



## Employment and Economic Impact Study

November 2015

# **Employment and Economic Impact Study**

Land at 156 West End Lane, West Hampstead

November 2015

**Turley**

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## Contact

Amy Gilham  
amy.gilham@turley.co.uk

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# Executive Summary

## The Scheme

1. A2Dominion Developments Limited is submitting a planning application for the following proposed development at 156 West End Lane, West Hampstead:

*“Demolition of all existing buildings and redevelopment of the site to provide 164 mixed-tenure homes (Use Class C3), new floorspace for town centre uses (Use Classes A1, A2, A3, D1 or D2), new employment floorspace (including four dedicated units for start-up businesses) (Use Class B1), a community meeting room and new and improved public open spaces, together with associated new landscaping, on-site access, servicing and disabled car parking”.*

## The Report

2. This report considers the employment and economic role of the land at the application site. It explores the evidence base for employment land, the identified role for the area within policy, and the net economic impact of the proposals including comparison with five alternative options.

## Guiding Policy

3. The site is located within the West Hampstead Interchange Growth Area. Investment in the area is intended to support intensification of uses, including new housing development, town centre and employment uses. The London Plan indicates that this area is expected to deliver at least 800 new homes and 100 new jobs. The area is therefore considered to represent a residential-led, mixed-use development opportunity.
4. The site is directly referenced within the Neighbourhood Plan for the area. Redevelopment of the site is noted and the ability to deliver start up units and flexible commercial / retail space links to aspirations for the area.
5. In Camden overall, the Camden Local Plan indicates demand for 695,000 sqm of additional office space between 2014 and 2031. This is particularly focused on the Central Activities Zone (CAZ) which lies to the south of the application site.

## Employment Land Evidence

6. There is limited demand for employment sites of large single user floorplates. Since 2006 there have been 77 office lettings in the area local to West End Lane, with an average take up of 1,530 sqm per annum and around 199 sqm per letting. Similarly, for industrial uses, there has been a total of 2,288 sqm leased since 2006 with an average annual take up of 230 sqm. There is a lack of stat-up space and smaller flexible workspaces for small and medium sized companies.

## **Economic and Social Baseline**

7. Camden is a high performing borough with significant strengths in its business base and the employment characteristics of its residents. The inclusion of part of the borough in the CAZ reflects the fact that a significant proportion of businesses operate in financial and other business activities. However there are also a large number of people unemployed in the Borough and the proposed development has the opportunity to respond to this, particularly given the high proportion of unemployed people seeking employment in sales and customer service positions. There are also increasing pressures to provide sufficient homes to respond to population growth.

## **Net Additional Economic Impacts**

8. The proposed scheme will deliver a number of significant economic benefits to the local area as well as bring benefits for London as a whole through supply chain and individual expenditure multiplier effects. The following benefits are estimated to accrue as a result of the scheme. This includes allowance for the existing operation of the site by Travis Perkins and therefore presents the net additional impact of the proposed scheme.

### **Construction Phase**

- 78 direct FTE jobs per annum within the wider impact area during the construction period, of which 48 FTE jobs will be supported in Camden ('the local impact area');
- 39 indirect and induced FTE jobs per annum during the construction period within London ('the wider impact area'), of which 12 FTE jobs will be supported in the local impact area; and
- £6.9 million GVA per annum during the construction period generated within the local impact area. This increases to £12.5 million when considered at the wider scale across the wider impact area.

### **Operational Phase**

- 108 additional jobs supported on site;
- 110 direct FTE jobs supported within the wider impact area, of which 18 FTE jobs will be supported in the local impact area;
- 55 indirect and induced FTE jobs within the wider impact area, of which 5 FTE jobs will be supported in the local impact area;
- £12.6 million GVA per annum generated within the wider impact area of London, inclusive of £1.9 million GVA per annum in the local impact area;
- £200,000 net uplift in business rate revenue per annum for the Government. Taking into account the net impact of the proposed development for Camden, it is expected that London Borough of Camden Council will retain an additional circa £10,000 business rate revenue per annum until 2020, after which £30,000 net additional revenue will be retained;

- 361 additional residents in the local area, of which 174 are expected to be economically active and employed generating a £5.9 million uplift in income revenue of approximately annually;
- £2.2 million uplift in household retail (convenience and comparison) expenditure, and £1.4 million uplift in leisure (goods and services) expenditure per annum;
- 4 retail related jobs and 9 leisure related jobs supported per annum across the wider impact area as a result of the uplift in household expenditure;
- £330,000 additional Council Tax revenue for London Borough of Camden Council per annum; and
- £2.3 million New Homes Bonus payment for London Borough of Camden Council over a six year period.

### **Testing Scheme Options**

9. Five alternative development options were tested and compared to the preferred option (the proposed scheme).
10. Options 1 and 2 demonstrate the greatest employment benefits though the reality of being able to achieve these is unrealistic as floorspace of this volume (particularly if this were to be for a single occupier) is unlikely to be leased due to the lack of demand for large floorplates in the area outside of the CAZ.
11. The proposed scheme is estimated to deliver the greatest economic benefits related to residential elements along with option 5. However, in terms of economic/business benefits the proposed scheme performs better than option 5.
12. On balance, the proposed scheme will deliver a broad range of notable economic benefits across both the construction and operational phases.

### **Conclusions**

13. The application site is located outside of the CAZ in an area where employment land demand is relatively subdued. The evidence points towards an appropriate altered provision of employment space to include start up units and town centre uses as well as the importance of balancing employment land with delivery of new homes to meet substantial population pressures in Camden and across London.
14. The site is located within the West Hampstead Interchange Growth Area which is targeted for investment and regeneration, with the aim of creating 800 new homes and supporting 100 additional jobs. The proposed development will contribute to these goals by delivering 164 new homes of mixed tenure and supporting 108 net additional jobs on-site once operational.
15. The review has considered five alternative development options and examined how these would alter the economic impacts of the scheme. Options 1 and 2 demonstrate the greatest employment benefits though the reality of being able to achieve these is

unrealistic as floorspace of this volume (particularly for a single occupier) is unlikely to be leased as evidenced through the review of demand. The proposed scheme is estimated to deliver the greatest economic benefits related to the residential elements along with option 5. However, in terms of economic/business benefits the proposed scheme performs better than option 5. On balance, the proposed scheme will deliver a broad range of notable economic benefits across both the construction and operational phases.

# 1. Introduction

1.1 A2Dominion Developments Limited is submitting a planning application for the following proposed development at 156 West End Lane, West Hampstead:

*“Demolition of all existing buildings and redevelopment of the site to provide 164 mixed-tenure homes (Use Class C3), new floorspace for town centre uses (Use Classes A1, A2, A3, D1 or D2), new employment floorspace (including four dedicated units for start-up businesses) (Use Class B1), a community meeting room and new and improved public open spaces, together with associated new landscaping, on-site access, servicing and disabled car parking”.*

1.2 The site is located within the West Hampstead Interchange Growth Area which is outside of London’s Central Activities Zone (CAZ).

1.3 This report considers the employment and economic role of land at 156 West End Lane, West Hampstead. It has been prepared by Turley Economics.

1.4 The report is set out as follows:

- **Chapter 2** provides a policy and strategy review, detailing those documents of relevance to the economic performance of the area.
- **Chapter 3** establishes the employment land evidence base for Camden and the local area.
- **Chapter 4** focuses on the economic and social baseline for the area.
- **Chapter 5** sets out the methodology applied in undertaking the assessment.
- **Chapter 6** assesses the reference case (the existing uses and associated economic impact).
- **Chapter 7** estimates the gross future economic impact which may be generated by the redevelopment.
- **Chapter 8** sets out the net additional benefits to the area as a result of the redevelopment, taking account of the loss of existing uses and the benefits they generate.
- **Chapter 9** provides a sensitivity test of alternative development options for the site.
- **Chapter 10** provides a conclusion on the employment and economic role of the site.



## 2. Relevant Policy and Strategy Documents

- 2.1 This section provides an overview of the relevant economic policy context, demonstrating a commitment from national and local Government to supporting economic and employment growth through the effective operation of the planning system.

### National Policy

- 2.2 The National Planning Policy Framework (NPPF)<sup>1</sup> and accompanying Planning Practice Guidance (PPG)<sup>2</sup> set out the Government's statutory planning policies for England. Both are built around a policy commitment to sustainable development, with the planning system expected to play an economic and social role. Details of these roles are provided at paragraph 7 of the NPPF:

*“An economic role – contributing to building a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation; and by identifying and coordinating development requirements, including the provision of infrastructure;*

*A social role – supporting strong, vibrant and healthy communities, by providing the supply of housing required to meet the needs of present and future generations; and by creating a high quality built environment, with accessible local services that reflect the community's needs and support its health, social and cultural well-being”<sup>3</sup>*

- 2.3 At the heart of the NPPF is a presumption in favour of sustainable development, which requires local authorities – in the development of their Local Plans – to adopt a positive approach in order to ‘seek opportunities to meet the development needs of an area’<sup>4</sup>.

- 2.4 Further clarification is provided through the core planning principles set out at paragraph 17 of the NPPF, which importantly includes the following requirement that planning should:

*“Proactively drive and support sustainable economic development to deliver the homes, business and industrial units, infrastructure and thriving local places that the country needs. Every effort should be made objectively to identify and then meet the housing, business and other development needs of an area, and respond positively to wider opportunities for growth”<sup>5</sup>*

- 2.5 HM Treasury published ‘Fixing the Foundations’<sup>6</sup> in July 2015, which sets out the plan for increasing national productivity and creating a more prosperous nation. The plan establishes the importance of productivity growth alongside increased levels of employment, which is the key to achieving a stronger nation with richer families and improved living standards.

<sup>1</sup> DCLG (2012) National Planning Policy Framework

<sup>2</sup> DCLG (2014) Planning Practice Guidance (PPG)

<sup>3</sup> DCLG (2012) National Planning Policy Framework (para 7)

<sup>4</sup> *Ibid* (para 1)

<sup>5</sup> *Ibid* (para 17)

<sup>6</sup> HM Treasury (July 2015) Fixing the Foundations: Creating a more prosperous nation

2.6 The Government's approach to raising national levels of productivity focusses on two elements:

- **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<sup>7</sup>.

2.7 These two high level drivers of productivity are based on fifteen topics identified as key for the delivery of lasting development and growth. These key points range from investing in business, skills, knowledge and economic infrastructure to ensuring flexible and fair yet competitive markets.

## The London Plan

2.8 The latest version of the London Plan<sup>8</sup>, published in March 2015, sets out the spatial development strategy for Greater London. The Plan sets out a vision for London to achieve over the period to 2036, and beyond:

*“excel among global cities – expanding opportunities for all its people and enterprises, achieving the highest environmental standards and quality of life and leading the world in its approach to tackling the urban challenges of the 21st century, particularly that of climate change.”<sup>9</sup>*

2.9 The Plan sets out targets for Camden to achieve 22.4% employment growth by 2036 and to deliver 8,892 additional homes over the period from 2015 to 2025, equivalent to 889 per annum.

2.10 It is acknowledged that a large part of the Central Activities Zone (CAZ) falls within Camden – albeit excluding outer areas of the borough including West Hampstead.

2.11 Whilst the Plan identifies the CAZ as the dominant location for growth and development, it also aims to achieve the socio-economic potential of Inner London.

2.12 The remainder of Camden is located within Inner London, within which the application site lies. Within Inner London, the Plan aims to promote economic and demographic growth, support and sustain existing and new communities, ensure the availability of appropriate workspaces for the area's changing economy and improve quality of life and health for those living, working, studying and visiting Inner London .

2.13 The application site is also located within the West Hampstead Intensification Area identified within the London Plan, with the capacity for at least 800 homes and 100 jobs. The application site can make an important contribution to delivery of the Intensification Area, including a contribution to meeting both the minimum number of new homes and jobs.

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<sup>7</sup> *Ibid* – Page 7

<sup>8</sup> The Mayor of London (March 2015) The London Plan - Consolidated with Alterations Since 2011

<sup>9</sup> *Ibid* – Page 43

- 2.14 The Plan states that Intensification Areas have the potential to provide a significant increase in housing supply to ensure that London effectively meets the need for 49,000 more homes per annum and an important role to play in making residential areas more attractive and turning them into sustainable neighbourhoods and communities<sup>10</sup>.
- 2.15 Parts of Inner London outside the central area are very disparate with areas of marked affluence adjacent to highly deprived communities, as well as many, more mixed neighbourhoods. This provides a combination of challenges and opportunities for the area with the overarching objective being to encourage growth, but to manage this in ways that help improve quality of life and opportunities for both existing and new residents.

## **Local Policy**

### **Camden Core Strategy**

- 2.16 The Camden Core Strategy<sup>11</sup> was adopted in November 2010, and sets out a vision for the borough over the plan period to 2026. This seeks to ensure that Camden is a borough of opportunity, sustainably adapting to a growing population whilst retaining a strong and inclusive economy.
- 2.17 Housing is identified as the priority land use in the Core Strategy – in response to the limited supply of new homes in the borough. The delivery of affordable homes of a range of types in Camden is a major challenge highlighted in the Core Strategy with the demand for affordable homes being greater than the number available.
- 2.18 The Core Strategy also sets out a clear ambition to strengthen the economy of Camden. This reflects the significant contribution that Camden makes to London and national economies, with over 24,000 businesses of varying sizes located in the borough, of which over half are in ‘knowledge economy’ industries.
- 2.19 In order to support economic growth, policies are set out to strengthen the local economy, promoting successful redevelopment and regeneration at King’s Cross and Euston and ensuring that significant economic, social and physical benefits are shared.
- 2.20 A number of ‘Growth Areas’ are identified within the Core Strategy, with West Hampstead Interchange targeted for transport improvements and redevelopment of under-utilised sites. The Council anticipate that this location could provide around 1,000 new homes and 7,000sqm of business floorspace, although it is recognised that – in the absence of a large scale redevelopment scheme, as originally envisaged – development will be more incremental throughout the plan period.

### **Camden Local Plan**

- 2.21 Camden Council’s emerging Local Plan, when finalised, will replace the Core Strategy and Camden Development Policies and will be the strategic document guiding future development in the borough up to 2031. Currently, no material consideration is given to the emerging Local Plan, however it demonstrates the future policy direction for Camden.

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<sup>10</sup> *Ibid* – Page 138

<sup>11</sup> London Borough of Camden Council (2010) Camden Core Strategy

- 2.22 The Draft Local Plan<sup>12</sup> advocates the continued improvement of the borough through implementation of a number of strategic objectives. This includes the promotion of sustainable growth, meeting housing needs and strengthening the nationally-important economy of Camden.
- 2.23 Whilst appropriate development will be delivered at highly accessible locations, development of the following 'Growth Areas' remains a key strategic objective of the plan:
- King's Cross;
  - Euston;
  - Tottenham Court Road;
  - Holborn;
  - West Hampstead Interchange; and
  - Kentish Town Regis Road.
- 2.24 The improvement of the interchange between West Hampstead's three stations (London Underground, London Overground and Thameslink) is a fundamental objective of the emerging Local Plan, with this development expected to support an intensification of uses, including substantial new housing development, town centre and employment uses. The London Plan expects this area, which includes the application site, to deliver at least 800 new homes and approximately 100 new jobs.
- 2.25 The emerging employment policies within the Local Plan reflect the findings of the 2014 Employment Land Study<sup>13</sup> (ELS) produced by URS, which suggests that there will be a demand for 695,000sqm of additional office space between 2014 and 2031. A contraction in demand for industrial and warehousing premises is expected, however, with a surplus of approximately 10,000sqm or 2.2ha of space of this type, with the Council subsequently seeking to carefully manage existing provision rather than identify new development opportunities.
- 2.26 Emerging Policy E1 seeks to direct this demand towards 'Growth Areas', central London and town centres. It is acknowledged that a large part of the Central Activities Zone (CAZ) falls within Camden, albeit excluding outer areas of the borough including West Hampstead, with the attraction of this location generating development activity in both the identified 'Growth Areas' and other central locations.
- 2.27 There is also a clear policy direction to maintain a range of employment premises, in order to meet the needs of businesses of different sizes. The importance of secondary local office provision in Camden Town, Kentish Town and Kilburn is highlighted within the justification of this policy.

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<sup>12</sup> Camden Council (2015) Draft Local Plan

<sup>13</sup> URS (2014) Employment Land Study

### **Fortune Green and West Hampstead Neighbourhood Plan**

- 2.28 The application site is also covered by the Fortune Green and West Hampstead Neighbourhood Plan, which was formally adopted in September 2015. This sets out a vision to develop the area into a mixed, vibrant and successful community, increasing the range of housing available in the area whilst promoting and supporting the local economy. Several policies are set out to inform the design of new development and ensure that it is integrated with the existing community.
- 2.29 The West Hampstead Growth Area is identified as a key focus for development, with the area expected to provide new homes including affordable housing and larger accommodation suitable for families. The area is also expected to generate new employment opportunities.
- 2.30 156 West End Lane is specifically identified, with the proposed sale and redevelopment of the site acknowledged. The quality of the existing building design is noted as poor, with any redevelopment expected to provide a mix of uses which contribute towards housing needs. The site can also meet the needs of micro and start-up businesses through the provision of small office space, while flexible commercial and retail space can also be provided to support a range of employment uses.

## 3. Employment Land Evidence

- 3.1 The proposed development will deliver 899 sqm of flexible employment space (B1a use) and 799 sqm of flexible town centre floorspace (A1, A2, A2, D1 or D2 uses). However, there will be an overall loss of employment space on the application site, which was historically used as an office for staff at the London Borough of Camden and remains in use by Travis Perkins as a merchant's trade counter and yard.
- 3.2 Adopted and emerging planning policies for Camden highlight the importance of planning for employment land, with the borough being a significant contributor to the wider London and national economy. The provision of new employment land at key growth and opportunity areas will contribute towards meeting the future demand for employment land, as evidenced in the 2014 Employment Land Study<sup>14</sup> (ELS).
- 3.3 There is also a clear policy direction to protect premises that remain suitable for employment uses. This must be viewed on balance with the pressing need for new homes and the targeted delivery of 889 dwellings per annum over the next ten years. Related to this is the identified release of 5ha of industrial land in Camden by the GLA over the period from 2011 to 2031<sup>15</sup>, equivalent to 0.3ha per annum.
- 3.4 It is therefore important to understand employment land policy and review evidence on the supply and demand for employment land in the borough. This section summarises evidence on the supply and demand for employment land in Camden. In addition, a full office market assessment has been undertaken and is appended to this report. The findings are summarised here.

### Office Space

- 3.5 Employment land within Camden is largely skewed towards office space, with the central London office market playing a key role in supporting the London economy and evidence of growing demand from growth sectors, including digital and technology businesses.
- 3.6 The quality of stock in the market has improved significantly over recent years, strengthening the reputation of the area as a corporate office location, whilst the supply of office space has primarily grown through provision or expansion of new larger premises. This is likely to continue in future, with the development of new office space in 'Growth Areas', such as King's Cross and Euston. This will increase the quality of space in the borough and attract new occupiers, who require large and high quality floorplates. Outside of the borough, other areas are also expected to see investment in new high quality office space, with Crossrail improving transport infrastructure and unlocking the development of new office sub-markets in locations such as Battersea, Nine Elms, Old Oak Common and Stratford, creating a competitive supply environment which will support qualitative improvement.

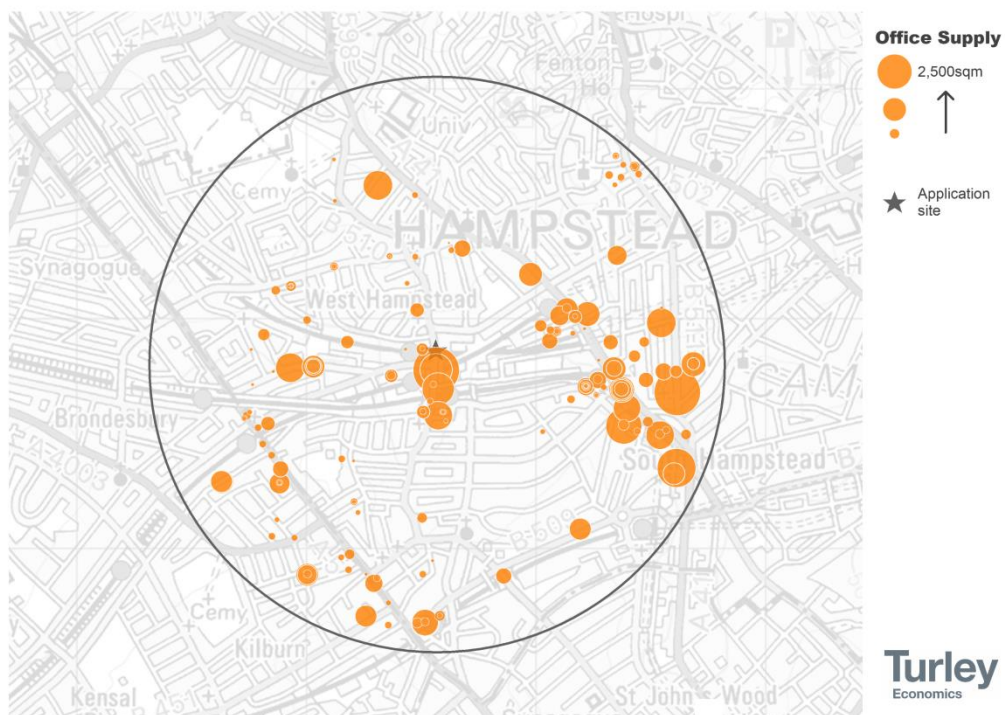
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<sup>14</sup> URS (2014) Employment Land Study

<sup>15</sup> GLA (2012) Land for Industry and Transport Supplementary Planning Guidance

- 3.7 The ELS also highlights the operation of a secondary local market for office space in the borough, which is primarily concentrated within Camden Town, Kentish Town and town centres in outer areas of the borough, including West Hampstead. Offices in these locations are typically smaller, and demand for such locations accounts for only a small proportion of the overall demand for office space in Camden.
- 3.8 Within the local area of West Hampstead, evidence from CoStar shows that within 0.75 miles of the application site there is a cluster of existing office space supply at West End Lane, with other clusters at Kilburn High Road and particularly Finchley Road. This is illustrated in the following plan, scaled by the amount of space at each location.

**Figure 3.1: Current Stock of Office Floorspace in West Hampstead**



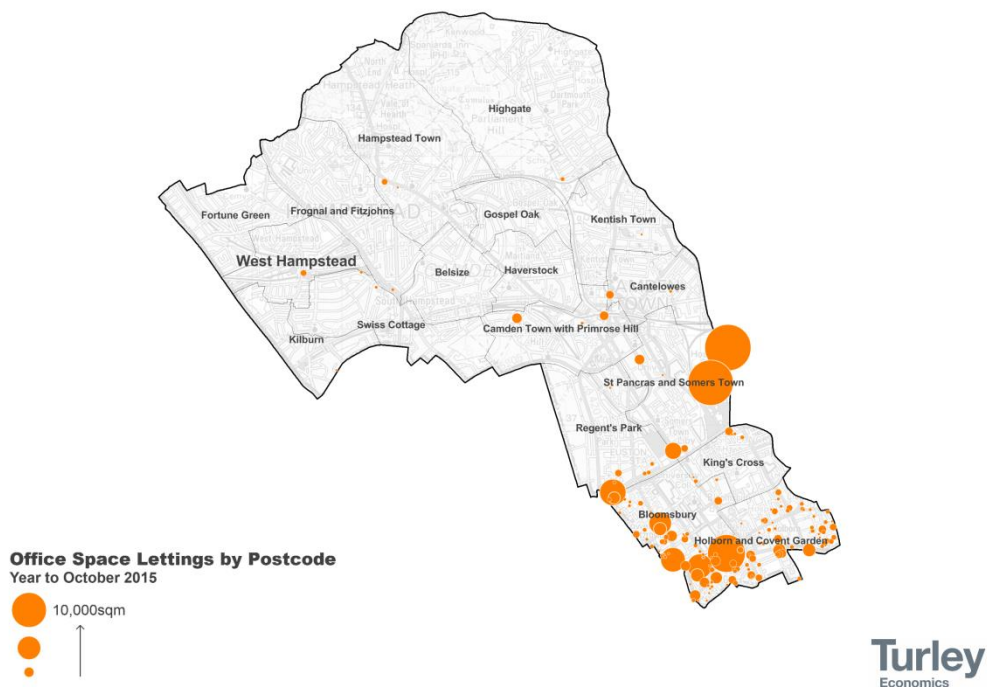
Source: Turley, 2015; CoStar, 2015

- 3.9 The ELS confirms that there is limited opportunity for demand to be displaced from central locations to elsewhere in the borough, with premises largely serving the needs of local businesses and residents. There is considered to be a slight surplus of supply in these locations, including West Hampstead. The ELS concludes that there is an opportunity to replace stock in poor condition that is no longer fit for purpose, in response to evident demand pressures for different uses.
- 3.10 There is also an established format of start-up and small business space, for which supply has rapidly grown over recent years in response to demand with minimal vacancies advertised. This provides flexible space for fast growing businesses, enabling clusters of collaboration around specific creative and digital industries, and these businesses form an important component of the Camden economy. The rapid growth in the supply of flexible start-up space with no public sector intervention leads the ELS to conclude that, whilst this should be supported, no specific intervention is required.

Anecdotal evidence is, however, cited which suggests that there is a shortage of affordable and readily useable workspace, which is hindering the growth of small and medium enterprises in London. The market is expected to respond to meet demand.

- 3.11 The conclusions of the ELS are based on market evidence and a forecasting exercise, which considers how much floorspace is needed in Camden over the period from 2013 to 2031. Low, medium and high growth scenarios are tested, with local adjustments made to take account of regeneration areas and anticipated growth in key sectors. The medium growth scenario is considered most likely, indicating a future demand for approximately 695,000sqm of additional office space over the period to 2031. This directly informs the policy in the emerging Local Plan.
- 3.12 The ELS concludes that much of this demand will relate to large, high quality office space serving the central London economy, with the borough's growth locations within the CAZ playing crucial roles in accommodating this increased demand. Only a small proportion of demand is therefore likely to be met elsewhere, and this is considered most likely to be directed towards Camden Town and Kentish Town.
- 3.13 This reflects established market trends, with CoStar data showing that the majority of lettings over the past year have occurred in the CAZ to the south of the borough. There is more limited take-up elsewhere, including 390sqm of office space leased in the ward of West Hampstead within the past year. This suggests a more limited level of demand for office premises in these locations, as illustrated in the following plan.

**Figure 3.2: Letting of Office Space by Postcode – year to October 2015**



Source: Turley, 2015; CoStar, 2015



- 3.14 Longer-term trends can also be established using CoStar data. Within the area local to West End Lane<sup>16</sup>, there have been 77 lettings recorded between 2006 and the present day, with an average take-up of approximately 1,530sqm per annum and around 199sqm per letting. This suggests a comparatively limited demand for office space in the local area, with a clear preference towards smaller premises.

### **Industrial and Warehousing Premises**

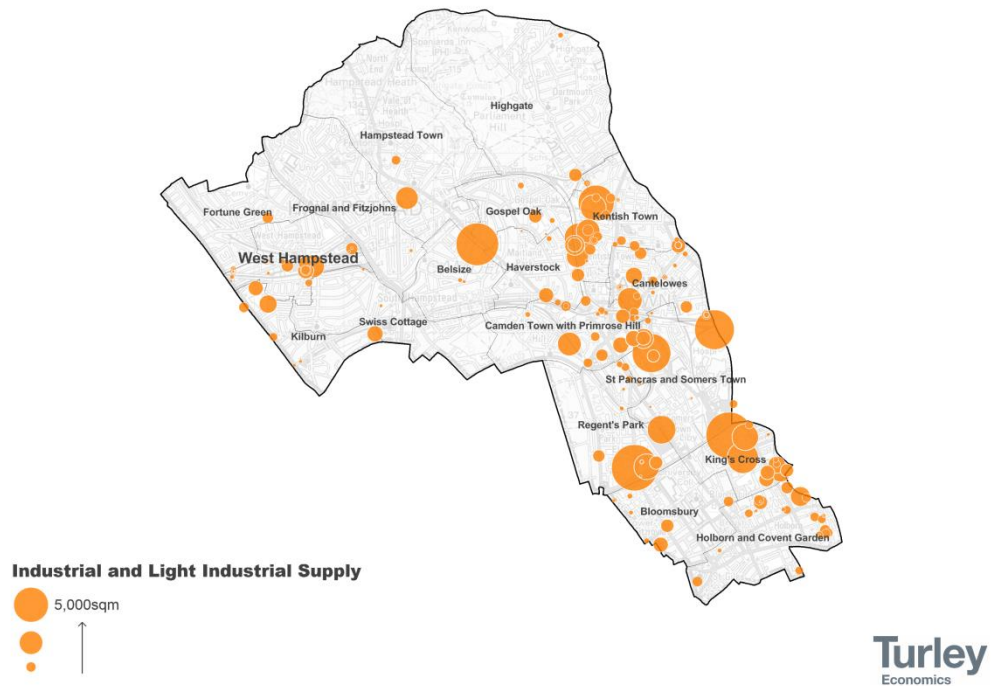
- 3.15 The ELS shows that Camden has one of the lowest stocks of industrial and warehousing space amongst London boroughs, with few modern, purpose-built premises but evident high costs, suggesting an imbalance between supply and demand.
- 3.16 This is supported by evidence prepared by the GLA, which showed that there was 61ha of industrial land in the borough in 2010<sup>17</sup>. This represents only 3% of industrial land in Inner London and less than 1% of industrial land across London. Of the Inner London boroughs, the City of London, Westminster and Kensington and Chelsea have a smaller amount of industrial land than Camden.
- 3.17 There has been a long-term decline in the quality of industrial sites and premises in Camden, which has been exacerbated by pressure from competing land uses. This is acknowledged to be driven by the market, however, and considered to respond to the needs of the growing economy. There remains a strong demand for higher quality sites in strong locations, close to the CAZ, with the designated Industry Area at Kentish Town providing the largest concentration of quality industrial stock in Camden.
- 3.18 At the current point in time, there is a supply of approximately 190,967sqm of industrial and light industrial space in Camden, according to CoStar, with an average size of 761sqm per property. As shown in the following plan, supply is concentrated in a north-south spine to the east of the borough. There is a notable concentration of industrial premises at Kentish Town and further large premises at the periphery of CAZ.

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<sup>16</sup> 0.75 miles from application site

<sup>17</sup> GLA (2012) Land for Industry and Transport Supplementary Planning Guidance

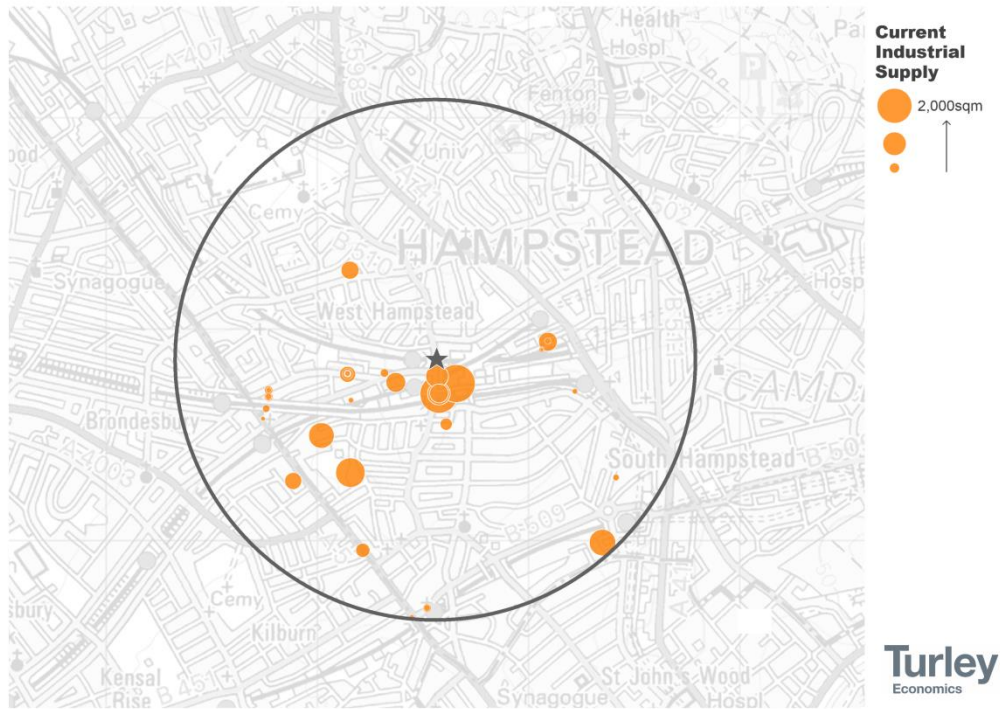
**Figure 3.3: Current Stock of Industrial and Light Industrial Space**



Source: Turley, 2015; CoStar, 2015

3.19 There is a more limited supply of industrial space in West Hampstead, with approximately 6,466sqm of floorspace recorded by CoStar within the ward. There is also 18,736sqm of industrial space within 0.75 miles of the application site at West End Lane, with a concentration to the south of the application site. This is illustrated in the following plan.

**Figure 3.4: Current Stock of Industrial Space in West Hampstead**



Source: Turley, 2015; CoStar, 2015

3.20 The ELS suggests that there could be a contraction in the demand for industrial and warehousing space in the area, although the scale of loss over the plan period from 2013 to 2031 is minor (2.2ha). This suggests that there will be a need to carefully manage existing provision.

3.21 This responds to wider strategic policy across London on the management of industrial land, which suggests that the transfer of industrial sites should be restricted in Camden. However, in order to conform to the Land for Industry and Transport Supplementary Planning Guidance (SPG) published by the GLA<sup>18</sup>, 5ha of industrial land is to be released in Camden over the period from 2011 to 2031. This represents planned release of 0.3ha per annum for alternative uses, with the SPG suggesting that:

*“Mixed use redevelopment of non-designated sites may be appropriate where the existing industrial stock is no longer fit for purpose and viability issues means that the only reasonable prospect for continued use on the site would be through mixed use development with a large proportion of good quality, fit for purpose workspace”<sup>19</sup>*

3.22 The emerging Local Plan acknowledges that industrial premises provide employment opportunities for those with skills which are fundamentally different to those required for jobs in other sectors<sup>20</sup>. The protection of sites which support the functioning of central businesses is recommended within the ELS, with the borough well-placed to meet

<sup>18</sup> GLA (2012) Land for Industry and Transport Supplementary Planning Guidance

<sup>19</sup> Ibid (para 9.5)

<sup>20</sup> Camden Council (2015) Draft Local Plan

demand from clean industries which serve the growing London business market. This is based on evidence of demand for industrial premises in the borough.

- 3.23 Analysis of CoStar enables further interrogation of demand. This shows that there have been 109 lettings in Camden between 2006 and the present day, with an average take-up of approximately 1,900sqm per annum. On average, 175sqm of space has been leased in each transaction over this period, suggesting that the local industrial market is skewed towards small-scale industry with smaller floorplates.
- 3.24 Within the local area of West Hampstead, CoStar data shows that 2,288sqm of industrial space has been leased within 0.75 miles of the application site since 2006. This represents an average annual take-up rate of only circa 230sqm per annum, with only 20 lettings over this period suggesting a limited demand for industrial premises in the local area. Approximately 115sqm of space was taken up in each transaction on average, providing an indication of the size of premises required in the local area.

### **Summary**

- 3.25 At a borough level, the ELS found that there is a broad balance between supply and demand for employment space in Camden, although it is acknowledged that not all sites are suitable for modern occupiers given changing business needs. There is also evidence of competition between land uses, and the ELS therefore advocates an approach which considers how sites meet demand, releasing some sites of limited economic benefit and enabling new development which can generate economic and employment benefits. Across London, there is an advocacy of employment land release, with 5ha of industrial premises in Camden planned for release for other uses over the period to 2031.
- 3.26 This will ensure that employment sites are not overly protected, as this could impact negatively upon local markets if sites are no longer suitable. This will enable the long-term provision of employment land to maximise the economic benefits of development in Camden.

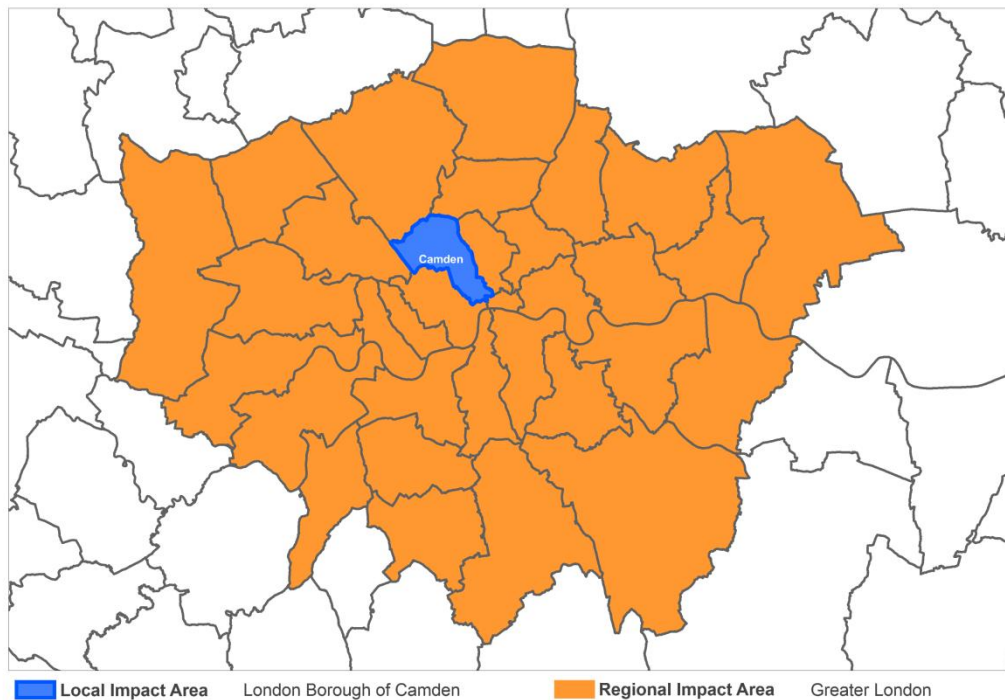
## 4. Economic and Social Baseline

- 4.1 This section presents an established baseline economic and social context for considering the impact of the proposed development through examination of current local economic conditions within Camden and Greater London.

### Areas of Impact

- 4.2 For the purpose of the assessment and review of the economic and social baseline, two spatial scales have been established, which in combination reflect the study area in its entirety.
- 4.3 The areas of impact considered within this assessment has been informed by an understanding of the relevant economic geography of the area, alongside consideration of the availability and reliability of data at a variety of spatial scales.
- 4.4 The defined spatial scales are as follows:
- **The local impact area** covers the local authority area of Camden. Evidence from the 2011 Census suggests that circa 9.2% of people who work in Camden also live in the local authority area.
  - **The wider impact area** covers the functional regional area of London. The 2011 Census recorded that circa 79.6% of jobs within Camden are taken by residents living within the London region, indicating a high level of containment of employment and associated expenditure at this level. It is considered that the majority of socio-economic effects would be concentrated within this wider impact area given the nature of additional employment that will be created by the proposed development.
- 4.5 The areas of impact are presented spatially in Figure 3.1 overleaf.

**Figure 4.1: Study Area**



Source: Turley 2015

## Socio-Economic Baseline

- 4.6 This assessment involves the consideration of published secondary data, and as such desk-based research has been undertaken to establish baseline socio-economic conditions in Camden and Greater London more generally. This is intended to be an overview and not an exhaustive review of baseline conditions.

### Population

- 4.7 Population estimates are published annually by the Office for National Statistics (ONS), enabling an understanding of how the population of both Camden and Greater London has changed over recent years. As shown in the following table, the population of Camden was estimated at around 234,800 in 2014, representing approximately 2.7% of the total Greater London population. This follows a decade of notable population growth, which, though falling below the wider growth rate in London, has increased the population of Camden by 13.3%.

**Table 4.1: Change in Population 2004 – 2014**

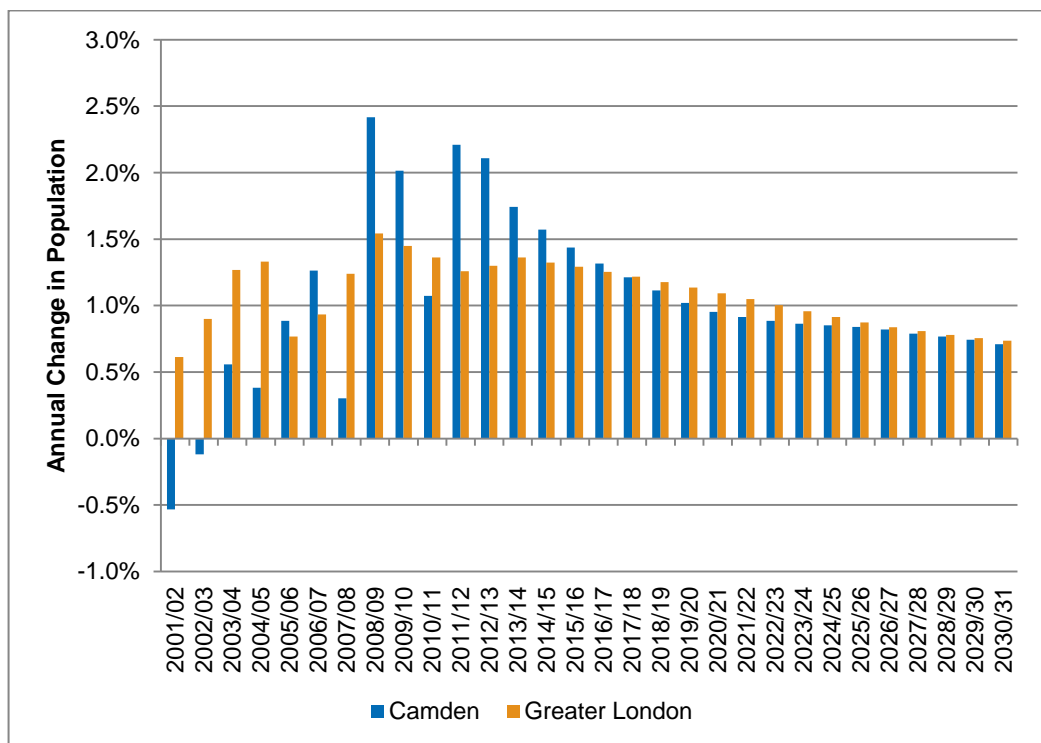
	Local Impact Area	Wider Impact Area
2004	207,300	7,432,700
2014	234,800	8,538,700
<b>Change 2004 – 2014</b>	<b>27,500</b>	<b>1,106,000</b>
% change 2004 – 2014	13.3%	14.9%

Source: ONS

4.8 It is also important to understand how the population of Camden may change in future. Population projections are published annually by GLA, with the latest 2014 round showing that the population of Camden could reach circa 277,000 by the end of the plan period in 2031 if short-term migration trends are sustained<sup>21</sup>. This represents a growth of approximately 17.6% compared to the latest 2014 population estimate for the borough, which again falls slightly below the projected population growth across Greater London (18.7%).

4.9 As shown in the following plan, however, which also presents historic evidence for context, the population of Camden is expected to grow at a faster rate than Greater London over the short-term. This will continue to grow the population of the borough and generate a need for additional housing and employment.

**Figure 4.2: Annual Proportionate Change in Population 2001 – 2031**



Source: GLA, 2015

### Age Structure

4.10 Age is an important indicator in determining the socio-economic structure of the population, and particularly the number of residents of working age who can contribute to the labour force and potentially be available for employment.

<sup>21</sup> GLA (2014) 2014 Round of Demographic Projections – Trend-based population projections, short-term migration scenario

- 4.11 ONS published evidence<sup>22</sup> suggests that in Camden in 2014 the working age population (16 to 64 years) accounted for a higher than average proportion of the population, at 71.3%, than the wider impact area (68.2%) and England (63.5%).

**Table 4.2: Age Structure 2014**

Age	Local Impact Area		Wider Impact Area	England
Aged 0 - 15	40,200	17.1%	20.3%	19.0%
Aged 16 - 64	167,500	71.3%	68.2%	63.5%
Aged 65 and over	27,200	11.6%	11.5%	17.6%

Source: ONS

- 4.12 Since 2004, the working age population has increased by 9.9% in the local impact area of Camden, which is a greater level of growth than seen across England over the same 10 year period (6.4%) albeit a slower rate than the wider impact area (14.7%).

### **Economic Activity**

- 4.13 The Annual Population Survey (APS)<sup>23</sup> provides an indicator of the number of economically active residents aged 16 – 64, determining whether there is a high or low rate of activity in Camden, highlighting the size of latent labour force either currently employed or available to start work immediately.
- 4.14 The following table suggests that a lower than average proportion of residents in the local impact area of Camden are economically active, at 68.7%. Similarly, the proportion of employed residents, at 51.0%, is lower than the average for the wider impact area and England. Nevertheless, the level of unemployment in the local impact area, at 6.3% is lower than the level at the wider impact area, at 6.6%, despite being higher than the national average of 5.7%.

**Table 4.3: Economic Activity (July 2014 - June 2015)**

	Local Impact Area	Wider Impact Area	England
Economic activity rate	68.7%	77.4%	77.5%
Employment rate	51.0%	59.3%	62.5%
Unemployment rate	6.3%	6.6%	5.7%
% of economically inactive who want a job	37.6%	25.7%	24.2%

Source: APS, 2015

- 4.15 The APS also provides an indication of the proportion of economically inactive residents who want a job. In the local impact area, 37.6% of residents that are currently

<sup>22</sup> ONS via Nomis (2014) Mid-Year Population Estimates

<sup>23</sup> ONS via Nomis (2015) Annual Population Survey

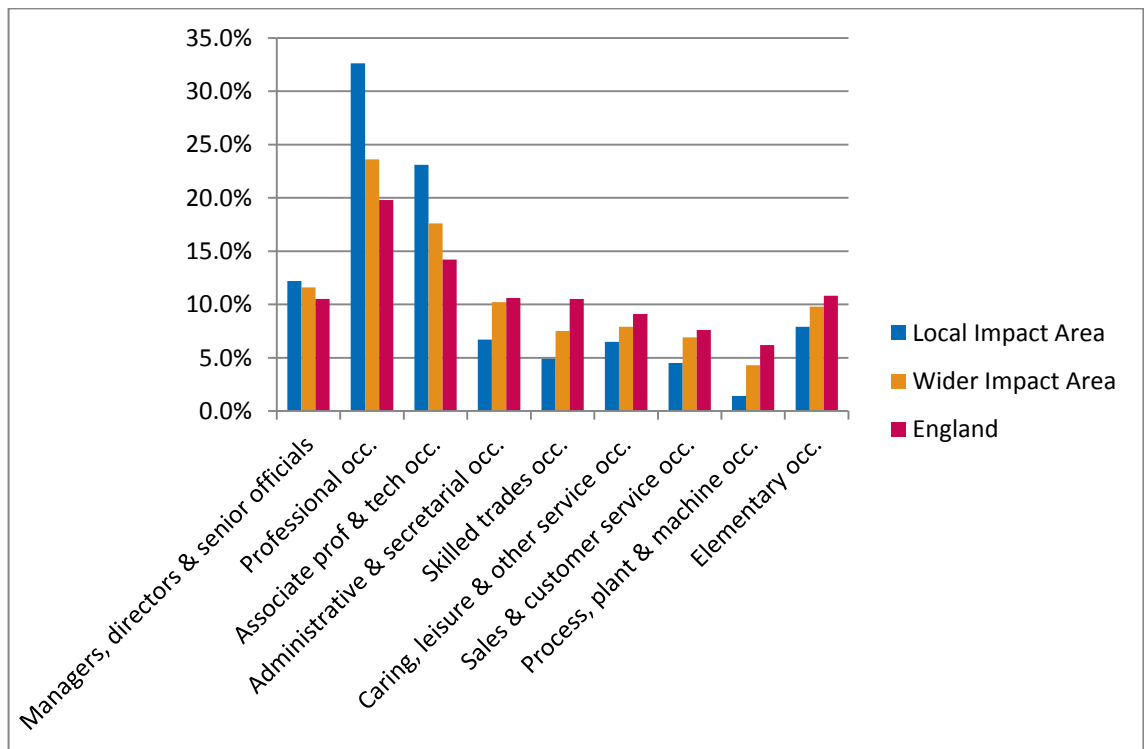


economically inactive want a job. This is relevant to the consideration of new employment generating projects such as the proposed development which may provide job opportunities for people that are currently unemployed either during construction or operation.

### Occupation Structure

4.16 The occupational profile of the study areas demonstrates the types of occupation in which residents are employed. This is sourced from the APS for the period from July 2014 to June 2015, with the analysis based upon the nine major groups of the Standard Occupational Classifications (SOC). This is presented in the following Figure.

**Figure 4.3: Employment by Occupation**



Source: Annual Population Survey, 2015

4.17 Evidence suggests that a higher than average proportion of residents in the local impact area of Camden are employed in higher paid managerial, professional and technical occupations, accounting for 67.9% of residents, compared to 52.8% at the wider impact area and 44.5% nationally. The local impact area is underrepresented in all other industries relative to the wider impact areas.

### Latent Labour

4.18 The number of residents claiming Jobseekers' Allowance (JSA) also provides useful context on the number of unemployed residents in the impact area. This measure does not, however, fully align with the analysis presented above, due to the fact that not all unemployed people claim JSA, and therefore are not recorded by this dataset. However, this remains a valuable indicator, particularly given that it provides a breakdown of the type of occupation sought by claimants.

4.19 The claimant count<sup>24</sup> for September 2015 highlights that there are a total of 2,700 residents in the local impact area of Camden claiming JSA in addition to a further 104,395 claimants in the wider impact area of London. This demonstrates the extent of the current latent labour force.

4.20 Claimant count figures by sought occupation are presented in the following table.

**Table 4.4: Sought Occupation of JSA Claimants – September 2015**

Occupation	Local Impact Area		Wider Impact Area	
Occupation unknown	60	2.2%	3,300	3.1%
Managers and Senior Officials	445	16.5%	8,905	8.3%
Professional Occupations	55	2.0%	1,850	1.7%
Associate Professional and Technical Occupations	120	4.4%	3,945	3.7%
Administrative and Secretarial Occupations	195	7.2%	11,465	10.7%
Skilled Trades Occupations	95	3.5%	3,380	3.2%
Personal Service Occupations	60	2.2%	3,205	3.0%
Sales and Customer Service occupations	1,400	51.9%	55,875	52.2%
Process, Plant and Machine Operatives	40	1.5%	2,555	2.4%
Elementary Occupations	235	8.7%	12,610	11.8%
<b>Total</b>	<b>2,700</b>	<b>100.0%</b>	<b>107,095</b>	<b>100.0%</b>

Source: (Ref 3.5)

4.21 In the local impact area approximately 51.9% of JSA claimants are seeking a sales and customer service occupation, with a particularly high demand for such occupations also evident at the wider impact area (Ref 3.5). Notably, there are relatively high number residents claiming JSA and looking for a managerial or senior official position in the local impact area, recorded at 16.5%, compared to 8.3% in the wider impact area, whilst a lower proportion of residents are seeking employment in elementary occupations in Camden.

### **Earnings**

4.22 Earnings can provide an indication of the strength of the local economy, given their relationship with wider economic factors such as gross value added (GVA) and productivity. Earnings levels also have a relationship with prosperity and as such the economic well-being of residents.

4.23 The following table summarises average (median) earnings for full-time workers in the local and wider impact areas and England, sourced from the Annual Survey of Hours

<sup>24</sup> ONS via Nomis (2015) Claimant Count

and Earnings (ASHE)<sup>25</sup>. Weekly and annual pay for residents in each location and average workplace based pay is provided below.

**Table 4.5: Average (Median) Earnings 2014**

	Resident Analysis		Workplace Analysis	
	Weekly pay	Annual pay	Weekly pay	Annual pay
Local Impact Area	£708	£37,071	£679	£36,462
Wider Impact Area	£618	£32,781	£661	£35,069
England	£524	£27,500	£523	£27,487

*Source: Annual Survey of Hours and Earnings*

- 4.24 Average resident based wages in the local impact area are higher than resident wages on average in the wider impact area and the other comparator areas considered. The average resident pay is also greater than the workplace pay in the local impact area. This reflects the fact that a proportion of residents travel outside of Camden to access higher paid jobs, particularly in central London.

### **Employee Jobs**

- 4.25 Evidence from the Business Register and Employment Survey (BRES)<sup>26</sup> suggests that in 2014 there were 337,400 employee jobs in the local impact area of Camden, of which 76.0% were full-time. This is a higher proportion than across the wider impact area, where full-time jobs account for 73.8% and 68.3%, respectively.
- 4.26 A significant proportion of employee jobs in the local impact area are within services, at 96.3%. Of these, 37.2% are in the financial and other business services, which is significant compared to 33.0% across the wider impact area and 22.2% nationally.

<sup>25</sup> ONS via Nomis (2014) Annual Survey of Hours and Earnings

<sup>26</sup> ONS via Nomis (2014) Business Register and Employment Survey

**Table 4.6: Employee jobs by industry 2014**

	Local Impact Area		Wider Impact Area	Great Britain
Primary Services (A-B: agriculture and mining)	100	0.0%	0.1%	0.4%
Energy and Water (D-E)	1,400	0.4%	0.5%	1.1%
Manufacturing (C)	3,900	1.2%	2.4%	8.5%
Construction (F)	7,000	2.1%	3.1%	4.5%
Services (G-S)	325,000	96.3%	94.0%	85.6%
Wholesale and retail, including motor trades (G)	26,100	7.7%	12.6%	15.9%
Transport storage (H)	8,900	2.7%	4.8%	4.5%
Accommodation and food services(I)	25,900	7.7%	7.6%	7.1%
Information and communication (J)	36,600	10.9%	7.9%	4.1%
Financial and other business services(K-N)	125,500	37.2%	33.0%	22.2%
Public admin, education and health (O-Q)	82,100	24.3%	23.0%	27.4%
Other Services (R-S)	19,700	5.9%	5.1%	4.4%
Total employee jobs	337,400	100%	100%	100%

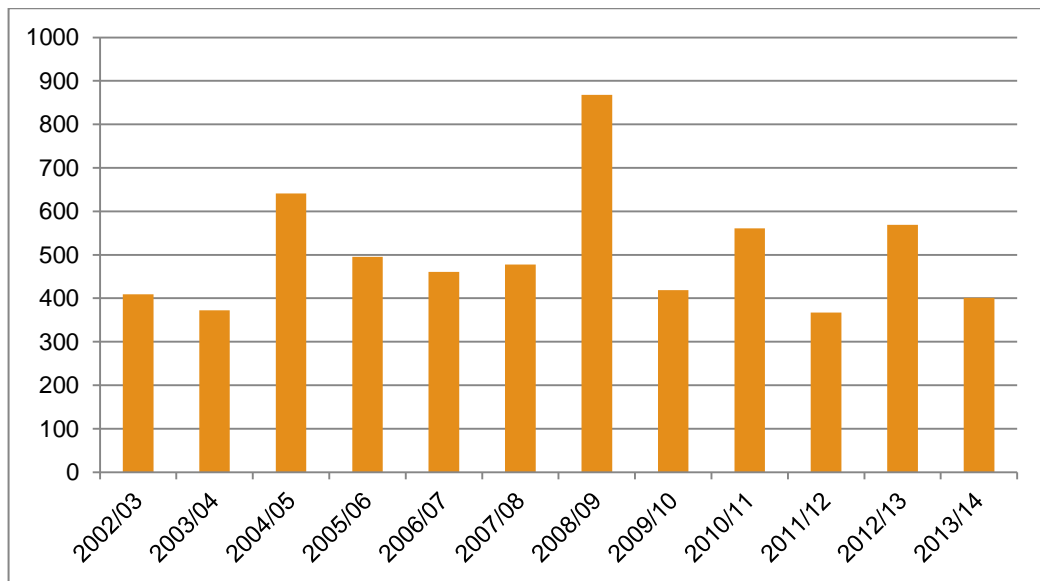
Source: BRES, 2014

### Housing Delivery

- 4.27 Monitoring by the Council<sup>27</sup> shows that there has been a net increase in the supply of housing over recent years, with approximately 6,000 net additional dwellings delivered between 2002 and 2014. Since 2011, the annual target for 665 dwellings per annum has not been met.

<sup>27</sup> London Borough of Camden (2014) Annual Monitoring Reports, various years

**Figure 4.4: Net Housing Delivery 2002/03 – 2013/14**



Source: LB Camden

### Employment Land

4.28 The supply of employment space is monitored by the Council, with the latest Annual Monitoring Report showing that there has been a significant increase in employment space over the past five years<sup>28</sup>. This has primarily been delivered through the provision of new office space, with net losses in B2 and B8 space over this period.

**Table 4.7: Net Change in Employment Space 2009/10 – 2013/14**

	B1	B2	B8
2009/10	13,370	538	-979
2010/11	17,322	-93	-2,935
2011/12	-27,855	258	-465
2012/13	-12,306	0	-216
2013/14	54,590	-2,329	-1,667
<b>Total</b>	<b>45,121</b>	<b>-1,626</b>	<b>-6,262</b>

Source: LB Camden, 2014

4.29 The AMR also shows that there is a sizeable pipeline of employment space with permission, either under construction or not yet started. Approximately 634,660sqm of employment space in the borough is proposed, of which circa 73% will be located in King's Cross Central. This includes approximately 21,100sqm of B2 and B8 space, although there will be a net loss in floorspace of this type of permissions are implemented. This is summarised in the following table.

<sup>28</sup> London Borough of Camden (2014) Annual Monitoring Report 2013/14

**Table 4.8: Employment Land Pipeline (sqm)**

	Proposed	Net
B1	613,555	382,023
B2	2,451	-13,424
B8	18,654	-40,339

*Source: LB Camden, 2014*

### **Summary**

- 4.30 Camden is a high performing borough both in terms of the business base and resident population. Residents are employed in highly skilled occupations and are able to command above average wages. The inclusion of part of the borough in the CAZ reflects that fact that a significant proportion of businesses operate in financial and other business activities. There has been a notable increase in B1 space over recent years, linked to redevelopment and regeneration in areas such as Kings Cross. However, there are a large number of unemployed residents in Camden, with a particular representation of those seeking sales and customer service positions.
- 4.31 There are increasing pressures presented by population growth in Greater London and Camden generating requirements for additional housing and employment and presenting a need for the economy to respond to this. Local housing and employment monitoring data reflects the recent performance of the Camden economy with an increasing supply of housing and employment space. It is important that these trends are maintained, particularly in housing, in order to meet the levels of demand in Camden.

## 5. Economic Impact Methodology

### Construction Phase

5.1 The construction phase impacts within the assessment include construction expenditure, Full Time Equivalent (FTE) construction jobs as well as GVA (productivity) impacts. In order to calculate these impacts the following methodology has been used:

- **Construction Cost (expenditure)** – Gross construction costs and expenditure on infrastructure has been provided directly by the applicant. A further allowance has been made for professional fees. The construction costs for the alternative scheme options has been calculated based on evidence from BCIS<sup>29</sup> with allowances made for development infrastructure costs and professional fees.
- **Employment** – Total construction cost is divided by the average employee turnover in the construction sector for the London in order to calculate the likely direct employment for a single year of construction. The total number of employees generated directly by the construction programme is then divided by the number of years over which the construction of the project is envisaged, resulting in the identification of gross FTE jobs. Allowances for leakage and displacement are then made<sup>30</sup> in order to calculate net FTE jobs generated by the development, and a multiplier is applied to allow estimation of indirect and induced employment.
- **Productivity** - The average GVA per FTE worker is calculated using Experian local market forecasts<sup>31</sup>. This is applied to the net FTE construction jobs estimated to be generated by the proposed development.

### Operational Phase

5.2 Operational impacts include on-site jobs, the associated uplift in GVA, business rate payments, household income and spending power and the uplift public revenue over the lifetime of the proposed development.

- **Employment** - Direct jobs associated with the operation of the proposed development are calculated by applying the appropriate employment densities<sup>32</sup> to the floorspace for each employment use within the proposed development. Consideration of appropriate allowances for leakage and displacement are made in line with national guidance<sup>33</sup> in order to calculate a net figure of FTE job creation. A multiplier is applied to the employment generated to estimate indirect and induced effects.

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<sup>29</sup> Note: construction cost data sourced from RICS BCIS (2015) for Camden and indexed to Q1 2016

<sup>30</sup> HCA (2014) Additionality Guide 4th Edition

<sup>31</sup> Experian (September 2015) Local Market Forecast Quarterly

<sup>32</sup> HCA/offPAT (2010) Employment Densities Guide 2nd Edition

<sup>33</sup> HCA (2014) Additionality Guide 4th Edition

- **Productivity** - The average GVA per employee has been sourced from Experian local market forecasts<sup>34</sup>. This figure has been applied to the operational phase jobs generated by the development.
- **Business Rates** –The anticipated uplift in non-domestic rates (known as business rates) through the operational phase of the proposed development has been estimated based on evidence obtained from the Valuation Office Agency (VOA)<sup>35</sup>. The current business rates collected through the operation of the existing office space (sourced from VOA property data) is then deducted from the business rates expected to be achieved from the proposed development, resulting in a net additional value. The Government introduced a Business Rate Retention Scheme (BRRS) in April 2013, which enables local authorities to retain 50% of business rate revenue. The government has recently announced that as of 2020, local authorities will retain 100% of business rates uplift.
- **Household Income and Spending Power** - To estimate the household income and spending power arising from occupation of the proposed development the total additional economically active population (in employment) is multiplied by average (median) earnings in Camden utilising the 2014 ASHE<sup>36</sup>. This is weighted by expected occupation, based on the Annual Population Survey<sup>37</sup>. Then evidence of average convenience, comparison and leisure expenditure<sup>38</sup> in Camden is multiplied by the total additional population by per capita.
- **Council Tax Revenue** - To calculate the effects on Council Tax Revenue, the residential units are assigned to Council Tax bands based on the anticipated sales values. Annual Council Tax revenues are calculated on an annual basis, utilising the relevant Council Tax charges for 2015/16.
- **New Homes Bonus Payments** - The New Homes Bonus payment calculation – representing the amount payable from the Government to London Borough of Camden Council as a result of the proposed development is calculated using an online calculation tool provided by DCLG, which generates the resulting total New Homes Bonus payment over a one year and six year period.

5.3 Economic impact estimates are presented as net figures, discounting for leakage, displacement and multipliers as well as deducting the impacts of the existing uses that will be lost as a result of the proposed development.

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<sup>34</sup> Experian (September 2015) Local Market Forecast Quarterly

<sup>35</sup> Valuation Office Agency (2015) Business Floor space

<sup>36</sup> ONS (2014) Annual Survey of Hours and Earnings

<sup>37</sup> ONS (2015) Annual Population Survey

<sup>38</sup> Pitney Bowes (2014) Expenditure Data



## 6. Existing Use Characterisation

- 6.1 This section first of all sets out the type of uses and occupiers currently operating within 156 West End Lane before reflecting on the occupancy levels of the premises. Secondly this section sets out the economic impacts of the current uses at 156 West End Lane in relation to jobs, GVA and business rates supported.

### Existing Uses

- 6.2 The application site currently covers a total area of 4,019 sqm and comprises the following uses:
- Travis Perkins showroom, trade counter, warehouse and open store totalling 1,618 sqm; and
  - Vacant office floorspace owned by Camden Council totalling 2,401 sqm.

### Economic Impact of Existing Uses

#### Travis Perkins Site

- 6.3 Based on current employment evidence provided by Travis Perkins it is estimated that the application site currently supports over 30 employees. This broadly aligns with the assessment undertaken by Turley Economics utilising national recommended employment density for B1c uses<sup>39</sup>.
- 6.4 Based on this assessment, it is estimated that the operation of the existing Travis Perkins site currently supports the economy in the following ways.

#### *Employment*

- 6.5 The operation of the existing Travis Perkins site uses potentially supports circa 29 direct gross FTE jobs on site. An additional 12 FTE jobs per annum are anticipated to be supported within the supply chain, related businesses, and onward expenditure within wider impact area of London.

#### *Productivity*

- 6.6 The existing Travis Perkins site generates economic productivity in the form of GVA uplift annually. The application site potentially generates an estimated £2.5 million GVA per annum within the London economy each year, of which circa £700,000 per year could contribute to the local economy.

#### *Business Rate Revenue*

- 6.7 Evidence suggests that existing Travis Perkins business on the application site generates circa £180,000 business rate revenue, of which it is expected that approximately £90,000 is retained by London Borough of Camden Council as a result of BRRS.

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<sup>39</sup> HCA/offPAT (2010) Employment Densities Guide 2nd Edition

### **Office Premises**

- 6.8 The office premises are currently unoccupied and so do not support any employment. However, based on the total floorspace there is potential to support 170 FTE jobs. These are not included in the operational net additional calculations as the lack of market interest indicates that this is not realistic.

### **Summary**

- 6.9 Presented below is a bullet point summary of the operational impacts of the existing development on the application site:

- 29 FTE jobs directly supported on site per annum;
- 12 indirect/induced FTE jobs supported per annum;
- £2.5m GVA generated per annum; and
- £90,000 business rate revenue retained by London Borough of Camden Council per annum.

## 7. Estimating Gross Future Economic Impact of the Development

7.1 This chapter details the economic impacts estimated to result from the redevelopment of 156 West End Lane at the scale of the local and wider impact areas. The figures are given as gross impacts and therefore represent the total economic impacts associated with the construction and operation of the proposed development. The final chapter of this report deducts the reference case given in chapter 5 from the gross position and therefore presents the net additional economic impacts associated with the scheme.

### Proposed Development

7.2 The planning application for the redevelopment of 156 West End Lane includes the following uses:

- 164 mixed-tenure residential homes;
- 899 sqm of flexible employment space including 4 start-up units totalling 277 sqm<sup>40</sup>;
- 799 sqm of flexible town centre uses<sup>41</sup>; and
- 60 sqm community meeting room.

### Economic Impacts

#### Impacts during Construction

7.3 The assessment indicates that the proposed development can have the following economic impacts during the construction phase.

#### *Construction Employment*

7.4 The proposed development has the capacity to support 97 full-time equivalent (FTE) construction jobs on-site annually, of which it is estimated that circa 78 direct FTE jobs will be sourced from within the wider impact area, of which 48 direct FTE jobs will be supported within the local Camden labour force.

7.5 A further annual average of 39 FTE jobs would be supported within the supply chain, related businesses, and onward expenditure within the wider impact area of London. Of this total, circa 12 indirect and induced FTE jobs per annum could be supported across the local economy throughout the construction period.

#### *Construction-Related Productivity*

7.6 The construction phase of the proposed development will generate a significant increase in GVA which provides a measure of economic productivity. The construction capital expenditure associated with the proposed development could deliver an annual net additional £12.5 million GVA contribution to the wider London economy each year,

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<sup>40</sup> The assessment assumes B1 uses.

<sup>41</sup> The assessment assumes a mix of A1, A2, A3 and D2 uses.

of which circa £6.9 million per year will contribute to the growth of the Camden economy during the construction period.

### **Impacts once Operational**

- 7.7 The following headline net additional economic impacts have been identified as being derived during the operational 'lifetime' of the proposed development:

#### ***Employment***

- 7.8 The operation of the proposed development has the capacity to generate 138 gross FTE jobs directly on site. Once allowance for leakage, displacement and multipliers has been allowed, the proposed development could support circa 108 direct net additional FTE jobs across the London economy per annum, of which approximately 26 direct net additional FTE jobs could be held by residents of Camden.

- 7.9 An additional 6 FTE jobs per annum are anticipated to be supported within the supply chain, related businesses, and onward expenditure within local impact area. This increases to 55 FTE jobs per annum when indirect and induced employment is considered across the wider economy throughout the 'lifetime' period of the proposed development.

#### ***Productivity***

- 7.10 The proposed development will generate economic productivity in the form of GVA uplift annually throughout the operational 'lifetime' phase. There is potential to deliver an annual net additional £12.6 million GVA contribution to the London economy each year, of which circa £2.6 million per year could contribute to the growth of the local economy throughout the lifetime period of the proposed development.

#### ***Business Rates***

- 7.11 It is estimated that the proposed development could generate an uplift of approximately £200,000 business rate revenue per annum, of which at least 50% – or circa £100,000– could be retained by London Borough of Camden Council each year under the current BRRS.

- 7.12 The Government has recently announced that, from 2020, local authorities will retain 100% of their Business Rates. This will provide local authorities with an increasingly important source of income over this period, to enable them to effectively plan and budget. This suggests that as of 2020, the proposed development could contribute £200,000 to London Borough of Camden Council each year through business rate revenue.

#### ***Enhanced Local Labour and Expenditure Impacts***

- 7.13 The delivery of 164 new high quality homes of mixed tenure, will contribute to the local and wider policy aims to increase the availability of affordable homes in Camden and help to meet the target set out in the London Plan to deliver at least 800 new homes within the West Hampstead Intensification area.

- 7.14 There is potential to increase the local population by circa 361 people residing within the new homes. Based on this total population growth, there will be circa 174 economically active and employed residents residing on the completed scheme, who will generate a gross household income of approximately £5.9 million annually. These residents will

bolster local labour supply, with at least 68% projected to be employed in higher skilled and professional occupations, based on statistics for Camden.

- 7.15 As a result of the uplift in local resident population there is the potential to capture circa £2.2 million of household retail (convenience and comparison) expenditure, and £1.4 of leisure (goods and services) expenditure, every year within the local economy, from households living on the completed scheme. This will help to boost the vitality and viability of local shops, businesses and sustain essential local services.
- 7.16 The increase in local retail and leisure expenditure generated by new residents on the application sites will, in turn, support additional employment throughout the operational lifetime of the proposed development. It is estimated that 4 retail jobs, and a further 9 jobs in the leisure industry.

#### ***Public Revenue Impacts***

- 7.17 The construction of the new homes on the application site would generate circa £330,000 additional Council Tax revenue for London Borough of Camden Council per annum upon full occupation. The proposed development also has the potential to generate circa £2.3 million New Homes Bonus payment for London Borough of Camden Council over a six year period. This would provide an important source of revenue funding for the Local Authority in delivering public services as well as investing in maintaining and enhancing infrastructure within the locality.

#### **Summary**

- 7.18 Presented below is a short summary of the gross construction and operational impacts of the proposed development on the application site:

- 97 FTE construction jobs directly supported on site per annum;
- 39 indirect/induced FTE construction-related jobs supported per annum;
- £12.5m GVA generated per annum during the construction phase;
- 138 FTE jobs directly supported on site per annum once operational;
- 55 indirect/induced FTE jobs supported per annum once operational;
- £12.6m GVA generated per annum during the operational phase;
- £100,000 business rate revenue retained by London Borough of Camden Council per annum and £200,000 after 2020;
- 174 economically active and employed residents residing on the completed scheme;
- £5.9 million uplift in gross household income per annum;
- £2.2 million of household retail expenditure and £1.4 of leisure expenditure per annum from households living on the completed scheme;

- 4 retail jobs, and a further 9 leisure jobs supported through the increase in expenditure;
- £330,000 additional Council Tax revenue for London Borough of Camden Council per annum; and
- £2.3 million New Homes Bonus payment for London Borough of Camden Council over a six year period.

## 8. Net Additional Economic Benefits

- 8.1 This section of the report sets out the net additional economic benefits of the proposed development, taking in to consideration the loss of existing uses at the local and wider scale.
- 8.2 The assessment assumes that the current employment on site supported by the existing Travis Perkins premises will relocate from the local impact area of Camden in to the wider impact area of London.
- 8.3 The impacts of the proposed development during the construction of the proposed development are as follows:
- 97 direct FTE construction jobs per annum of which 78 will be held by residents of the wider impact area and 48 FTE jobs will held by residents of the local impact area;
  - 39 indirect and induced FTE jobs per annum during the construction period within the wider impact area, of which 12 FTE jobs will be supported in the local impact area; and
  - £6.9 million GVA per annum during the construction period generated within the local impact area. This increases to £12.5 million when considered at the wider scale across the wider impact area.
- 8.4 The net additional impacts of the proposed development during the operational 'lifetime' of the proposed development are as follows:
- 108 direct FTE jobs supported on-site;
  - 110 direct FTE jobs within the wider impact area, of which 18 FTE jobs will be supported in the local impact area;
  - 55 indirect and induced FTE jobs within the wider impact area, of which 5 FTE jobs will be supported in the local impact area;
  - £12.6 million GVA per annum generated within the wider impact area of London, inclusive of £1.9 million GVA per annum in the local impact area;
  - £200,000 net uplift in business rate revenue per annum for the government. Taking into account the net impact of the proposed development for Camden, it is expected that London Borough of Camden Council will retain an additional circa £15,000 business rate revenue per annum until 2020, after which £30,000 net additional revenue will be retained;
  - 361 additional residents in the local area, of which 174 are expected to be economically active and employed generating a £5.9 million uplift in income revenue of approximately annually;

- £2.2 million uplift in household retail (convenience and comparison) expenditure, and £1.4 million uplift in leisure (goods and services) expenditure per annum;
- 4 retail related jobs and 9 leisure related jobs supported per annum across the wider impact area as a result of the uplift in household expenditure ;
- £330,000 additional Council Tax revenue for London Borough of Camden Council per annum; and
- £2.3 million New Homes Bonus payment for London Borough of Camden Council over a six year period.



## 9. Testing Scheme Options

9.1 In addition to the preferred option assessed above, a further five alternative scheme options have been assessed for the application site. The details of the alternative scheme options are set out below:

- **Option 1** - 143 residential units and 4,019 sqm of flexible employment space (B1 use);
- **Option 2** - 135 residential units and 4,019 sqm of flexible employment space (B1 use);
- **Option 3** - 143 residential units and 2,725 sqm of flexible employment space (B1 use);
- **Option 4** - 150 residential units and 2,890 sqm of flexible employment space (B1c/B2/B8 uses); and
- **Option 5** - 164 residential units and 1,857 sqm of flexible employment space (B1 and A1 uses).

9.2 The following table sets out the economic impacts of the five scheme options alongside the preferred option for the proposed development during both the construction and operational lifetime phases.

9.3 It is evident that whilst the preferred option appears to be less favourable compared to some other options in respect of operational employment and productivity, the economic benefits derived from an increase in population and employed residents, with regards to an increased labour force and the uplift in income and expenditure, are more desirable.

**Table 9.1: Economic Impacts of the Alternative Scheme Options**

Impact	Option 1	Option 2	Option 3	Option 4	Option 5	Preferred Option
<b>Construction</b>						
Gross Direct Employment per annum	81	77	74	78	79	97
Net Additional Employment per annum	97	93	89	93	95	116
Net Additional Productivity per annum	£10.3m	£9.9m	£9.5m	£10.0m	£10.1m	£12.5m
<b>Operational</b>						
Gross Direct Employment per annum	380	380	257	60	129	138
Net Additional Employment per annum	455	455	309	72	155	165
Net Additional Productivity per annum	£36.7m	£36.7m	£24.8m	£6.3m	£11.7m	£12.6m
Business Rates Retained (up to 2020)	£160,000	£160,000	£80,000	-£20,000	£30,000	£15,000
Council Tax per annum	£290,000	£280,000	£290,000	£310,000	£330,000	£330,000
New Homes Bonus (6 years)	£2.0m	£1.9m	£2.0m	£2.1m	£2.3m	£2.3m
New Residents in Employment	152	143	152	159	174	174
Annual Income Estimate	£5.1m	£4.9m	£5.1m	£5.4	£5.9m	£5.9m
Annual Retail Expenditure	£1.9m	£1.8m	£1.9m	£2.0m	£2.2m	£2.2m
Retail Jobs Supported	4	4	4	4	4	4
Annual Leisure Expenditure	£1.2m	£1.1m	£1.2m	£1.3m	£1.4m	£1.4m
Leisure Jobs Supported	8	7	8	8	9	9

Source: Turley 2015

## 10. Conclusions

- 10.1 The application site is located outside of London's CAZ in an area where employment land demand is relatively subdued. The evidence points towards an appropriate altered provision of employment space to include start up units and town centre uses as well as the importance of balancing employment land with delivery of new homes to meet substantial population pressures in Camden and across London.
- 10.2 The site is located within the West Hampstead Interchange Growth Area which is targeted for investment and regeneration, with the aim of creating 800 new homes and supporting 100 additional jobs. The proposed development will contribute to these goals by delivering 164 new homes of mixed tenure and supporting 108 net additional jobs on-site once operational.
- 10.3 The scheme will bring a range of economic benefits including 116 gross direct construction FTE jobs, 165 gross direct FTE jobs in office and flexible employment space, £3.6 million in residential expenditure and £12.6 million in GVA.
- 10.4 The review has considered five alternative development options and examined how these would alter the economic impacts of the scheme. Options 1 and 2 demonstrate the greatest employment benefits though the reality of being able to achieve these is unrealistic as floorspace of this volume (particularly for a single occupier) is unlikely to be leased as evidenced through the review of demand. The proposed scheme is estimated to deliver the greatest economic benefits related to the residential elements along with option 5. However, in terms of economic/business benefits the proposed scheme performs better than option 5. On balance, the proposed scheme will deliver a broad range of notable economic benefits across both the construction and operational phases.

# Appendix 1: Economic Benefits Infographic

# Economic Benefits Infographic

Site: 156 West End Lane, West Hampstead

Proposed development: 164 residential dwellings, 899 sqm of flexible employment space (B1), 799 sqm flexible town centre uses and 60 sqm community meeting rooms

## Construction Phase



circa £37.4m



97 direct jobs on site per annum



78 direct FTE (Full Time Equivalent) net temporary jobs per annum



39 indirect /induced FTE net temporary jobs per annum



£  
12.5m  
GVA<sup>1</sup>

Economic output contribution per annum

Investment in construction of the proposed scheme

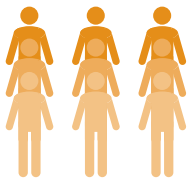
## Operational Phase

### Commercial



12.6m  
GVA<sup>1</sup>

Economic output contribution per annum



165 net additional FTE jobs generated through operational phase



£15,000

£15,000 uplift in business rate revenue per annum for London Borough of Camden Council

### Residential

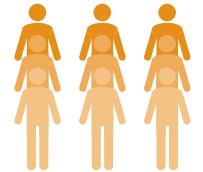
“ 174 working age economically active and employed residents estimated to live on the new development ”



£2.2 million annual household retail expenditure



£1.4 million annual household leisure expenditure



13 retail and leisure related jobs supported per annum as a result of household expenditure



5.9m

Uplift in gross annual income of £5.9 million from new employed residents



£2.3 million New Homes Bonus to London Borough of Camden Council



£330,000 increase in Council Tax revenue annually to London Borough of Camden Council

<sup>1</sup> GVA (Gross Value Added) measure the value of output created (i.e. turnover) net of inputs used to produce a good or service (i.e. production of outputs). It provides a key measure of economic productivity. Put simply the GVA is the total of all revenue into businesses, which is used to fund wages, profits and taxes.

## **Appendix 2: Camden Office Market Review**

# **Camden Office Market Review**

A2 Dominion

November 2015

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**Contact**

Amy Gilham  
amy.gilham@turley.co.uk

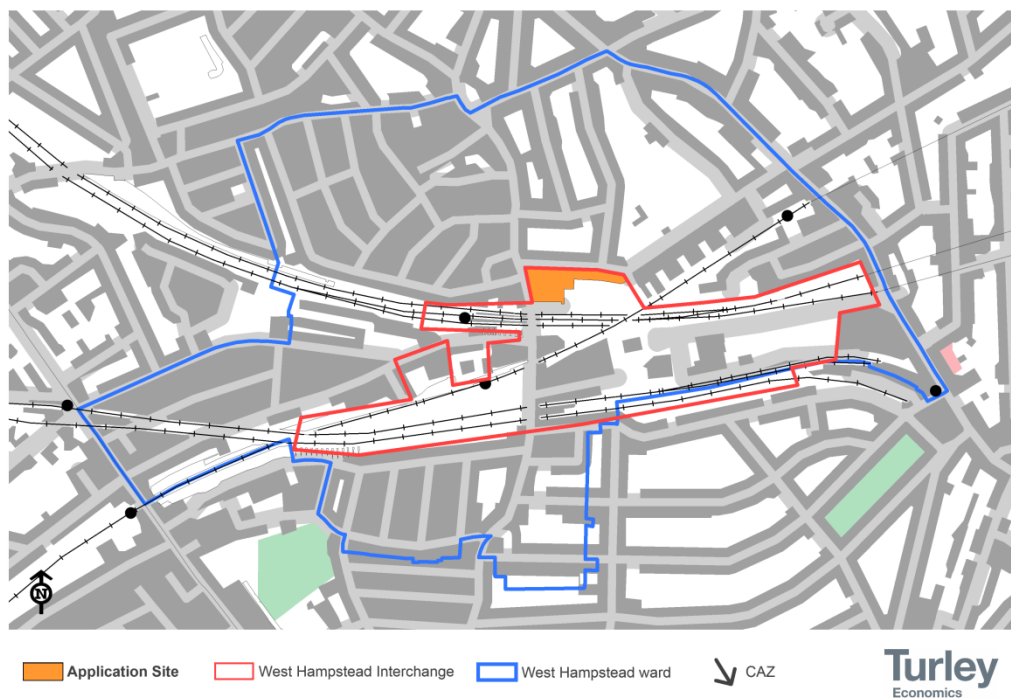
November 2015



# 1. Introduction

- 1.1 This report has been prepared by Turley Economics to understand the market demand for office space in West Hampstead and in turn demonstrate the case for demolishing existing office premises at West End Lane and replacing with high quality and flexible office floorspace.
- 1.2 The analysis examines the relationship between supply and demand within the local area, through the use of secondary data. Trends in the wider office market are also analysed, with the spatial distribution of supply and demand in the London Borough of Camden providing an important insight into the operation of the office market. The extent to which policies will direct demand towards specific locations in the borough is also established through review of adopted and emerging planning policy.
- 1.3 West Hampstead is located outside of the Central Activity Zone (CAZ) on the edge of the West Hampstead Interchange Growth Area identified in the adopted Core Strategy<sup>1</sup>. The following plan shows the location of the application site.

**Figure 1.1: Site Location**



Source: Turley, 2015

- 1.4 The report is structured as follows:
  - **Chapter 2** sets out the relevant policy context;

<sup>1</sup> London Borough of Camden (2010) Camden Core Strategy

- **Chapter 3** details the supply of office space across Camden and in West Hampstead, including recent and future changes in supply;
- **Chapter 4** considers the future demand for office space in Camden, and the extent to which this will be met in different locations based on recent market trends; and
- **Chapter 5** summarises the implications of the evidence.

## 2. Policy Context

- 2.1 This chapter provides an overview of the existing development policies in Camden and the spatial strategy for the growth of the borough. The emerging strategies within the draft Local Plan are also considered to establish the likely future policy direction in Camden.

### **Core Strategy**

- 2.2 The Camden Core Strategy<sup>2</sup> was adopted in November 2010, and sets out a vision for the borough over the plan period to 2026. This seeks to ensure that Camden is a borough of opportunity, sustainably adapting to a growing population whilst retaining a strong and inclusive economy. While housing is identified as the priority land use in the Core Strategy – in response to the limited supply of new homes in the borough - there is also a clear ambition to strengthen the economy. This reflects the significant contribution that Camden makes to the wider London and national economy, with over 24,000 businesses of varying sizes located in the borough, of which over half are in ‘knowledge economy’ industries.
- 2.3 In order to support economic growth, policies are set out to strengthen the local economy, promoting successful redevelopment and regeneration at King’s Cross and Euston and ensuring that significant economic, social and physical benefits are shared. The success of the borough’s town centres will also be supported, whilst ensuring that they adapt to changes in the economy and shopping habits.
- 2.4 A number of growth areas are identified within the Core Strategy, with West Hampstead Interchange targeted for transport improvements and redevelopment of under-utilised sites. The Council anticipate that this location could provide around 1,000 new homes and 7,000sqm of business floorspace, although it is recognised that in the absence of a large scale redevelopment scheme, as originally envisaged, development will be more incremental throughout the plan period.

### **Draft Local Plan**

- 2.5 The emerging Local Plan will replace the Core Strategy, and is currently being prepared. The draft Local Plan<sup>3</sup> was published for consultation in 2015 and provides evidence of the emerging policy position. This advocates the continued improvement of the borough through implementation of a number of strategic objectives. This includes the promotion of sustainable growth, meeting housing needs and strengthening the nationally-important economy of Camden. Whilst appropriate development will be delivered at highly accessible locations, development of the following growth areas remains a key strategic objective of the plan:

- King’s Cross;
- Euston;

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<sup>2</sup> London Borough of Camden (2010) Camden Core Strategy

<sup>3</sup> London Borough of Camden (2015) Draft Local Plan

- Tottenham Court Road;
- Holborn;
- West Hampstead Interchange; and
- Kentish Town Regis Road.

2.6 The improvement of the interchange between West Hampstead's three stations (London Underground, London Overground and Thameslink) is a fundamental objective of the emerging Local Plan, with this development expected to support an intensification of uses, including substantial new housing development, town centre and employment uses. The London Plan expects this area, which includes the application site, to deliver at least 800 new homes and approximately 100 new jobs. West Hampstead Interchange is therefore considered to represent a residential-led mixed-use development opportunity.

2.7 The emerging employment policies within the Local Plan reflect the findings of the 2014 Employment Land Study<sup>4</sup> (ELS) produced by URS, which suggests that there will be a demand for 695,000sqm of office space between 2014 and 2031.

2.8 Emerging Policy E1 seeks to direct this demand towards growth areas, central London and town centres. It is acknowledged that a large part of the Central Activities Zone (CAZ) falls within Camden, albeit excluding outer areas of the borough including West Hampstead, with the attraction of this location generating development activity in both the identified growth areas and other central locations.

2.9 There is also a clear policy direction to maintain a range of employment premises, in order to meet the needs of businesses of different sizes. The importance of secondary local office provision in Camden Town, Kentish Town and Kilburn is highlighted within the justification of this policy.

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<sup>4</sup> URS (2014) Employment Land Study

## 3. Supply of Office Space

3.1 The 2014 ELS includes a review of 26 employment clusters and four growth areas within Camden, although it is noted that the majority of employment land represents individual sites within, or on the fringe of, town centres. Three types of office premises are identified:

- **Large high grade office** space exceeds 500sqm and is usually located within prime or secondary town centre locations, with modern specifications. This is primarily located in accessible areas within the CAZ;
- **Local office** space is comparatively small (less than 500sqm) and typically located in secondary office locations, such as town centre locations outside of the CAZ; and
- **Start-up and small business workspace** typically constitutes converted industrial properties, which have been subdivided for multiple B1 and B2 occupiers.

3.2 The majority of local office provision is located within Camden Town and in outer areas, such as Kentish Town, although West End Lane is highlighted as an area with a small quantity of local office floorspace. The supply of large office floorspace suitable for occupiers seeking high grade office floorspace is limited outside of central London, suggesting a concentration of supply within the CAZ.

3.3 The ELS concludes that existing employment areas are functioning well, with high occupancy rates and a range of occupiers. Local office provision remains stable, while there have been a significant number of new residential-led mixed use developments in Camden Town which have provided additional local office space.

3.4 In highlighting the operation of several markets focused on central London, Camden Town and outer areas of the borough, the ELS profiles the supply of office space in each market. This concludes that the outer borough sub-markets do not function as strategic office locations, primarily providing premises for local businesses and not competing with each other for occupiers. Such premises are also unlikely to provide an alternative to occupiers looking to move away from central London, despite their lower cost. This is evident in West Hampstead, where there is only limited office use due to the concentration of residential development outside of the commercial core and related activities.

### Change in Office Floorspace

#### London Borough of Camden

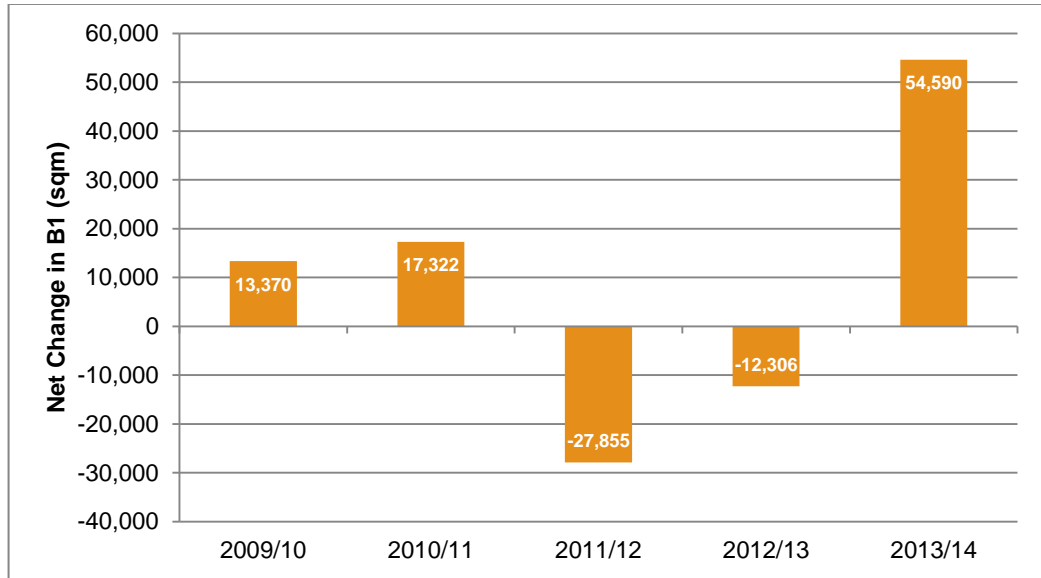
3.5 Monitoring undertaken by the London Borough of Camden<sup>5</sup> shows how the supply of office floorspace has changed over recent years. The net quantum of B1 space in the borough has increased by 45,121sqm over the past five years, with significant new

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<sup>5</sup> London Borough of Camden (2014) Monitoring Bulletin 1: Housing and Employment Space 2013/14

developments at Triton Square North and Pancras Square accounting for a substantial proportion of new office space in the latest monitoring year.

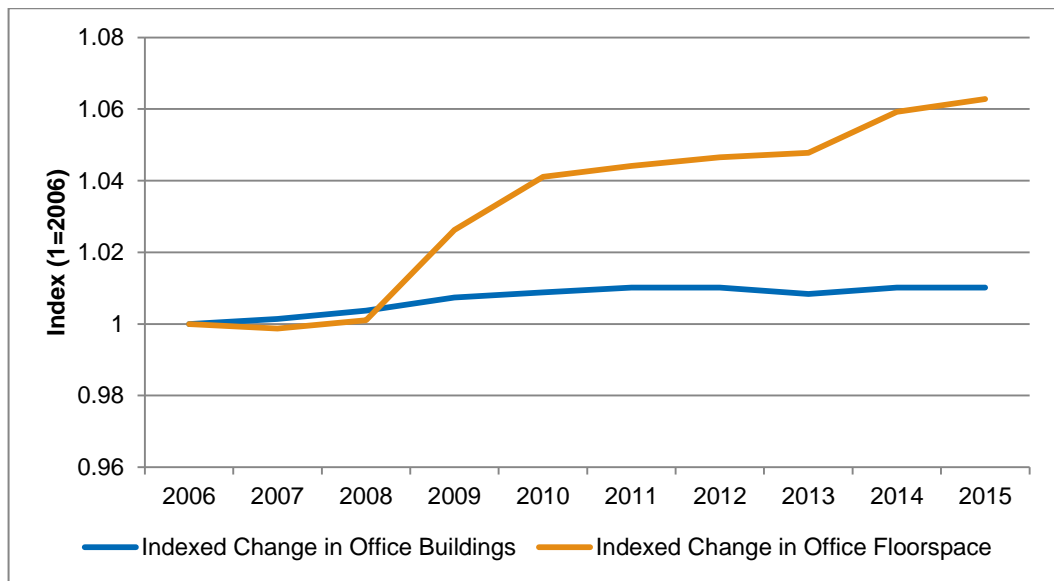
**Figure 3.1: Net Change in B1 Floorspace 2009/10 – 2013/14**



*Source: London Borough of Camden, 2014*

- 3.6 The provision of new B1 floorspace has offset losses in industrial and warehousing space (B2/B8) over the same period, resulting in an overall increase in employment space which responds to changing occupier demands. The impact of redevelopment of existing business floorspace for residential use has also been mitigated by the provision of new office space.
- 3.7 Data collated and published by CoStar also enables a further understanding of how the supply of office space in Camden has changed over a longer term period. In 2015, there was a total inventory of approximately 2.9 million sqm of office space in the borough, with this supply increasing by around 173,000sqm over the preceding ten years. This broadly aligns with the conclusions of the ELS, which cites data published by VOA showing that the supply of office space in the borough increased between 2000 and 2012.
- 3.8 CoStar data also shows that the number of office properties has increased but to a smaller extent, with an additional 22 properties recorded in 2015 compared to 2006. The following graph indexes change in both the number of office buildings and total office floorspace since 2006. The data suggests that the supply of office space has largely grown through the provision or expansion of new, larger premises. This includes sizeable developments at Pancras Square, Bloomsbury Way, Tottenham Court Road and Fitzrovia.

**Figure 3.2: Change in Office Floorspace 2006 – 2015**

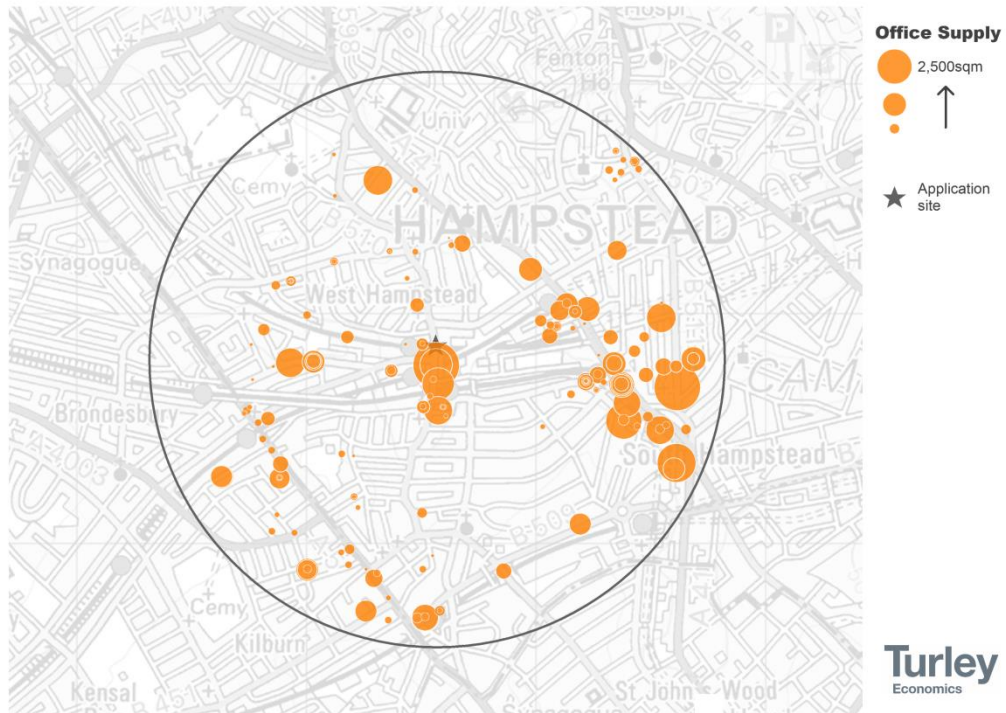


Source: London Borough of Camden, 2014

### West Hampstead

- 3.9 For the purposes of this report, it is also important to consider the supply of office premises in the West End Lane area. CoStar data has been used to identify office properties within a 0.75 mile radius of the application site, highlighting the type and size of office space available within this local market. This is considered to represent a sufficiently tight boundary to profile the local market in West Hampstead, whilst also capturing supply in proximate areas such as Finchley Road and Kilburn High Road which also demonstrate local markets and could play a role in meeting local needs.
- 3.10 The data indicates that there is a current supply of 173 office premises within this area, with a total net internal floorspace of approximately 85,000sqm. This inventory has been broadly maintained over the past decade, and indeed has increased slightly from 81,800sqm to circa 82,600sqm between 2006 and 2015. The vacancy rate has also fallen as vacant space is let. Approximately 10% of the current supply (or 8,070sqm) is located on West End Lane.
- 3.11 The distribution of office floorspace within 0.75 miles of the application site is illustrated in the following plan, with larger spaces highlighted. This shows the cluster of space at West End Lane, but also highlights further clusters at Kilburn High Road and in particular Finchley Road.

**Figure 3.3: Supply of Office Floorspace in West Hampstead**



Source: CoStar, 2015; Turley, 2015

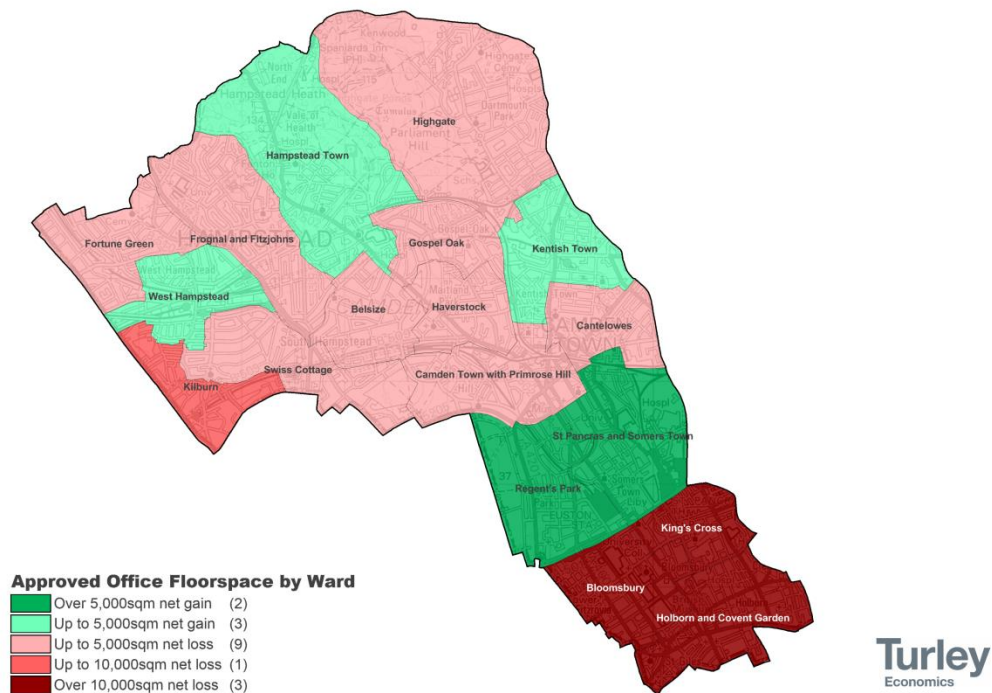
### **Future Supply of Office Space**

3.12 Understanding future supply of office space provides further important context in illustrating how the supply of office space in Camden may change once consented developments are implemented. The ELS highlights the amount of new office floorspace approved by the London Borough of Camden<sup>6</sup>, showing that some 370,000sqm of additional floorspace could be developed in response to demand over the short to medium term. There is a clear spatial dynamic to this provision with the greatest net losses expected in wards to the south of the borough. Net growth in office space is, however, expected in five wards, including West Hampstead. This is shown in the following plan.

<sup>6</sup> Consented between April 2004 and September 2013 but yet to be completed



**Figure 3.4: Permitted Net Change in Office Floorspace by Ward**



Source: URS, 2014; Turley, 2015

- 3.13 The ELS also notes the further potential contribution of key regeneration areas as highlighted in local policies, such as King's Cross and Euston, which will both include large amounts of new office space. Whilst King's Cross is an area which is expected to see a net loss in office floorspace according to the ELS, there will be a substantial qualitative increase in the supply of office premises in this location, with evidence that this is attracting new occupiers, such as Google, due its capacity to accommodate demand from occupiers requiring large and high quality floorplates<sup>7</sup>.
- 3.14 This could offset current supply shortages in the office market in Holborn, St Giles and Bloomsbury (known as Midtown), which is reducing vacancy levels and leading to an increased number of pre-lets. This reflects a shift in the office market, which has seen companies increasingly favour central locations over traditional locations in the West End and the City<sup>8</sup>.
- 3.15 Other areas of London are also seeing, and will continue to see, positive effects from regeneration and improved transport infrastructure, such as Crossrail. This is expected to support the development of new office sub-markets in locations such as Battersea, Nine Elms, Old Oak Common and Stratford<sup>9</sup>.
- 3.16 Once established, these areas will develop a critical mass of employment space, which can also attract additional investment, further increasing the potential supply in these locations over the longer term. This will increase the attractiveness of these locations for

<sup>7</sup> Carter Jonas (2015) Office Market Update – Central London Q2 2015

<sup>8</sup> Farebrother (2015) London Midtown Office and Retail Markets Q2 2015

<sup>9</sup> Carter Jonas (2015) Office Market Update – Central London Q2 2015

prospective occupiers, limiting the prospect of demand being displaced from central locations towards areas such as West Hampstead, where there is no critical mass of modern office premises and inferior transport connectivity compared to emerging locations. This is recognised within the ELS, with such markets therefore likely to meet only local demand.

## **Summary**

- 3.17 There is an established and sizeable supply of office floorspace in Camden, with new developments over recent years serving to increase available floorspace within the borough. Many of these developments, more recently in areas such as Pancras Square, Bloomsbury Way, Tottenham Court Road and Fitzrovia, have been large in scale, and can be considered to meet demand within the central London market.
- 3.18 The ELS recognises that there are multiple office markets within Camden, with a sizeable supply of large, high quality office space within the CAZ. The CAZ includes the key regeneration areas of Euston and King's Cross, which are expected to see a significant increase in the supply of quality office space over future years. These areas can provide large and high quality office space, attracting new occupiers, such as Google, and offsetting current supply shortages in the wider Midtown market.
- 3.19 Regeneration and improvements in transport connectivity can also support the development of new office sub-markets, with the establishment of a critical mass of office space in locations such as Battersea, Nine Elms, Old Oak Common and Stratford attracting potential future investment in additional supply.
- 3.20 Outside of this central area, offices primarily meet local demand. The local market in West End Lane and the surrounding area has maintained its supply of office space over the past decade, with approximately 85,000sqm of office space within 0.75 miles of the application site. This includes clusters at West End Lane, Finchley Road and Kilburn High Road, although the ELS acknowledges that prospective occupiers are unlikely to see such areas as alternative locations to more central areas, despite their lower rents.
- 3.21 These areas are therefore likely to continue to serve only local business needs, with a limited prospect of demand being displaced from central locations given the absence of a critical mass of modern office premises and the competition generated by new and emerging office locations.

## 4. Demand for Office Space

- 4.1 This section considers the demand for office space in London, Camden and West Hampstead, initially by establishing the scale of future demand for office space before considering how the relationship between supply and demand has manifested in the operation of the local and wider office market.

### Forecast Demand for Office Space

#### Camden Employment Land Study

- 4.2 The 2014 ELS cites projections by the GLA, which show that total employment in Camden is expected to grow by around 89,000 between 2011 and 2031, representing an annual growth of 1.4%. This aligns with the average across London, and the ELS synthesises this growth with supply trends to suggest that demand for office space could increase by 1.0% annually over this period.
- 4.3 A local adjustment is made to reflect additional drivers of demand within Camden, uplifting annual growth in demand to 1.5% to take account of:
- Additional demand generated by **regeneration** of key areas, particularly at King's Cross and, over the longer term, Euston. The Core Strategy expects these areas to collectively meet 80% of the demand for office space in the borough, suggesting that other areas will play a comparatively smaller role in meeting additional demand; and
  - Additional demand generated by growth of **key sectors**, including a growing technology, media and telecommunications sector. Recent growth in this sector is evident across London, including the sizeable letting of new floorspace at King's Cross by Google. This sector is seen as complementary to the established creative industries in Camden and the borough is therefore well-positioned to respond to this additional demand generated across the city.
- 4.4 This additional demand is combined with existing supply to show how much floorspace is needed in Camden over the period from 2013 to 2031. Low, medium and high growth scenarios are developed, suggesting that there will be demand for between 616,307sqm and 774,912sqm of additional office space over this period. The medium growth scenario suggests demand for 694,543sqm and is considered most likely within the ELS.
- 4.5 The majority of this additional demand will relate to large, high quality office space, located in the area of King's Cross, Euston, Tottenham Court Road and Holborn. The recent provision of quality stock in these locations has strengthened the area's reputation as a corporate office location, and this provision will support the growing central London office market.
- 4.6 Outside of the Central London market, only a small proportion of additional demand is likely to be met elsewhere, and this is considered most likely to be met within Camden Town and Kentish Town. Centres in the outer areas of the borough, including West Hampstead, form part of a market where there is considered be a surplus in the supply

of office premises, relative to demand. The ELS therefore recommends that there could be opportunities for loss of office floorspace of lower quality, where it can be demonstrated that there is insufficient market interest.

### London Office Floorspace Projections

- 4.7 Research has also been undertaken by PBA<sup>10</sup> to establish the projected demand for office space across London, based on a triangulated projection of GLA forecasts, capacity projections and accessibility projections. The amount of floorspace required to accommodate employees is also estimated, based on employment densities published by the British Council for Offices (BCO) which show that office space is being used in an increasingly intensive manner, although the rate of increase is levelling out.
- 4.8 This suggests that 575,000 office jobs could be created across London over the period from 2011 to 2036, generating an additional demand for 5.6 million sqm of new office space over this period. A continuation of recent change in stock would suggest that around 6.0 million sqm of office space would be required over the same period, and an average position of around 5.8 million sqm is recommended. Of this growth, 72% is projected to be met within the CAZ, highlighting the concentration of office demand within this strategic geography.
- 4.9 This is also broken down by borough, with Camden forecast to require an additional 578,000sqm of office space to support GLA projections. A continuation of recent trends in stock growth would require 506,000sqm, and therefore an average position of 542,000sqm is considered to represent an appropriate benchmark for additional office demand in the borough over the period from 2011 to 2036. Whilst the extent to which this demand will be met within the CAZ is not specified, it can be expected that much of the additional demand will be met within this area, given the existing concentration of office jobs within the CAZ.
- 4.10 The concluded demand for office floorspace is presented in the following table, alongside the findings of the 2014 ELS. In order to reflect the varying periods of assessment, an annual figure has been calculated for each study.

**Table 4.1: Projected Demand for Office Floorspace**

	Camden ELS	London Office Floorspace Projections
Projected demand	694,543sqm	542,000sqm
Period of assessment	2013 – 2031	2011 – 2036
<b>Annual additional demand</b>	<b>38,586sqm</b>	<b>21,680sqm</b>

Source: PBA, 2014; URS, 2014

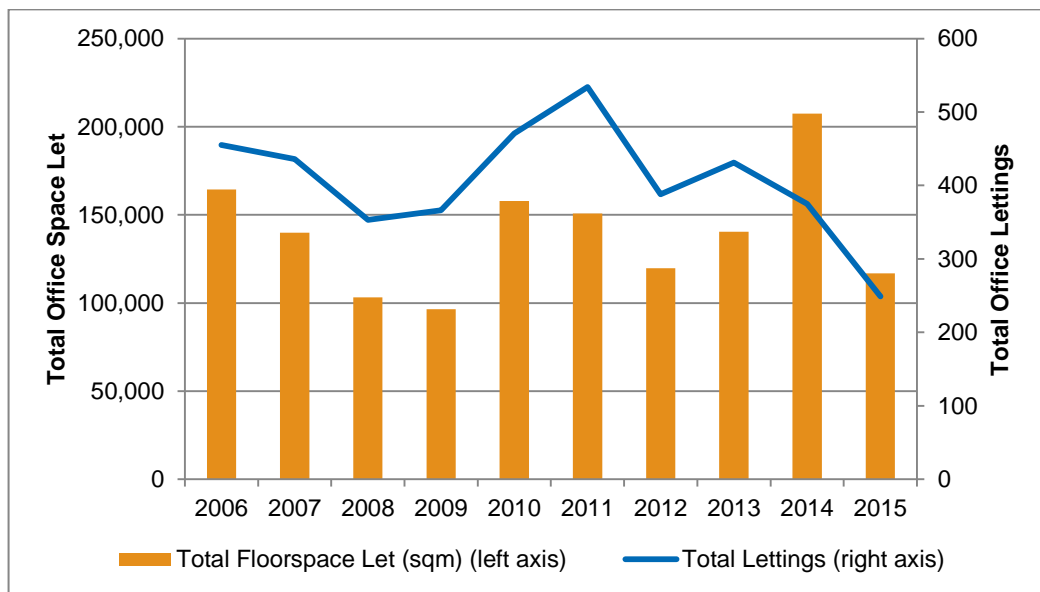
<sup>10</sup> PBA (2014) London Office Floorspace Projections

## Market Evidence

### London Borough of Camden

- 4.11 The relationship between supply and demand for office space is manifested in the operation of the property market. CoStar provides a source of market evidence, with change in the number of lettings and the total amount of floorspace let providing an insight into the operation of the office market. The following graph shows the number of transactions and the total amount of office space leased<sup>11</sup> annually over the past decade in Camden.

**Figure 4.1: Office Lettings in Camden 2006 – 2015**



Source: CoStar, 2015

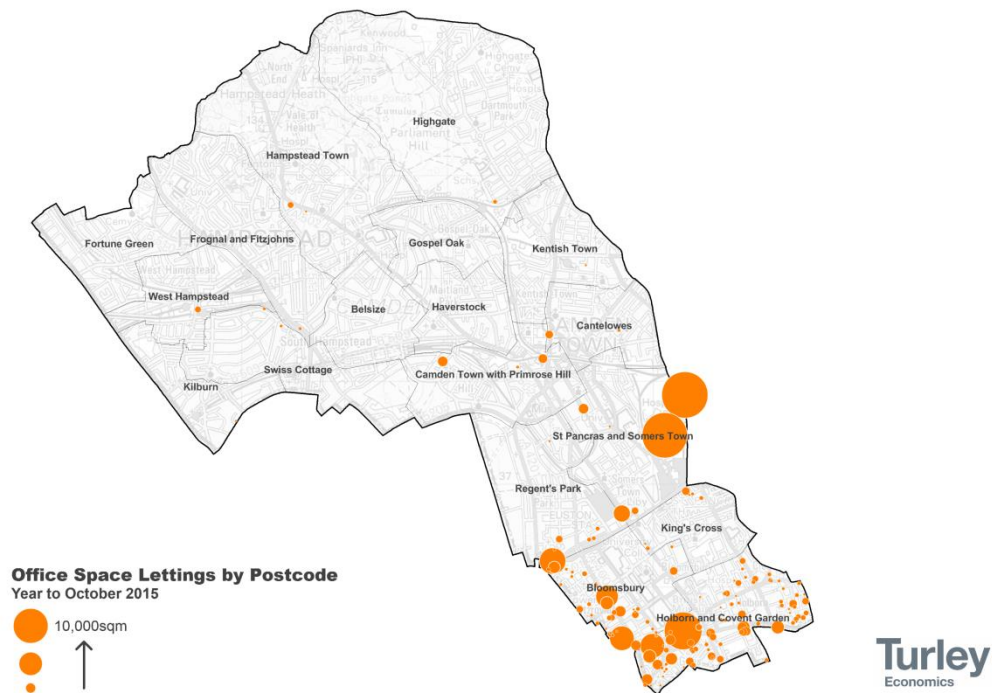
- 4.12 The number of lettings has fallen notably over recent years, although it is clear that the amount of office space let annually has increased over the same period. This suggests that there are an increasing number of large transactions occurring in Camden, and this is reflected in the average floorspace per letting increasing from 361sqm in 2006 to 469sqm in 2015. This is likely to reflect the changing demand profile of occupiers in the borough, with an increased preference for more space.
- 4.13 Focusing on lettings within the past year<sup>12</sup>, the majority of lettings have occurred in the CAZ to the south of the borough. Indeed, the five southern wards<sup>13</sup> accounted for some 96% of all floorspace leased over the past year.
- 4.14 Other areas of the borough have therefore seen more limited leasing activity, suggesting a limited demand for office space outside of the central area, with only 390sqm (4%) of office space leased in the past year in the ward of West Hampstead.

<sup>11</sup> Amount of space leased each year, as opposed to total inventory each year

<sup>12</sup> Transactions recorded over the 12 months to 27 October 2015

<sup>13</sup> Bloomsbury, Holborn and Covent Garden, King's Cross, Regent's Park, St Pancras and Somers Town

**Figure 4.2: Letting of Office Space by Postcode – year to October 2015**

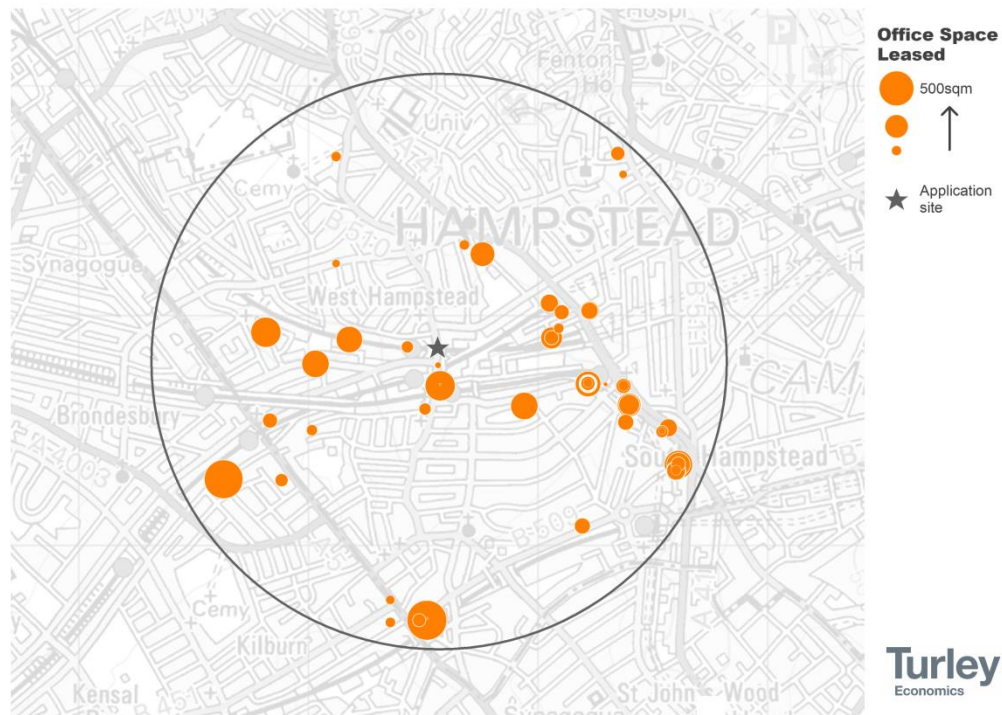


Source: CoStar, 2015; Turley, 2015

### **West Hampstead**

- 4.15 Focusing on the area within 0.75 miles of West End Lane, there have been 77 lets recorded by CoStar between 2006 and the present day, with around 15,300sqm of office space leased over this period. This represents an average take-up of around 1,530sqm per annum within this local market, with a clear preference towards smaller properties given that the average size of transacted floorspace was 199sqm over this period.
- 4.16 Of this total, 307sqm of office space has been leased through 4 lettings recorded on West End Lane over this period. This suggests that only a small proportion of demand for office space is being met through premises on West End Lane, with lettings primarily recorded elsewhere, as illustrated in the following plan.

**Figure 4.3: Office Lettings in West Hampstead 2006 – 2015**



Source: CoStar, 2015; Turley, 2015

- 4.17 This suggests that office space in other areas has largely been preferred by prospective occupiers over the past decade, indicating a potential lack of market demand for space at West End Lane. This aligns with the findings of the ELS, which highlighted the limited demand for office space in West Hampstead as a result of the predominant residential character of the area and the limited supply of modern office accommodation reflecting the weak market.

### Summary

- 4.18 There will be a substantial demand for additional office floorspace across London over the period to 2036, with the creation of 575,000 office jobs projected. When considered alongside recent trends in changing stock, approximately 5.8 million sqm of new office floorspace will be required across London over this period. It is expected that some 72% of demand will be met within the CAZ, reflecting the concentration of both demand and existing supply within this geography.
- 4.19 Camden is also expected to see a substantial growth in employment over the period to 2031, with the ELS expecting additional demand to be generated by the regeneration of key areas such as King's Cross and Euston and the growth of key sectors which complement existing and established industries in the borough. This growth will generate additional demand for office space, with the ELS considering that there is likely to be a demand for approximately 695,000sqm of additional floorspace over the emerging plan period (2013 – 2031).

- 4.20 It is, however, clear that a substantial proportion (80%) of this demand is expected to be met through growth areas at King's Cross and Euston, and the provision of large, high quality office space in this established market will support its reputation as a corporate office location. Only a small proportion of additional demand will be seen elsewhere, with the ELS suggesting that this is most likely to be met within Camden Town and Kentish Town. Other areas of the borough are found to have a surplus of supply compared to demand. This supports the loss of office floorspace if there is insufficient market interest.
- 4.21 Recent market evidence highlights that, whilst there has been an increased number of large transactions in Camden, activity is primarily centred around the CAZ, with other areas such as West Hampstead seeing more limited leasing activity. There is limited demand for office space outside of the central area.
- 4.22 Taking a longer term view, there have been 77 lettings recorded within the local area (0.75 miles radius) of West End Lane over the past decade, with around 15,300sqm of office space leased at an average annual take-up rate of 1,530sqm per annum. Only a small proportion of demand (307sqm and 4 lettings) is in West End Lane, however, with lettings largely recorded elsewhere, suggesting that alternative premises are preferable to prospective occupiers. This suggests a relative lack of demand for office space in West End Lane, reinforcing the findings of the ELS.



## 5. Summary and Implications

5.1 The findings and implications of the supply and demand of office floorspace in and around West End Lane are summarised below:

- There is a sizeable supply of office floorspace within Camden, although a substantial proportion of this supply is located within the Central Activities Zone (CAZ) and serves the central London market. Several large scale developments have been delivered and are proposed to increase the quantity and quality of office space within this central location, strengthening its strategic role.
- West End Lane is located within the West Hampstead Transport Interchange Growth Area and is outside of the CAZ. The improvement of the interchange between West Hampstead's three stations (London Underground, London Overground and Thameslink) is a fundamental objective of the existing and emerging Local Plan. The development is expected to support an intensification of uses, including substantial new housing development, town centre and employment uses. The London Plan expects this area, which includes the application site, to deliver at least 800 new homes and approximately 100 new jobs.
- The supply of office space within this location primarily meets demand from local businesses. There is limited opportunity for displacement of demand from central London, due to the lack of a critical mass of modern office premises, its primarily residential character and competition from new and emerging office locations.
- There is expected to be a sustained demand for office space across London, when taking account of recent supply trends and forecast job creation. The CAZ is, however, expected to meet a significant proportion of this additional demand reflecting the concentration of both demand and existing supply within this area. Other locations are expected to play only a secondary role.
- Within Camden, the ELS expects that there will be demand for 695,000sqm of additional office space over the emerging plan period (2013-2031), although adopted and emerging policies are clear in directing much of this demand (80%) towards growth areas, such as King's Cross and Euston. Only a small proportion of demand will be met elsewhere, with the ELS suggesting that this is most likely to be met within Camden Town and Kentish Town.
- Outside of these locations, the ELS considers that there is a surplus of supply over demand, and suggests that the loss of office space can be supported if there is insufficient market interest.
- There is a healthy market for office space within Camden, again activity is primarily centred around the CAZ, with 96% of floorspace leased over the past year located in central wards<sup>14</sup>. This suggests a more limited demand outside of the central area. Indeed, there has been an average annual take-up rate of only

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<sup>14</sup> Bloomsbury, Holborn and Covent Garden, King's Cross, Regent's Park, St Pancras and Somers Town

1,530sqm per annum within 0.75 miles of the application site since 2006. Only a small proportion of this demand is being met on West End Lane (307sqm and 4 lettings), suggesting that alternative locations are more preferable for occupiers.

- The average size of floorspace taken up in the local area of West End Lane since 2006 is 199sqm, demonstrating the role of smaller premises in this local office market. The scale of existing provision at West End Lane is therefore notably large compared to typical demand requirements.
- Collectively, the evidence presented in this report suggests that there is a limited demand for office space in the local area of West End Lane. While Camden is an established business location, activity is largely concentrated within central areas of the borough. Market evidence suggests that the secondary local office market does not generate a significant demand for office space in West End Lane.

**Turley**  
The Charlotte Building  
17 Gresse Street  
London  
W1T 1QL

T 020 7851 4010

**Turley Office**  
The Charlotte Building  
17 Gresse Street  
London  
W1T 1QL

T 020 7851 4010