

Office to Residential Permitted Development Rights Impact Study

For the London Borough of Camden



tbr knows... economics, creative, skills, environment



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For the London Borough of Camden

Prepared by TBR's Economic Research Team

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Executive Summary

1. Executive Summary

In May 2013, the government amended the permitted development rights to allow change of use of B1a premises to C3 residential without the need for formal planning permission. While this was done with the intention of creating more residential property in areas where commercial offices were lying empty, the practice has proven to have unintended consequences. Developers, in some areas, have seen the potential gains from conversion to residential as so attractive as to pay tenants to move out and seek alternative premises. Thus there have been negative as well as positive impacts.

At the time that the permitted development rights were brought into force, the Central Activities Zone (CAZ) was made exempt. While a significant proportion of Camden's commercial premises is located within the CAZ, much exists elsewhere. It is this latter area, i.e. Camden outside the CAZ that is the focus for this study. This is referred to within the report as 'the area'.

In early 2014, Camden Council was sufficiently concerned about the consequences of the changes in terms of the loss of small business space, jobs, affordable housing and the amenity of surrounding communities to engage TBR and Frost Meadowcroft to undertake a study into the potential impacts in the area. The aim was to provide sufficient and robust evidence to support the imposition of an Article 4 directive in those areas most affected.

This document sets out to present the evidence based on a mix of desk based quantitative research along with a review of the local property market.

The report is structured in five main sections. The first introduces the work and provides some information on the research methods. The next section presents high level data on the number of firms occupying B1a premises in the area along with associated employment and output. Section 3 considers the key sectors within the borough and their presence within the area. This is followed by a property perspective, which while being more anecdotal in style, provides clear examples of the pressures on landlords to transfer to the residential market. Section 5 extends the analysis to consider the indirect and induced impacts. The final section draws the material together in the form of a set of conclusions.

The quantitative analysis was undertaken using a mix of national statistics and TBR's own TCR database of businesses. The latter was of particular use in disaggregating data between the study area and the CAZ.

The analysis estimates that B1a premises in the area are home to:

- An estimated 5,000 firms (from a total of 48,300 across the whole borough)
- An estimated 17,500 employees (from a total of 339,400).
- An estimated £5.8 billion turnover (from a total of £19.7 billion).
- An estimated £1.4 billion in output (GVA) per year (from a total of £7.9 billion)¹.

¹ The analysis linking land use class to business activity is reasonably accurate to the level of B1a. However, further estimation was required when focusing in on B1aa premises.

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The B1a land use class is the most prevalent within the area accounting for:

- 17% of firm numbers
- 10% of employment
- 17% of output

As may be intimated from the above, businesses in the area tend to be smaller than the average for Camden as a whole. Over half of all firms have fewer than 20 employees.

Thus, should property owners seek to enforce their right of change of use over 5,000 firms and associated jobs and output could be lost from this part of Camden.

Camden has established itself as a leading location for the creative industries in London. In fact over 10% of London's jobs in the creative industries are in Camden, of which one third of these are in the area. While the presence of only 3.4% of the capital's jobs may appear relatively small, cluster effects are of particular importance to these industries. Thus any loss of firms from the area due to displacement is likely to have adverse impacts on the sector as a whole.

The analysis provides further detail and identifies publishing, advertising, public relations, architectural services and photographic activities as having a major presence in the borough². Of these advertising, publishing and architectural activities are the most important to the area:

Table 1: Impact on Creative sectors in the Area

Sector	Firms	Employment	Output (£ks)	TO (£ks)	Floorspace ft ²
Advertising	318	1,642	£120,199	£605,429	164,156
Publishing	318	1,564	£134,173	£301,082	156,396
Architectural activities	394	2,257	£86,343	£141,491	225,727
Total	1,030	5,463	£340,715	£1,048,002	546,278

Source: TBR W2/S1

These businesses are reasonably spread out across the area, with concentrations in Camden Town, Kentish Town, Belsize and Hampstead.

A property perspective is presented in section 5. This notes that the study area is closely linked to the broader inner London market and subject to the same forces. One characteristic is the availability and attractiveness of smaller offices occupying properties such as former light industrial, stables, garages, coach houses in and around the existing housing stock. This makes the area sought after, especially where work and residence can be located close to one another.

The area is not seen as a homogenous whole, but is made up of distinctive locations including Euston, Mornington Crescent, Camden Town, Primrose Hill and Kentish Town. Research from the Estates Gazette notes that demand for offices in the West End is high

² Jewellery is excluded as it is highly concentrated within Hatton Garden, which is in the CAZ, so not subject to the changes to the permitted development rights change.

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while stocks are low. Camden itself is seen to have very low vacancy rates (2.7%), nearly half that of the West End (5.1%).

From April 2004 to the end of October 2013 (i.e. before the change to the permitted development right), over 600,000 ft² of office space was lost, though this was in a managed manner. However, any further loss, especially where it is not accompanied by any strategic gains, could seriously undermine the long term attractiveness of the area as a location for business.

Since the change to development rights, a further 257,000 ft² of B1aa office space has been lost in less than 12 months. Using an industry standard multiplier of one person to every 100 ft² this equates to some 2,570 jobs or over 12% of the total within the study area.

A typology of office buildings is introduced that helps highlight those most likely to be at greatest risk of change of use, e.g. converted office buildings and serviced offices.

With Camden private residential property values being some of the highest in the UK, the financial incentives to convert B1aa premises located within the area are compelling. Office premises are likely to see an uplift of over 100% where conversion to residential is allowed.

Current office values range from £350 to £750 per ft² with an average sale price, according to Costar, of £400 ft². Taking into account the usual development costs associated with residential developments (an average of £185 ft²) we have calculated that the break even for the average office price of £400 per ft² would be £585 per ft² (£400 + £185). This compares to residential values of between £750 and £1,800 per ft². Thus there is little, or no, existing office stock that would be unviable for conversion to residential based upon cost or other practical restrictions.

Frost Meadowcroft developed the analysis further via a number of case studies. These are set out in Table 2, below.

Table 2: Summary of example case study residual valuations

Property	Existing Value (£)	Residual Value for Residential Conversion (£)	Office value (£/ft ²)	Residential value (£/ft ²)	Value Uplift multiplier
5-6 Park End, NW3	£380,000	£1,340,000	£425	£1500	3.5
Marlborough House, 179-189 Finchley Road, NW3	£1,000,000	£4,650,000	£247	£1,148	4.65
Utopia Village, 7 Chalcot Road, NW1	£22,700,000	£71,350,000	£425	£1,336	3.14
45 Holmes Road, NW5	£380,000	£530,000	£353	£493	1.39
17 & 27 Ferdinand Street, NW1	£3,335,000	£5,270,000	£495	£783	1.57
1-8 Stucley Place, NW1	£7,240,000	£11,060,000	£495	£757	1.52

Source: Frost Meadowcroft

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The macro economic analysis is continued in section 6, which assess the overall economic impact. The study recognises it is limiting to look simply at the direct impact of the proposed change. Thus estimates are made of indirect, induced and leakage effects.

Indirect activities represent those undertaken within the supply chain, whereas induced effects relate to the spending of staff. Leakage seeks to establish the extent to which impacts are retained locally or dispersed into the wider economy. The analysis indicates that the potential loss of 17,500 direct jobs would result in a further reduction in employment of 15,600. Of these: 4,000 would be in Camden; 5,200 across London and 6,400 in the UK outside London. Similar effects would be felt in output³.

Within the creative industries, nearly 5,000 indirect and induced jobs would be lost over and above the 5,400 from the direct activities.

The analysis demonstrates that allowing the unfettered change of use across the borough could have serious negative impacts on the creative industries as a whole, and the advertising, publishing and architectural sectors in particular. These sectors are not just important to the area, Camden as a whole but form a vital part of the London offer and its ability to compete in global markets.

The final section draws together the analysis to demonstrate that the change to permitted development rights clearly poses a substantial risk to the Camden economy in the short to medium term, with potentially significant impacts on the economy beyond Camden. While the impact on the creative industries will be most severe, it will also affect other sectors populated by small firms.

The commercial case for converting B1a offices to residential in the area is so strong that it will be difficult for many landlords to resist. Moreover, this will not just affect premises that are vacant, as vacancy rates are very low. Rather, it is expected that leases will not be renewed, or firms will be served notice and have to find alternative premises elsewhere.

Geographically (as per figure 10 and 11), while we see some concentrations in centres such as Camden Town, Primrose Hill and Kentish Town, businesses are widely spread and co-located with residential property.

It is clear that the extension of permitted development rights will reduce the stock of B1a premises available to businesses across the area not covered by the CAZ. The natural consequence to any reduction in supply will be an increase in rents, especially as demand for business premises in the area is so great. We would expect this to result in a fall in firm numbers; employment and output as firms re-locate out of the borough or even close.

At this stage, we believe that an Article 4 exemption be sought across the whole of the area based on the dispersed location of firms, the juxtaposition of offices and residential property, and the importance of Camden's creative businesses to both London and the nation.

³ It is not possible to apply leakage factors within the borough, so the indirect and induced impacts are quoted for the borough as a whole.

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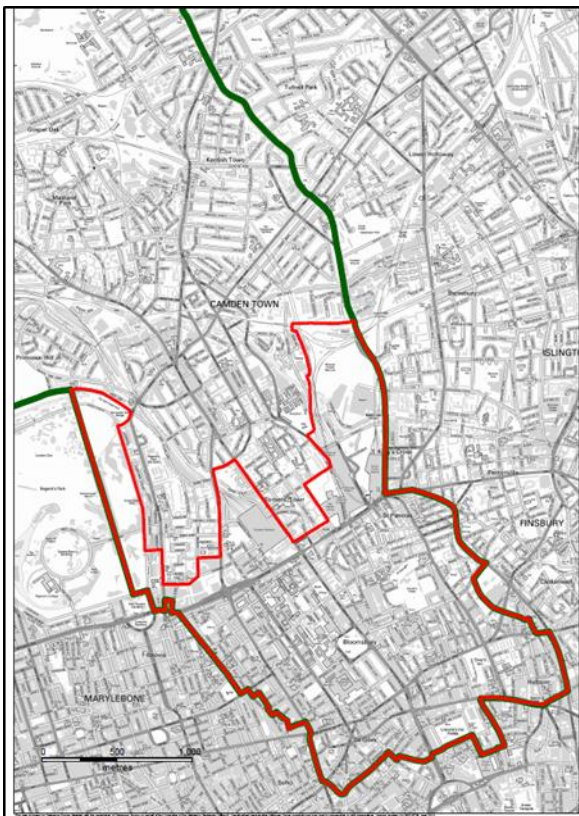
2. Introduction

2.1 The Challenge

The Government has amended permitted development rights to allow conversion of office buildings with a business use class of B1a to residential use C3 without the need for formal planning permission. The new right came into force on 30th May 2013, and is in place for a period of three years at which time it will be reviewed. Local authorities are able to override these permitted development rights through the application of an Article 4 Directive. However, evidence needs to be in place to demonstrate the adverse economic consequences of allowing unfettered change of use.

Since the Government introduced changes to planning legislation in 2013 to allow property owners to change the use of a building from office to residential (without a formal grant of planning permission) there has been increasing concern about the impact of these changes on Camden's communities – both in terms of the loss of small business space, jobs, affordable housing and the impact of new residential units on the amenity of surrounding communities. In short there is concern that this restricts the ability of the Council to plan properly for its area.

Figure 1: Location of the CAZ area⁴



space, jobs, affordable housing and the impact of new residential units on the amenity of surrounding communities. In short there is concern that this restricts the ability of the Council to plan properly for its area.

It should be noted that at the time the changes were introduced an area in the south of the borough known as the Central Activities Zone (CAZ) was made exempt on the basis of its focus on commercial and related activities.

TBR, with Frost Meadowcroft, has been commissioned by the London Borough of Camden to prepare a study into the potential impact of B1a premises being converted to residential properties. The study focuses on B1a premises lying outside the CAZ, which at present, do not benefit from the exemption and where the permitted development rights are in force.

⁴ The CAZ is the area within the red boundary

Introduction

2.2 The report

The report is structured into five main sections.

The first introduces the report and sets out the basic methodology employed.

Section 2 provides quantitative details of the importance of businesses located in B1aa premises outside the CAZ. The following section investigates the key business sectors which occupy office space and their relative position in relation to London's overall sectoral performance.

Section 4 offers a qualitative perspective of the business premises offer across the borough together with an assessment of the economic arguments for change in use. Section 5 returns to the quantitative analysis and sets out the potential impact that an unfettered ability to convert office premises into residential dwellings may have on the economy of Camden.

Finally, section 6 draws the findings together in a set of conclusions.

2.3 The method

The study is based on three sets of quantitative economic analysis and a qualitative review of the property landscape across the borough focusing on the area outside the CAZ.

First, we sought to identify and quantify businesses occupying B1a premises within Camden, and outside the CAZ in particular. From this we estimated the economic contribution of those businesses most likely to be at risk from the conversion of their business premises to residential dwellings. TBR's own proprietary database of businesses was used to disaggregate borough wide data to establish data for firms located outside the CAZ.

Second, to identify the significant sectors in Camden's B1a economy we calculated location quotients (LQs) for a range of economic activities⁵. The LQs were based on firm numbers and employment and carried out at a five digit level using the 2007 UK Standard Industrial Classification codes (UKSIC07)⁶. Where relevant, individual codes were then grouped together to form recognisable sectors such as advertising and publishing.

Third we draw together the quantitative analysis with the qualitative review of the property sector to provide an overall view of the impact of uncontrolled change of use within the area outside of the CAZ. This is presented as three views:

- The current size and economic contribution of businesses occupying B1a premises.
- The impact on the property assets of Camden as a place to do business. This includes an assessment of the potential loss of business premises.
- The indirect and induced impact of these B1a businesses to Camden's economy. The inclusion of the analysis of indirect and induced enables a quantitative of the

⁵ Location quotients set out the relative concentrations of business activities in comparison to a reference geography such as London and England. These are useful in establishing the strength of local sectors and the potential for business clusters.

⁶ These are the most detailed current version of the codes.

Introduction

value of economics of agglomeration from these businesses being located in Camden. In other words, the economic benefits these businesses indirectly contribute to Camden's economy.

2.4 Terminology

To make the report easier to read we have adopted the following conventions:

- The 'area' represents that part of Camden that is outside the CAZ, i.e. the focus of the report.
- 'Camden as a whole' refers to the borough in its totality, so includes both the 'area' and the CAZ.

Businesses Based in B1a Premises

3. Businesses Based in B1a Premises

TBR has developed an analysis of the scale of B1a business premises in the area which are at risk from the proposed change in permitted development rights. Our analysis suggests that the scale of the challenge is significant:

- An estimated 5,000 firms (from a total of 48,300 across the whole borough)
- An estimated 17,500 employees (from a total of 339,400).
- An estimated £5.8 billion turnover (from a total of £19.7billion).
- An estimated £1.4 billion Gross Value Added (GVA) per year (from a total of £7.9 billion).

A brief overview of all the businesses clearly shows the importance of the B1a sector to the economy of the area. We see from Table 3 **Error! Reference source not found.**, that there are over 5,000 firms occupying B1a premises, that they account for 17,500 jobs and generate an economic output of £1.4billion, which is 17.3% of the total for the area⁷.

Table 3: Land use Classification of premises in the Area

Classification	Firms	Employment	Output (£ks)
A1: Shops	3,163	18,595	£954,279
A2: Financial & Professional Services	4,638	21,796	£1,711,403
A3: Restaurants & Cafes	1,035	8,985	£150,526
A4: Drinking Establishments	454	2,532	£50,176
B1a: Business	5,027	17,570	£1,370,212
B2: General Industrial	2,272	8,886	£743,615
B8: Storage & Distribution	903	5,576	£374,988
C1: Hotels	376	7,919	£290,294
C2: Residential Institutions	216	12,284	£35,062
C3: Dwelling Houses	620	1,728	£311,048
D1: Non-Residential Institutions	3,586	33,111	£387,146
D2: Assembly & Leisure	1,292	4,855	£104,831
Sui Generis	4,964	35,239	£1,421,698
Not known	355	1,357	£2,649
Grand Total	28,901	180,431	£7,907,927

Source: TBR W2/S1

The B1a classification is also the largest use class; representing 17.4% of all firms in area, 9.7% of employment as well as 17.3% of total economic output (see Table 4).

⁷ We did exclude some 'B1' businesses that were located in the area from our analysis. We mainly removed businesses with a large workforce as these larger premises were seen to be less at risk from being converted to residential.

Businesses Based in B1a Premises

Table 4: Land use Classification of premises in the Area (%)

Classification	Firms	Employment	Output (£ks)
A1: Shops	10.9%	10.3%	12.1%
A2: Financial & Professional Services	16.0%	12.1%	21.6%
A3: Restaurants & Cafes	3.6%	5.0%	1.9%
A4: Drinking Establishments	1.6%	1.4%	0.6%
B1a: Business	17.4%	9.7%	17.3%
B2: General Industrial	7.9%	4.9%	9.4%
B8: Storage & Distribution	3.1%	3.1%	4.7%
C1: Hotels	1.3%	4.4%	3.7%
C2: Residential Institutions	0.7%	6.8%	0.4%
C3: Dwelling Houses	2.1%	1.0%	3.9%
D1: Non-Residential Institutions	12.4%	18.4%	4.9%
D2: Assembly & Leisure	4.5%	2.7%	1.3%
Sui Generis	17.2%	19.5%	18.0%
Not known	1.2%	0.8%	0.0%
Grand Total	100.0%	100.0%	100.0%

Source: TBR W2/S1

In terms of size, firms in B1a premises in the area are predominantly small, with the greatest concentration of firms (88.5%) having fewer than 5 employees (4,448 firms) compared with only 264 firms (5.3%) for the next biggest size band (size band: 5 to 9). When comparing employment and size band, only 35.2% of people employed in B1a businesses in Camden are employed in firms with fewer than 5 employees. As there are very few firms employing more than 100 people (23 firms) outside the CAZ, this suggests that the larger firms tend to be located within the CAZ. These factors indicate the concern that firms within the area, i.e. outside the CAZ, are in greatest danger of being displaced as their premises are taken out of employment use and converted to residential dwellings. It was concluded that smaller firms were at greatest risk from having their offices converted to residential. Two key factors were considered. First, small firms were more likely to occupy premises that were conducive to conversion. Second, in terms of negotiating power, larger businesses were seen as being better able to secure arrangements in their favour than smaller firms, which would find inducements to quit as relatively attractive.

Table 5: B1a Businesses in the Area by Size band

Sizeband	Firms	Employment	Output (£ks)	TO (£ks)	Floorspace ft ²
<5	4,448	6,179	£510,011	£984,355	617,886
C: 5 to 9	264	1,776	£137,101	£287,091	177,600
D: 10 to 19	145	1,915	£154,093	£312,505	191,500

Businesses Based in B1a Premises

E: 20 to 49	118	3,665	£267,172	£554,984	366,500
F: 50 to 99	41	2,595	£186,495	£663,822	259,500
G: 100 to 199	11	1,440	£115,340	£185,060	144,000
Grand Total	5,027	17,570	£1,370,212	£2,987,817	1,756,986

Source: TBR W2/S1

Table 6: Percentage of B1a Businesses in the Area (outside CAZ) by Size band

Sizeband	Firms	Employment	Output	TO	Floorspace ft ²
<5	88.5%	35.2%	37.2%	32.9%	35.2%
C: 5 to 9	5.3%	10.1%	10.0%	9.6%	10.1%
D: 10 to 19	2.9%	10.9%	11.2%	10.5%	10.9%
E: 20 to 49	2.3%	20.9%	19.5%	18.6%	20.9%
F: 50 to 99	0.8%	14.8%	13.6%	22.2%	14.8%
G: 100 to 199	0.2%	8.2%	8.4%	6.2%	8.2%
Grand Total	100.0%	100.0%	100.0%	100.0%	100.0%

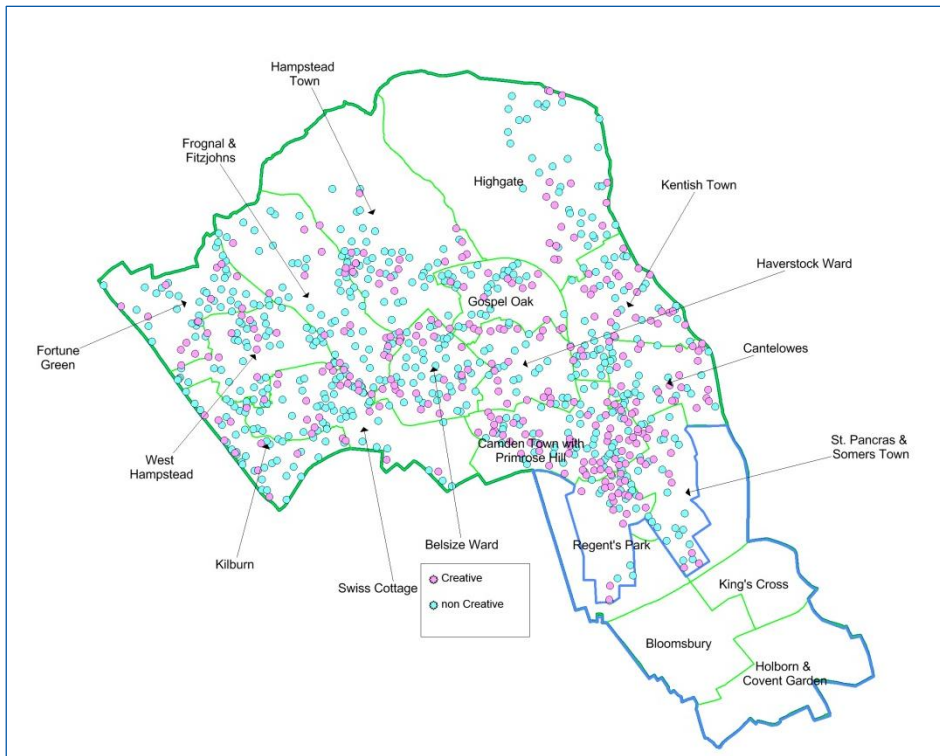
Source: TBR W2/S1

Overall, the direct impact on B1a businesses in the Area could be significant. The high concentrations of small businesses located in the area certainly present themselves as ideal opportunities to convert them into residential spaces, especially with the high value and demand for residential properties in Camden. The impact of converting these B1a premises into residential would not only directly affect the area's business ecology, but also have other knock-on impacts as shown in the following section.

As can be seen from Figure 2, below businesses are spread widely across the area outside the CAZ.

Businesses Based in B1a Premises

Figure 2: All business located in B1 premises in the Area



Significant Sectors

4. Significant Sectors

This section provides an analysis of those sectors which are significant to Camden as a whole and the area in particular. The analysis focuses on those sectors which have a national as well as regional economic significance. Our analysis has confirmed that a number of sectors have a significant presence in the area, including publishing, advertising and architecture. However, using TCR, we were able to establish that not all of Camden's significant sectors have a strong presence in the area (e.g. legal sector and jewellery).

The analysis contained in this section is based on sector definitions derived from the 2007 UKSIC codes. To determine if a sector can be classed as 'significant', we calculated location quotients using firm numbers and employment. If a sector scored 1.25 or more, it was deemed to be significant at either a regional (i.e. London) or national (i.e. England) level. To establish if the significant sectors were primarily located inside or outside the CAZ we used TBR's business database TCR.⁸ Such an approach is necessarily narrow, focusing on the core business activities within each sector. The approach does not illustrate the inter-connections between firms in each sector, their supply chains and dissemination channels, which can span different sectors.

To extend the analysis of the significant sectors in Camden, we have also examined what types of occupations are at risk from the conversions of B1a offices to residential premises.⁹

4.1 Creative Sector in Camden

Camden is acknowledged to be home to a strong and important cluster of the creative industries. This is clear from Table 7, below, which indicates that only Westminster has a larger population of creative employment in the capital. Furthermore, a significant proportion (3.4% of all creative jobs in London) are based in the area.

Table 7: Creative Employment in London¹⁰

Creative Sector	Employees	Percentage of London's total
Camden	25,560	10.6%
Area (Camden outside CAZ)	8,179	3.4%

⁸ We used BRES and UK Businesses Counts from NOMIS for the significance analysis. We can then determine the geographical locations and concentrations of these sectors within Camden from using TCR. The advantage of TCR being that we were able to define smaller geographical units below local authority level.

⁹ This was achieved by doing a SIC/SOC analysis on the Annual Population Survey (APS). We were able to identify those occupations commonly held in specific industry. However, because of the sample size of the APS we have to use London or the UK as the geographical unit. This meant some of the analysis of occupations at risk is at a more general level, rather than being Camden specific.

¹⁰ SICs included in this table are: (58110) : Book publishing, (58120) : Publishing of directories and mailing lists, (58130) : Publishing of newspapers, (58141) : Publishing of learned journals: 58142 : Publishing of consumer, business and professional journals and periodicals, (58190) : Other publishing activities, (70210) : Public relations and communication activities, (73110) : Advertising agencies, (73120) : Media representation, (71111) : Architectural activities, (74202) : Other specialist photography (not including portrait photography), (74203) : Film processing, (74209) : Other photographic activities (not including portrait and other specialist photography and film processing) nec, (62011) : Ready-made interactive leisure and entertainment software development.

Significant Sectors

City of London	8,012	3.3%
Hammersmith and Fulham	7,028	2.9%
Islington	12,910	5.4%
Kensington and Chelsea	7,279	3.0%
Southwark	10,670	4.4%
Westminster	31,393	13.1%
Rest of London	138,894	57.7%
Total	241,746	100%

Source: BRES 2012 (TBR ref: W1/S1)

The concentration and significance of Camden's creative sector is reinforced by previous research commissioned by Camden Council which puts estimated gross turnover of Camden's creative and cultural businesses (CCIs) between £955 million and £1,166 million. This represents, approximately, 15% of the gross turnover generated by Inner London's CCIs or 10% of Greater London's CCIs¹¹. What is also evident from previous research into clusters is that geographical proximity is central to their well-being and development. Thus any forced relocation of firms is likely to be detrimental to the cluster as a whole, including those firms based in the CAZ. For this reason, the numbers for the area should not be viewed in isolation, but as part of the Central London cluster that incorporates Camden as a whole and Westminster. Thus Camden, and the area outside the CAZ, represents a vital element of London's and the UK's Creative Sector. **Error! Not a valid bookmark self-reference.** Details of the occupations likely to be affected are presented below. Figure 3, below, illustrates a breakdown of the top 50% of the Creative Sector employment in London by occupation classification¹². A notable and anticipated feature of these data are that the occupations at risk from the conversion are mainly skilled professional occupations. These are activities that require specific and specialist training and will often be higher paid jobs. They are often the type of occupations that will attract skill persons to London and Camden from the elsewhere in the UK or around the world. A reduction in suitable office space risks losing highly skilled employees from the creative workforce currently located in Camden.

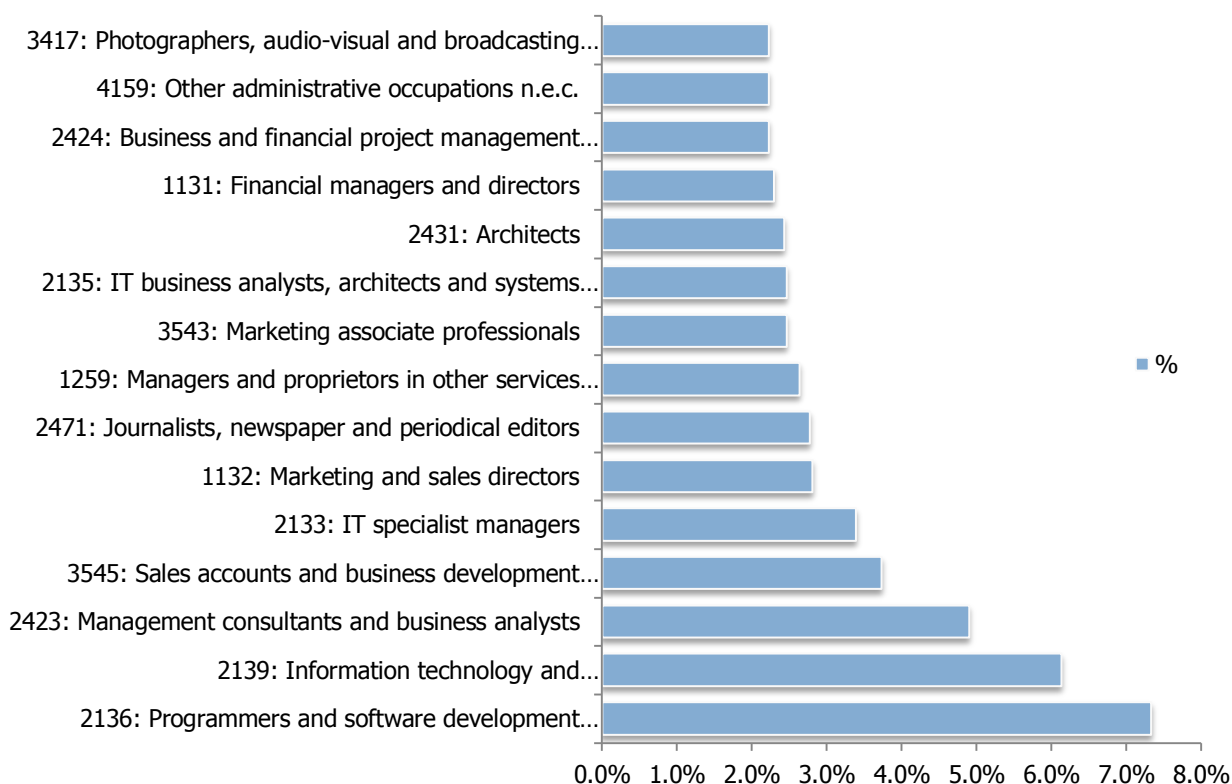
Figure 3: Occupations associated with Creative SICs¹³

¹¹ Dpa URS and Camden Council. "Creative and Cultural Industries in Camden. A Research Report and Action Plan commissioned by LB Camden" 2010.

¹² Data for the whole of London are used as the underlying survey data are unreliable at a smaller geographic level.

¹³ The same creative SICs were used as previously mentioned. However, the SICs were at a three digit level.

Significant Sectors



Source: APS 2013(TBR ref: W3/C1)

4.2 Publishing

4.2.1 Publishing sector and Camden

The emergence and continued development of the technology, media and communications (TMT) sector, is revolutionising the publishing sector. A noticeable feature of recent years has been a general decline in print sales both nationally and internationally, falling as much as £98m in the UK in 2013¹⁴. Such activities are heavily represented in the B1a classification.

The UK book publishing sector is defined by large international publishers such as Penguin Books and HarperCollins, as well as smaller, independent firms, with the top four book publishing companies (Hachette UK, Pearson, Reed Elsevier and the Random House Group) accounting for an estimated 34.1% of the industry in 2013/14¹⁵. However by number, the majority of publishers in the UK are small entities with 86.5% of businesses employing fewer than 10 staff¹⁶. The publishing industry also witnessed an increase of 66% in digital sales¹⁷ over this time.

¹⁴ BBC News. "Printed book sales fall £98m in 2013". January 2014.

¹⁵ IBIS World. "Book Publishing in the UK: Market Research Report". March 2014.

¹⁶ IBIS World. "Book Publishing in the UK: Market Research Report". March 2014.

¹⁷ Publishers Association. "The UK Book Publishing Industry in Statistics 2012". 2013.

Significant Sectors

Overall, Camden is home to 11% of all publishing businesses in London (280 of 2,540).¹⁸ We estimate from our analysis that 112 of these publishing businesses are located in the area.

Furthermore, our analysis found that the publishing sector employment is strong in Camden. As of 2013, there were 7,650 people employed in publishing across the borough of Camden, of which, nearly 2,000 were employed in the area.

Table 8 illustrates the high concentration of publishing employment within Camden, generating 9% of all publishing jobs in London.

The evidence suggest that publishing within Camden demonstrates typical cluster attributes with the collocation on global businesses and small niche players. The loss of a number of these small firms could have significant impacts, not just locally, but more widely as relationships are disrupted. Although the change of use of B1a premises would most likely affect smaller companies disproportionately, the impact would still be felt as it is often smaller firms who nurture the dynamic and creative talent to the industry, who then go on to develop their careers with the larger firms. While the direct impact of smaller firms relocating may not be significant, the indirect impacts and how this would develop over time could be substantial.

Table 8: Publishing Employment in London¹⁹

Publishing	Employees	Percentage
Camden	7,641	9%
Area (Camden outside CAZ)	1,987	2.2%
City of London	3,874	4%
Hammersmith and Fulham	2,550	3%
Islington	4,900	5%
Kensington and Chelsea	4,770	5%
Southwark	5,610	6%
Westminster	9,300	10%
Rest of London	50,661	57%
Total	89,306	100%

Source: BRES 2012 (TBR ref: W1/S3)

While employment in publishing is strong in the area, the major impact will arise from the large number of firms. The area is home to 26% of Camden's publishing jobs, but 40%

¹⁸ UK Business Counts

¹⁹ SICs included in this table are: (58110) : Book publishing, (58120) : Publishing of directories and mailing lists, (58130) : Publishing of newspapers, (58141) : Publishing of learned journals, (58142) : Publishing of consumer, business and professional journals and periodicals, (58190) : Other publishing activities.

Significant Sectors

of the firms. Whereas one in four publishing jobs may be at the risk, two fifths of firms may need to vacate their premises. This would affect the strength and future development of publishing across Camden as a whole, particularly those small firms most likely to be operating in niche areas most conducive to the growing digital segment.

4.2.2 Publishing sub-sectors

As of 2013, there were 2,277 people employed in book publishing (SIC 58110) compared with 10,811 for London and 26,246 for the rest of England. Of the 2,227 employed in Camden, we estimate that 654 of the book publishing jobs are located in business in the area.

It is also of particular note that book publishing was found to have a strong location quotient for employment in comparison to both London (3.0) and England (6.6). This pattern is similar for the number of firms, with LQs demonstrating a cluster of firms in Camden against the rest of London (2.4) and England (4.1).

Another particular subsector of publishing is the publishing of consumer, business and professional journals and periodicals (SIC 58142) and is of particular significance as there are 3,988 jobs across Camden in this subsector. Our analysis estimates that 677 of these jobs are located in the area. Additionally, publishing of consumer, business and professional journals and periodicals was also found to have strong employment LQs compared to both London (3.1) and England (7.6). This was also repeated for firm LQs for London (1.8) and England (3.1).

4.2.3 Publishing sector occupations

Details of the occupations likely to be affected are presented below.

Figure 4: Publishing Occupations

Significant Sectors



Source: APS 2013(TBR ref: W3/C2)

Figure 4 describes the predominant occupations within publishing, which account for 68% of all jobs in the sector. It is clear that the group; journalists and editors would be at greatest risk from any reduction in employment, with over one in five persons holding such a role. Other occupations affected include: authors, writers and translators, with over 10% of the sector holding these occupations. It is also worth mentioning that supporting and managerial occupations are also vulnerable, with over 30% of occupations in the sector being in administration, sales, marketing or managerial positions.

4.3 Advertising

4.3.1 Advertising sector and Camden

The advertising and media industry in London is sizable. Around one fifth of all people in London are employed in the advertising and media industry²⁰. London's media industry also includes many of the major broadcasting networks. These include domestic firms such as the BBC, Channel 4, Channel 5 and Sky News (part of BskyB) as well as international providers including CNN, Bloomberg, CNBC and Al Jazeera.

Likewise, the newspaper industry is very concentrated in London with The Daily Telegraph, The Guardian, The Times and the Independent as well as the Daily Mirror, The Sun, The Daily Express and the Daily Mail having headquarters based in London²¹.

²⁰ London's Economic Plan. "London's Media Industry".

²¹ Ibid

Significant Sectors

When analysing advertising as a whole, it is clear that it is an important strand of the overall Camden economy. According to national statistics, the advertising sector in Camden is composed of 555 firms and 12,165 employees.²² It is also more likely to be affected by any changes in development rights in Camden as 34% of firms (188) and 31% (3,771) of employment falls within the area. As a result, any changes implemented regarding development rights in Camden could seriously undermine the cluster of firms in the borough and could erode the strength and future development of advertising in Camden.

Camden is in a unique position to benefit from the growing media and advertising sectors as firms cluster close to major transport links such as Kings Cross and St Pancras stations. This has led to Google establishing its UK headquarters in Argent London's regeneration at Kings Cross²³. Additionally, the area of London referred to as Midtown (covering areas such as Holborn and Covent Garden) are becoming increasingly attractive to Media firms²⁴.

Recent media reports have estimated that over 80% of the UK's advertising industry is concentrated in London. Moreover, the growth in digital technologies and platforms has benefited London through start-up companies promoted through programmes such as the government's *Tech City* initiative²⁵.

4.3.2 Advertising sector and Camden

Media representation (SIC 73120) provides 3,634 jobs in Camden compared with 8,598 jobs in London and 16,757 jobs in England. Additionally, there are 115 media firms in Camden compared with 975 firms in London and 2,810 firms in the rest of England. Employment for media representation demonstrates an overall significance with an LQ of 6.12 and 16.6 for London and England respectively. Statistics for number of firms is equally significant with LQs for London of 1.9 and for England 3.6, the latter indicating that businesses in the Camden and capital tend to be larger than elsewhere.

Statistics for advertising agencies (SIC 73110) show that employment in Camden is 8,531 compared with 42,582 in London and 90,069 in England. There are also 440 advertising firms in Camden compared with 4,510 firms for the rest of London and 13,870 for the rest of England. Location quotients demonstrate that employment in media and advertising agencies is 2.9 compared to London and 7.2 compared to England. Comparing location quotients for firms, a significant result is recorded of 1.6 and 2.7 for London and England respectively. Thus Camden has established strengths in the sector.

4.3.3 Advertising sector occupations

Details of occupations within advertising are set out below.

Figure 5: Advertising Occupations

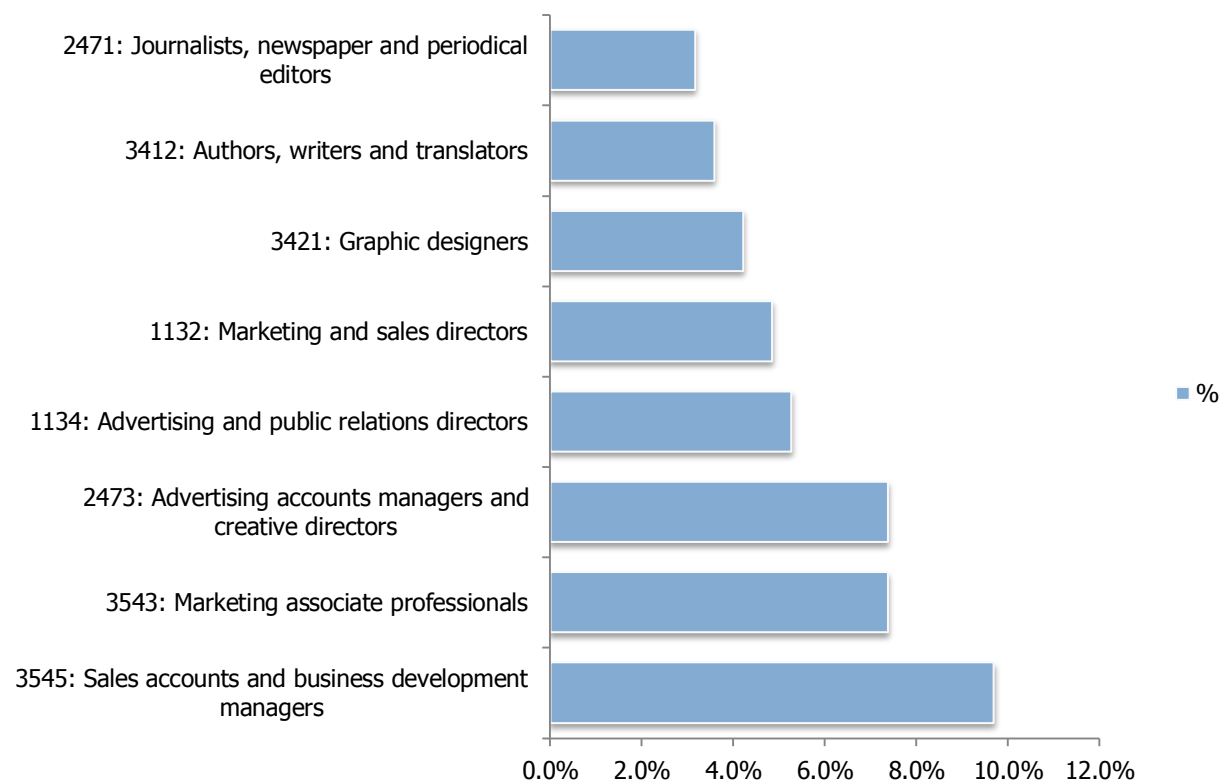
²² UK Business Counts and BRES

²³ Kings Cross Central. "Google to develop new UK headquarters at King's Cross in one of London's most significant property transactions of recent years". January 2013.

²⁴ Office Broker. "London Office Lowdown: Is Everyone Moving to Midtown?" March 2014.

²⁵ Financial Times. "Advertising: London's unique selling point". December 2013.

Significant Sectors



Source: APS 2013(TBR ref: W3/C3)

Figure 5 illustrates the most commonly held occupations in the advertising sector. As would be expected, there are a group of advertising specific occupations in the sector that would be at risk from converting office space to residential space: marketing associates, advertising account managers, creative directors, advertising and public relations directors. In addition, there is also a notable proportion of the advertising workforce with occupations often associated with the publishing sector (authors, writers, translators, and editors).

4.4 Public Relations and Communication Activities

In 2012, public relations turnover in the UK was forecasted to reach £9.62 billion and achieve total employment of 62,000 with an average salary of £53,781²⁶.

Public relations and communication activities are strongly represented in Camden. Our analysis demonstrates that there were 1,591 people employed in the public relations and communications industry (SIC 70210) in Camden against 9,024 for the rest of London and 14,960 for the rest of the England. Moreover, there were 105 public relations firms based in Camden compared with 1,160 firms in the rest of London and 2,930 firms in the rest of England. Our analysis demonstrates that the local sector would be impacted as 31% of firms and 9.4% of total employment are located in the area (33 firms and 150 employees). This evidence indicates that it is the small public relations and communication firms that are at greatest risk within the borough.

²⁶ PR Week. "The PR Census". December 2013.

Significant Sectors

4.5 Architectural Services

4.5.1 Architecture sector and Camden

Architectural services is a valuable sector of the UK economy and is forecast to generate a revenue of £4.6 billion in 2013-14 and accounting for 57,526 jobs in 2013. Additionally, exports account for about 4.9% of industry revenues equating to £229.1 million in 2013-14. There are 10,213 architectural businesses in the UK with no dominant companies²⁷ (by size) due to the small number of employees employed by individual architectural practices, a characteristic of the industry²⁸.

For Camden, architectural and engineering services contribute 15% to the overall economy of Camden compared with 12% in Westminster and 11% in Kensington and Chelsea²⁹.

Of the 2,735 architectural practices in London, 270 are based in Camden. Of these, approximately 127 are in the area.

Our analysis demonstrated that for architectural activities (SIC 71111) there were 3,321 people employed in Camden compared with 21,547 in London and 46,579 in the rest of England. We estimate that around 1 in 3 jobs in Camden's architecture sector are located in the area.

The location quotients for employment highlight the fact that architectural firms are clustered in Camden compared with London (2.2) and the rest of England (5.4). Similarly the firm LQs are strong relative to London (1.6) and the rest of England (2.5).

Table 9: Architectural employment in London³⁰

Architecture	Employees	Percentage
Camden	3,321	9%
Camden (outside CAZ)	1,195	3.3%
City of London	991	3%
Hammersmith and Fulham	1,089	3%
Islington	3,473	10%
Kensington and Chelsea	784	2%
Southwark	2,123	6%
Westminster	2,944	8%
Rest of London	21,547	59%

²⁷ IBIS World. "Architectural Activities in the UK: Market Research Report". September 2013.

²⁸ British Council. "Mapping the Creative industries: a toolkit. Undated.

²⁹ Oxford Economics. "The Economic Outlook for Central London". March 2014.

³⁰ SICs included in the table are (71111): Architectural activities.

Significant Sectors

Total	36,272	100%
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Source: BRES 2012 (TBR ref: W1/S3)

Table 9 shows the structure of architectural employment in London. What is clear is Camden's strength and concentration of architectural employment with 9% of all architectural jobs (3,321 individuals) being located in the borough. Previous research supports this assertion as research commissioned by Camden Council highlighted Camden's particular strength in architecture with a distinct concentration of employment relating to architectural services in Bloomsbury. The research also reported growth in architecture related employment in Camden of 33% between 2003-07 compared with 23% in inner London and 17% in Greater London³¹.

4.6 Photographic Activities

The photography industry was worth £1 billion pounds in 2013 employing 23,892 individuals in 8,624. The nature of work is characterised by part-time employment in small companies³².

Using SIC Code 74209 (Other photographic activity), the analysis shows that 406 people were employed in photographic activity (other than portraits) in Camden compared with 2,463 in London and 7,294 in England. This translates to 125 firms in Camden compared with 1,725 firms in the rest of London and a further 4,425 businesses in England. Our analysis has demonstrated that there is a significant cluster in Camden in terms of employment as the location quotients were recorded as 2.4 against wider London and 4.2 for the rest of England.

³¹ Dpa URS and Camden Council. "Creative and Cultural Industries in Camden. A Research Report and Action Plan commissioned by LB Camden" 2010.

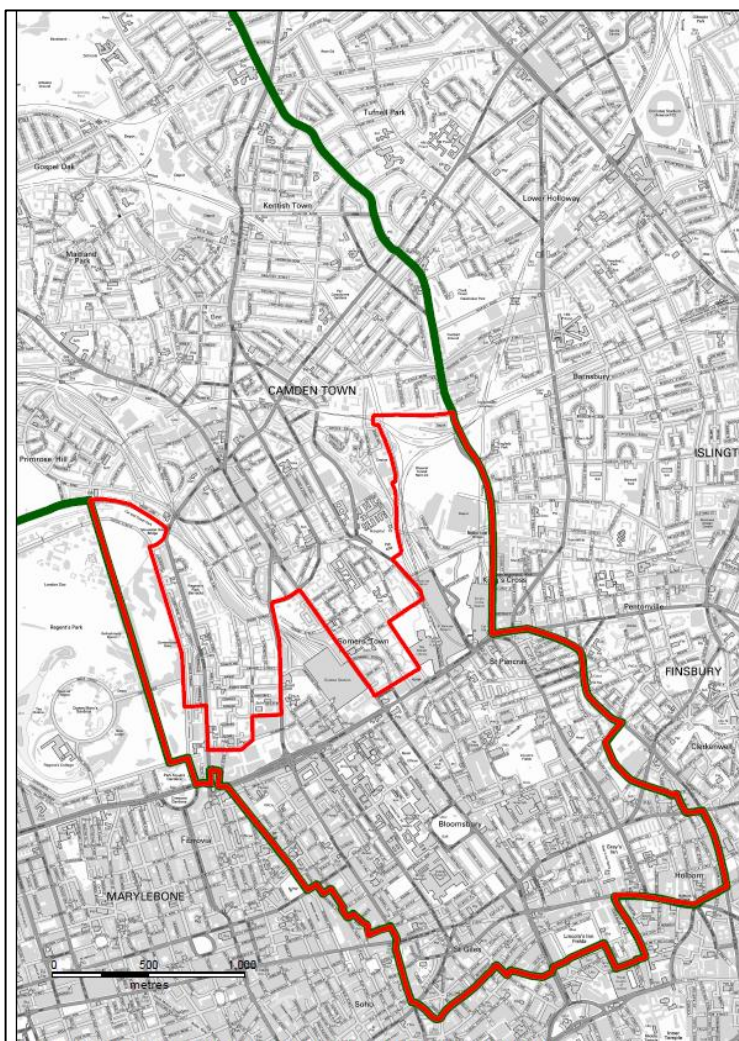
³² IBIS World. "Photographic Activities in the UK: Market Research Report". December 2013.

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5. A Property Perspective

The office market in the part of Camden, north of Euston Road that is outside the CAZ is inextricably linked with the ebb and flow of tenants across the boundaries and therefore

Figure 6: Outline of the Camden CAZ



the general central London trends are reflected in the local market. In addition to these factors, the local market does have distinguishing characteristics, distinct clusters of offices and a defined occupier profile, as set out below. These clusters create an attraction for similar businesses. An important feature of Camden (outside the CAZ) is the market for smaller offices occupying properties such as former light industrial, stables, garages, coach houses, and mews around the borough amongst the existing residential stock and also upper parts in high streets such as Hampstead, Highgate and Finchley Road. There is a prevalence of this type of property and they create a diversity of occupier in these areas, which is valued by local occupiers and sought after, by owner-occupiers and tenants, particularly those that live nearby.

5.1 The Office Hubs of Camden (outside the CAZ)

5.1.1 Euston

This includes Hampstead Road, Eversholt Street and William Road

Occupiers include Whistles (fashion) in Eversholt Street, Hillgate (travel) and Central and North West London NHS Foundation Trust in Hampstead Road, Addison Lee's head office (Taxi's) in William Road and Hodge Jones and Allen (solicitors) at 180 Gower Street.

This is part of the West End office market and has excellent public transport links including Euston main line and Euston (Northern and Victoria line) Underground Stations, Euston Square (Circle and Hammersmith and City Line) Underground Station, Warren

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Street (Northern and Victoria Line) Underground Station and Great Portland Street (Circle and Hammersmith & City) Underground stations.

5.1.2 Mornington Crescent

The former Carreras Cigarette Factory, Greater London House, is home to occupiers such as Asos (online fashion retailer), Young & Rubicam (advertising) and Wonga (loan provider). Mornington Crescent is on the West End or Charring Cross branch of the Northern Line so has good public transport links.

5.1.3 Camden Town

This includes Jamestown Road, Oval Road, Pratt Street, Camden Street, Hawley Road and canal side offices at St Pancras Way and Camden Lock.

This is a large and important office hub and is associated with the TV and fashion industries, perhaps due to Camden Market being an important cultural and tourist destination, with numerous bars, nightclubs and music venues such as The Roundhouse, Koko, Electric Ballroom and Barfly. The hub developed from the former railway and industrial buildings associated with the railway, goods yard and the canal. It is also very well served by public transport. Camden Town Underground station is an important transport interchange where the City and West End branches of the Northern line meet and provides excellent tube access. Camden Road also provides overground services to Stratford in the east and Richmond in the west.

Occupiers include French Connection and Hugo Boss in Centro, Camden Street, MTV, Viacom and the Open University in Hawley Road, Bauer (Magazines) Hat Trick Productions, Associated Press, Jones Knowles Ritchie (designers), ARP (architects) and Max Fordham (Engineers) in Oval Road and Getty Images in Bayham Street.

5.1.4 Primrose Hill

This includes Regents Park Road, Gloucester Avenue and Chalcot Road.

This is a hub that developed from the former railway and piano workshops in Gloucester Avenue and Chalcot Road and around the Regents Park Road shopping terrace. Chalk Farm (Northern Line) provides good tube access. Occupiers include Shine TV at 42 Gloucester Avenue and Utopia Village in 7 Chalcot Road.

5.1.5 Kentish Town

This includes Kentish Town Road, Highgate Road, Spring Place and Holmes Road. Occupiers include Spring Studios, a post production photographic facility in Spring House, 10 Spring Place.

Kentish Town is an office hub that developed from the former railway and industrial buildings. It has excellent transport links with Kentish Town (Northern Line Underground) and the First Capital Connect Thameslink that gives access to Luton Airport, the Eurostar at St Pancras, Gatwick Airport as well as Kentish Town West and Gospel Oak (overground) stations. There are multi tenanted estates that provide a hub for small companies such as Highgate Studios and the adjoining Linton House in Highgate Road, Kentish Town.

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5.1.6 Swiss Cottage & Finchley Road

Swiss Cottage and Finchley Road is an office hub that developed because it is a busy shopping area, on a main route to central London and its excellent public transport links with Swiss Cottage (Jubilee Line Underground), Finchley Road (Jubilee and Metropolitan Lines) and Finchley Road & Frognal (overground) to Stratford. There are a number of large office buildings near each station such; as 100 Avenue Road where Thomson Reuters (publishing) are based, 100A Avenue Road which is the Ham & High (local newspaper) offices, Charles House, Marlborough House and the London Overground at 125 Finchley Road NW3.

5.1.7 West Hampstead

West Hampstead and Temple Fortune is an office hub that developed because it has excellent public transport links with 3 stations; West Hampstead (Jubilee Line) underground and overground Station and the First Capital Connect Thameslink that gives access to Luton Airport, the Eurostar at St Pancras Gatwick Airport. The hub comprises mostly smaller buildings, offices in upper parts catering for small companies.

5.1.8 Hampstead

A hub that comprises smaller offices occupying properties such as former light industrial, stables, garages, coach houses, and mews amongst the existing residential stock and also upper parts in the high street. It has good public transport links with both Hampstead (Northern Line) Underground Station, Hampstead Heath overground station for Stratford and Richmond.

5.1.9 Highgate

A hub that comprises smaller offices occupying properties such upper parts in the high street, former light industrial, stables, garages, coach houses, and mews amongst the existing residential stock and also upper parts in the high street. It has good public transport links with Highgate (Northern Line) Underground Station.

5.2 Office Market Commentary in the West End

In order to put the local market in context, the overall status and trend of the West End office market should be considered. In the Knight Frank quarterly Central London Survey, for example, they include NW1 (Euston, Mornington Crescent and Camden Town). Latest research from Estates Gazette and Knight Frank show the level of West End stock being well below medium term trend levels, whilst demand from occupiers have increased with transactional volumes increasing by 22% above the five-year average.

5.2.1 Demand

Demand is high. Take up in the West End office market in 2013 was just under 5million ft², 46% higher than in 2012, the strongest since 2010 according to the Knight Frank Central London Quarterly Survey Q4, 2013. The take up in Q4 was 1.2million ft².

5.2.2 Supply

Supply is low. Current West End vacancy rates fell for the third consecutive quarter from 4.7million to 4.6million ft² nearly 10% below the same quarter of 2012.

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The West End vacancy rate at the 2013 year end was 5% of the entire stock, the lowest level since 2008.

The technology, media and telecoms sector was the most active sector accounting for 24% of all transactions in Q4 in 2013 according to the Estates Gazette Office Market Analysis for Q4 2013. This survey also states that there is 1.9million ft² of offices under offer, the highest since 2010 and in 2013 12million ft² was let, up 23% from 2012. This shows very strong office demand in Central London.

5.3 The local market in Camden (outside the CAZ)

Local areas in the borough can be identified with specific features of demand and tenant profile. As with all markets, Camden provides a mix of stock from small mews style office buildings scattered across the borough to larger purpose built office developments or converted warehouses in the core commercial centres. Camden has a full cross section of business types, and as the City of London is known for its financial services, so Camden is known for its TV, fashion and creative businesses.

Whilst some outer London boroughs experienced high vacancy levels of redundant office space in the recession of 2009, the reverse is true in Camden where vacancy levels are below those of the West End market and demand is consistently strong.

Key features of the Camden (outside the CAZ) office market are:

- Very low vacancy rate, only 186,000 ft² available on 9th April 2014, equivalent to 2.7% of all the office buildings according to CoStar (even lower than the West End which is 5.1%).
- Current availability rate is 3.3%, below the five year average of 5.3%.
- 162,457 ft² was leased between 9th April 2013 and 9th April 2014. In theory at this rate of leasing there is only 1 year and 2 months of availability left.
- Total stock in the area is 5.5 million ft² across a total of 761 buildings.
- Strong tenant demand demonstrated from recent transactions and active requirements

The loss of further office stock is likely to restrict local employment, and inhibit the movement and expansion of existing occupiers, potentially forcing them to consider the already congested centre of London or other boroughs in which to locate their businesses.

5.3.1 Office demand and growth

There is viable demand for additional space in the borough's prime office locations, especially in Camden Town.

There is very little capacity to meet that demand in Camden outside the CAZ and no substantial office schemes in the pipeline.

In the GLA's trend-based employment projections, between 2016 and 2031 the Borough of Camden is anticipated to gain 55,000 employee jobs, equal to 3,600 in net new jobs per year requiring 360,000 ft² of offices a year. This makes Camden the 3rd fastest-growing borough in London after Hammersmith & Fulham and Wandsworth.

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Demand for offices in Camden outside the CAZ is strong and proven with recent transactions such as:

Occupier	Business	Space	Address
UCL	University	45,000 ft ²	140 Hampstead Rd, NW1
Wonga	Online finance	25,000 ft ²	Greater London House, NW1
Dr Marten	Boots	4,600 ft ²	Rotunda, NW1
Achant Ltd	Publishing	2,120 ft ²	Charles House, NW3
Cass Art	Art supplies	2,710 ft ²	89-93 Bayham Street, NW1
TSP	Property Consultancy	2,500 ft ²	190 Camden High Street, NW1
Totalstay Group	Travel	5,581 ft ²	301-305 Kentish Town Rd, NW5
Highline United	Footwear	3,000 ft ²	Bedford House, NW1
Miinto Ltd	Mail Order	3,029 ft ²	116-134 Bayham Street, NW1
Rocket Dog	Footwear	3,900 ft ²	Centro Two, NW1

5.4 Office Stock Reduction through Planning Consent

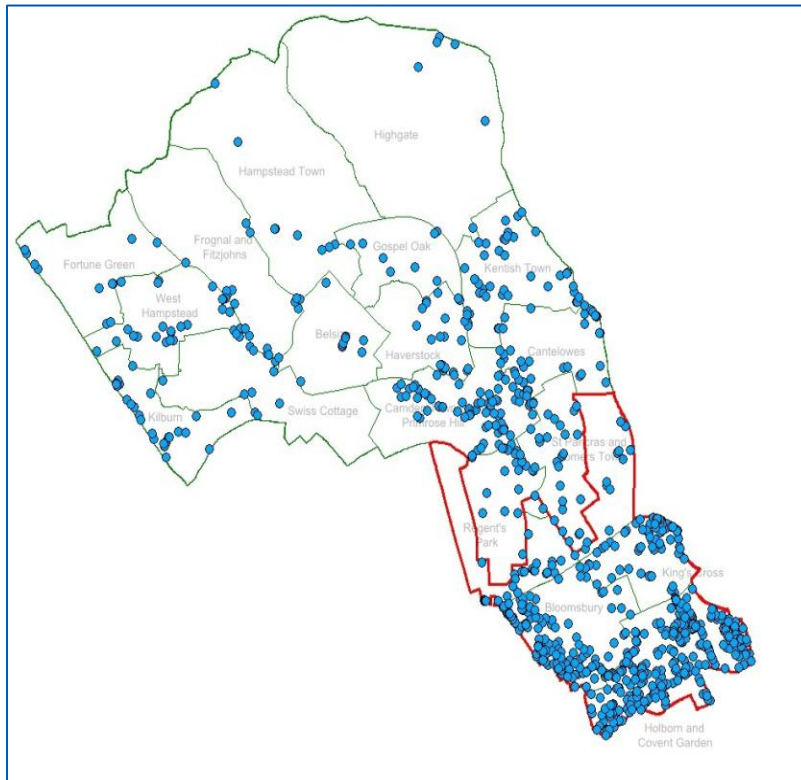
From 1st April 2004 to 31st October 2013 there has been a net loss of 606,427 ft² of B1a offices through the consenting of mixed use (B1a office and C3 residential schemes). These schemes are mostly mixed use (employment/C3 residential) but there has been a loss of 51% of B1a office floor space. Under traditional planning consent offices were lost but balanced with the need for housing with the planners able to control the type and quality of housing as well as where it was located. The housing created by permitted development is not under the jurisdiction of the planners in this respect, so the opportunity to influence across a range of parameters such as; location, type, affordability etc. has been lost.

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5.4.1 Loss of B1a(a) Office Space through Permitted Development

Since 30th May 2013, 257,000 ft² of B1a office space has been lost to Permitted Development. Using an industry standard rate of one person to every 100 ft² of office space, these offices would have had 2,570 people employed in them. As the legislation

Figure 7: Distribution of Change of Use prior to 2013



does not require the properties to be vacant, developers are entitled to relocate tenants when their leases expire or pay them to vacate during a tenancy.

5.5 Camden B1a property classifications

Below, in Table 10, we have classified the types of office properties in Camden outside the CAZ. All of these types are at risk. Type 2 and 3 are less likely to be at risk as they were purpose built as offices and are therefore harder to convert. This will not be a constraint however if the financial motive is great enough for conversions. Most buildings will be capable of conversion from a practical perspective. Type 6 are not allowed under current Permitted Development regulations but the Government announced in the Spring 2014 budget that this was under consultation.

Table 10: Property Classifications in Camden

- | |
|------------------------------------------------------|
| <p>1. Mixed Use
1. Retail and offices</p> |
|------------------------------------------------------|

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Commonly in High Street areas where the most valuable use on the ground floor is retail with a self-contained office building above, often having its own separate ground floor entrance and reception.

2. Residential and offices

Common in Mews where there is office use on the ground floor with a separate self-contained residential upper part.

2. Purpose built self-contained office buildings over 30,000 sq ft

1. Constructed before 1945
2. Constructed between 1945 & 1980
3. Constructed between 1980 & 2000
4. Constructed after 2000

Most examples are in Euston and Camden Town that are the larger office hubs.

3. Purpose built self-contained office buildings under 30,000 sq ft

1. Constructed before 1945
2. Constructed between 1945 & 1980
3. Constructed between 1980 & 2000
4. Constructed after 2000

Most examples are in Euston and Camden Town that are the larger office hubs.

4. Converted Office Buildings

1. Converted from Warehouses/industrial
2. Mews/Stables
3. Former Residential
4. Former Religious/institutional/school buildings
5. Former Retail/pub buildings in areas with low foot fall.

These are located throughout the Borough in both office hubs and more residential areas.

5. Serviced Office Buildings or Multi-let Business Hubs on shorter term leases.

These comprise serviced offices in town centre areas such as Euston and as well as lower value short term business centres in the north of the Borough.

6. B1a(c) and Industrial

These are mostly pre War buildings. These are often located near the Canal or near the railways. These are not currently covered by Permitted development which is for B1aa only but the Government announced in the Spring 2014 budget that they are considering bring in permitted development for these too.

5.6 Residual Values – the value disparity

- Camden private residential property values are some of the highest in the UK.
- The financial incentive to convert office space to residential across Camden is substantial.

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- Office values will see an increase of over 100% in residual value where residential is permitted.

All the office hubs are within or adjacent to prime residential areas. The borough has one of the highest residential values in London, ranging from £750 - £1,800 per ft². Existing office values range between £350 - £750 per ft² and an average sale price, according to Costar, of £400 ft². Taking into account the usual development costs associated with residential developments (an average of £185 ft²) we have calculated that the break even for the average office price of £400 per ft² would be £585 per ft² (£400 + £185). There is therefore, a compelling financial case and profit motivation for residential conversion where private residential values are from £750 to £1,800 per ft². There is little or no existing office stock that would be unviable for conversion to residential based upon cost or other practical restrictions. In most cases, even assuming for higher costs for difficult conversions, there are still viable profit levels to convert to residential.

Table 11: Residential Property Values

Residential Property values				
				<i>Source: Zoopla</i>
Area	Postcode	Flats	All properties	Average - All properties
Camden	NW1	£695,362	£866,858	£919,138
	NW3	£883,061	£1,293,803	
	N19	£387,441	£552,099	
	N6	£584,017	£1,151,819	
	NW6	£533,183	£711,110	
Islington	N1	£509,902	£708,327	
Haringey	N15	£234,880	£331,481	
Brent	NW2	£371,647	£532,543	

The table above illustrates the high residential values in Camden compared to other London boroughs. The potential profits to be gained (see the summary of residual valuation examples below) will put extreme financial pressure on investors and property owners to obtain vacant possession of the buildings in order to convert within the remaining two year period. With the substantial level of profits available, landlords will be in a position to offer significant payments to induce tenants to surrender longer term leases earlier than the lease expiry date. With the already limited office stock in the borough, it is inevitable that these companies will be forced to move further afield to other areas in order to find suitable relocation. As these businesses are generally in the creative sectors it is likely they will have to relocate to more central London locations, increasing congestion and forcing more employees to commute into the centre.

The borough's main office hubs are located in some of the UK's highest residential value areas. This creates great financial incentive for conversion to residential. As a result of these very high residential values, developers are creating what has become known as the Super Prime Residential Market. This has been dominated by overseas purchasers and investors taking advantage of the (formerly) weak Sterling exchange rate and speculating

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on further inflation in this sector of the market. An example of this is Charles House, Utopia Village, 7 Chalcot Road, Primrose Hill, NW1 that features in our case studies later in the report.

It is clear that the type of residential stock that would be converted as a result of the proposed changes would fall in to the "prime" category. These new dwellings will not provide the type of lower value and affordable housing required by the local authority or in the desired locations that would normally be provided under existing planning requirements in the case of new developments. The Local Authority planners have no jurisdiction over the usual planning considerations of new housing such as overlooking habitable rooms of adjoining properties, amenity, design, quality, specification, energy performance or contributions to the local infrastructure through community infrastructure levies.

Figure 8: 5-6 Park End Hampstead NW3



property is greater than the value of the property with no development then the project is worth proceeding with.

In the table below this residual value is compared to the existing office value which would have been the value of the property prior to the Permitted Development rights being granted on 30th May 2013. The table also give these values on a price per ft² basis and a multiplier in terms of value uplift, i.e. 5-6 Park End in Hampstead, NW3, has a residual value three and half times greater value after 30th May 2013 than was the case prior to the extension of permitted development rights.

Frost Meadowcroft conducted residential valuations on a sample of buildings in Camden (outside the CAZ). This is a standard viability study undertaken by a building owner to assess the economic desirability of potential development works. The method entails establishing a gross development value (GDV) once all works are completed and then deducting all the development costs such as build costs, professional fees, finance costs and an allowance for profit, to arrive at a net development value. If the net value of the

Figure 9: Marlborough House, 179 – 189 Finchley Road NW3



A Property Perspective

Table 12: Summary of example case study residual valuations

Property	Existing Value (£)	Residual Value for Residential Conversion (£)	Office value (£/ft ²)	Residential value (£/ft ²)	Value Uplift multiplier
5-6 Park End, NW3	£380,000	£1,340,000	£425	£1500	3.5
Marlborough House, 179-189 Finchley Road, NW3	£1,000,000	£4,650,000	£247	£1,148	4.65
Utopia Village, 7 Chalcot Road, NW1	£22,700,000	£71,350,000	£425	£1,336	3.14
45 Holmes Road, NW5	£380,000	£530,000	£353	£493	1.39
17 & 27 Ferdinard Street, NW1	£3,335,000	£5,270,000	£495	£783	1.57
1-8 Stucley Place, NW1	£7,240,000	£11,060,000	£495	£757	1.52

Source: Frost Meadowcroft

Clearly significant increases in value are anticipated from converting B1a(a) premises to residential.

Figure 10: Utopia Village, 7 Chalcot Road, NW1



5.7 Conclusion

The new permitted development rights of 30th May 2012 is rapidly removing office property in the B1a use class within the area of Camden outside the CAZ despite a growing employment need and the demand for offices as evidenced by recent lettings.

Since 30th May 2013, 257,000 ft² of B1a office space has been lost to Permitted Development. Using an industry standard rate of one person to every 100 sq ft of office space, these offices would have hosted 2,570 jobs. Furthermore, as the legislation does

A Property Perspective

not require the properties to be vacant to exercise change of use, so developers are entitled to relocate tenants when their leases expire or pay them to vacate during a tenancy.

The GLA survey shows that employment is growing in Camden at the third fastest rate in London after Hammersmith & Fulham and Wandsworth, yet there is very little new supply of offices planned outside the CAZ and the office stock is being lost irreversibly.

Office tenants are being forced to relocate out of the creative industries hub of Camden Town, for example, and it is likely these businesses will have to pay higher rents in the already congested centre of London. Moreover, the local employees will need to travel further to work putting further strain on transport. This has a knock-on effect on the day time service industries such as shops, pubs and restaurants (induced and indirect effects).

As Camden outside the CAZ is a high value residential area, developers are motivated to exercise the permitted rights for change of use from offices to higher value residential. These new dwellings are unlikely to contribute to the much needed affordable housing, nor will it be in the desired locations that would normally be provided under existing planning requirements in the case of new developments. The Local Authority planners have no jurisdiction over the usual planning considerations of new housing such as overlooking habitable rooms of adjoining properties, amenity, design, quality, specification, energy performance or contributions to the local infrastructure through community infrastructure levies.

Overall Economic Impact

6. Overall Economic Impact

We calculate the overall direct economic impact of the proposed change in permitted development rights by analysing the economic contribution made by firms based in office premises which are at risk of being converted to residential. We have identified that within the area there are:

- 5,000 businesses
- 17,500 employees
- £1.4billion in output
- £3billion in turnover

These businesses are all, to a greater or lesser extent, subject to disruption by way of occupying premises subject to unfettered change of use.

We recognise, of course, that it is limiting to look simply at the direct impact of the proposed change. The industries important to the area (and because of their scale and local specialism, to the wider London and UK economies) represent a set of inter-related activities across supply chains which operate to add value by working together – as clients, suppliers, intermediaries, distribution channels, etc. Firms in the value chain operate from premises across a range of business use classifications, and the office-based activities of any sector are not isolated or distinct from activities which rely on different types of premises. We have developed an analysis of indirect economic impacts below, which helps quantify these impacts. However, there are a range of intangible benefits of co-location for strong economic clusters to thrive, which lead to the high productivity and competitiveness that strong clusters enjoy. Disrupting the existence of key sectors within Camden – and potentially other links in the value chain – may have wider implications than we can quantify.

Simple economic arguments suggest that a reduction in the availability of office accommodation in any locality will increase the market value of the remaining accommodation in that market and put prices (e.g. rents) up. This may incentivise the conversion of properties from other use classes into B1a, as owners see this as a route to the ultimate goal of converting to residential use, or because market conditions for office accommodation are more favourable than, say, some form of studio or warehouse space. Such a process may negatively affect the supply of other types of accommodation that a particular sector relies on (such as printing space for the publishing industry) to be competitive at local and national scales. While we identify the quantitative impacts the change in permitted development rights is likely to have, there will be other market impacts which are likely to further undermine the local and national performance of key sectors.

As identified in section 3 of the report, the creative sector was found to make a significant contribution to the overall economy of the area. Our analysis has therefore, sought to provide statistical data on the impacts on significant subsectors of the creative sector which play a prominent role in the overall economy of the area.

As illustrated in **Table 13** over 5,000 jobs and 1,000 firms within three elements of the creative industries are at risk from change of use. While each of the sectors demonstrate specific characteristics, e.g. architecture is the largest in terms of most firms and jobs, publishing generates most output and advertising is responsible for the greatest turnover,

Overall Economic Impact

they are all populated by small firms with just over 5 staff per firm. As indicated above small businesses are most likely to be vulnerable to change of use.

Table 13: Impact on Creative sectors in the Area

Sector	Firms	Employment	Output (£ks)	TO (£ks)	Floorspace ft ²
Advertising	318	1,642	£120,199	£605,429	164,156
Publishing	318	1,564	£134,173	£301,082	156,396
Architectural activities	394	2,257	£86,343	£141,491	225,727
Total	1,030	5,463	£340,715	£1,048,002	546,278

Source: TBR W2/S1

Publishing is notable as the most productive of all the sectors, producing £85k in output per employee. This no doubt reflects the adoption of digital technologies and demand for online publications. These changes have reinforced the attractiveness of trendy offices and locations, often in central locations, such as Camden. Paradoxically, part of the attraction may lie in the juxtaposition of employment and residential accommodation. What is clear is that these central locations allow publishing firms to attract the skilled employees required to keep pace with innovations. As a result, these firms tend to be highly productive.

Figure 11: Creative businesses in the Area



As can be seen from Figure 11 above, the creative industries are widely spread, with particular concentrations in Camden Town, Primrose Hill and

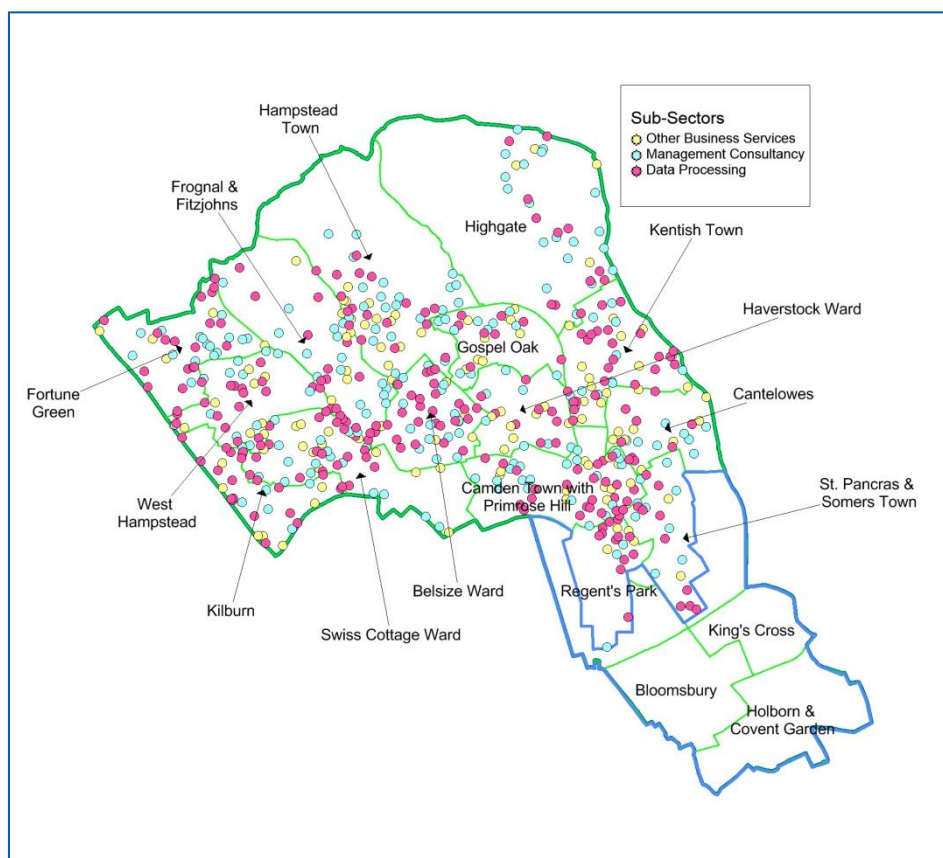
Overall Economic Impact

Table 14: Impact of other Sectors in the Area (Camden outside CAZ)

Sector	Firms	Employment	Output (£ks)	TO (£ks)	Floorspace
Data Processing	956	2,326	£243,962	£376,707	232,630
Management Consultancy Services	816	2,160	£217,333	£381,500	215,995
Business Support Services	684	2,031	£157,264	£534,321	203,112
Total	2,456	6,517	£618,559	£1,292,528	651,737

As demonstrated in Figure 12 other sectors based in B1a premises are located in the area, so at risk from change of use. Overall, these sectors contribute 6,500 jobs to the local workforce, produce around £619m of output and generate nearly £1.3billion of turnover. Furthermore, these sectors are some of the most productive, with data processing generating £105k per employee, management consultancy services £100k and business support services £77k. If the premises that these businesses occupy were to be reclassified as residential the area would lose some of its most productive businesses.

Figure 12: Other sub-sectors businesses in the Area



6.1.1 Explaining indirect and induced impacts

The economic impact of a particular sector is not restricted to its direct contribution in terms of employment and output. Rather, the true economic value of a sector (or grouping of sectors)

Overall Economic Impact

should be based on a measure that also includes its indirect and induced impacts. Indirect and induced impacts are calculated using multipliers attached to data on direct economic impacts.

Indirect economic impacts derive through activities along a firm's supply chain. For example, a publishing company purchasing publishing software would be an example of an indirect economic impact. The significance of these indirect impacts varies by sector, with each sector having a different multiplier. For instance, if a sector were to have a direct economic output of £0.8 billion and an indirect (or type 1) multiplier of 1.25, then the total output would be £1 billion, of which £0.2 billion would derive from the indirect activities.

A firm also delivers induced economic impacts through the spending of its employees. A member of staff, for example, purchasing a sandwich on their lunch break represents an induced economic impact. Again, the significance of these impacts varies by sector and results in sectors having different multipliers. For example, if a sector's annual economic output were to be £0.4 billion and it had an induced (or type 2) multiplier of 1.2, then the total output would be £0.48 billion, with £0.08 billion coming from the induced impacts.

6.1.2 Indirect and Induced Impacts

As (direct) employment and economic output are concentrated in firms occupying B1a classified premises, so there is a strong likelihood that indirect and induced economic impacts will also take place in businesses operating in similar premises. This may well exacerbate the negative impacts of B1a space being lost in terms of disrupting supply chains and convenience facilities for those businesses that remain in the area.

Analysis on the conversion of B1a premises reveals that 5,620 indirect and 10,067 induced jobs will be impacted by the changes to permitted development rights. This equates to a combined figure of 15,687 jobs. Most of these jobs will be located in Camden, with small businesses being interdependent on another in Camden.

Table 15: Total Indirect & Induced Employment Impact

Area	Direct Employment	Indirect Impact	Induced Impact	Total Impact
Area (Camden w/o CAZ)	17,570	5,620	10,067	33,257

Source: TBR W2/S1

In terms of economic output, our analysis suggests that direct economic output of £1.37billion will be at risk from the changes to permitted development rights outside the CAZ area. Additionally, an indirect impact of £428 million and an induced impact of £750 million would arise. This equates to a combined amount of £2.5billion in total economic output.

Table 16: Total Indirect & Induced Employment Impact

Area	Direct Output (£ks)	Indirect Impact	Induced Impact	Total Impact (£ks)
Camden (w/o CAZ)	£1,370,212	£427,603	£750,364	£2,548,179

Source: TBR W2/S1

Table 17: Total Estimated Leakage

Type	Direct	Indirect and Induced	Leakage from Camden	Leakage from London
Employment	17,570	15,687	11,609	6,432
Output (£ks)	£1,370,212	£1,177,967	£871,696	£482,966

Source: TBR W2/S1

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The indirect and induced potential impacts estimated by our analysis will not be contained locally, but will emanate out across London, the South East and further afield. This is because business interactions occur beyond borough and city boundaries. For example, a business located within the area could purchase its raw materials from business located elsewhere in the UK. From previous research by TBR³³ involving Camden businesses, our analysis is able to estimate that of the leakage from Camden is 11,600 jobs and leakage from London is 6,400 jobs. In other words, outside of Camden there are estimated 11,600 jobs at risk and 6,400 of these jobs are located in the UK outside of London. These would be the jobs at risk either located outside Camden or outside of London from the conversion of B1aa into residential premises.

6.1.3 Indirect and Induced Impacts on the Creative Industries

Our analysis shows that for the key creative industries, the indirect and induced impacts would be 4,980 jobs in addition to the 5,450 direct jobs, giving a total employment of 10,430 at risk.

Details of the employment impacts on key components of the creative industries are provided in Table 18 below.

Table 18: Indirect & Induced Employment Impact by key Creative Sectors in the Area

Sector	Direct? Employment	Indirect Impact	Induced Impact	Total Impact
Advertising	1,642	502	892	3,036
Publishing	1,564	630	1,044	3,238
Architectural activities	2,257	690	1,227	4,174
Total	5,463	1,823	3,163	10,449

Source: TBR W2/S1

Details of the output impacts on key components of the creative industries are provided in Table 19 above.

Table 19: Indirect & Induced Output (£) Impact by key Creative Sectors in the Area

Sector	Employment	Indirect Impact	Induced Impact	Total Impact
Advertising	£120,199	£35,325	£66,943	£222,467
Publishing	£134,173	£55,169	£76,753	£266,095
Architectural activities	£86,343	£25,375	£132,173	£243,892
Total	£340,715	£115,869	£275,870	£732,454

Source: TBR W2/S1

³³ TBR recently conducted a business survey from a sample of Camden businesses. In the survey we asked businesses the proportion of their business that was conducted with businesses located in Camden or in London. We were then able to produce coefficients to estimate the leakage factor for both employment and output.

Overall Economic Impact

Table 20: Leakage by key Creative Sectors in the Area - Employment

Sector	Direct	Indirect and Induced	Leakage from Camden	Leakage from London
Advertising	1,642	1,394	1,032	572
Publishing	1,564	1,674	1,239	687
Architectural activities	2,257	1,917	1,419	786
Total	5,463	4,986	3,689	2,044

Source: TBR W2/S1

Table 21: Leakage by key Creative Sectors in the Area – Output (£ks)

Sector	Direct	Indirect and Induced	Leakage from Camden	Leakage from London
Advertising	£120,199	£102,268	£75,679	£41,930
Publishing	£134,173	£131,922	£97,623	£54,088
Architectural activities	£86,343	£157,549	£116,586	£64,595
Total	£340,715	£391,739	£289,887	£160,613

Source: TBR W2/S1

In terms of leakage associated with the Creative Sectors, our analysis estimates that 3,689 jobs outside Camden would be at risk. Of which, 2,044 would be outside of London. The associated output from this leakage is £300m outside of Camden.

The analysis demonstrates that allowing the unfettered change of use across the borough could have serious negative impacts on the creative industries as a whole, and the advertising, publishing and architectural sectors in particular. These sectors are not just important to Camden but form a vital part of the London offer and its ability to compete in global markets.

Conclusions: Overall Assessment of Impact

7. Conclusions: Overall Assessment of Impact

7.1 Impact to Camden

It is evident that businesses occupying B1a premises within the area compose a crucial element of Camden's economy. We have used LQ analysis to illustrate the importance of the creative industries in Camden on a regional and national level. In general, these comprise mainly smaller businesses and are located in areas and premises that make ideal candidates for conversion into residential properties. We believe that these B1a premises, with a few exceptions, are at high risk of being converted over the timescale available to developers.

There currently exists a combination of factors that put these premises in Camden at risk from being converted. We have demonstrated a continued demand for residential properties in Camden and the rapidly rising values of residential properties make the conversion appealing to landowners and developers. At present, the financial incentive to convert office premises to residential space is strong in Camden, which few are unlikely to resist over the next two years.

Past trends also demonstrate that converting office space to residential space is occurring in Camden. Since introduction of the permitted development rights on 30th May 2013, 257,000 ft² of B1a office space has been lost. Using an industry standard rate of one person to every 100 ft² of office space, these offices would have employed 2,570 people as the legislation does not require the properties to be vacant so developers are entitled to relocate tenants when their leases expire or pay them to vacate during a tenancy.

The conversion of offices to residential is happening even when office space is in high demand. Camden, unlike other local authorities, has a low vacancy rate. In addition, there is little opportunity to increase office provision outside the CAZ, which suggests the conversion of office space to residential will exacerbate the existing imbalance between demand and supply of offices in Camden.³⁴

We estimate that a total of 1.75million ft² of B1a office floorspace to be at risk in Camden that is outside the CAZ. Associated with this floorspace are 5,027 firms, 17,570 employees, £1.3billion output and £3 billion of turnover. In addition, our analysis suggests there will be another 15,687 jobs at risk from the indirect and induced impacts of converting office to residential space, or a total of 33,257.

Table 22: Total Direct Impact of B1a Business losses outside CAZ area

Firms	Employment	Output (£ks)	TO (£ks)	Floorspace ft2
5,027	17,570	£1,370,212	£2,987,817	1,756,986

Source: TBR W2/S1

³⁴ This is only referring to Camden outside CAZ. In the CAZ there is pipeline supply of offices in Kings Cross and Euston.

Conclusions: Overall Assessment of Impact

7.2 Impact to London & UK

Those businesses located in B1a premises in the area have links beyond the local economy, so any negative impacts will be transmitted across boundaries and adversely affect London and the rest of the UK. Our analysis estimates that 11,609 jobs and £872m of output based outside of Camden are associated with the area's B1a economy. We estimate that this would affect 5,200 jobs in London and 6,400 jobs elsewhere in the UK. It would also impact £389m and £483m of output respectively.

Table 23: Indirect & Induced Employment Impact

Area	Employment	Indirect Impact	Induced Impact	Total Impact
Camden (w/o CAZ)	17,570	5,620	10,067	33,257

Our analysis also suggests that some of Camden's regional and nationally significant sectors will be at risk from the change to permitted development rights. These are sectors with a high presence in the area; including publishing, advertising and architectural activities. We suggest that nearly 5,500 creative sector jobs are directly at risk and a further 5,000 from indirect and induced effects. Financially, this would remove £340million of output directly and a further £391million from indirect and induced effects, with this reduction in option occurring both in Camden and elsewhere in the UK economy.

From examining the leakage factor, we estimate that the creative sectors located in Camden would negatively impact the output the rest of the UK economy by £290m (£130m to London's economy and £160m to the rest of the UK's economy). Associated with this output outside of Camden from Camden's Creative Sectors is an estimated 3,689 jobs: 1,600 in the rest of London and 2,000 elsewhere in the UK.

Table 24: Indirect & Induced Employment Impact by key Creative Sectors in the Area

Sector	Employment	Indirect Impact	Induced Impact	Total Impact
Advertising	1,642	502	892	3,036
Publishing	1,564	630	1,044	3,238
Architectural activities	2,257	690	1,227	4,174
Total	5,463	1,823	3,163	10,449

Source: TBR W2/S1

Conclusions: Overall Assessment of Impact

Table 25: Indirect & Induced Output (£) Impact by key Creative Sectors in the Area

Sector	Employment	Indirect Impact	Induced Impact	Total Impact
Advertising	£120,199	£35,325	£66,943	£222,467
Publishing	£134,173	£55,169	£76,753	£266,095
Architectural activities	£86,343	£25,375	£132,173	£243,892
Total	£340,715	£115,869	£275,870	£732,454

Source: TBR W2/S1

We also have identified that other significant business sectors located in the area will be at risk from the change to permitted development rights. These include: Data Processing, Management Consultancy Services and Business Support Services. The analysis indicates that £171m of London's output and £212m from the rest of the UK would be lost should local businesses be turned out as a result of their premises being converted to residential use.

7.3 Concluding remarks

The change to permitted development rights clearly poses a substantial risk to the Camden economy in the short to medium term, with potentially significant impacts on the economy beyond Camden.

The research demonstrates that while much of Camden's economy is concentrated within the CAZ, as might be expected, a significant portion is spread across the rest of the borough. This is particularly true for the creative industries. Among this sector, advertising, publishing and architectural activities are prevalent across the area outside the CAZ. A feature of these three industries is their preference for small, trendy, residential style premises with good access to central locations. In addition, collaboration and the free flow of ideas are central to the nature of the creative industries meaning that they tend to cluster together in clusters.

The research also identified other sectors prevalent in the area. These included: data processing, management consultancy and business support services. While firms in these sectors may, in general, be less likely to demand 'residential style' premises to the same extent as their peers in the creative industries, many small niche operators will find them attractive, so run the risk of having to leave their offices following a decision by a landlord to convert them to residential.

The market review identified a number of characteristics relevant to the impact of the extension of permitted development rights. Residential premises carry a high premium over employment space, even after development costs have been taken into account. Thus there are strong commercial arguments for taking advantage of the ability to convert properties to residential. Furthermore, the low office vacancy rates mean that not only vacant properties will be affected, it is expected that as leases on offices come to

Conclusions: Overall Assessment of Impact

a close that increasing numbers will be redeveloped or sold on and evidence already exists that business tenants will be turned out mid lease.

Geographically (as per figure 2), while we see some concentrations in centres such as Camden Town, Primrose Hill and Kentish Town, businesses are widely spread and co-located with residential property. The very factors that make these offices attractive (close to home, access to central London, etc) may mean that they are even more likely to be converted to residential.

One complicating factor is the limited window of three years provided by the current legislation. As the introduction of the right led to a flurry of developments, so we anticipate a further rush in late 2015/early 2016 if it appears that the rights are to be withdrawn. This means that current activity may (significantly) underestimate what may happen in 12 to 18 months' time.

It is clear that the extension of permitted development rights will reduce the stock of B1a premises available to businesses across the area not covered by the CAZ. The natural consequence to any reduction in supply will be an increase in rents, especially as demand for business premises in the area is so great. We would expect this to result in a fall in firm numbers; employment and output as firms re-locate out of the borough or even close.

At this stage, we believe that an Article 4 exemption be sought across the whole of the area based on the dispersed location of firms, the juxtaposition of offices and residential property, and the importance of Camden's creative businesses to both London and the nation.