within the two Elephant and Castle business clusters **(C16 and C17)** is problematic and likely to remain so for several years. The area is in the midst of a large-scale regeneration, which is set to continue until 2025.

In the short-term the area generally remains a somewhat confusing and intimidating place to move around, with major construction sites, and with traffic congestion a real problem despite a dense road network. In the long-term 5,000 new homes and around 45,000 sq m of new retail and leisure space will be provided, along with much-needed improvements to infrastructure. Indeed, both of the Elephant & Castle Opportunity Areas are dominated by residential and the regeneration will compound this, despite new shops, bars and restaurants.

The creation of the Artwork Elephant by Lend Lease provides inventive small business space in refurbished shipping containers, along with other so-called ‘Meanwhile Uses’. Elsewhere, the now well-established South Bank Technopark at London South Bank University provides incubation space for new enterprises in the knowledge-based industries.

Delancey, joint owner of the Elephant & Castle shopping centre, has announced plans for a new campus for the University of the Arts London (UAL). Any intensification and modernisation of higher education uses in the area has the potential to act as a draw for knowledge economy businesses. Although the main Elephant & Castle regeneration is not focused on business space, the UAL proposal has the potential – when combined with the business-oriented space at London South Bank University – to foster a significant niche cluster.

To the south of Elephant and Castle lies the Walworth Road cluster **(C31)**, which comprises railway arches largely occupied by automotive and related businesses. As with other arches in the borough, the quality of premises varies widely, but even the poorer quality stock performs an important economic function.

The area also includes the Manor Place Depot, which is subject to an application for demolition and redevelopment, to provide 270 residential units; a refurbished 33 Manor Place (Grade II listed), with up to 3,730 sq m (GEA) of commercial space in nine commercial units (including Use Classes A1/A2/A3/B1/D1/D2). The latter will be in the railway viaduct arches (up to 1,476 sq m); and within the refurbished Pool House and Wash House (up to 2,254 sq m),

Bermondsey and South Bermondsey

This broad area, encompasses the bulk of Southwark's 'non-prime' office business space and much of it is industrial and warehousing. URS quite reasonably praised this locale for its well-kept nature and good usage levels. This remains broadly true of Tower Bridge Park and Discovery Business Park, although the former appeared to be in low intensity leisure oriented uses, including an indoor go-kart track.

Just south east of the riverside area, and within a reasonable walking distance, is a string of sites defined by URS as **C26**, (Dockley Road and Clements Road), **C9** (Tower Bridge Business Park and Discovery Business Park) and **C25** (Bermondsey, Southwark Park Road).

A food production cluster has grown up in the area, focused on Spa Road, with a secondary cluster nearby on Maltby Street/Druid Street. Known as Spa Terminus, the cluster has taken a section of railway arches and is working with Network Rail and Southwark Council to restore the area to an industrious manufacturing base supplying food destinations throughout London and the UK. The activity here is a significant development since the URS site assessment. The cluster operates as a wholesale function during the week, but opens to the public on Saturday's, bringing growing footfall to the area.

Just north of Ilderton Road lies cluster 8 including Raymouth Road rail arches, Rotherhithe Business Estate, Bermondsey Trading Estate and Galleywall Trading Estate **(C8)**. The Raymouth Road rail arches provide a range of economic space for small businesses, and strong demand is illustrated by low vacancy rates. The same is true of the Rotherhithe arches. Such sites should be retained for the important economic niche that they fill. The quality of the local environment is generally good, as is local access.

Access for the Bermondsey and Galleywall estates is fair and the quality of the stock in the area is comparatively good (mostly 1970s and 1980s), with some modern stock evident. Environmental quality is generally good, and the premises – both purpose built and railway arches – show little vacancy.

Tower Bridge Business Park **(C9)** on Clements Road includes The Biscuit Factory, a Workspace Group-run managed business centre which offers 'affordable' and flexible small offices and studios to more than 100 occupiers, with relatively little available in the near future. The site is subject to re-development proposals which will provide around 800 residential units, while also providing a significant commercial component of around 34,000 sq m, although details on the proposals are sketchy. The Biscuit Factory appears to be well-occupied and catering for a wide mix of businesses, many of which operate in 'creative' sectors. This cluster also accommodates the Clements Road rail arches, which are due for refurbishment. The arches themselves are in a reasonable physical condition, and appear to function well.

Part of the Dockley Road industrial estate **(C26)** has been redeveloped as a mixed use scheme providing residential above B class uses. The developer is Matching Green and it will form part of the Spa Terminus food production cluster. The major issue in this area is the surrounding, fairly high density, residential, with access at least partially along residential streets. Current uses present no obvious problems with 'neighbourliness' so in planning terms there is no barrier to protecting the site, but it would not be especially surprising to see them come under pressure for residential conversion. The estate is the subject of a planning application for a mixed use scheme including new B8 units.

This cluster is a strong one, with established uses and a diverse user base. Construction, automotive, food and printing are all strong sectors across the cluster. The strengths of the cluster suggest that it should be retained with further new investment encouraged.

Nearby sits the Admiral Hyson Industrial Estate **(C29)**, which is a self-contained light industrial estate. The premises show signs of investment and renewal, and they appear to satisfy a demand. However, the site is tightly constrained by proximity to residential.

Finally there is the Spa Road, Neckinger Road, Grange Walk area **(C2)**. As noted in section 3.4 above, there has been much encroachment of residential activity onto this cluster. The site is easily connected to central London via Tower Bridge Road. The remaining buildings appear to be in good order, but they are clearly ageing. The cluster has lost the critical mass that it once had, and the remaining business premises look increasingly marginal in commercial property market terms. Pressure from residential activity could prove too great to protect what B-use remains.

Old Kent Road industrial area

Mandela Way (C3) is a Local Preferred Industrial Location, with a mix of large occupiers, including public sector occupiers including London Transport, Met Police and Royal Mail. Although in good condition (see, for example, the 1990s Bricklayers Arms scheme) and well designed for B2 or B8 style uses – with plentiful room for HGVs and good parking – the cluster shows signs of vacancy. One 7,500 sq m unit is being marketed, while a second appears vacant and is not obviously being marketed. Further, part of the Royal Mail site appears to be disused.

Mandela Way is an important site in terms of providing for large space users servicing the central London economy: it is close to the A2 Old Kent Road, and within easy access of central London via the A2206 and A100 Tower Bridge Road. It has good access to main roads and excellent internal circulation; and it has good access to local retail services. Potential property rationalisation by some of the larger public sector occupiers might be considered a possibility. The cluster has clear critical mass, and has potential for attracting new investment. Certainty over its future use will be a key factor. The site could cope with further intensification of use while maintaining its essential economic function. The potential future extension of the Bakerloo Line Extension (BLE) would support the case for more intensive uses, including residential.

Just to the north west of Mandela Way, and also part of C3 cluster, lies the **Rich Estate (C3)**, with Crimscott Street running through the centre. The site is well-located for Tower Bridge Road. The quality of space on the site is variable, with some poor quality stock, but the site has critical mass and its adjacency to Mandela Way provides it with further raison d'etre. The stock on site includes the large Rich House which has at least six levels, making it suitable for particular kinds of uses (multi-let, studios, for example).

There is a wide variety of businesses on the site (TNT is the largest occupier), as well as some cultural activity, in the form of the Bermondsey Project. On the day of the site visit, there appeared to be significant vacancy, but this was not verified.

Given its adjacency to Mandela Way and its critical mass, this site could be considered as part of the potential intensification of use suggested above for Mandela Way. From a commercial property market perspective, the site has scale and locational strengths that could prove attractive. The counter point is that the scale of investment required could be a deterrent given the easier choice of residential or, at least, mixed use development.

South of Old Kent Road is **Glengall Road and Bianca Road cluster (C4)**. This contains space of various ages and quality, mainly in good order with a variety of tenants, some hi-tech. Vacancy appeared minimal at the time of the visit, although a 2,000 sq m industrial/office unit is available at quoting terms of £9.50 per sq ft. The cluster includes Glengall Business Centre which provides good quality, modern (circa 2007) industrial space which is well-managed and well-let. The remainder is older and of a generally lower quality. The premises around Bianca Road are poor quality 1960s/1970s light industrial units.

Access on to the Old Kent Road (A2) is good, but circulation within the cluster is poorer and parking is a problem. The stock provides economic premises for a variety of activities and the occupiers are varied, providing for both local and central London activities. There is the potential to intensify and improve quality on the site; but certainty over its future in planning terms will be key to investors.

Further along the railway line and south to Old Kent Road is the major Strategic PIL in Southwark **(Clusters C5, C6, C7, C8)**. Warehouses and industrial units are available in the area for rents in the region of £9 to £11 per sq ft, with age of unit not an obvious determinant of price: one 35-year-old warehouse unit is available at £11.50 per sq ft.

While vacancy is not, on the whole, visible, the pressure from residential development in this key strategic location is obvious. Market apartments have been built on part of site **C5, the Lovegrove Street Estate**, and consent has been given by the Mayor for a 19-floor residential tower, which includes educational uses. One agent was fairly sanguine about this on two grounds. On the one hand: *"From the point of view of a rising professional, who may feel priced out of Borough at £1.5m for a two-bed apartment, Old Kent Road looks a good option at £500,000 for a two-bed."* On the other hand, returning to the lack of industrial development space: *"If they built a 100,000 sq ft shed on the Old Kent Road it would be mayhem. The roads just couldn't cope."*

It was suggested that modern warehouse operators would prefer areas such as Woolwich, Charlton Erith and Thamesmead to the east, or Croydon to the south.

Sandgate Street and Verney Road form Cluster 6 and include the gas works site. This is the borough's largest concentration of industrial activity. The quality of the stock is, inevitably, varied, providing for a wide mix of users. Construction, automotive and catering are well represented. While much of the property appears suitable to the general theme of the cluster, vacancy appears to be significant. While some parts of the cluster might be suitable for intensification of commercial uses, there is also potential for some release. Again future development of the BLE could further support the case for release for mixed use.

To the east of Sandgate lies **Cluster 7, which includes Ilderton Road, Hatcham Road Penarth Street and Ormside Street**, situated adjacent to the rail line at South Bermondsey station. The quality of the stock here is generally poor, although it might be argued that it provides a useful purpose and the area has also seen a growing numbers of creative businesses moving in. This is relatively large and established industrial area and while access to Ilderton Road is reasonable, that around Hatcham/Ormside is less so.

Generally speaking, much of the stock in this area is ageing and there has been no new investment for a considerable time. The stock in Ilderton Road is particularly poor, and the road is congested. There is a growing level of vacancy and a number of non-commercial uses have moved in. It is difficult to envisage widespread new investment in commercial property in this area, although GVA's 2014 industrial property report noted some recent B-class development on Ormside Street, suggesting "*that if stock can be delivered there is demand*".

This cluster is a strong one, with established uses and a diverse user base. Construction, automotive, food and printing are all strong sectors across the Cluster. The work here concurs with the finding of the GVA study which recommended support for the development of modern space to attract new occupiers.

Minor markets

Parkhouse Street (C1) is a small industrial cluster just south of Burgess Park, and near the A202 Peckham Road. The activity on site is mainly storage and warehousing, and there is some vacancy on the site. The quality of the stock is generally fair, although some is clearly aged and deteriorating. Site access and parking is generally good. The site provides valuable B-class space, albeit within a dense residential area and on a site that could be considered 'off-pitch' from a market perspective. While the site might be considered for protection because demand might remain strong, attracting new investment to update the premises might prove problematic due to its residential character.

Quebec Way/Canada Water (C10), Rotherhithe (C30) and Surrey Quays (C24) rather suffer, from a business point of view, from being neither particularly interesting destinations in their own right nor being a convenient stop off or 'break of bulk' point on the way to other locations.

URS noted that Harmsworth Quays print works provided the main centre of the industrial offer. That print works is now closed and the area shows early signs of dilapidation, with some fly-tipping, although other B8 space is occupied by a shipping company. The derelict Mulberry Business Park is to be redeveloped by King's College London for student accommodation and university offices. The wider area is subject to a joint London Borough of Southwark/British Land project which is entering its next stage of consultation in the near future with a view to developing a masterplan later in 2015. As noted by GVA, this area should no longer be considered as an industrial location.

The Revised Canada Water Area Action Plan was adopted in November 2015. This plan sets out a strategy for regenerating the Canada Water area, through to 2026. The plan also noted the closure of the Harmsworth Quays plant and provides a committment to including a framework to guide the redevelopment of this is site.

Peckham (C18 and C19) is a reasonably large town centre. While undeniably busy, its retail offer – centred largely around Rye Lane – lacks a clear destination to draw in business from wider afield than its immediate catchment.

Copeland Industrial Park, centred on a former warehousing and industrial area, forms the western part of **Cluster 36** and is now the main creative centre in Peckham, housing around 60 studios, 20 small retail businesses along with arts and events space. It is very much a ‘bottom-up’ development and this should make it robust against development threats. However, its street presence and signage would benefit from creative investment.

The small industrial area making up the rest of the cluster is congested and, despite an inventive attempt to create ‘creative desk space’ beneath a residential development, it is hard to see what would attract all but marginal uses such as those occupying the nearby railway arches (a scaffolding firm and a furniture maker).

One agent said that an office building in Peckham had been valued at just £150 per sq ft as an office and has now been converted to residential via permitted development rights.

The view was also expressed that, despite its huge footfall, Peckham town centre could well come under residential pressure as opportunities elsewhere are used up. . There are two prospective developments that will add very significantly to Peckham’s offer and draw.

First, there is the town’s multi storey car park, where Pop Community Ltd have been awarded a contract to manage the carpark for five years. Pop Community plan to turn the space into a “mixture of artists’ studios and workshops, and co-work spaces, along with meeting space”. The facility will “support a thriving community of artists, small creative businesses and local entrepreneurs”. In addition to delivering over 50 affordable studio and workshop spaces along with pop-up retail and multi-use event spaces, the plans promise a number of other benefits to the community. Over 600 new jobs are expected to be created on site; and all tenants will be independent businesses, drawn primarily from the local area, and will be required to invest at least one hour per week into community give back programmes. In addition, new multi-use event spaces will be made available, free-of-charge, to local community groups for at least 25% of the time; and 10% of all scheme profits will be invested into a community fund to support local projects.

Secondly, there is the Gateway Project at Peckham Rye station. Here, the Council is working in partnership with the GLA, Network Rail, and Southern Railways to improve the area around the station, and improve its attractiveness to shoppers, businesses and visitors. The aims of the regeneration initiative are fourfold:

- Creation of a station square, and redevelopment of the arches and buildings on Blenheim Grove
- Redevelopment of the Iceland store and buildings on Holly Grove
- Dovedale Court
- Peckham Rye Station improvement works

The Gateway Project is expected to be a catalyst for regeneration of the town centre and will greatly improve public realm and access.

A couple of small sites nearby – **Print Village Industrial Area (C32**) and **Goose Green Trading Estate (C34)** – appear to be operating well, although the former has some vacancy. The former comprises 1980s 'sheds' which show some signs of neglect, but appear to be functioning well. The latter comprises good quality, brick-built space with good access; and also appears to be functioning well.

Nunhead (C22) is a local centre, with local stores and some small-scale B1 use. Broadly there is no change from the 2010 assessment.

Lordship Lane (C21) is the principal retail centre for East Dulwich and a well-used road. The street scene is vibrant, with a wide array of shops and bars and no obvious signs of distress. In this respect there no material changes from the URS assessment. We note that the retail and restaurant mix is suggestive of a degree of gentrification that appears to have been ongoing for some time. .

4.2 Cluster and site overview

Table 4.2 lists each cluster, as identified by URS, noting current use, observations from cluster inspections undertaken for this study, and of apparent issues facing each one. Unsurprisingly, several of the latter relate to pressure from residential (current or likely) but we also note several sites where firmer protection for business use is indicated.

This overview is a qualitative assessment from a market viewpoint and as such can only be a snapshot. Markets can shift very quickly and unpredictably so our recommendations are rooted in our understanding of medium- to long-term changes affecting employment activity in London, as well as specific site observations.

Table 4.2 Site Assessment Summary by Cluster

Cluster	Address	Site observations	Suitability and sustainability	Prospects and recommendations
C1	**Parkhouse Street**	Burgess Business Park. Users include Fruitful Office (fruit delivery to workplaces); and some classic marginal uses - e.g. car wash. Unit to let through Tuckerman. Seems in good order, but some issues of proximity to residential.	Proximity to residential and green space suggests sooner or later the site will come under pressure for residential conversion.	Consider supporting mixed-use development. Possible release for residential
C2	**Land bounded by Spa Rd, Neckinger Rd, & Grange Walk**	Has been redeveloped for residential.	Lost.	Not applicable
C3	**Mandela Way**	Royal Mail depot, part of which now appears disused. Bricklayers Arms (1991) in good condition, but with some vacancy, including a 7,000 sq m unit being marketed and a similar one vacant but not obviously marketed. Users include Transworld shipping company, Medequip, Bus garage and the Parliamentary Press. FM Conway (infrastructure services) is a noisy neighbour fairly close to residential. On paper a good locale, but apparent vacancy suggests decline.	Well laid out and good road access suggests this site is worth protecting.	Current strategic industrial location to be retained, with potential for intensification. Note that Bakerloo Line Extension (BLE) would support the case for more intensive uses, including residential. (see Chapter 6 for discussion of BLE)
C4	**Glengall, Rd, Bianca Rd, Old Kent Rd strategic PIL**	Mix of B2 and sui generis - Peugeot dealer behind residential on Old Kent Road. PSG Group (Plastic Shims And Gaskets) at Bianca Road in older stock. Glengall Gate quite modern (post-1999) B2 mixed users, some apparently hi-technology. Generally this cluster seems in good order, although it is close to some seemingly modern residential fronting Old Kent Road	Suitable for B2/B8 and worth protecting.	Consider options to encourage investment, potentially including mixed-use.

Cluster	Address	Site observations	Suitability and sustainability	Prospects and recommendations
C5	**Lovegrove St Estate, Old Kent Road PIL**	Users include a large builders merchant; Firetecnics System Ltd. Change of use - Chevron Apartments (priced from £370,000) nearing completion. Planning approved by Mayor for 19-storey residential tower and other buildings, including educational facilities, to be known as Bermondsey Works. Major encroachment on a strategic location.	Already under severe pressure from residential with some sites within the cluster lost. Likely to prove difficult to protect if current residential pressure persists.	Bakerloo Line Extension (BLE) would encourage intensified uses. Even in the absence of this, consider mix-use development to ensure some capacity remains.
C6	**Sandgate Trading Estate, gasworks and Devon St**	Large industrial cluster; varied quality and age. Large Yodel delivery centre; Crown fine art. Retail warehousing at boundaries on Old Kent Road.	Already under pressure from residential.	Given pressure from residential, consider protecting critical mass. If BLE goes forward, release for mixed-use.
C7	**Ilderton Rd**	Fairly low density - environment seems congested, but site appears well used with fairly low density B2/B8 uses, but with some creative uses. Parking is adequate but barely so.	Already under pressure from residential.	Aim to consolidate investment from creative sectors. Recognise that a 'B' class monoculture is untenable and consider mixed use.
C8	**Bermondsey and Galleywall Trading Estate**	Very large FedEx centre. Many arches along Raymouth Road that appear well used (were being refurbished in 2010). East of Rotherhithe New Road has many builder merchants (Screwfix/Tool Station/HSS).	An important locale for servicing local activity – very likely to see pressure for residential conversion.	Aim to retain in employment use and support arch uses, but be pragmatic around residential.
C9	**Tower Bridge Business Square and Discovery Trading Estate**	Includes The Biscuit Factory, a Workspace-run managed centre offering short leases, with more than 100 occupiers, including creative businesses and small professional firms. Arches at Discovery Trading Estate seem well used, although not intensively.	Fills an important need serving SMEs.	Encourage growth of hybrid space; seek to intensify use of arches.

Cluster	Address	Site observations	Suitability and sustainability	Prospects and recommendations
C10	**Quebec Way and Canada St**	Printworks is closed, but generally the B2/B8 offer seems in good order and is in use, except some fly tipping. Strategic access is at best good, rather than very good. The formerly derelict Mulberry Business Park has consent for a new King's College London residence and office complex. The site has been cleared. Generally this area suffers from being somewhat remote from the arterial road network.	This cluster and cluster C24 as well as adjacent leisure centre, subject to British Land/LBS master planning process through 2015.	Combine with C24 (in effect already a work in progress). Promote office development
C11	**Camberwell Bus Garage and adjacent land**	Part of the site is derelict and now boarded up by Peabody. From Peabody website: "*This site is located close to our existing site at Camberwell Green. The development will be split between two sites: the main building will be between four and seven storeys and will have commercial property and parking on the ground floor with a shared podium garden at the rear. There will also be a smaller site with a row of four-bedroom townhouses ….*" Mix of private, shared-ownership and rented. Due early 2017.	Likely to go wholly to residential, with ground floor commercial space. This is probably appropriate although encouraging SME-oriented business space would be useful.	Encourage provision of space for SMEs in new schemes and encourage regeneration of railway arches.
C12	**Bankside and The Borough Action Area, west of Thameslink**	North of site is subject to the Bankside Quarter redevelopment, 140,000 sq m which will see the existing office buildings replaced with a similar amount of B1, plus 3,000 homes in two towers, plus retail.	Large redevelopment will change the character of the area and increase pressure for residential conversion of business space. Possible threat to a creative quarter	Continue to encourage B1a

Cluster	Address	Site observations	Suitability and sustainability	Prospects and recommendations
C13	**Bankside and The Borough Action Area, east of Thameslink, north of Union**	A major cultural centre. Includes Tate Modern and other cultural uses. Fizzing with tourists and creative businesses. Some high-value residential under construction.	Seeing pressure from high-end residential on older stock and further rent inflation for commercial users. Cultural uses should be protected.	Continue to encourage B1a
C14	**London Bridge OA South**	Cluster of health-related uses nearby. General area affected by London Bridge Station redevelopment – some small users have been displaced. Pressure from residential evident but business space appears well used.	Generally healthy and in no need of special measures, although the impact of the reconfiguration of London Bridge Station will need to be monitored both in the short term and longer term.	Support B1 uses, monitor for changes caused by reconfiguration of London Bridge Station
C15	**London Bridge OA North**	Butlers Wharf and the other downstream area remain busy and visibly prosperous with a significant creative industry presence. Shard now complete and commanding strong rents. Major redevelopment of London Bridge Station under way, although disruption is mainly to south – some lower grade office on Tooley Street displaced. One Tower Bridge residential scheme under construction.	A major business cluster operating very well and at great intensity. Act only to maintain.	Protect and encourage B1 use. Limit loss to residential
C16	**Elephant and Castle OA, south of A203/east of A3**	Large scale development activity. To say public transport is good is perhaps a tad generous, due to poor configuration although this is due to be addressed. Public realm subject to much development for next several years including new park.	Office content of Lend Lease scheme seems minimal, with a strong focus on retail and leisure. This is probably an appropriate approach.	Promote office and mixed use development.

Cluster	Address	Site observations	Suitability and sustainability	Prospects and recommendations
C17	**Elephant and Castle OA not under site C16**	Large scale development activity as per C16. Office space, some fairly new, along Newington Causeway.	This is a Strategic Cultural Area (presumably rooted in the education facilities in the locale). Long term assessment problematic given scale of regeneration, but improvements to public transport and public realm cannot help but be beneficial in time (although this will intensify values, which may have implications for local SMEs)	Explore options to leverage educational establishments to attract CAZ spillover B1 uses.
C18	**Peckham Town Centre north of A202**	Concur with URS assessment: some very low quality retail, but mainly residential with some light industrial behind. Public realm has a distinct run down feel despite the Peckham Platform art centre.	This area has little non-retail employment land, but the remaining is subject to strong pressure for residential conversion.	Release for residential
C19	**Peckham Town Centre south of A202**	Centred on Rye Lane - a very busy high street with the Aylesham Centre as anchor. A marked lack of high quality retail, however gives a distinct down-market feel. Shows signs of multiple attempts at regeneration over the years, but none have really provided a breakthrough. Peckham Rye station on the Overground network and not well connected, meaning over reliance on buses is a disadvantage.	Provides important service to local population, but if current residential investment patterns persist investors may start to pressure for residential conversion. Affordable providers already converting B1 property.	Monitor impact of Network Rail investment. Retain current capacity and intensify if supported by evidence.

Cluster	Address	Site observations	Suitability and sustainability	Prospects and recommendations
C20	**Dulwich Village**	Visibly more 'up market' than most other areas in LBS. Congested with poor public transport access, but ‘boutique and antiquarian’ nature of the area makes this non-critical.	No special policy required	Protect remaining stock where possible.
C21	**Lordship Lane**	Very much a district centre and although Lordship Lane itself is a decent road, its links are weak and the signage confusing. But a busy area that shows signs of gentrification in the retail mix.	Protect as town centre, but pressure to convert remaining B1 (mainly above shops) likely to be hard to resist.	Protect remaining stock where possible
C22	**Nunhead**	Well-used local centre close to Nunhead station and bus routes. Remain B1 may well come under pressure for conversion to residential.	Remain B1 may well come under pressure for conversion to residential where is has not already.	Protect remaining stock where possible
C23	**Camberwell**	Still has that 'up and coming' feel so likely to feel pressure for residential conversions. Current development activity is from housing associations. Public transport adequate but heavily bus reliant.	Even a modest improvement to public transport would probably trigger substantial pressure for gentrification, which has been ‘on the cusp’ for many years.	Protect remaining stock where possible
C24	**Canada Water**	Well-presented hopping centre, well managed and tidy but retail mix gives away that the location is not ideal (99p Shop etc). Generally this area suffers somewhat from being remote from the strategic road network.	To be combined with C10 under British Land/LBS masterplan.	Combine with C10 Promote office development.
C25	**Bermondsey Southwark Park Rd**	Local centre. Some SME units on Blue Anchor Lane are being redeveloped as housing by Family Mosaic HA (shared ownership).	Good local town centre, but side streets with business uses are seeing conversion to residential.	Protect remaining stock where possible

Cluster	Address	Site observations	Suitability and sustainability	Prospects and recommendations
C26	**Dockley Rd Industrial Estate**	Appears to have been partially redeveloped for residential (that part north of the railway line in the URS map).	Fills a useful niche but residential pressure very likely.	Permit mixed-use
C27	**Bankside and the Borough Action Area**	A busy area with a mix of good quality and poorer quality B1, with creative industries evident and close to established housing areas. Seeing pressure from residential conversion with a scheme under construction directly opposite Borough underground station.	Clear pressure for secondary business space to be converted to residential. Rental pressure on light industrial from creative users.	Protect and encourage B1, including B1b and B1c
C28	**Bermondsey Metropolitan Police Garage**	Part redeveloped as housing. Tower Workshops (Southwark owned) provide light industrial units. Poor quality, apparently vacant, B1 on Maltby Street.	Likely to come under intense pressure for residential conversion.	Consider mixed uses or allow to go residential
C29	**Admiral Hyson Industrial Estate**	Refurbished by Legal & General and reported as fully let in 2013.	Probably safe under current owners, but may be attractive to residential firms should it come to the market.	Works well. Protect.
C30	**Rotherhithe Area**	Small scale space seems well-used, but business space must be considered vulnerable to residential pressure. Assessment of road access as 'very good' arguably over-states its quality.	No fundamental change to 2010 assessment (but road access is poor. Vulnerable to residential.	Protect remaining stock where possible
C31	**Walworth Rd south**	Linear cluster of predominantly railway arches parallel to Camberwell Road. Variable quality, but mainly with poor access.	Has potential to provide useful SME space.	Encourage refurbishment and commercial-led mixed use.
C32	**Print Village Industrial Estate**	Arguably surprising that that such a modest business centre has not yet been lost through pressure for residential conversion; seems well used, although condition may have deteriorated since previous review.	Fills a niche and worth protecting, but future owners may look to unlock residential value.	Protect if possible. Consider mixed-use options

Cluster	Address	Site observations	Suitability and sustainability	Prospects and recommendations
C33	**Herne Hill**	The retail/leisure area is in good order. Shows signs of 'creative' community. Railway arches seem in mainly good order and well-let.	Seems to function well.	Protect remaining stock where possible
C34	**Goose Green Trading Estate**	Occupiers include Archive Music Distribution Ltd, Deep Books Ltd; Ian Dunn Woodwork; Howdens Joinery. Seems well used with something of a creative niche.	Small so probably vulnerable residential	Protect
C35	**Royal Oak Yard**	Embedded within cluster C14 (London Bridge South). Accommodates SMEs and seems to function well.	In an area subject to pressure from residential.	Retain and encourage office growth
C36	**Copeland Industrial Estate Peckham**	Peckham bus garage, builders' merchant and 'creative desks' with flats over. Easily congested. Well-used arches and railway land with typical 'marginal' uses. Site seems cluttered and lacks scale for effective intensification.	In other parts of Southwark would have gone to residential by now. Provides useful marginal space, but may prove hard to protect.	Little scope to intensify. The part not community operated may be difficult to protect from residential. Consider mixed use.

4.3 Site assessment conclusions

The northern part of Southwark is no longer considered a backyard of central London, with the SE1 area experiencing marked improvements in public realm and quality of environment that has proved attractive to businesses – the opening of the Jubilee Line Extension in 2000 also being instrumental.

In the north of the borough, the consequences of the large-scale development of Grade A office and an influx of major professional firms has, over time, combined with the area's substantial cultural heritage to draw in a marked creative cluster. This in turn has presented problems for some established business in the Bankside and Borough area in the shape of rising rents.

Meanwhile, in the east of the borough – the other major employment area – the problem is obsolescence. There must be doubts as to the suitability of much of the stock for modern industrial and warehouse users, given that almost no development appraisal would recommend warehousing over other uses.

But cutting across both of these areas is the pervasive pressure for conversion to residential. In the north this is mainly very high value residential, while to the east it is still largely market housing, but not at the 'ultra' expensive end of the scale, at least by London standards. It is further worth noting that in some areas – particularly Peckham and Camberwell – Housing Associations are significant players and are more than happy to take over former employment sites.

The market view is essentially pragmatic: in the face of substantial value differences between commercial and residential property, combined with a housing-friendly planning regime, it is recognised that the residential genie is unlikely to go back into the bottle. But there is concern that, even if there is acceptance that larger business are preferring locations outside Southwark, viable businesses that need to be in the area are seeing inflation in accommodation costs - as good space becomes in short supply - and that many such firms are having to settle for poorer quality space.

For this reason it is important to consider carefully the position of smaller employment areas, because these are often the only outlet for smaller local firms. Their loss may be quantitatively trivial, but qualitatively significant for its impact on the business mix in the borough.

There is little doubt that as the central London economy grows, with the CAZ spilling over into Southwark, and as growing population pressure places pressure on land values, there is a growing tension between the growth dynamics and the traditional, established commercial uses in the borough. As a result, some activities are being displaced, and lower value, lower intensity land uses are coming under threat. Policy decisions therefore have to prioritise land use activities. In deciding the priorities for land use, the issues for the north and south of the borough are different.

In the north, the problems are essentially those of managing success. On the whole, the market is managing the 'big picture' here very effectively, but as is often the case small, but important issues of concern need to be monitored, including:

- is it possible to prevent important, but price-sensitive occupiers being pushed out of the area by rental inflation?
- can it be ensured that new housing does not undermine the success of the area by eliminating small and economical space?

- how can LB Southwark ensure that the area's cultural assets are both protected and exploited to the full?

Elsewhere in the Borough, the key questions will revolve around how the structural decline in manufacturing industry (and therefore its property market) is manged in terms of encouraging those types of activities that are more relevant to the area. The central London economy is a vast complex of activities that require a growing economy of support services. This is sometimes caricatured as the ‘white van’ economy, albeit the reality is rather more subtle. But the overriding point is that there is demand from a plethora of businesses that provide support services to central London – its offices hotels, restaurants, theatres, universities, homes and so on. The companies that provide these services require good access to the central area, economic space and access to labour.

Work that we have undertaken around London, generally, suggests that the historic demand for manufacturing space is being replaced by demand for ‘lighter’ space, more flexible space. Areas such as Southwark are ideally placed to provide this support service space. As an introduction to the type of space being referred to, Figure X is illustrative. This shows four generic demand functions, each reflecting a slightly different use profile and specification requirements, although the management regime is likely to be common to all – more intensive than normal for sheds, with greater emphasis on customer services.

The four generic types are not exhaustive, but illustrative of a principle, and can overlap within a single occupation. The proportions of each type of space will vary according to the occupier, emphasising the need for building flexibility, and for a sympathetic ownership/management approach. All four offer space that is flexible and easy to adapt. A depth of 13-18m is adequate to cater for most needs, allowing reasonably deep open plan areas, while also giving sufficient depth to allow different configurations of sub-division.

Table 4.3 Smart sheds: four generic functions

Production	Client facing	Workshop	Goods handling
	Occupier priorities		
Power supply	Quality image	Natural light	Eaves height
Fire protection	Comfort	Comfort	Loading bays
24 hour operation	Accessibility	Security	Column free
Security	Security	Car parking	Secure yard
Retail trade	Car parking	Local amenities	Turning space
Parking & access	Local amenities	Power supply	Parking

The BLE and expansion of the CAZ, resulting in a ripple effect of spreading demand for more cost effective space offers a significant opportunity for Southwark to reinvent its commercial space offer and to grow its hybrid space market and renew some of the light industrial and production stock.

One of the questions associated with such space is the question of how it can be provided alongside residential activity. The fact is that most hybrid space is ‘neighbourly’: it is relatively ‘clean’ and is not noisy, although there are demands on access in terms of commercial vehicles. Such uses could be encouraged and intensified in existing industrial areas such as the viaduct/Bermondsey Trading estate area or around the viaduct in Queens Road in Peckham. In other areas, such as around Hatcham Road and Bianca Road where there are existing concentrations of smaller units and light industry/studios/production uses, it might be the case that these can be encouraged and renewed within a mixed use context, although we do not recommend the full integration of such activities with residential schemes.

Away from the South Bank and the Old Kent Road area, the story is somewhat more straightforward, if no less intractable. Peckham is a busy town centre and there is a strong case for protecting it such, but much less so for preserving office uses. While not ideal, the small amount of B2/B8 and *sui generis* space in the area is probably worth working to preserve, although this might prove difficult given market pressures.

The smaller local centres should be closely monitored to ensure important local services are not lost to residential, although again the challenges here are far from insignificant.

One specific approach, which reflects how space is being used in a changing market, is to encourage the development of hybrid space (or the hybridisation of existing space). In several locales space is being used in a way that is inconsistent with its nominal intended use (whether from a market or planning use class point of view). In Borough, for example, light industrial space is being used as cost effective office space, while on some parts of Old Kent Road industrial and warehouse space is being used for a variety of creative industry uses. This market is discussed further above in Chapter 3.

There is a very good case for encouraging such an approach since it could be the most effective way of ensuring that at least some employment land stays in employment uses. This is preferable to sticking rigidly to 'use class'-based conventions which do not have the value to support redevelopment within a reasonably foreseeable time frame.

5 Policy Context

5.1 National Planning Policy

The National Planning Policy Framework (NPPF) requires a pro-active approach to development, which is espoused most clearly in the Framework's presumption in favour of sustainable development. This presumption requires local planning authorities (LPAs) to *'positively seek opportunities to meet the development needs of their area and meet objectively assessed needs'*, with *'sufficient flexibility to adapt to rapid change, unless any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in the NPPF'*. This proactive approach also includes recognising <u>and seeking to address</u> potential barriers to investment, which might include seeking to address the environmental impacts of development.

In order to build a strong, competitive economy, the NPPF requires LPAs to:

- "set out a clear economic vision and strategy for their area which positively and proactively encourages sustainable economic growth;
- set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period;
- support existing business sectors, taking account of whether they are expanding or contracting and, where possible, identify and plan for new or emerging sectors likely to locate in their area. Policies should be flexible enough to accommodate needs not anticipated in the plan and to allow a rapid response to changes in economic circumstances;
- plan positively for the location, promotion and expansion of clusters or networks of knowledge driven, creative or high technology industries;
- identify priority areas for economic regeneration, infrastructure provision and environmental enhancement; and
- facilitate flexible working practices such as the integration of residential and commercial uses within the same unit."

The Treasury Paper "*Fixing the foundations: Creating a more prosperous nation*"[17] recognises the large productivity gap that exists between the UK's economic performance and that of most other developed economies. The government's framework for raising productivity is built around two pillars:

- encouraging long-term investment in economic capital, including infrastructure, skills and knowledge; and
- promoting a dynamic economy that encourages innovation and helps resources flow to their most productive use.

In May 2013 the Government amended the General Permitted Development Order (GDPO) to allow the conversion of offices (B1(a)) to dwellings (C3) subject to 'prior approval'.

[17] HM Treasury (July 2015) *Fixing the foundations: Creating a more prosperous nation*

In London, the Central Activities Zone (CAZ) and Tech City have been granted exemption from the permitted development rights, covering areas of the City of London, Westminster, Islington, Hackney, Tower Hamlets, Southwark, Lambeth, Wandsworth and Camden. The whole of Kensington & Chelsea and the City of London is exempt. In addition, the Government has also granted exemption for the Royal Docks Enterprise Zone in Newham and areas of the Isle of Dogs, including Canary Wharf in Tower Hamlets.

London borough of Southwark made applications for a series of other commercial and industrial areas of the borough to also be exempted from this extension of permitted development rights. However, only the Southwark CAZ was granted exemption. Therefore, in the CAZ, developers continue to need planning permission for a change of use from office to residential and applications will be assessed against the policies in the Core Strategy and saved Southwark Plan.

However, in all other areas of the borough the change of use from offices to dwellings will not require planning permission.

Changes of use allowed by the amendment had originally been required to be started by 30th May 2016, although this has now been extended to three years after confirmation. Prior to making any change of use, developers must still apply to the local planning authority to determine whether the prior approval of the authority will be required with respect to:

- transport and highways impacts of the development;
- contamination risks on the site; and
- flooding risks on the site.

Where prior approval is required, development shall be carried out in accordance with details approved by the local planning authority. Other aspects of development which may be associated with a change of use (such as alterations to facades, extensions etc) will continue to require planning permission.

In April 2015, PDR for change of use to residential (C3) were extended further. A new PDR, for a three year period, was introduced, allowing storage or distribution buildings (B8) to be changed to residential use. Up to 500 sq m of B8 floor space can be changed to residential use following this amendment. The right is also subject to a prior approval process covering transport and highways, air quality impacts on intended occupiers, noise impacts of the development, risks of contamination, flooding, and the impact the change of use would have on existing industrial uses and or storage or distribution uses.

The right only applies to buildings that were last used or were in use as storage or distribution (B8) on or before 19th March 2014. This would include former businesses in an office use (B1) or general industrial (B2) buildings that have changed use to storage or distribution (B8) use under existing PDR, provided that they were in such uses on 19th March 2014. However, there is an additional requirement that the building must have been in B8 use for a period of a least four years before the date development begins.

In October 2015, Government announced that the extension of PDR for office to residential use would be made permanent. In addition:

- those who already have permission will have three years to complete the change of use;
- laundrettes and light industrial units will also be included; and

- the rights will also allow for office buildings to be demolished and replaced with new-build residential units.

The Government also announced that those areas which are currently exempt from the PDR extension will have until May 2019 to adopt an Article 4 Direction to allow them to continue to determine planning applications for the changes of use. The Mayor of London is currently consulting on a Draft CAZ Supplementary Planning Guidance (SPG).[18] The Draft (summarised more fully below) states the need for a co-ordinated approach to borough Article 4 Directions. Southwark is anticipating making an Article 4 Direction to continue to remove PD rights post-2019 and may consider other areas with concentrations of business activity outside the CAZ as well.

5.2 London Plan and Related Policies

London Plan

The Further Alterations to the London Plan (FALP) were published in March 2015. FALP was developed in response to population growth and projections that were higher than had previously been anticipated. The introduction to the Plan concludes that, *"the only prudent course is to plan for continued growth"*[19].

Southwark forms part of Inner London and it also forms part of the Central sub-region. Policy 2.9 on Inner London states that:

"The Mayor will, and boroughs and other stakeholders should, work to realise the potential of inner London in ways that sustain and enhance its recent economic and demographic growth while also improving its distinct environment, neighbourhoods and public realm, supporting and sustaining existing and new communities, addressing its unique concentrations of deprivation, ensuring the availability of appropriate workspaces for the area's changing economy and improving quality of life and health for those living, working, studying or visiting there."

Central Activities Zone

One of the Strategic Priorities of The London Plan is the continued development of the Central Activities Zone which is a unique resource. Policy 2.10 of FALP sets out the strategic priorities for the CAZ. It begins by setting out that:

"The Mayor will, and boroughs and other relevant strategic partners should:

enhance and promote the unique international, national and London wide roles of the Central Activities Zone (CAZ), supporting the distinct offer of the Zone based on a rich mix of local as well as strategic uses and forming the globally iconic core of one of the world's most attractive and competitive business locations"

Policy 2.10 continues to describe the strategic priorities and Policy 2.11 sets out the strategic functions.

Opportunity Areas

"Opportunity areas are the capital's major reservoir of brownfield land with significant capacity to accommodate new housing, commercial and other development linked to existing or potential

[18] Greater London Authority (2015) *Draft Central Activities Zone: Supplementary Planning Guidance* Sept 2015
[19] FALP para 1.47

improvements to public transport accessibility".[20] There are four designated Opportunity Areas in Southwark, which between them are scheduled to deliver 33,000 jobs and a minimum of 12,700 homes over the London Plan period.

Table 5.1 Opportunity Areas in Southwark

	Area	Employment	Minimum Homes
Canada Water/Surrey Quays	46	2,000	3,300
Elephant & Castle	88	5,000	5,000
London Bridge, Borough & Bankside	155	25,000	1,900
Old Kent Road	114	1,000	2,500
Total	**403**	**33,000**	**12,700**

Mayor's Draft Central Activities Zone (CAZ) Supplementary Planning Guidance (SPG)

The Mayor of London is currently consulting on a Draft Central Activities Zone (CAZ) Supplementary Planning Guidance (SPG). Section 1 promotes the CAZ as a competitive business location including guidance on the appropriate balance between offices and residential in different parts of the Zone. The SPG recognises that office employment in the CAZ growing rapidly and that land-use planning needs to be responsive to accommodate the increasing demand.

Managing permitted development rights

The SPG was prepared whilst Government was giving consideration to the extension of PDR and the removal of the current exemptions. As noted above, the extension of PDR for office to residential use has since been made permanent, with currently exempted areas to have their exemptions removed in May 2019. The SPG states that the Mayor will provide strategic support for a co-ordinated approach to the introduction of Article 4 Directions by the relevant boroughs to ensure that the CAZ continues to be safeguarded. It suggests that areas outside of the CAZ could only be included where this can be justified by local evidence.

Balancing residential and employment uses

Even with the current exemption from PDR, the SPG suggests that differentials in office and residential values have led to concern over the loss of office space to housing within the CAZ. It states, therefore, that greater weight should be given in Local Plans and in determining planning applications to the promotion and enhancement of the strategic functions of the CAZ. When considering areas within CAZ that are appropriate for residential or mixed use development including residential, the SPG suggests that it will be important for boroughs to strike a balance to ensure that business clusters and agglomerations in the CAZ are not undermined.

As a guide, the SPG sets out a hierarchy of locations based on the relative weight which should be attached to employment and residential uses. The hierarchy for the Southwark part of the CAZ is shown below:

[20] FALP Para 2.58

Priority/balance	Locations
Offices and other CAZ strategic functions should be given greater weight relative to new residential	• London Bridge, Borough & Bankside Opportunity Area • CAZ frontages: Borough High Street; London Bridge • All other parts of CAZ except those stated below
Offices and other CAZ strategic functions may be given equal weight relative to new residential	• Elephant & Castle Opportunity Area • Old Kent Road Opportunity Area (parts lying within CAZ) • Predominantly residential neighbourhoods

Loss of office space

The SPG also emphasises the importance of Local Plan policies and decision-making in implementing the requirements of London Plan Policy 4.3Bd, which requires residential proposals in CAZ which would otherwise result in the loss of office space to make a proportionate contribution to the provision of new office space within, or nearby, the development. Guidance is provided on the drafting of policies and on decision-making, including guidance on the demand, viability and marketing evidence that boroughs should expect to be provided where proposals will result in the loss of office floorspace in the CAZ.

Policies for mixed-use development

Guidance is also provided on the application of the policies for mixed-use development in the London Plan, with a view to promoting the provision of employment space. This includes allowing for areas with significant clusters or agglomerations of business to be exempted from the principle of providing housing on site, as part of mixed-use developments (required by London Plan policy 4.3A). It makes provision for land use swaps (where a developer provides an off-site residential development to satisfy the housing requirement generated by a specified office/commercial development) and land use credits (where new off-site residential provision is provided in advance by a developer on the basis that it could be drawn down to satisfy the residential requirements of mixed use policies). Such mechanisms allow the London Plan policies on mixed uses to be applied flexibly within the CAZ in order to protect its strategic functions.

Protecting small office space

To support local policy development for small offices and implementation of London Plan policy 4.3Bc to ensure an adequate supply and affordability of small offices in CAZ, the SPG includes a series of benchmarks/thresholds which are to be monitored jointly by the GLA and CAZ boroughs:

- Benchmark 1: The stock of small offices (less than 500 sqm and including serviced office space) should be at least 14 to 17 per cent of the total CAZ office stock.
- Benchmark 2: When the availability of small offices falls below 14 per cent of total availability, particularly close attention should be paid to other market indicators, and the level of supply should be reviewed.
- Benchmark 3: Small office space should be available in non-prime locations at no more than 50% of prime rents in Central London.

Planning for industrial capacity

Boroughs are encouraged to take into account the supply and demand for industrial and related uses providing essential services to the CAZ, in particular sustainable distribution/ logistics; 'just-in-time' servicing; waste management and recycling; and land to support transport functions. Boroughs are encouraged to consider whether industrial sites would merit policy designation in Local Plans as 'Locally

Significant Industrial Sites' to ensure that capacity is sustained to support the efficient functioning of the CAZ.

London Infrastructure Plan

The role of transport infrastructure in supporting this growth is noted in the Plan.

"Transport infrastructure will also have a vital part to play in supporting the capital's success and a good quality of life. The planning of transport services and the physical infrastructure they require will need to be carefully coordinated with the growth and development envisaged by this Plan. This is a key theme both of this Plan and of the Mayor's Transport Strategy."

London Office Policy Review

The 2012 London Office Policy Review[21] (LOPR 2012) referred to a 'two-speed property market', distinguishing between the performance of central London which was doing very well, and the 'rest', which was not. Southwark contains elements of both the central London and non-central London markets. The report noted how: *"The fringe boroughs of Camden, Southwark and Islington all increased stock by around 200,000 sq m over the 12 year period"* (2000-12).

The report notes the rise of the mega schemes around the central London fringe, such as More London, that are changing the geography of the central London office market.

"These mega schemes established the pattern of 'off-centre' developments which have come to re-define the London office market as a polycentric one. When Broadgate was mooted in 1983, half a mile from the Bank of England, it was revolutionary. Now, building in Waterloo, King's Cross or Paddington is considered mainstream. It is accepted that it is possible to re-engineer the geography of Central London as long as access to the heart of the City and West End by public transport is good, and also that the scheme is large enough to create its own public realm and sense of place."

In its review of non-CAZ office centres, the report noted for Surrey Quays that the policy should be to 'Promote residential-led mixed use'. No other Southwark office centres were referenced.

In terms of the overall guideline forecast for office demand, the LOPR 2012 had a forecast of 442,000 sq m of floorspace (Gross Internal Area, GIA). This was made up of a forecast growth in office jobs of 33,200 and an employment density ratio of 13.8 sq m per worker (GIA). In addition a further 8% was added to allow for optimal vacancy in line with a practice adopted at the 2009 London Plan Examination in Public (EiP).

The London Office Policy Review Update report produced a forecast of 471,000 sq m of net additional office floorspace for Southwark for the period 2011-36. This report was produced to inform the EiP into the Further Alterations to the London Plan. It was agreed however at the EiP that this would form a sensitivity test and the original guidance from LOPR 2012 should stand. The difference in the two projections for Southwark is relatively small at less than 10%

London Industrial and Warehousing Demand Benchmarks

There are a wide variety of uses that occupy industrial land in London. These include: manufacturing logistics and warehousing; storage; utilities such as energy and water; waste and recycling; transport functions, such as land for rail, buses and airport related land; and wholesale markets.

[21] London Office Policy Review 2012 – Ramidus Consulting, Roger Tym & Partners

According to the 2010 Industrial Land Baseline Study[22], Southwark had by far the largest total of any borough in the Central sub-region, though its stock of land was not large by London standards as a whole. The 2010 Baseline showed that vacant industrial land in the borough was minimal.

Over the period 2006-10 Southwark lost 24 ha of industrial land. As with many boroughs over this period this is an annual rate of release significantly above its then benchmark release figure.

In the 2012 London Industrial Land Supplementary Planning Guidance (SPG)[23], Southwark is categorised as a Limited release borough:

"Limited Transfer: This category is intermediate between the managed and restricted categories above. Taking account of local variations of demand boroughs are encouraged to manage and where possible, reconfigure their portfolios of industrial land, safeguarding the best quality sites and phasing release to reduce vacancy rates for land and premises towards the frictional rates set out in paragraph 3.7."

The indicative release benchmark figure is 25 ha over the period 2011-31. This represents 15% of Southwark's 2010 stock of industrial land.

This is lower than the original indicative figure from the 2011 'Industrial Land Demand and Release Benchmarks in London'[24] study which calculated a figure of 37.7 ha. This was made up of a loss of -17.7 ha from industrial production activity, a loss of -18.7 ha from warehousing activity and a loss of -1.4 ha from waste activity. Vacant land rates were so low that there was found to be nothing to release in the way of surplus vacant land. The initial indicative figures form the Release benchmarks study were revised following consultation with the boroughs prior to inclusion in the final Land for Industry and Transport SPG.

London 2036: an Agenda for Jobs and Growth

"London 2036: an Agenda for Jobs and Growth" is a joint publication of London First and the London Enterprise Panel. The goal of the agenda is designed to deliver a London economy with:

- *the fastest income growth among cities of its scale and type, with growth in GVA per head that is faster over the long term than New York, Paris or Tokyo's, and that delivers more benefit to the wider UK;*
- *job growth that translates into opportunity, with employment rates higher than both the UK average and the equivalent rates in New York and Paris; and*
- *diversity and resilience, with strong performance across more of the economy in order to improve the city's resilience against crises, with no single sector driving more than 40% of GVA or jobs growth[25].*

It sets three priority themes and prioritises a set of action under each theme. These are:

Theme: Cementing existing leadership: The Global Hub

1. Stay open for business: strengthen London's voice on national policies that could put London's status as the global hub for business and finance at risk: particularly immigration and the UK's relationship with Europe.

[22] London's Industrial Land Baseline – URS, DTZ 2010
[23] Land for Industry and Transport, Supplementary Planning Guidance – September 2012
[24] Industrial Land Demand and Release Benchmarks in London – Roger Tym & Partners 2011
[25] London 2036: an Agenda for Jobs and Growth - London First/London Enterprise Panel

2. Increase focus on emerging markets: develop new approaches and radically step up promotion to win emerging market investment, business, visitors, talent and students, starting with Asia.

3. Improve global access: accelerate the creation of aviation capacity in the South East and improve the visa system for global visitors.

Theme: Fuelling more diverse growth: The Creative Engine

4. Train more technical talent: respond to market shortages of technically capable workers by improving education and training at all levels from school through to adult education.

5. Improve digital connectivity: ensure high speed, affordable, secure and resilient digital connectivity across the whole of London.

6. Improve funding for growing SMEs: expand access to equity-based funding opportunities for high-growth SMEs, filling the gap between start-up funding and flotation.

Theme: Addressing weaknesses: The City that Works

7. Secure long-term infrastructure investment: negotiate greater devolution of taxes raised in London and expand London's ability to capture the uplift in property values from transport investment.

8. Accelerate housing delivery: improve incentives, coordination, capabilities and resourcing across the GLA and the boroughs to increase dramatically the planning and building of new homes.

9. Develop Londoners' employability: dramatically scale up efforts to ensure that everyone who grows up in London is equipped to compete for jobs in a changing and increasingly competitive labour market.

Along with Islington and Tower Hamlets, Southwark is classified as a 'Mixed inner London area' in that is has both a high jobs density and high rates of unemployment. These are noted as *"areas where greater focus is needed to help local residents access and compete for jobs."*

5.3 LB Southwark Local Policy

The Development Plan for Southwark is made up of:

- the London Plan, as summarised above;
- the saved policies from the Southwark Plan, which was adopted in July 2007; and
- the Core Strategy, which was adopted in April 2011.

The above documents provide the basis for local planning decisions until they are replaced by the new Southwark Plan, which is currently being prepared and will set out a strategy for regeneration from 2018 to 2033. It is worth noting that new national policy, particularly the National Planning Policy Framework, is a material consideration and will also be afforded considerable weight in decisions. In fact, the NPPF makes it clear that due weight will now be given to relevant policies in existing plans only according to their degree of consistency with the NPPF (the closer the policies in the plan to the policies in the Framework, the greater the weight that may be given). In the light of this, the Council have reviewed the Southwark Plan policies to assess their consistency with the NPPF and a revised version of the Plan, with some further policy deletions, was issued in April 2013.

Core Strategy

The core strategy sets strategic-level policies for the borough. The overall vision set out in the core strategy is one in which local facilities, the transport network and infrastructure supports the fast pace of change in the borough, which includes significant growth in housing (10%), office space (30%) and people working (15%) between 2009 and 2026. Sustainable growth is sought, through the setting of high environmental and design standards and through protecting and improving a network of open space and heritage in the borough. Creating a vibrant economy is a strategic objective of the Core Strategy, with most new development focused on a number of growth areas:

- Central Activities Zone;
- Elephant and Castle opportunity area;
- Bankside, Borough and London Bridge opportunity area;
- Peckham and Nunhead action area;
- Canada Water action area;
- Aylesbury action area;
- Camberwell action area; and
- Old Kent Road action area.

More intense development for a mix of uses is allowed for in these areas.

The strategy requires developments to focus on the strengths of places that make the different areas of the borough distinctive and respect local and historic context. The core strategy articulates a vision for each of these areas and more detailed policies and guidance have also been provided for some areas through Area Action Plans and Supplementary Planning Documents. Large scale new development is anticipated through delivery of regeneration in the key growth areas of Bankside, Borough and London Bridge, Elephant and Castle, Canada Water and Aylesbury.

Strategic policy 10 provides for an increase in jobs and businesses in the borough. This is to be achieved through protecting existing business space and supporting the provision of additional business floorspace in key areas, but with very significant additional floorspace in the Bankside, Borough and London Bridge opportunity area. It is worth noting that the protection of existing B1(a) business space outside of the CAZ is difficult following the extension of permitted development rights described in section 5.1. Strategic policy 10 also provides protection for industrial and warehousing floorspace (except for the release of 20 ha over the plan period) and seeks growth in new sectors such as green manufacturing and technology in the preferred industrial locations of Bermondsey, Old Kent Road, Parkhouse Street and Mandela Way. The policy also provides protection for small units in these locations and encourages provision of flexible space to help meet the needs of the local office market and independent retailers.

Southwark Plan

Much of the Southwark Plan has been deleted, meaning the borough is reliant to a large degree on the strategic-level direction provided by the Core Strategy, as well as London Plan policies and the NPPF. However, some of the saved policies are of relevance to this study, including:

Policy 1.2 – Strategic And Local Preferred Industrial Locations. This provides protection for commercial and industrial land uses in the designed Strategic PILs of South East Bermondsey and Old Kent Road and the Local PILs of Parkhouse Street and Mandela Way

Policy 1.4 –Employment Sites Outside The Preferred Office Locations And Preferred Industrial Locations. This policy allows for development on such employment sites, subject to a number of criteria. The policy seeks to maintain the overall level of floorspace in Class B use but does allow for loss of such use in some circumstances.

Policy 1.5 - Small Business Units. This policy specifically protects and encourages business and commercial developments which meet the needs of small businesses.

Policy 1.6 – Live/Work Units. This allows for development of live/work units in sites where both employment and residential uses are acceptable, subject to certain criteria being met.

The New Southwark Plan

The New Southwark Plan will replace the Southwark Plan and Core Strategy. The Preferred Option Version of the New Southwark Plan, containing development management policies and area visions, was published in October 2015. Although not yet adopted, under the NPPF, decision-takers may also give some weight to relevant policies in emerging plans such as this.

The plan sets out a strategy for regeneration from 2018 to 2033. Alongside continued major growth in housing development, there is a focus on ensuring a strong economy. There is a continued emphasis on protecting and promoting large scale office uses in the Bankside and London Bridge areas and on promoting opportunities for small businesses. The following Regeneration Areas are identified:

- Central Activities Zone;
- Strategic Cultural Areas;
- Bankside, Borough and London Bridge Opportunity Area;
- Elephant and Castle Opportunity Area;
- Canada Water Opportunity Area Core;
- Old Kent Road Opportunity Area (to be defined);
- Aylesbury Action Area Core;
- Peckham and Nunhead Action Area Core;
- Camberwell Action Area Core (to be defined);
- Bermondsey Action Area Core (to be defined).

Within these areas, the following policy is proposed:

1. Planning permission will be granted for business (Use Class B1) floorspace;
2. Development must retain or increase existing levels of business (B Use Classes) floorspace except where there is no demand for either the continued use of the site for business or for

redevelopment involving re-provision. This needs to be demonstrated by a rigorous marketing exercise for 18 months.

Given the recent changes to PDR, fulfilling number 2 above, would require the adoption of Article 4 Directions across much of the borough. LB Southwark is anticipating making an A4 direction to continue to remove PD rights post 2019 and may consider other areas with concentrations of business activity outside the CAZ as well.

Questions are raised about the future of the PILs in the borough (Old Kent Road, South East Bermondsey, Mandela Way and Parkhouse Street). There is a commitment to review these designations, with site specific policies (site allocations) to be set out in the Old Kent Road AAP and the New Southwark Plan. These will *"aim to intensify development, increase job numbers and promote growth of business uses within new mixed use neighbourhoods"*. However, in the meantime there will be no loss of employment space unless there are community or other uses that will develop the local infrastructure.

Specific policies are proposed for the promotion of small business units and the Plan includes a commitment to ensure the delivery of 500 new affordable small business units within the borough.

The Southwark Industrial and Warehousing Land Study (2014)

The Southwark Industrial and Warehousing Land Study (2014) suggests that there has also been strong demand for good quality, flexible industrial space in the borough (e.g. Class B1b, B1c and B8). This is linked to the growth of the CAZ service economy, including activities such as printing and food supplies, both in the CAZ Fringe and CAZ Hinterland. Southwark's central location and proximity to the CAZ are key features of this economy, combined with its good value in property terms. This study emphasises the importance of employment land supply around Old Kent Road, and the important role of railway arch sites in the north of the borough. However, the study identifies a concern that there is a lack of good quality industrial and warehousing space in the north of the borough. They suggest that the low values realised by these spaces in Southwark provide little motivation for landowners to develop new or refurbished properties for this market. In contrast, they suggest that speculation by landowners about industrial land potentially being released for residential development can act as a block on refurbishment for the industrial market.

While traditional manufacturing and industrial activities have been declining rather than growing, some parts of Southwark (including parts of Old Kent Road and the railway arches) provide hard-to-find space for 'dirty' activities close to central London. Some of these activities, such as those which generate sawdust, may relate to relatively light rather than heavy industry. The Southwark Industrial and Warehousing Land Study suggests that, if these areas are to be redeveloped to encourage more dense employment uses and/or a mix of uses, thought needs to be given to where these activities can be located.

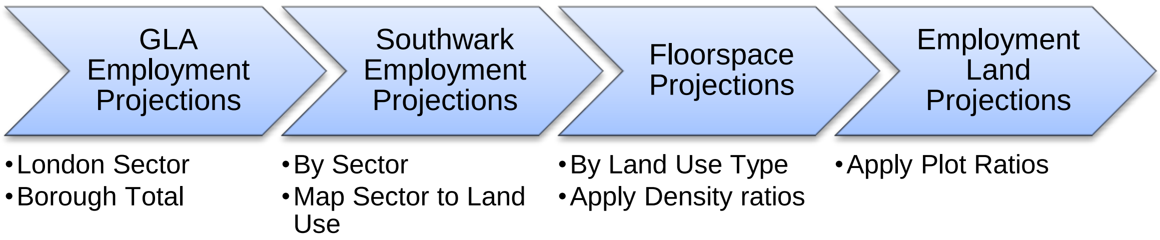
The Industrial and Warehousing Land Study reports that the CAZ service economy does not extend significantly south of Camberwell Green and Peckham Road. The demand for employment land in the south of the borough is linked to local service delivery and is predominantly associated with high streets in specific town centres (e.g. Rye Lane; Nunhead Lane; Lordship Lane in East Dulwich; Herne Hill and Dulwich Village).

6 Forecasts

6.1 Introduction

This section presents forecasts of the demand for employment land and premises in Southwark for the period 2011-36. It first sets out employment forecasts for Southwark by sector drawing on projections of employment prepared by GLA Economics that have been used to inform the London Plan. These forecasts of employment are then translated into forecasts of demand for premises by application of employment density ratios and then in to a forecast of the demand for employment land by application of plot ratios. The approach is summarised in Figure 6.1 below

Figure 6.1 Land and Floorspace Forecast Method



Forecasts of this nature are surrounded by a degree of uncertainty and hence we also undertake a series of sensitivity tests to provide a better understanding of the range of potential outcomes and how LB Southwark might seek to shape its policy response.

6.2 Employment Forecasts

GLA Employment Projections

In 2013 GLA Economics produced a set of employment forecasts to help inform the Further Alterations to the London Plan[26]. The 2013 forecasts were prepared at a sector level for London as a whole. Borough level projections of total employment were also published using the GLA's Triangulation methodology'. There were no sectoral breakdown of the borough projections.

As noted in Chapter 2 of this report London's economy has shown great resilience in response to the recession and employment post-recession has grown far more rapidly than anticipated at the time of the 2013 projections.

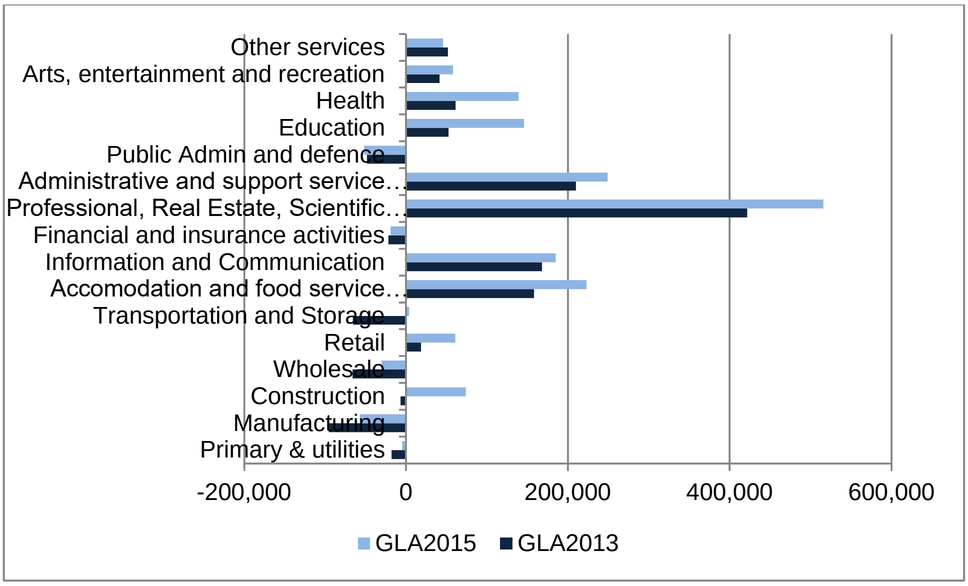
In response to these changed circumstances GLA Economics have published an updated set of employment projections[27]. The projections have been prepared for the same 14 sectors as before.

A comparison of the two projections is set out in Figure 6.1 below. For London as a whole the projected growth over the period 2011-36 is now 1.54 million compared with 860,000 as previously projected, an additional 680,000 jobs. By sector the largest projected growth is, as before, for the Professional

[26] London Labour Market Projections – GLA Economics (April 2013)
[27] Updated employment projections for London by sector and trend-based projections by borough – GLA Economics Working Paper 67 (July 2015)

Scientific and Technical Services sector. This is projected to grow by 516,000 compared to 422,000 under their 2013 projections.

Figure 6.2 London Employment Projected Change by Sector 2011-36[28]



Source: GLA Economics

The Education and Health sectors are also projected to grow much more rapidly than previously forecast. This will be a combination of the export value of the sectors (for example Higher Education for overseas students) but would be primarily driven by the continued growth in London's population.

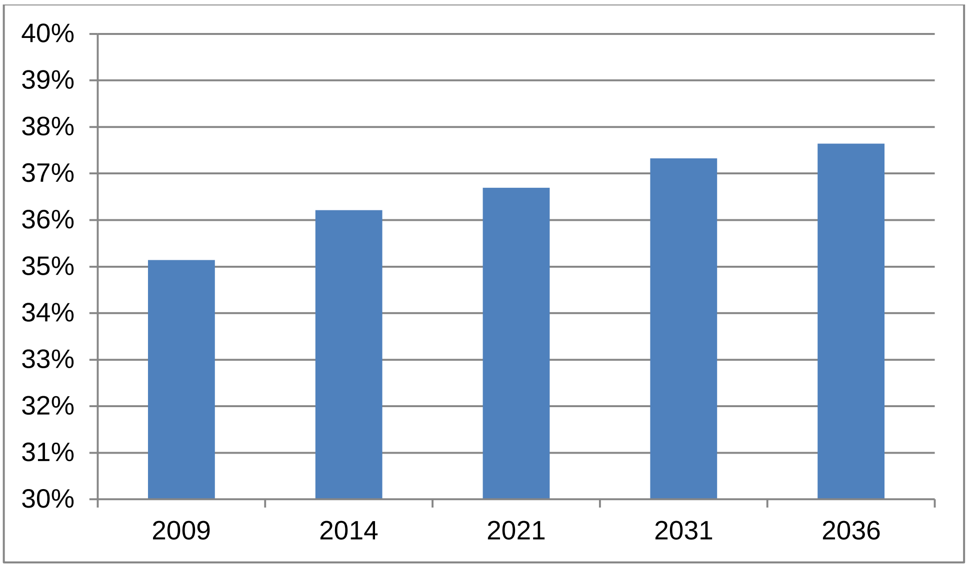
GLA Economics have also produced an updated version of their borough 'trend' projections. However this should not be read as an updated borough forecast. The 'trend' projection provides only one leg of the GLA's triangulation methodology. It does however provide an indication of the spatial distribution of trend growth, showing where we might expect growth to locate if it is not constrained by site capacity or accessibility factors.

As can be seen from Figure 6.3 below this trend forecast shows a continued concentration of growth in the area covered Central Activities Zone (CAZ) and North of Isle of Dogs (NIoD - effectively Canary Wharf). From just over 35% of total employment in 2009, this area is projected to account for nearly 38% of London's total employment by 2036.

Employment is even more concentrated in CAZ for certain sectors of activity. According to recent GLA research, 83% of London's employment in the Financial and Insurance sector is located in CAZ and the NIoD. The proportion is 61% for the Professional, Scientific and Technical services sector and 52% for the Information and Communication sector.

[28] Updated employment projections for London by sector and trend-based projections by borough – GLA Economics Working Paper 67 (July 2015)

Figure 6.3 Share of Total London Employment Accounted for by CAZ plus North Isle of Dogs – Trend Projection



Source: GLA Economics[29]

Southwark Employment Projections

The GLA do not publish borough sector forecasts. Borough projections for total employment are published based on the triangulation method. Briefly the triangulation method consists of weighted forecasts of three key variables:

- the trend forecasts for a borough;
- the development capacity of a borough; and
- the accessibility of a borough.

A set of rules are applied to the three legs of the forecast to generate a 'triangulated borough forecast'. The rules are set out in the London Labour Market Projections report[30] .

Our objective is to create a borough sector forecast for Southwark that is consistent with the GLA's sector forecasts and its borough totals. But the 'Triangulated' borough projections are not yet available. We therefore need to create an interim borough projection that anticipates broadly what might be expected when the final triangulated projections are issued next year.

The table below compares the Trend projection for Southwark using the 2013 and 2015 GLA borough projections. The trend growth projection for Southwark for the period 2011-36 is very similar in both projections at around 140,000 jobs. However in the 2015 projection this represents a lower share of London's projected growth than in the 2013 projection.

In the 2013 London Labour Market Projections the Trend level of growth projected for Southwark was an increase of 141,000 jobs over the period 2011-36[31] (16.4% of the total projected growth for London. The final Triangulated projection was just 62,000 (7.2% of London's total growth). The Triangulated

[29] Updated employment projections for London by sector and trend-based projections by borough – GLA Economics Working Paper 67 (July 2015)
[30] London Labour Market Projections (Page 100) – GLA Economics (April 2013)
[31] After adjusting for self-employment. In 2013 the published version of the borough forecasts are of employees and exclude self-employed.

projection was just 43.6% of the trend projection. But it would be incorrect just to apply this as a scaling factor to the new Trend growth projections due to the way the Triangulation methodology works[32].

Neither would the 'Trend' projections on their own be the correct projections to use. As can be seen from Table 6.1 this may diverge quite considerably from the final Triangulated projection.

Table 6.1 Comparison of GLA Borough Projections for Southwark[33]

	2011	2036	2011-36
2013 GLA Trend Forecast			
Southwark	242,130	383,551	141,420
London	4,896,000	5,756,867	860,867
Southwark as % London	4.9%	6.7%	16.4%
2013 GLA Triangulated Forecast			
Southwark	242,130	303,719	61,589
London	4,896,000	5,756,867	860,867
Southwark as % London	4.9%	5.3%	7.2%
2015 GLA Trend Forecast			
Southwark	236,000	376,000	140,000
London	4,878,000	6,418,000	1,540,000
Southwark as % London	4.8%	5.9%	9.1%

Source: GLA Economics/CAG

Our approach to constructing an interim projection for Southwark that takes account of the higher 2015 projections is set out below and summarised in Figure 6.4.

Figure 6.4 An Interim Employment Projection for Southwark

Step	Input	Output
Step 1	Baseline BRES Employment Data for Southwark by sector for 2011 and 2014	Employment by sector controlled to GLA borough total.
Step 2	GLA 2015 London sector growth projections	Sector Forecast for Southwark based on GLA 2015 projections
Step 3	GLA 2013 London sector growth projections	Sector Forecast for Southwark based on GLA 2013 projections
Step 4	Compare Step 3 Output with GLA 2013 Triangulated projection for Southwark	Triangulation Ratio
Step 5	Apply Triangulation Ratio (Output 4) to Output 2 growth projections	Interim Sector Forecast for Southwark

Source: CAG

Initially we apply the 2015 London sector growth rates to the Southwark employment structure. This generates employment growth for Southwark over the period 2011-36 of 88,319. Applying this same exercise to the 2013-based projections produces growth for Southwark of 58,203 compared to 61,589 which was the final outcome under the 2013-based triangulated projections.

[32] We also understand the GLA Economics may be revising this method for the next round of Triangulated projections but these will not be available until 2016.
[33] The 2013 projections have been adjusted for self-employment

We then use this ratio of:

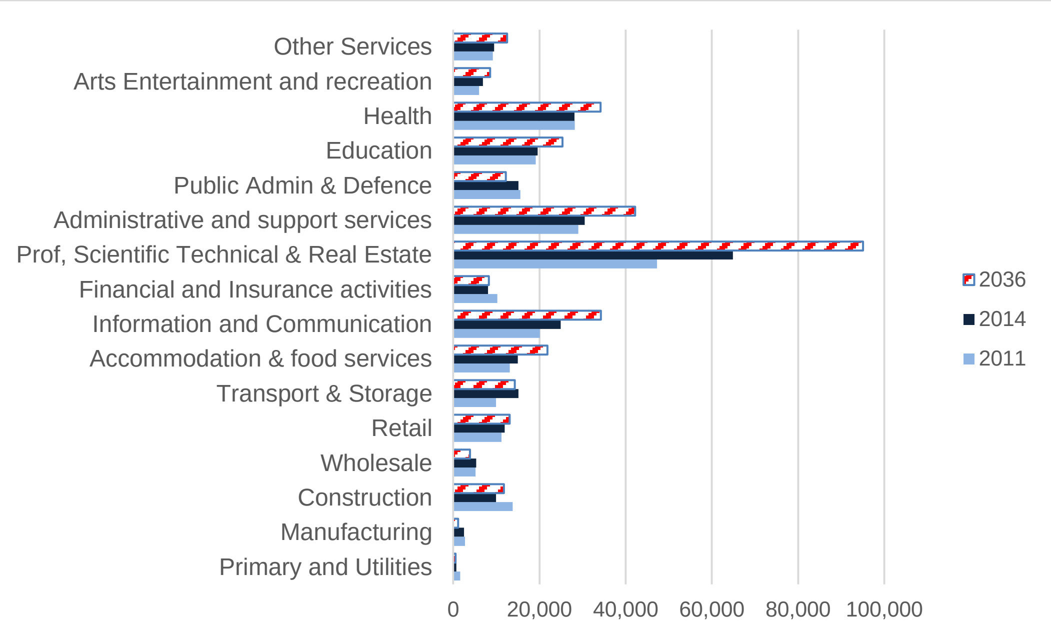
2013-based Triangulated projection/2013-based London sector projection

= 61,589/58,203

This ratio is applied to the 2015-based London sector projection for Southwark to generate our interim projection for Southwark. We project forward from 2014 the latest actual employment data in terms of both the GLA's forecast series and also the BRES sectoral employment data for Southwark.

The forecast is illustrated by sector in the figure below. A more detailed breakdown of the forecast by sector and five-year time band is contained in Appendix 3. It is possible that when the triangulation exercise is next conducted by the GLA the current lack of pipeline supply would restrict increase from the capacity leg of the triangulation process for Southwark. This could reduce the employment projections from the figures presented below.

Figure 6.5 Forecast Southwark Employment Change 2011-36



Source: CAG/GLA Economics

Employment Land and Premises

To convert employment forecasts by sector into forecasts of employment floorspace requires two steps:

1. Conversion of employment by sector to employment by use type – i.e. office, industrial, warehousing etc.

2. Application of employment density ratios

Sector to Use Class Mapping

Employment by land use is calculated by assigning industrial sector activities to land use categories. The base year borough land use data is collected from BRES at the 5 digit Standard Industrial

Classification (SIC)[34] level. We estimate a share of office and industrial jobs for each borough for each of the 16 sectors. This ratio is carried forward to estimate industrial and office forecasts for each borough applied to the 16 sector borough forecasts.

The sectoral definitions used to create this land use mapping are set out in Appendix 2. Whilst such matches will never be perfect it is a best fit based on accumulated studies and experience. It uses the office employment definition used for the London Office Policy Review and the industrial definition used for the London Industrial and Warehousing Demand Study[35].

This produces a forecast growth in office jobs of 34,500 for Southwark over the period 2014-36, nearly 60% of the total jobs forecast for Southwark.

Applying a similar approach to industrial jobs produces an overall forecast loss of -3,300 in jobs occupying industrial land. This is made up of increase in jobs in construction industries and other services more than offset by reduction in jobs in the manufacturing and wholesale sectors.

Table 6.2 Forecast Change in Employment by Sector and Land Use 2011-36

Forecast Change 2011-36	2011-36 Total	2014-36 Total	2014-36 Office	2014-36 Industrial
Primary and Utilities	-1,000	-100	0	-100
Manufacturing	-1,600	-1,400	0	-1,400
Construction	-2,500	1,400	0	500
Wholesale	-1,500	-1,600	0	-1,500
Retail	1,300	600	0	0
Transport & Storage	3,600	-1,600	0	-1,000
Accommodation & food services	8,000	6,100	0	0
Information and Communication	12,900	8,100	5,800	0
Financial and Insurance activities	-2,300	-200	-200	0
Prof, Scientific Technical & Real Estate	44,500	26,900	25,500	0
Administrative and support services	11,600	10,100	4,500	0
Public Admin & Defence	-4,100	-3,600	-2,800	0
Education	5,300	4,800	0	0
Health	4,600	4,700	0	0
Arts Entertainment and recreation	2,200	1,300	0	0
Other Services	2,800	2,500	1,700	200
Total	**84,000**	**58,100**	**34,500**	**-3,300**

Source: CAG/GLA Economics

Employment Density Ratios

The employment projections are of numbers of jobs. These are converted to floorspace by application of employment density ratios – the average number of sq m per worker. Different types of activity occupy space at different employment densities.

The London Office Floorspace Projections [36] reviewed the latest research and data on office employment density ratios. This report concluded and recommended that, with regard to the demand for

[34] The Standard Industrial Classification (SIC) is used for classifying business establishments and other statistical units by the type of economic activity in which they are engaged. The UK SIC is a hierarchical system with five digit sub-classes as the most disaggregate category in this hierarchy).

[35] A schedule of these definitions is set out in Appendix 2.

[36] London Office Floorspace Projections PBA (2014)

new office floorspace, a density figure of 10.9 sq m per desk (Net Internal Area, NIA) should be adopted to which should be applied a benchmark ratio of 1.2 workers per desk. This produces an overall ratio of 9.0 sq m per worker Net Internal Area, equivalent to 11.3 sq m per worker Gross Internal Area (GIA), which is the relevant metric to apply for the forecast floorspace.

Applying the 11.3 GIA ratio to the forecast growth in office employment produces demand for an additional 390,000 sq m GIA of office floorspace over the period 2014-36.

The projected loss of jobs on industrial land is relatively small and would imply a loss of something like 98,000 sq m of industrial floorspace, assuming an employment density ratio of 30 sq m per worker. This would imply a level of industrial land release close to the 1 ha per annum in the Benchmarks study (see chapter 5), although the two methods are not strictly comparable

Comparison with Past Change

The projected growth for Southwark of an additional 390,000 sq m GIA of office floorspace over the period 2014-36 is an average of 17,700 sq m per annum. If we look at the period 2011-36 the forecast is for 600,000 sq m or an average of 24,000 sq m per annum. This compares with an annual average of 19,800 sq m over the period 2000-12. Projected future growth is broadly in line with past change, after adjusting for cyclical fluctuations. Higher levels of employment growth are offset by higher density ratios (less space per worker).

If we look at the period 2011-36 then the forecast is higher than the projection in either the 2012 LOPR or 2014 LOPR Update due to the upward revision to the employment forecasts.

In terms of industrial floorspace Southwark lost one-third of its total floorspace over the period 2000-12, a total of 399,000 sq m or an average of 33,000 sq m p.a. Continued losses at this rate would leave Southwark with zero industrial floorspace by 2036.

Vacancy Rates

One consequence of the recent rapid growth in office employment in London is that vacancy rates are currently low. 8% is generally considered to be an optimal vacancy rate and the London Office Policy Review advises borough's to factor in this level of vacancy in terms of planning for future supply. Where existing vacancy rates are below 8% then additional supply should be added to the forecast to account for this shortfall. At 2014, the base date for our forecasts, the estimated vacancy rate in the Southwark CAZ was 4%. We do not know the vacancy rate elsewhere in the borough but the CAZ accounts for 80% of the office stock and we will assume it is in equilibrium elsewhere in the borough.

The Southwark CAZ office stock is around 1 million sq m of office space and hence an additional 40,000 sq m should be added to the forecast provision to compensate for a vacancy of 4% rather than 8%.

If 8% were to be added to the forecast total for the period 2014-36 this would require provision of an additional 31,000 sq m of floorspace.

In total this would give a planning target of 460,000 sq m of office floorspace for the period 2014-36 to meet forecast demand and allowance of an 8% vacancy factor.

Sub Area Projections

Based on the existing on distribution of office and industrial employment between the three sub-areas, the anticipated distribution of employment is set out in the Table below. In line with current patterns of employment around 90% of the forecast office floorspace would be provided in CAZ. We expect that in reality, given the high level of growth, there will be some expansion of this demand outside of the existing CAZ boundary to other nearby development areas.

Table 6.3 Projected Employment Growth 2014-36 by Sub Area[37]

Sub Area	Office	Industrial	Total
Southwark CAZ	32,500	-1,100	48,200
CAZ Hinterland	1,700	-900	5,600
South of borough	1,300	-300	4,200
Southwark	35,500	-2,400	58,000

Source: CAG

We would therefore moderate the structurally led forecasts set out in Table 6.3 to allocate some of the office demand to development areas in the CAZ Hinterland such as Canada Water and the Old Kent Road. Broadly we would expect around 80% of office floorspace to be delivered in CAZ and 20% in the CAZ Hinterland.

Table 6.4 Distribution of Employment Floorspace Change 2014-36 by Sub Area

Sub Area	Office	Industrial
Southwark CAZ	320,000	-33,000
CAZ Hinterland	80,000	-27,000
South of borough	0	-9,000
Southwark	400,000	-72,000

6.3 Future Growth Drivers

We have presented (above) a projection of demand for employment space based on the current structure of employment in the borough, growth forecasts driven by past trends and application of standard employment density and land use assumptions, albeit ones grounded in robust evidence. There are a number of factors that could affect the future demand for B-class employment floorspace in the borough. We review some of these trends below and set out their likely influence on the demand for floorspace. There are broadly three categories of driver:

- those that affect overall aggregate demand, with demand for employment space being a derived demand of aggregate demand;
- those that affect the spatial distribution of activity. This will relate to the relative attractiveness of Southwark as opposed to other locations and may depend on factors such as infrastructure investment and placemaking activity; and
- those that affect the amount of employment space required for any given level of demand. This will include factors such as technological innovation and changes in working practices.

[37] Figures may not sum due to rounding.

Population Growth

London's population is projected to grow by 1.9 million people over the period 2011-36, from 8.2 million to 10.1 million[38]. This is a big change with big implications for land use planning.

Population growth impacts on the demand for B-space in a number of ways:

- the growing population increases the number of consumers, creating demand for goods and services. This will be primarily for public services such as health and education and for consumer expenditure sectors such as retail and leisure. The Experian retail capacity forecasts for the GLA published in October projected total household expenditure over the period 2011-36 to rise by £110 billion a rate of 2.6% p.a., and that was from a projected population increase of just 1.7 million compared to the 1.9 million in FALP. Whilst this will create jobs and demand for floorspace to accommodate these jobs they will in general not be in B-class employment space;

- it also creates economic activity in the construction sector which will generate some demand for industrial floorspace in construction activities;

- it increases the labour force, creating opportunities for expanded employment growth. It is this access to a large and highly skilled workforce that makes Central London such an attractive location for businesses. The CAZ can draw on a workforce of over 2 million workers within a 45-minute travel time and expanding this workforce will add to the demand for, in particular, office employment space; and

- it increases demand for residential land, usually generating higher land values and hence competing to push out other land uses. For most parts of London residential values are considerably higher than employment land values and, especially following the introduction of a more permissive planning regime, are likely to displace employment activity.

On balance we think that the projected population growth will have a negative impact on employment floorspace and land by diminishing the supply of such premises. Whilst there is some alignment between the GLA's population and employment projections, competing land uses are not explicitly modelled through to 2036.

The Growth of CAZ and the Spatial Distribution of Activity

The Central Activities Zone (CAZ) has been expanding. In spatial terms there has been the emergence of what the London Office Policy Review has identified as a polycentric office market driven by a series of mega schemes within the central area. As noted in chapter 5, the LOPR comments that: *"These mega schemes established the pattern of 'off-centre' developments which have come to re-define the London office market as a polycentric one. When Broadgate was mooted in 1983, half a mile from the Bank of England, it was revolutionary. Now, building in Waterloo, King's Cross or Paddington is considered mainstream. It is accepted that it is possible to re-engineer the geography of Central London as long as access to the heart of the City and West End by public transport is good, and also that the scheme is large enough to create its own public realm and sense of place."*[39] As London seeks to continue to take advantage of the agglomeration benefits of CAZ, central London economic activity can continue to grow either through densification of the existing CAZ, through expansion of its currently defined boundaries, or through a small number of well-connected satellite locations as with Canary Wharf. Given the scale of growth that is forecast we suspect it will be some combination of all these three movements.

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38 FALP March 2015
39 London Office Policy Review 2012 – Ramidus Consulting

Recent research has pointed to the growing importance of the CAZ fringe in providing accommodation for small businesses that are supporting larger businesses in the core area.[40] The work included "*evidence of new locations being sought out and occupied by small businesses*", including "*a discernible flow from Shoreditch into Aldgate, a new cluster … around King's Cross … an increase in small units at Paddington … and the South Bank is growing in importance as a recognised destination for small office users*".

This would point to continued expansion of economic activity in the northern part of the borough defined by the London Bridge, Borough & Bankside Opportunity Area, an area which is expected to deliver an additional 25,000 jobs over the London Plan period.

Quality of Place and Investment Decisions

Quality of place matters and Southwark has developed a strong workplace and cultural offer in the Tower Bridge to Southwark Bridge area, which will only be reinforced as the Shard grows as part of the landscape. This is important to investment decisions. *"Quality of place – particularly natural, recreational, and lifestyle amenities – is absolutely vital in attracting knowledge workers and in supporting leading-edge high technology firms and industries. Knowledge workers balance economic opportunity and lifestyle in selecting a place to live and work. Given that they have a wealth of job opportunities, knowledge workers have the ability to choose cities and regions that are attractive places to live as well as work"*[41]*.*

Recent research by Ramidus Consulting found strong evidence of the emerging importance of the public realm.[42] Discussions with corporate occupiers identified the high "*level of importance now attached to the spaces between workplaces – the public realm. The public realm is considered a top priority for occupiers and investors alike*". The research goes on to note that technology "*has meant that work activities can now leave the building and the public realm is the place where the blurring of work and leisure happens*". We believe that the recent regeneration of Southwark's northern area will strengthen its appeal as a location for business activity and as a place for CAZ expansion.

New Infrastructure

A report by London First has highlighted the infrastructure needs to support London's growing economy. *"To underpin London's ability to attract and retain talent, and to create growth and jobs across more areas of the city, London needs an effective, integrated and affordable system of transportation and housing. The city's rapid population growth is putting increasing strain on its existing infrastructure. The draft London Infrastructure Plan identifies over £1 trillion of spending that is likely to be required between now and 2050 to support the city's population and economic growth"*[43]*.* Where this infrastructure is delivered will shape London's future pattern of growth in the way that the Jubilee Line Extension did and in the way the Crossrail is shaping up to do.

Bakerloo Line Extension (BLE)

TfL have recently consulted on a proposed extension of the Bakerloo Line. There are two consulted routes running through Southwark: one down the Old Kent Road to Lewisham and the other through Camberwell and Peckham. Any such extension would not be open until 2031 or beyond and hence is unlikely to have a major impact during the Plan period in its own right.

But this will affect future decisions about land use planning in the borough and hence may generate impacts in advance of any opening of the line. Also the BLE is not being promoted as an isolated piece

[40] Ramidus Consulting (2015) *Small Offices and Mixed Use in CAZ* Greater London Authority
[41] Richard Florida
[42] Ramidus Consulting (2015) *Future Workstyles, Future Workplaces* City of London Corporation
[43] London First

of transport infrastructure but as part of a package of measures aimed at regenerating south east London and bringing forward new sites for housing development. The public sector has a critical role to play in this land assembly process as there is an effective co-ordination market failure. The potential impacts of the BLE on the Old Kent Road Opportunity Area are explored in more detail in the Part 2 report.

Technological Innovation and the Demand for Office Space

For offices in particular there is a distinct change in the way in firms occupy their buildings. Fixed seating plans are giving way to more flexible and dynamic working environments. These capitalise on efficiency factors where mobile workers are often not in the office and do not need a personal space. But they also reflect organisational changes with a higher proportion of space being devoted to collaborative working. These changes will have implications both for the amount of space that firms will demand and for the type of space.

Research by Ramidus Consulting highlights the role of agile working in allowing organisations to both attract the right talent and manage their real estate with increased flexibility and adaptability.[44] The research identifies the emerging needs of corporate office occupiers focus on the following issues:

- a shift from fixed, long term leased space to flexible and on-demand space;
- less space, used more efficiently, and more effectively;
- space being a medium for expressing corporate culture and values;
- design for continuous adaptability and diverse usage patterns;
- activity-based workspaces providing for collaboration, concentration, communication, creativity, confidentiality and contemplation;
- use of shared spaces as a means to facilitate collaboration;
- provision of amenities and services (food, wellbeing, events etc.; and
- creating and managing memorable experiences to attract talent.

Working Practices

Technology has not only driven changes in organisational working practices but also in those of their workers. The growth of 'future work' will see more work being done remotely and more 'work hubs' specially designed workspaces equipped with the technology to support mobile workers. Instead of being the location where employees gather at fixed times to do concentrated work, the office could become primarily a place for developing and maintaining connections between people.

There has been a rise in both homeworking and the self-employed or freelance workers. This is a global trend in the developed economy of with a recent article highlighting three categories of what it refers to as the independent workforce[45]:

- the Reluctant – those who are self-employed because of lack of full-time employment opportunities;

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[44] Ramidus Consulting (2015) *Future Workstyles, Future Workplaces* Corporation of London
[45] The Forgotten Fifth? Erik R.Pages Economic Development Journal Summer 2012

- the Entrepreneurial – self-employed people running businesses with or without employees; and
- the 'Gig Economy' workforce – in industries such as arts, media and construction which traditionally operate on a project basis.

Self-employed workers currently account for around 15% of the workforce and the proportion has been rising. These categories of workers will by and large not be occupying traditional employment space. Indeed they may not be occupying any commercial space at all or they may be seeking some form of shared space or workhub.

In the year ending Q4 1996 there were 511,250 self-employment jobs in London. By the year ending Q4 2012 there were 724,000, an increase of 212,750, (or 41.6%). During the same period, employee jobs in London increased by 840,750 (or 24.5%) to reach 4,264,250. Within this overall total, higher occupations have seen the largest increases, including jobs in the professional/scientific/technical, and finance/insurance/real estate sectors. There has thus been a major growth in self-employment in London over recent years. One of the outcomes of this process has been rising demand for space (and flexibility) that cannot be satisfied in the conventional leasing market.[46]

It is no coincidence that as the number of self-employed has grown so too has the flexible space market. This provides accommodation on flexible terms for small businesses, allowing them to access modern, corporate-style offices, while sharing the costs of centralised services (such as catering and reception). Between 2010 and 2015 alone, the central London market of serviced office market grew from just over 500,000 sq m to 550,000 sq m.

The serviced office and co-working business models provide an important supplement to the traditional corporate office market, by providing choice and flexibility for growing numbers of small businesses seeking to have a presence in central London, on terms that suit their business models. At the same time they are providing further agility and flexibility for larger corporate organisations. Southwark has an important role to play in providing such accommodation.

A report for the GLA on Incubators, Accelerators and Co-Working (IAC) space[47] found that the provision of such space was strongly clustered around four central London boroughs: Westminster, Camden, Islington and Hackney. Five such facilities were found in Southwark. Only isolated facilities were found in outer London. It is reasonable to suspect that there may be a continued expansion of this form of employment premises in the area of Southwark defined as the CAZ hinterland in areas with good public transport accessibility. (The report found most IACs to be found in area with a public transport accessibility level [PTAL] rating of 6[48]).

Summary Impact

We summarise below the likely impact of the trends discussed on the demand for B-class employment space in Southwark. Overall these drivers are likely to have a negative impact on the demand for industrial land in the borough. This negative impact would come primarily from pressures from higher value uses, rather than through decline in demand for the type of economic activity currently taking place on Southwark's industrial land.

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[46] Ramidus Consulting (2015) *Small Offices and Mixed Use in CAZ* Greater London Authority

[47] Supporting Places of Work: Incubators, Accelerators and Co-working Spaces – URS 2014

[48] PTALS are a detailed measure of the accessibility of a point to the public transport network, taking into account walk access time and service availability. The method is essentially a way of measuring the density of the public transport network at any location within Greater London. Each area is graded between 0 and 6b, where a score of 0 is very poor access to public transport, and 6b is excellent access to public transport.

With demand for office space the overall pictured is more mixed with some factors increasing demand for office floorspace and others having a negative impact. Overall the balance of demand is positive but there is some threat of economic activity being crowded out by higher value residential development.

Figure 6.6 Impact of Drivers of Demand on Office Floorspace and Industrial Land

Driver	Impact on Office Space	Impact on Industrial Land
Population Growth	↓	↓
Growth of CAZ	↑	→
Quality of Place	↑	↓
Bakerloo Line Extension	↑	↓
Infrastructure Deficit	↓	↑
Technological Innovation	→	→
Working Practices	→	→

6.4 Sensitivity Tests

Benchmarking Forecasts

Forecast prepared by Oxford Economics (OE) for the City of London Corporation in March 2014 projected a similar level of growth for Central London boroughs compared to those prepared by GLA Economics. For London as a whole for the period 2013-23 OE projected a slightly higher level of jobs growth of 677,000 jobs or average of 1.2% p.a. compared with 1.1% p.a. projected by GLA Economics. For Central London boroughs both organisations projected a growth rate of 1.2% p.a. and growth of around 300,000 jobs. Both GLA and OE forecast these Central London boroughs accounting for just under half (47%) of total London jobs growth.

OE project Southwark to be the fastest growing Central London borough, as do the GLA. The OE projection is slightly lower at 47,000 or 1.9% p.a. compared to 58,000 of 2.1% p.a. for the GLA.

Table 6.5 Projected Change in Employment Central London 2013-23

Change 2013-23	GLA	OE	GLA %pa	OE %pa
Greater London	621,000	677,000	1.1%	1.2%
Central London	294,000	319,000	1.2%	1.2%
Camden	34,000	58,000	0.9%	1.5%
City	42,000	50,000	0.9%	1.1%
Islington	41,000	32,000	1.7%	1.4%
Kensington & Chelsea	16,000	19,000	1.1%	1.1%
Lambeth	21,000	8,000	1.2%	0.5%
Southwark	58,000	47,000	2.1%	1.9%
Wandsworth	13,000	14,000	1.0%	1.0%
Westminster	69,000	92,000	0.9%	1.2%

Source: GLA Economics, Oxford Economics

We think that one reason why the GLA has a higher projection for Southwark than OE is that the GLA have a relatively high estimate for self-employment for the borough. The GLA estimate self-employment at around 22%, one of the highest rates of self-employment in London. This compares to a figure of around 15% from other sources as set out in Chapter 2. This produces a higher employment total for the borough. The GLA estimate of total employment is 13,000 higher than the OE estimate at 2013. GLA. This therefore produces a higher increase for any given rate of growth.

6.5 Conclusions

Southwark is forecast to have high levels of employment growth in the types of professional and technical services sectors that generate demand for office space. The London Office Policy Review had a guideline figure of 400,000 sq m over the period 2011-36. On the basis of revised forecasts following London's recent strong economic performance we suggest this figure can be revised up to 600,000 sq m for that period, whilst noting that a large share of that demand has already been taken up to date by above trend growth between 2011-14. With adjustments for an 8% vacancy factor for efficient market operation, we would estimate the guideline planning target for the period 2014-36 to be 460,000 sq m.

The spatial growth pattern of London suggests the north part of the borough is likely to be an attractive location for office occupiers. Most of the likely drivers of demand for office space appear to be positive or have already been factored in to the projections, such as higher occupational density.

The biggest threat to growth is likely to come from restricted supply in particular through lack of land for office development as it is outbid in value terms by residential.

Industrial demand is forecast to decline modestly in line with the Industrial Release Benchmarks figure of 1 ha per annum. But recent releases have been running at well above this level and industrial land in the borough is also under pressure from residential encroachment.

7 Market Balance

7.1 Quantitative Balance

The forecasts suggest an under-supply of employment land: with demand for something in the region of 460,000 sq m GIA of additional office floorspace over the period 2014-36. For a scale comparison, More London is approximately 320,000 sq m GIA. However, we are not aware of any significant volumes of office floorspace in the current development pipeline. Outstanding permissions for B1 development indicates a net loss of employment floorspace totalling 38,900 sq m. This loss of employment floorspace is apparent in all parts of the borough including the CAZ. This negative supply needs to be replaced and hence added back to the forecast demand figure.

Table 7.1 B1 Approvals

	Under Construction	Consents
CAZ	-38,736	-26,725
Hinterland	9,149	-6,482
South	-1,260	-5,621
Southwark	**-30,847**	**-38,828**

Source: LDD

For industrial development outstanding consents continue the process of net loss of industrial land. 60,000 sq m of industrial floorspace has been lost in development currently under construction and a further loss of 47,000 sq m of industrial floorspace has already been approved.

Table 7.2 B2 B8 Approvals

Industrial	Under Construction	Consents
CAZ	-45,749	-35,650
Hinterland	-13,351	-10,359
South	-869	-1,205
Southwark	**-59,969**	**-47,214**

Source: LDD

Opportunity Areas

The Opportunity Areas combined are currently scheduled to provide for 33,000 jobs. The forecast growth for Southwark over the London Plan period of 2011-36 is 84,000, though 26,000 of this has already occurred by 2014.

There are not many other sites that could be expected to deliver high levels of employment growth. The principal locations for growth will be the already identified Opportunity Areas, though we believe the current employment targets for these locations will need to be raised if Southwark is to meet its projected demand. The Opportunity Areas in total are currently anticipated to accommodate 33,000 additional jobs whilst the projected growth for the London Plan period of 2011-36 is for 51,000 additional B-space jobs.

London Bridge, Borough & Bankside is the principal location to meet the large office demand for the professional services sector. The current Opportunity Area target is 25,000 jobs but much of this has already occurred and we believe this will need to be raised if Southwark is to meet projected demand. It is now a proven office market with high rents and low vacancies. We are not aware of any current major development opportunities, but LB Southwark should seek to encourage intensification of office use where such opportunities present themselves. The northern end of Southwark Bridge Road and Blackfriars Road both appear to offer some potential for intensification.

Elephant & Castle is also in the CAZ and as such should be seeking to accommodate CAZ type activities. Given the forecast growth for office floorspace and the lack of a development pipeline we see potential for Elephant & Castle to re-emerge as an office location and believe this should be encouraged. As such the existing Opportunity Area target of 5,000 jobs is probably too modest. There are some early signs of re-emergence of interest in Elephant & Castle as an office location with Peabody having recently moved their headquarters to Newington Causeway and the recent announcement by London & Regional Properties to provide a landmark mixed-use development on the site of Skipton House.

Canada Water sits outside CAZ but has good connectivity. It has the further advantage of large single ownership which enables the site to be curated and a longer term development perspective taken. We think there is longer term potential for this to develop as an office location. This is a revised view from that set out in the 2012 London Office Policy Review and it is the strength of demand in the London market post-recession which has caused us to revise that view.

Old Kent Road is part of the CAZ Hinterland, although the northern tip of the Opportunity Area sits within the CAZ boundary. We do not see the Old Kent Road OA generally as a Grade A office location, but some B1a activity can form part of the mix. The current proposals at Rich Street are to be welcomed. The site is under pressure for residential development but is still home to much quasi-industrial activity. The Old Kent Road is looked at in more detail in Part 2 of the study.

Elsewhere in the CAZ Hinterland Southwark is home to a large number of railway **Arches** which provide lower threshold enterprise space across a range of economic activities.

7.2 Qualitative Balance

There are a range of different types of premises and floorspace that occupiers will seek depending on their business needs, activities and maturity. Broadly we have identified six categories of employment space (summarised in Figure 7.1 below) that encompass those types of accommodation in demand in Southwark. If it wants to provide for a range of different types of business in its borough LB Southwark will need to make provision for all of these types of space.

Figure 7.1 Typology of Premises

Premises Types	Occupier/building characteristics
Grade A	Town centre and edge of town, often with good road frontage. Institutional and high quality specification. Occupied by corporate businesses, often operating internationally.
Managed	Town centre, often close to rail/tube stations. Good quality specification and quality service offering. Often upgraded office stock. Predominantly SMEs and micro businesses, often with customers in CAZ.
Marginal	Town centre and edge of town centre, mainly tired office buildings, often with good road frontage. Generally specification, tending towards obsolescence – much 1950s-1970s stock.
Hybrid	Often industrial estates and edge of centre business estates. Basic level of specification, but meeting economic need. With flexibility for change and upgrade. Firms with a blend of office/studio/production activities.
Shed	Industrial estates and single building sites. Basic unit specification with double height space and ability to take lorry/van traffic. Wide range of firms, often with an aspect of distribution/storage, but also light industrial.
Informal	Niches in the urban fabric, such as railway arches, yards and backlands. No real specification or design aspect; normally with external storage/trade area.

It must be stressed that the forecast period, 2011-36 is a long period when placed in the context of the rapid economic change that is currently taking place in the London economy. It is likely that during the next two decades requirements for commercial property in London will undergo further dramatic change as sectors and the structure of economic activity evolve. The typology in Figure 7.1 is a useful way of thinking about the short- to medium-term requirements of business, but it must also be recognised that it likely to need to adapt to changing circumstances.

Figure 7.2 below presents this simple typology of the predominant land use types in terms of the priorities for each of the borough's three sub-markets.

Thus, Grade A, managed space and hybrid space are all important for the CAZ area. They provide space for companies providing high value services for central London businesses. Similarly, marginal and shed properties are an important component of the CAZ hinterland: but they have been priced out of the South Bank and there is little available to the south of the borough. This typology can be used in considering the priorities for land use policies.

Figure 7.2 Sub Market Areas and Premise Type to Promote in Southwark

Typology	Southwark CAZ	CAZ Hinterland	South of borough
Grade A			
Managed			
Marginal			
Hybrid			
Shed			
Informal			

Note - Shaded cells represent property type to promote in each sub area

Of course, Figure 7.2 is a typology, and the categories are not exclusive. We have identified three distinct property market areas in Southwark each with their own characteristics and each requiring its own policy response

Southwark CAZ

By far the greatest forecast demand for space in Southwark generally, and in the CAZ area in particular, is for new Grade A, large floorplate office space to serve, in particular, the professional services market. Forecast growth of this activity is high and Southwark has demonstrated it is a good location for this high volume high value activity. But following a period of sharp growth, there is now a dearth of new supply of Grade A accommodation.

Successful, modern Grade A space responds to rapidly changing occupier requirements. In terms of business drivers, cost constraint is a continuing driver, but beyond this, there is a pervasive need for organisational agility to respond to ever-changing economic and market conditions. These primarily involve a continuous drive for efficiency and competitive position. Increasingly, the workplace must provide an environment with design and management solutions that support wider organisational objectives. For example, the interiors of buildings are providing more space to support collaborative work, with less workspace allocated to individuals, and with technology supporting collaboration, connectivity and distributed working. Modern companies place greater emphasis on the look, feel, design and functionality of their workplace than was the case in the past, including the following.

- technology-enabled flexible working;
- an environment that reinforces culture and change;
- an ergonomic and comfortable environment;
- access to windows and natural light;
- stylish design that facilitates rapid and simple change;
- facilities for independent and group work; and
- social amenity.

Thus many organisations are using the new workplace to help improve their business performance; and they are being proactive in terms of how to best support their largest, most expensive, and most important asset, their people. Grade A space in the Southwark will need to reflect these requirements.

In locational terms, it will also be imperative for the CAZ area generally to reinforce the impact of More London, as an extension of the core central London office market. This will involve either the extension of the More London office area or the development of substantial schemes elsewhere. Expansion of the existing More London scheme is relatively less risky, if development land can be found, than trying to create a new office quarter at Elephant & Castle or the northern tip of Old Kent Road, where the market has yet to be proven.

However, Elephant & Castle has the advantage of high connectivity. An office development would need to take immediate advantage of this. More than 5 minutes' walk from a station (or 400 metres) and the scope for such high density development falls of rapidly. But if it is to become part of the CAZ office market then development needs to be of a sufficient scale that it can create its own sense of place.

The Southwark CAZ is part of the main cluster of professional scientific and technical services employment within the CAZ[49]. To date the Southwark CAZ has proved attractive to professional and business services activities such as legal and accountancy services and advertising and market research. These are likely to remain strongly growing sectors and are thus good areas to be represented in. Southwark has comparatively low representation in the financial services sector and the growth prospects here are not promising so it is not an area that Southwark should explicitly seek to target. Southwark also has lower representation than other central London boroughs in the technology and media sectors. These are growth sectors and Southwark may wish to shape its offer to try to attract more businesses in these sectors.

To remain attractive to any of these sectors the Southwark CAZ will need to provide the kind of Grade A space described above in significant volumes and in a way that creates 'places'. In terms of '**place**', in making provision of new office space, it is important that a balance of activity is maintained and that cultural features that have been such an important component of recent campus developments are retained as an important attraction. As the Draft CAZ SPG notes, *"For the CAZ to continue to flourish it is essential for successful spaces to be maintained and conserved and for substandard spaces to be improved"*. The defining feature of London's successful campus schemes in recent years (such as Broadgate, King's Cross, More London, Paddington and Regent's Place) has been a quality of place that draws people in, provides high quality and well managed public realm, and creates a critical mass in terms of occupiers. If the Southwark CAZ is to create a new business district to complement More London, there are four things that is must achieve *as a minimum:*

- scale - it must provide sufficient critical mass to stand as a place in its own right;
- quality - it must provide high quality spaces and buildings for discerning occupiers;
- range - it must provide a variety of building types to attract diverse occupiers; and
- support - it must provide shops, leisure and support services.

The new Draft CAZ SPG notes that for the Elephant & Castle Opportunity Area and the Old Kent Road Opportunity Area part within CAZ that "*Offices and other CAZ strategic functions may be given equal weight relative to new residential"*[50]

As well as providing for substantial new demand for Grade A space, the Southwark CAZ has an important opportunity to provide for managed and hybrid space. These are important potential sources of accommodation for those activities for which Grade A office space is either too expensive or inappropriate. We have noted how the rental differential between More London and the City has been squeezed. There will therefore be a market for those who still want a central London location but want to occupy at below prime rents.

The Draft CAZ SPG aims to maintain a supply of smaller office premises of less than 500 sq m. The number of these smaller units in the Southwark CAZ has increased substantially over the last ten years, principally through the provision of managed space. These are the types of premises offered by providers such as Workspace Group. They are typically near a town centre or high street, often close to rail or tube stations; they have good quality specification and a quality service offering. They are often provided in refurbished, older office or industrial building stock. They cater predominantly for SMEs and micro businesses that often have customers in the core area of the City and West End.

[49] Figure 6.2 Draft CAZ SPG
[50] Table 1.1 C Draft CAZ SPG

Hybrid space is different to managed space in so far as it caters for occupiers that are less 'office based' and more 'production-based'. Hybrid space is typically provided on industrial estates and edge of centre business estates; it has a basic level of specification to meet economic need and provides the flexibility for change and upgrade. Firms typically have a blend of office, studio and production activities.

Managed and hybrid space are providing an important supplement to the traditional corporate office market. They are providing choice and flexibility for growing numbers of small businesses seeking to have a presence in central London, but on terms that suit their business models. At the same time they are providing further agility and flexibility for larger corporate organisations. The key to their sustainability will be their resilience to property markets cycles. Clearly, the sector has grown rapidly in recent times.

The critical point here is that there is a strong demand within the Southwark CAZ (and elsewhere such as the CAZ Hinterland) from a relatively new market sector that caters specifically for small occupiers, and often for those businesses in the key growth sectors of digital and creative businesses. The offers range from relatively cost effective packages to 'five star' arrangements, but the common denominator is a steady supply of space that can be heavily sub-divided for small occupiers.

CAZ Hinterland

The CAZ Hinterland also has good employment prospects for accommodating SMEs servicing Central London. There has been growing demand for flexible accommodation across a range of diverse activities and we see continued demand from this source. The market demand is for a range of accommodation types and price points. This area is also the focus of the borough's industrial base.

It is this industrial activity in the CAZ hinterland that is under particular pressure from residential development. Some clusters/sites are losing their critical mass and reaching a tipping point where loss becomes inevitable. (It should be recognised that many businesses cease trading simply because their owner retires, not because the business becomes unprofitable.) If industrial activity is displaced it is unlikely to relocate elsewhere in the borough – there is nowhere for it to go. It may not even relocate to elsewhere in London as there are limited suitable sites.

Evidence from recent Industrial Land surveys shows that industrial land is being released far in excess of the benchmark guidelines and we think that there are sound reasons to try to prevent further losses except where a site becomes obsolete for industrial activity.

The Draft CAZ SPG has noted the importance of activity on industrial land in Inner London for servicing the CAZ economy. We think there is demand for a range of different types of spaces in the CAZ Hinterland and that employment land policy should promote and encourage these in appropriate locations. As set out in Figure 7.2 these include hybrid, marginal, shed and informal space. Hybrid space has already been discussed above.

Marginal space is typically within town centre and edge of town centre, comprising mainly tired office buildings, often with good road frontage. Generally specification is low, tending towards obsolescence in modern office terms. However, such space can provide an economic alternative to higher specification space. Often such premises can cater for professional services activities servicing local markets, such as finance, accounting, legal, personnel and IT advice. Such space can be in stand-alone office buildings or in office units above retail.

Marginal space can be highly vulnerable to office-to-residential conversion, especially stand-alone office buildings in off-pitch locations. In policy terms it will be important to monitor the evolving balance between marginal space and the emerging managed or flexible space market. If the latter is expanding and offering a viable alternative, then some loss of marginal space to other uses will not be a major problem. It is likely that marginal space will become a smaller component of the overall offer over time.

Shed space is typified by industrial estates and single building sites, with basic specification. It is a low density use, with the ability to take lorry/van traffic, which has made it particularly vulnerable to loss through conversion to other uses. However, in the CAZ Hinterland, sheds continue to provide accommodation suitable to a wide range of firms, often with an aspect of distribution/storage, but also light industrial and production uses. However, the shed market has been in continuous decline for many years: replacement seems to be a non-existent activity. If industrial land in the CAZ Hinterland is to be redeveloped for mixed use activity, it will in general be looking for a different type of occupier to those that it is replacing. We do not think that new industrial development is likely to be viable.

There are also strong pressures from both a market and policy perspective for residential development on the remaining industrial sites in the CAZ Hinterland. If residential development replaced industrial land there would be some replacement employment activity created in sectors servicing household demand whether in public services such as health or education or consumer expenditure sectors like leisure and retail. But these are not sectors that would require B-class employment land.

Both employment and housing uses have legitimate claims and it is largely a policy choice as to which should prevail with mixed use development often put forward as the compromise, and high density mixed use put forward as a means of maximising the totals number of jobs and dwelling units.

The report *"Accommodating Growth in Town Centres"* [51] addressed the issue of what was termed Low Threshold Enterprise Space (LTES). The report made the point that the type of affordable workspace that is sometimes re-provided accelerates the process of industrial gentrification with the displacement of lower-value manufacturing businesses, artists, and creative workers by higher-value knowledge and creative businesses. Re-provided affordable workspace is unlikely to meet the business needs of previous occupiers on Low Threshold Enterprise Space *"Once this space is gone, it is lost to the property stock for good. The same type of product will not be re-provided in any new development. LTES should not be protected to save inefficient businesses from market realities but policy interventions to protect it are appropriate where the loss of such stock can be demonstrated as harming the wider town centre economy."*

The continuous decline of shed space is not simply related to land values and competition from higher value uses: it must be recognised than many of the activities that once occupied such space have declined dramatically and so demand has shrunk accordingly. Equally, just as office occupiers have evolved, so to have industrial occupiers and, to some extent, managed space and hybrid space are providing accommodation for such firms. For example, while printing was once a machine-heavy, 'dirty' and noisy activity with requirements for lorry access, today most such activity is digital and can take place in clean environments with a higher office content.

The kind of modern 'industrial' units provide at Glengall Business Centre on Glengall Road typifies the more modern 'industrial' space, with a variety of tenants, some hi-tech, paying rents of circa £9 per sq ft in a well-managed estate setting. The key in policy terms will be to balance the release of older, obsolete stock that is in low demand with new investment in higher quality stock. This will require active approaches to identifying suitable locations and sites, and then promoting them with developers and investors.

South of Borough

The south of the borough is limited to local service activity. We see no strong reasons to promote new B-class employment activity in this part of the borough, though maintenance or re-provision of some B-class employment space will provide some support for local centres and continue to play a useful role as part of the local service economy (see 'marginal space' described above).

[51] Accommodating Growth in Town Centres – Maccreanor Lavington, PBA, GHPA 2014

B-space employment is estimated to account for just 25% of jobs in the south of the borough. There is likely to be some demand for activity in high street and informal accommodation as set out in Figure 7.2. Whilst there appears to be no particular reason to promote provision of new B-space in the south of the borough, we should recognise the role that existing provision plays in supporting local activity and in supporting quality of life in the local area.

Informal space is relevant both to the CAZ Hinterland and the south of the borough. As shown in Figure 7.2, such space is, typically, found in niches in the urban fabric, such as railway arches, yards and backlands. Such space has no specification or design aspect and is often accompanied by external storage/trade areas. Informal space is not a large-scale employer, but its importance is seen in the services provided to local communities – building materials, car servicing and repair, food production, printing and scaffolding are just some of the plethora of activities found in informal spaces.

Low Threshold Enterprise Space has an important economic role in enabling SME start-ups that may grow into productive and profitable companies. But without some low cost entry point such businesses may never be able to get a start. There is thus a sound economic justification for ensuring the retention of some such space in the borough in order to secure its economic health for the future.

7.3 Priority Interventions

As noted in the policy chapter the New Southwark Plan has a draft policy supporting the development of office space in the CAZ, Opportunity Areas, Core Action Areas, Town and local centres, Strategic cultural areas and the Camberwell Action Area. It also recognises the need to promote development of new employment floorspace and to protect and support the development of floorspace for small businesses.

To take forward these policy objectives we recommend the following priority interventions as set out below.

Site assembly for Grade A offices in CAZ

If Southwark is to play an expanding role in accommodating more space like More London, then it is imperative that sites are identified, and confidence provided to long-term investors that such development will be welcomed. Whether this becomes an extension of the emerging More London/London Bridge cluster, or whether an opportunity is identified elsewhere, such as at Elephant & Castle, the confidence needs to be created that development on a large scale can be implemented to meet forecast demand. From a market perspective, Southwark's future Grade A offer will need to deliver on at least four key issues:

- scale - with a forecast need for 460,000 sq m, sites will need to be capable of providing for at least one large, integrated campus scheme;
- quality - the commercial office component needs to have a sense of place: it needs a physical focus or central public realm. This is more difficult to achieve in a number of discrete units than through creating the 'place' characteristics of other campus schemes;
- range - it is important to provide for a range of office occupier types and sizes. The buildings should provide a range of different environments to suit different needs both in terms of specification (cost) and terms (lease arrangements); and
- support - the scheme will need to have a range of integrated facilities: leisure, health, retail, business services. Public realm management is important, with green spaces for leisure and

relaxation. Corporate occupiers consider such features important to attracting and retaining staff.

Offices for smaller occupiers

As well as catering for large corporate occupiers in Grade A space (above) and providing managed space (below), it will be important for Southwark to continue to provide office space that is suitable for a wide range of traditional office occupiers. As costs escalate in London's core area, there is a steady migration of firms to lower cost locations, and Southwark's CAZ and CAZ Hinterland areas are in a position to absorb some of this demand. This is dependent upon such stock being able to compete with the residential market. In the medium-term, those areas closer to the river, such as Bermondsey, Borough and Southwark Street, will be most attractive to in-movers from north of the river. Over the longer term, demand could percolate to areas further south.

Nurturing flexible managed and hybrid space

This work has demonstrated the scale and importance of SMEs to Southwark's growing economy. It is critical that there should be availability and choice available at costs that are affordable to small and growing businesses. There is an opportunity for Southwark to identify buildings or locations where suitable stock exists and to promote its conversion to flexible space. Older office buildings and older industrial buildings (brick-built, multi-storey and late nineteenth/early twentieth century) are both suitable. The Rich Estate seems to provide a potentially exemplar case study of how this might happen. Appropriate buildings should be identified for policy protection and it may be easier to protect individual buildings under Article 4 directions should the policy on permitted development rights be further liberalised.

'Industrial' space

As already noted above, London's industrial activity has been in sharp decline for many years. However, 'industrial' space is highly varied, and some is capable of modern usage. At the same time, there appears to be very little appetite among developers to build new stock. Equally, and certainly in the CAZ area and parts of the CAZ Hinterland area, the prospects for large, B8 distribution sheds seem particularly slim. However, there are two possibilities for future provision. First, there is potential in some locations to provide modern, hybrid space, or at least 'shed' space that is flexible and adaptable for a wide range of modern, service-based occupiers. These are likely to be in the CAZ Hinterland such that they are accessible to central London, but away from the steep rental curves closer to the river.

The second opportunity is to encourage the refurbishment of stock in specific locations, where there is an identifiable critical mass of premises, where access is good, and where the stock is capable of use by modern occupiers. The priority here will be to identify the relevant locations and to give the developer market confidence that the sites have a long-term future.

Informal space

Southwark has a large concentration of railway arch stock and there is an important role for the borough in ensuring that this stock can provide for more jobs and workplaces through intensification and refurbishment. This will mean working with Network Rail, and it might also entail overcoming a number of use restrictions. Our understanding is that currently some types of operation such as car repairs are forbidden due to safety concerns, but that it may be possible to overcome some of the safety concerns given more modern operating practices.

Working with providers

Apart from considering what types of stock to nurture and encourage, as above, there is also the opportunity for the borough to work closely with the providers of large mixed use schemes to ensure that appropriate workspace is an integral part of the delivery. This will require brokering relationships between specialist providers on schemes in order that commercial space can be provided that meets market demand and is not left vacant as an ancillary activity. Such developers understand their market and the product businesses require as it is their core activity. Dedicated workspace providers operate a successful business model from letting businesses space to commercial occupiers. Such developments could prove particularly appropriate for the provision of flexible managed and hybrid space as described above.

It is important that workspace development is designed to meet the market needs of businesses rather than being a subsidiary obligation to a residential scheme. In many schemes delivered by residential developers, the non-residential part of the scheme is often not designed in a way the best meets the needs of the market. LB Southwark should maintain a list of approved workspace providers who should be used to deliver the B-class employment elements of any consented mixed-use scheme.

Mixed Use Development

In most parts of Southwark, as with much of London, development pressures are strongest from the residential sector. For the short-medium term at least, with the exception of some parts of the CAZ, it is likely that any new B-class development is likely to come as part of a residential led mixed use development. In particular where this is redevelopment of previous employment space LB Southwark should identify the type and quantum of B-space development that should be reprovided. On larger sites this may mean ensuring that developers co-operate in delivering usable employment space for the site as a whole and avoid parcelling the land in to a series of unviable units.

A number of boroughs have policies that seek to ensure provision of workspace in mixed-use development is maintained for employment use. For example, LB Hackney insists that ‘fit out’ for employment space must go beyond ‘shell and core’. They require developers to put in the basic fittings in order to enable occupation by tenants who do not have the resources to fully fit out premises themselves. This reduces the threshold to entry. There is also a general requirement for double height on the ground floor, both to give greater flexibility to occupiers and also to act as a further disincentive to residential conversion.

In some cases this may mean retention of part of the site for employment use rather than re-provision of new space. As one research report noted, *“[P]lanning policies encouraging mixed-use development (which include the provision of affordable workspaces within a broadly residential development) were actually crowding out low value business space. In practice, they favoured certain types of activity such, as creative businesses, and did not meet the needs of start-ups, young businesses, low-value manufacturers and small family-run retail and service businesses”*[52]. If lower value space is maintained within a redevelopment area, this may require transfer of land ownership to the Council, a Trust or some other form of covenant, to protect the space from further encroachment at a future date. Planning policy of itself is unlikely to be able to offer sufficient protection from future redevelopment.

Affordable space

We have found no direct evidence in the research for this report that rising rental costs are deterring local occupiers from taking space, nor that there might be a need for interventions to secure affordable subsidised business space as the market is delivery the right space to meet occupiers needs. We concur with the Borough’s general approach of encouraging developers to provide the right type of space, i.e., flexible/hybrid space that can be adapted to suit different needs. The approach currently being taken to the Rich Estate is a good example of this. The key will be to constantly match the type of space being required by a wide variety of, mainly, SMEs, undertaking a broad range of activities within their space.

[52] Yvonne Ryding, 2013, The future of planning,

If a more active policy intervention were chosen, such as imposing a requirement to provide affordable space in either larger B-schemes or in mixed use schemes, this could potentially impact scheme viability, and possibly exacerbate the issue of residential values being so much higher than commercial values. Having a vibrant flexible space market in the locality will be key to ensuring the availability of suitable space for start-ups in this respect. Although such space is not discounted to be 'affordable', it does offer other benefits such as flexibility, the avoidance of dilapidations, shared services and so on, thereby making an attractive offer.

The case for subsidised business space remains where specific policy objectives such as creating space for start-ups business can be justified as a mechanism for intervention[53], but such provision should be clearly distinguished from general provision of *'affordable'* business space.

Bakerloo Line Extension

The forecast increase in London's population is likely to bring severe capacity constraints and particularly severe bottlenecks around London termini. With South-eastern services into London Bridge under pressure to accommodate the high proportion of population growth, without significant National Rail investment in additional capacity, the Bakerloo Line Extension offers a means of relieving the bottleneck at London Bridge.

An outcome of the BLE will be the regeneration of a large corridor of South East London from the Elephant and Castle through to Lewisham and Beckenham. At present land values are comparatively low for an area so close to the centre of London and this reflects its mix of comparatively low value land uses and also the relatively low density of development. More dense development enables delivery of a higher number of affordable dwellings by creating higher land values. Higher land values encourage development by raising the potential return to both landowners and developers but also create additional value available to spend on planning obligations.

Areas that are physically close to central London but relatively poorly served by the current transport system offer the most potential. This helps explain a process of transport-led regeneration that is already well established in London. Many of London's Opportunity Areas have already been transformed through transport investment (e.g. Canary Wharf), and others are expected to see high levels of investment and development in the period up to 2025 following transport investment commitments. The very close proximity of the Vauxhall Nine Elms Battersea (VNEB) area to central London explains why the Northern Line Extension is expected to unlock very high land values (generating 16,000 homes and 25,000 jobs).

The BLE is not being promoted as an isolated piece of transport infrastructure but as part of a package of measures aimed at regenerating south east London and bringing forward new sites for housing development. Site assembly is only the first stage in the process if successful regeneration is to be achieved. A wider set of co-ordinated activity will be introduced to ensure that the regeneration potential of the scheme is maximised. This will draw on lessons from past investment such as Crossrail, the London Overground and the Jubilee Line Extension.

This will also help with the Town Centre regeneration ambitions at Old Kent Road. This is something that is explored further in Part 2 of this report.

[53] See justification in 'The Demand for Premises of London's SMEs' - LDA / RTP, 2006

8 Conclusions and Recommendations

8.1 Summary

LB Southwark is one of London's largest and fastest growing employment locations. In London Plan terms it is an Inner London borough and forms part of the Central London Sub-Region. Employment is concentrated in the north of the borough in London's Central Activities Zone. Employment in the CAZ is largely in the professional services sector. In the CAZ Hinterland, north of Camberwell Green/Peckham Road, there is a more mixed range of economic activity, much of it providing services to the central London economy. The south of the borough is predominantly residential with employment limited to local service functions with education, health and retail as the principal employment sectors.

In labour market terms Southwark is quite well balanced with large outflows of workers to central London matched by similar levels of inflows from neighbouring south London boroughs.

Employment in Southwark has grown rapidly since 2000, increasing by 41%, or 74,000 jobs, from 2000 to 2013. It is one of the fastest growing parts of the London economy, growing at more than twice the rate of London a whole which increased employment by 16% over this period. Southwark is well represented in high value growth sectors such as Professional, Scientific and Technical services and has developed strong representation around publishing/media/digital activities; professional services; and some public services activities such as health, education and transport services. Several major employers have large offices in Southwark (e.g. Transport for London, Ipsos MORI), which is a strength for the local economy but also a potential vulnerability in the event of a significant relocation.

The northern wards which make up the Southwark CAZ account for over 90% of all office employment in the borough and the area has, in commercial property markets terms, been transformed over the past fifteen or so years since the opening of the Jubilee Line Extension in 2000.

The area's success in regeneration terms does of itself present problems for some established business in the Bankside and Borough area in the shape of rising rents. While there is no real evidence yet of firms being pushed out by price increases, there is evidence from elsewhere (particularly around Shoreditch in recent times) that premises costs pressures can lead to some firms leaving the areas in which they have become established.

Meanwhile, in the east of the borough – the other major employment area – the problem is obsolescence. There has been only marginal new development over a number of years now; which means that the stock is ageing and, potentially, edging towards obsolescence.

Cutting across both of these areas is the pervasive pressure for conversion to residential. In the north this is mainly very high value residential, while to the east it is still largely broader market housing. It is further worth noting that in some areas – particularly Peckham and Camberwell – Housing Associations are significant players and are more than happy to take over former employment sites.

There is a substantial value differences between commercial and residential property. With forecasts of continued high population growth and a housing-friendly planning regime, it is unlikely that the pressure for residential development will go away in the forseeable future. Businesses may then be faced with the choice of seeking locations outside of Southwark or having to settle for poorer quality space.

Loss of existing employment space will only add to these cost pressures as restricted supply causes prices to rise. For this reason it is important to consider carefully the position of smaller employment areas, because these are often the only outlet for smaller local firms. Their loss may be quantitatively trivial, but qualitatively significant for its impact on the business mix in the borough.

In the north, the problems are essentially those of managing success. On the whole, the market is managing the 'big picture' here very effectively, but as is often the case small, but important issues of concern need to be monitored. In the south, the story may be about managing decline. The lack of significant development activity in the borough's industrial stock is not solely to do with better values for residential. That is, in part at least, a symptom rather than a cause of change. Values – which very directly reflect lettability and saleability of commercial property – simply do not support B2 or B8 development.

Yet despite these pressures on employment space, Southwark needs to create new and additional employment space in order to satisfy demand. Over the period 2011-36 Southwark is forecast to increase in employment terms by 84,000 jobs, with 26,000 of this having already occurred by 2014. Southwark is forecast to have high levels of employment growth in the types of professional and technical services sectors that generate demand for office space. The London Office Policy Review suggested a guideline figure of 400,000 sq m over the period 2011-36. On the basis of revised forecasts following London's recent strong economic performance we suggest this figure could be revised up to 600,000 sq m for that period, whilst noting that a large share of that demand has already been taken up to date by above trend growth between 2011-14. With adjustments for an 8% vacancy factor for efficient market operation we would estimate the guideline planning target for the period 2014-36 to be 460,000 sq m.

The spatial growth pattern of London suggests the north part of the borough is likely to be an attractive location for office occupiers. Most of the likely drivers of demand for office space appear to be positive or have already been factored in to the projections, such as higher occupational density.

Industrial demand is forecast to decline modestly in line with the Industrial Release Benchmarks figure of 1 ha per annum. But recent releases have been running at well above this level and industrial land in the borough is also under pressure from residential encroachment.

8.2 Conclusions

Of the 460,000 sq m of net additional office floorspace predicted to be required between 2014 and 2036, around 80% of this should be provided in the CAZ. The requirement for net additional floorspace, taking account of the business cycle, is close to the 20,000 sq m per annum seen over the period 2000-12 when More London was being developed. There is the need for at least one scheme of comparable scale to come forward over the plan period.

Most of the CAZ floorspace demand will be for large Grade A units for professional service occupiers. But there will also need to be provision of hybrid and managed space for SMEs to provide services to the major occupiers or to fulfil high value niche functions.

In the CAZ Hinterland there will be demand for a range of cheaper and varied accommodation covering hybrid, shed, marginal and informal uses for local SMEs to service the CAZ economy. We have forecast a net addition of B1 floorspace for the CAZ Hinterland of 90,000 sq m over the period 2014-36, which is partially offset by the loss of 36,000 sq m of industrial space, so there may be some scope for re-use and intensification on existing employment sites.

In the south of the borough we do not see particular reason to promote new employment sites but we recognise the role that existing employment premises play in providing local services and the role that lower threshold enterprise space can play in enabling start-ups that may become the growth companies of the future.

If the borough wishes to maintain its role in providing economic space for businesses servicing the needs of the central London economy, then it will need to bring greater certainty to land and sites. This is necessary to provide investors with confidence that their activities will be rewarded in the medium- to long-term.

8.3 Policy Recommendations

The Table below sets out how the evidence in this report can be used to inform the Local Plan in response to the Guidance set out by the NPPF.

Figure 8.1 Planning for Economic Development

NPPF Guidance	Local Plan Response
set out a clear economic vision and strategy for their area which positively and proactively encourages sustainable economic growth;	Southwark will plan for an additional 84,000 jobs over the period 2011-36 (58,000 over the period 2014-36). Of these 53,000 (34,500 for the period 2014-36) will be jobs in office based sectors. The Plan has a clear vision of the role played by the different parts of the borough – the CAZ, CAZ Hinterland and south of the borough – in delivering this growth.
set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period;	The Opportunity Areas of London Bridge, Borough and Bankside; Elephant & Castle; Old Kent Road; and Canada Water are the strategic areas where this growth is to be directed. LB Southwark is seeking to identify and assemble additional sites in the London Bridge, Borough and Bankside; Elephant & Castle to accommodate the forecast level of growth in CAZ employment.
support existing business sectors, taking account of whether they are expanding or contracting and, where possible, identify and plan for new or emerging sectors likely to locate in their area. Policies should be flexible enough to accommodate needs not anticipated in the plan and to allow a rapid response to changes in economic circumstances;	The Plan seeks to facilitate the expansion of the professional scientific and technical services sector which is the fastest growing sector in the London economy. It is also seeking to attract a larger share of the growing tech sector by providing a range of flexible accommodation types that are demanded by start-up and growth businesses
plan positively for the location, promotion and expansion of clusters or networks of knowledge driven, creative or high technology industries;	The Plan positively seeks to attract and accommodate high value knowledge based activities in the CAZ recognising the added agglomeration befits that this will bring to the London economy.

NPPF Guidance	Local Plan Response
identify priority areas for economic regeneration, infrastructure provision and environmental enhancement;	The designated Opportunity Areas of London Bridge, Borough and Bankside; Elephant & Castle; Old Kent Road; and Canada Water form the priority areas for economic regeneration and investment
facilitate flexible working practices such as the integration of residential and commercial uses within the same unit.	The Plan seeks to promote high density mixed use development in Opportunity Areas such as Old Kent Road. The Plan will promote the provision of communal work areas to encourage collaboration and network spillovers amongst flexible, freelance and self-employed workers

To deliver employment space across a range of types of provision to meet the borough's economic needs were recommend the following as priority areas for intervention:

- site assembly for Grade A offices in CAZ - either as an extension to the existing More London cluster or at the Elephant & Castle;
- offices for smaller occupiers – to meet the demand from smaller firms being driven from London's office core as costs escalate;
- nurturing flexible managed and hybrid space – by identifying suitable older buildings that could be re-purposed to meet modern demand;
- 'Industrial' space – by designating sites where certainty can be provided for longer term investment in new stock;
- informal space – working with Network Rail to maximise the employment space potential that is provided by the railway arches;
- working with providers – to ensure the delivery of appropriate specification workspace that meets market demand;
- mixed use development – to capitalise on the opportunities that may be enabled by new residential led schemes to provide the right type of space to meet the borough's growing employment needs.

Appendix 1

Socio-Economic Data

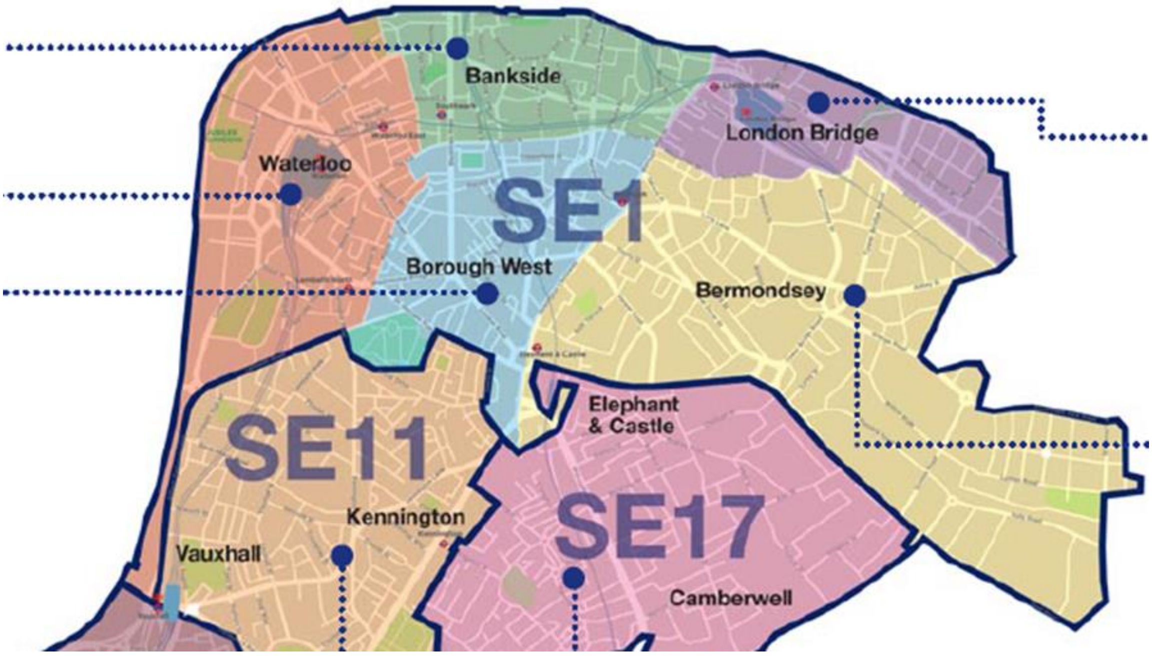
Appendix: Table 1 Sub-sectors with high representation of employees in Southwark

Sector	Employees (2013)	Employee growth (2009 to 2013)	Location Quotient
Transport services			
Passenger rail transport, interurban	500-1000	minimal change	1.7
Urban, suburban or metropolitan area passenger land transport	1000-5000	100-200% growth	2.8
Taxi operation	500-1000	100-200% growth	2.1
Other passenger land transport nec	500-1000	>200% growth	2.1
Other service activities incidental to land transportation, nec (n	500-1000	100-200% growth	1.7
Unlicensed Carriers	500-1000	minimal change	1.7
Public services			
Regulation of the activities of providing health care, education,	1000-5000	negative	2.3
Justice and judicial activities	1000-5000	100-200% growth	2.5
Public order and safety activities	>5000	>200% growth	2.5
Fire service activities	500-1000	minimal change	3.5
First-degree level higher education	>5000	10-50% growth	1.9
General medical practice activities	1000-5000	>200% growth	1.6
Other social work activities without accommodation nec	>5000	minimal change	1.6
Museum activities	500-1000	negative	2.1
Renting and operating of Housing Association real estate	1000-5000	negative	1.7
Publishing/media/digital			
Publishing of newspapers	1000-5000	minimal change	2.6
Publishing of consumer, business and professional journals an	1000-5000	negative	3.7
Data processing, hosting and related activities	1000-5000	50-100% growth	3.0
Web portals	500-1000	>200% growth	3.8
Media representation	500-1000	>200%	1.5
Market research and public opinion polling	5000-10000	10-50% growth	5.7
Specialised design activities	1000-5000	10-50% growth	1.6
Repair of computers and peripheral equipment	500-1000	>200% growth	4.1
Professional services			
Accounting, and auditing activities	>10,000	50-100% growth	4.5
Management consultancy activities (other than financial manag	5000-10000	50-100% growth	1.6
Architectural activities	1000-5000	10-50% growth	2.2
2nd tier office activities			
Combined facilities support activities	1000-5000	>200% growth	2.1
Activities of professional membership organisations	500-1000	minimal change	1.8
Activities of religious organisations	1000-5000	minimal change	1.8
Hairdressers			
Hairdressing and other beauty treatment	1000-5000	>200% growth	1.6

Source: Employees, BRES, ONS.
Notes: Location quotient is the % of Southwark employees in a subsector, divided by the proportion of London employees in this sub-sector.

Appendix 2

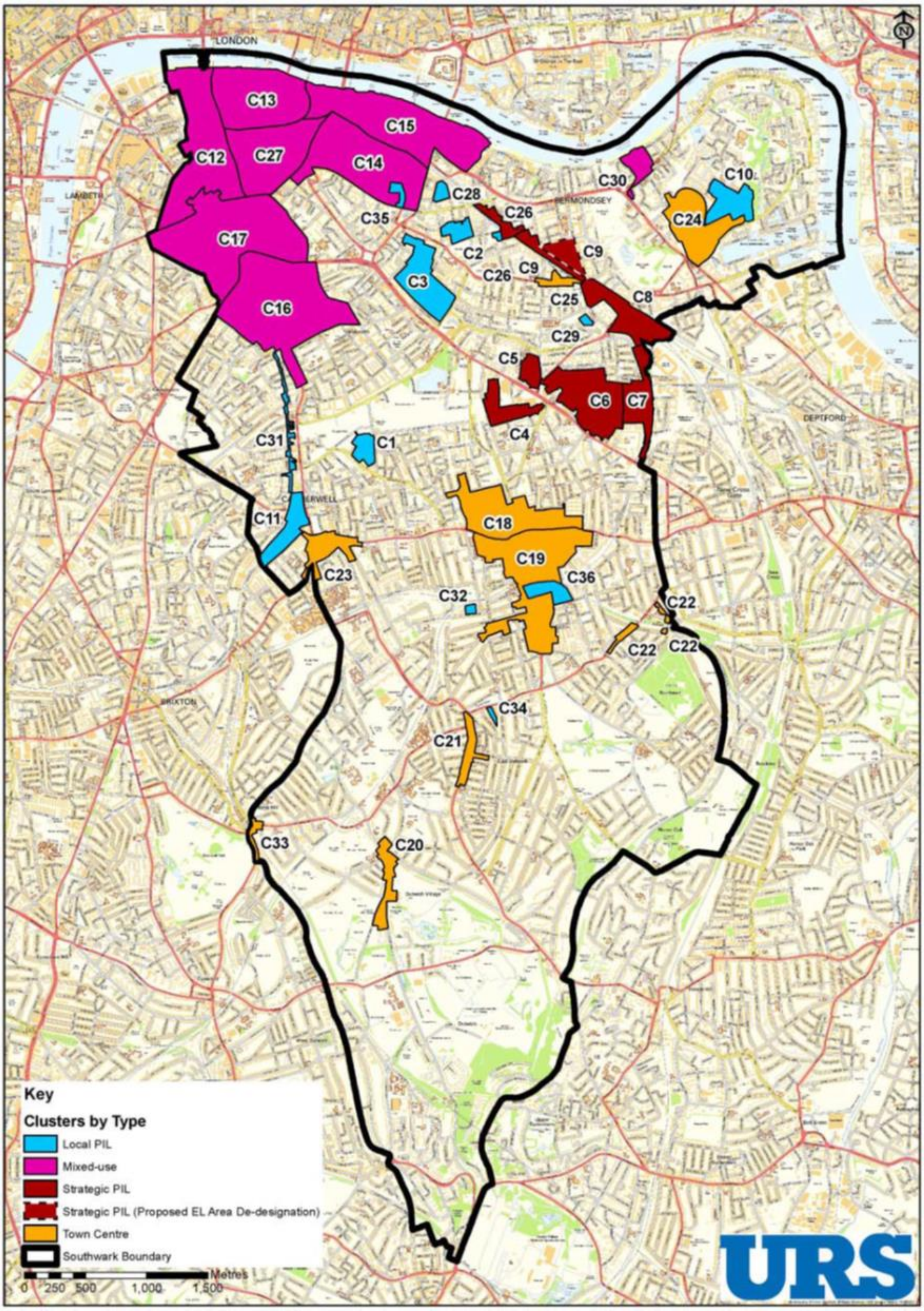
Southbank Sub Market Areas



Bankside
London Bridge
Waterloo
SE1
Borough West
Bermondsey
Elephant & Castle
SE11
Kennington
SE17
Vauxhall
Camberwell

Appendix 3

Employment Clusters


LONDON
LAMBETH
BERMONDSEY
DEPTFORD
CAMBERWELL
BRIXTON
C13
C15
C12
C27
C14
C30
C10
C28
C26
C24
C35
C2
C9
C17
C26
C9
C3
C25
C8
C16
C29
C5
C6
C7
C4
C31
C1
C11
C18
C19
C36
C23
C32
C22
C22
C22
C34
C21
C33
C20
Key
Clusters by Type
Local PIL
Mixed-use
Strategic PIL
Strategic PIL (Proposed EL Area De-designation)
Town Centre
Southwark Boundary
0 250 500 1,000 1,500
Metres
URS

Appendix 4

Forecasts

Table A3.1 Southwark Employment Forecasts by Sector 2011-36

Southwark	2011	2014	2016	2021	2026	2031	2036
Primary and Utilities	1,600	700	700	700	600	600	600
Manufacturing	2,700	2,500	2,300	1,900	1,600	1,300	1,100
Construction	13,800	9,900	10,000	10,400	10,700	11,000	11,300
Wholesale	5,200	5,300	5,100	4,700	4,400	4,000	3,700
Retail	11,200	11,900	12,000	12,200	12,300	12,400	12,500
Transport & Storage	9,900	15,100	15,000	14,600	14,300	13,900	13,500
Accommodation & food services	13,100	15,000	15,500	16,800	18,200	19,700	21,100
Information and Communication	20,100	24,900	25,600	27,400	29,200	31,100	33,000
Financial and Insurance activities	10,200	8,100	8,100	8,100	8,100	8,000	7,900
Prof,Scientific,Technical,Real Estate	47,300	64,900	67,100	72,800	78,900	85,100	91,800
Administrative & support services	29,000	30,500	31,300	33,600	35,900	38,200	40,600
Public Admin & Defence	15,600	15,100	14,700	13,900	13,000	12,200	11,500
Education	19,100	19,600	20,000	21,100	22,200	23,300	24,400
Health	28,200	28,100	28,500	29,600	30,700	31,800	32,800
Arts Entertainment and recreation	6,000	6,900	7,000	7,300	7,700	7,900	8,200
Other Services	9,200	9,500	9,700	10,300	10,800	11,500	12,000
Total	**242,100**	**268,000**	**272,800**	**285,500**	**298,700**	**312,200**	**326,100**