

**125 Shaftesbury Avenue**

Volterra

Economic Benefits Statement

SEPTEMBER 2016



# Executive Summary

# 1 Executive summary

## Introduction

- 1.1 Volterra has been commissioned by Almacantar Shaftesbury S.à.r.l to outline the economic benefits associated with the extension and refurbishment of 125 Shaftesbury Avenue (the Site). The Proposed Development would be predominantly office but would also include flexible retail uses on the ground floor and mezzanine. The proposal includes significant public realm improvements which will improve pedestrian access and combat the existing issue of antisocial behaviour surrounding the Site.
- 1.2 The Site is currently a mixed-used building. It is predominantly low-density office use with retail/restaurant provision at street level. It is situated in Camden, within the Central Activities Zone (CAZ), the West End and the Inmidtown Business Improvement District (BID). The Site lies just south of the Tottenham Court Road Opportunity Area (OA).
- 1.3 This report is split into two sections: the first section sets out the traditional economic benefits (i.e. employment and Gross Value Added (GVA)) of the Proposed Development. The second section presents the Proposed Development in the context of the need for office space in the borough and places the development in the context of the local employment targets.

### **Summary of the economic benefits of the Proposed Development:**

- It will support an average of 340 jobs onsite over the course of the construction period, spending £268k in the local economy per year.
- It will directly support 1,940 jobs directly onsite; the majority of which (1,795) would be office based. The existing site is estimated to support a maximum of 940 jobs onsite and therefore the Proposed Development would result in at least 1,000 additional direct jobs.
- It is estimated that the direct employment at the Proposed Development would support an additional annual GVA of £108 million.
- There will be significant improvements to public realm, creating benefits to pedestrians, improving the perception of the area for businesses and reducing the likelihood of antisocial behaviour.
- The section of the West End that lies in Camden (CWE) is crucial to the economic growth in the borough: it makes up 6% of land space but accommodates 33% of total employment and 39% of office employment.
- Developments such as 125 Shaftesbury Avenue are crucial to achieving the ambitious growth forecasts set out in the London Plan, and supported by the West End Partnership.
- The Site is very accessible via public transport: it is within a 5 minute walk of three underground stations served by three lines. The arrival of Crossrail in 2018 will further increase the accessibility making the location perfect for densification of employment.

## Traditional economic assessment

- 1.4 It is estimated that there would be 875 person years' worth of construction jobs created directly onsite over the course of the construction period (31 months). This is equivalent to an average of 340 jobs onsite over the course of the construction period or 90 Full Time Equivalents (FTE). The benefits of the employment opportunities will be maximised through engagement with local institutions and/or charities and a construction management plan.
- 1.5 The construction workforce is expected to spend £692k in the local area over the course of the construction period – equivalent to an annual spend of £268k<sup>1</sup>.
- 1.6 Once operational, the Proposed Development would support 1,940 jobs directly onsite, the majority of which (1,795) would be office based employment. Based on existing commuting patterns, it is expected that 78% of workers would commute from within London, of which 7% would commute from within Camden<sup>2</sup>.
- 1.7 It is estimated that there are currently a maximum of 940 people employed directly onsite; this figure is lower than what would be expected since the office floorspace is currently occupied at less than standard densities. Therefore the Proposed Development is expected to support at least 1,000 additional jobs directly onsite, resulting in an additional £1.85m of worker expenditure in the local area each year once the scheme is operational.
- 1.8 The additional jobs employed directly onsite will support further indirect employment through supply chain impacts and additional worker expenditure. Taking these into consideration, it is expected that there will be 1,270 net additional jobs supported by the development.
- 1.9 It is estimated that the direct employment at the Proposed Development would support an annual GVA of £194 million, which is an additional £108 million compared to the annual GVA of the current Site (£86 million).
- 1.10 The development will include significant improvements to the public realm: it will improve the permeability of the local area for pedestrians, with a new route connecting Old/New Compton Streets allowing access between the two, and improve the public realm at the rear of the building. This will help reduce the pre-existing antisocial behaviour issue at the rear of the building and boost the general perception of the area. As a result, businesses will be attracted to locate here due to increased footfall and longer dwell times. Pedestrians will also benefit due to the improved quality of place, safety and access.

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<sup>1</sup> Assuming 60% of workers spend £6 a day for 220 days a year over the 31 month construction period

<sup>2</sup> Census 2011



## Requirement for office space in Camden and the West End

### **Importance of office space in Camden and the West End**

- 1.11 The economic performance of the West End is clear: it makes up 13% of all employment and 16% of office employment in London, generating 13% of the capital's annual output. The West End covers areas in both Camden and Westminster with approximately a fifth of West End employment being in Camden.
- 1.12 The Camden section of the West End (CWE) is crucial for Camden's employment: despite taking up only 6% of the borough's land it accommodates 33% of its employment and 39% of office employment. The CWE has also helped to drive growth in the borough over the last 5 years: office employment in the CWE grew by 24% between 2009 and 2014 compared to a borough average of 19%.

### **Undersupply of office space risks constraining future economic growth**

- 1.13 Despite the strong growth in office based employment in recent years, the West End still shows worrying signs of an under provision of office floorspace: the West End vacancy rate has been on a downward trend in recent years and despite an increase over the last couple of quarters, it remains significantly below the Greater London Authority (GLA) benchmark for a functioning market (5-8%) in two of the three sources. This indicates that there is an insufficient proportion of empty properties to allow the movement of firms between buildings with relative ease, which is essential to enabling companies to grow and ensure economic growth.

### **The Proposed Development provides a much needed contribution to employment growth targets**

- 1.14 Sustaining an appropriate level of employment growth is crucial to ensure that London maintains its position as a global city. The Proposed Development will contribute significantly to the employment growth targets; in fact the uplift in office floorspace at the Proposed Development alone would deliver one years' worth of growth in office floorspace needed in the CWE (assuming that CWE target is to deliver its share (39%) of growth in office employment) in order for Camden to reach the target set out in the London Plan.

### **The Site's accessibility makes it a perfect location for densification**

- 1.15 The Site is very accessible via public transport: it is within a 5 minute walk of three underground stations (Leicester Square, Tottenham Court Road and Covent Garden) served by three lines (Northern, Piccadilly and Central). The arrival of Crossrail in 2018 will further increase this accessibility making the location perfect for densification of employment. Indeed the economic case for Crossrail was based around its ability to enable London businesses to

continue to cluster and grow, and thus developments such as this one need to be encouraged so as to accommodate this growth.

## Conclusion

- 1.16 The economic benefits of the Proposed Development are significant: both in terms of the specific employment (at least 1,000 additional direct jobs onsite) and GVA impacts (at least £108m in additional GVA created each year) of the scheme and in the wider context of contributing to the West End and London's employment growth targets. If employment growth targets are to be met, development such as this must be encouraged: 125 Shaftesbury Avenue is perfectly located to accommodate significant employment growth, particularly with Crossrail opening in 2018.

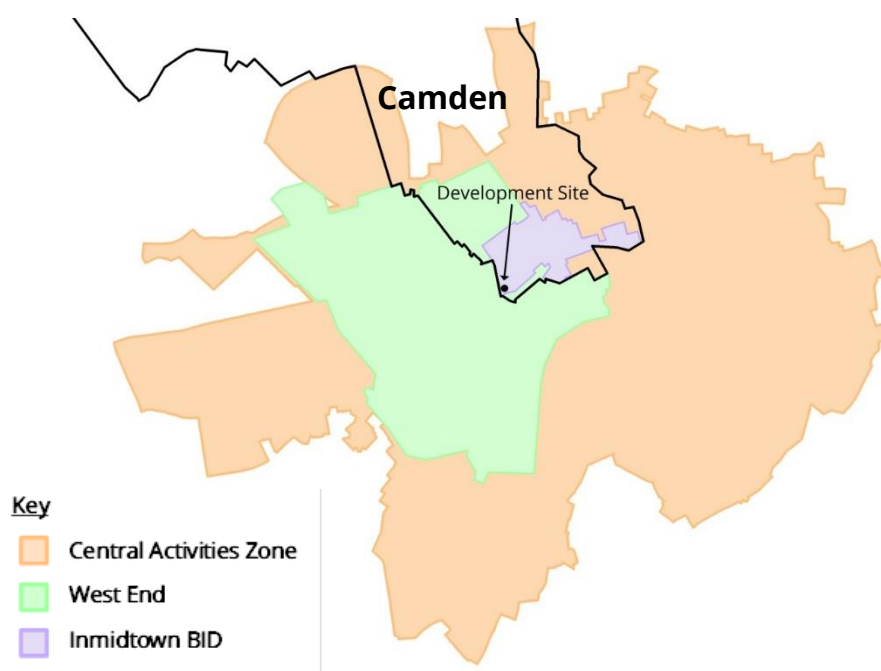
# Introduction

## 2 Introduction

- 2.1 Volterra has been commissioned by Almacantar Shaftesbury S.à.r.l to outline the economic benefits associated with the extension and refurbishment of 125 Shaftesbury Avenue (the Site). The Proposed Development would be predominantly office but would also include flexible retail uses on the ground floor and mezzanine. The office floorspace will be flexible with a range of configurations possible according to occupier needs.
- 2.2 The Site is currently a mixed-used building: it is predominantly low-density office use with retail/restaurant provision at street level. Almacantar Shaftesbury S.à.r.l, who acquired the Site in 2013, are proposing to increase the provision of office floorspace and improve the quality of the retail units.
- 2.3 The Proposed Development will result in an uplift in total floorspace of over 8,000 sqm GIA. This will be made up of a substantial increase in office floorspace (over 9,000 sqm GIA) with a decrease in retail floorspace.
- 2.4 The proposal also includes significant public realm improvements, particularly at the rear of the Site where antisocial behaviour is currently an issue. Permeability of the local area will also be improved, with pedestrian access through the Site opening up the block to connect Old and New Compton Streets.
- 2.5 The Site is situated in Camden, within the Central Activities Zone (CAZ), the West End and the Inmidtown Business Improvement District (BID). The Site lies just south of the Tottenham Court Road Opportunity Area (OA). It is an extremely accessible location within a 5 minute walk of Tottenham Court Road, Covent Garden and Leicester Square tube stations. The arrival of Crossrail in 2018 will further enhance access to the Site via Tottenham Court Road.
- 2.6 The location of the Site – both the accessibility and within the West End - makes it ideal for a development that supports high density employment which will contribute significantly to the employment growth targets in the local area.



Figure 1: Location of the Site



- 2.7 The report will set out the economic impact of the Proposed Development as follows:

#### **Section 1: Traditional economic assessment**

3. Construction impact
4. Direct employment
5. Local area expenditure
6. Local nature of employment
7. Total net additional employment
8. Gross Value Added
9. Public realm improvements

#### **Section 2: Requirement for office space in Camden**

10. Importance of office space in Camden and the West End
11. Risks of undersupply of office space
12. 125 Shaftesbury Avenue will contribute to meeting future growth targets

#### **13. Conclusion**

# Traditional Economic Assessment

### 3 Construction impact

#### Construction employment

- 3.1 Construction of the building is expected to take 31 months, with the capital cost of the development estimated at £90 million. It is possible to estimate the number of construction jobs created by the development by dividing the cost of construction by the GVA per construction worker.
- 3.2 The average GVA per construction worker in Camden and the City of London is £103k.<sup>3</sup> It is therefore estimated that the development will create 875 gross job years' worth of construction work across the period – equivalent to an average of 340 jobs onsite over the course of the construction period.
- 3.3 The construction phase will have certain periods where there are more workers onsite than others and workers will be required for different periods of time. Therefore, it is expected that there would be more than 340 people employed onsite during peak periods, however, they would not all be employed onsite for the duration of the construction period.
- 3.4 Using the standard approximation that one FTE job corresponds to ten job years of construction, it is estimated that the Proposed Development would create 90 FTE jobs through construction.
- 3.5 Construction workers travel to where work is and as such are among the most mobile sectors of the workforce. Commuting data in the 2011 Census<sup>4</sup> shows that 68% of construction workers who work in Camden commute from inside London. The split of construction employment by geography is detailed in Table 1.

Table 1: Gross construction employment

	London	Outside London	Total
	68%	32%	100%
Job years	595	280	875
FTEs	60	30	90
Average jobs onsite	230	110	340

*Source: Volterra Calculations 2016; Note: figures are rounded to the nearest 5*

- 3.6 The construction impact is likely to have a relatively small impact on local employment: 340 construction workers represent less than 0.2% of the construction workforce in London.

<sup>3</sup> Regional GVA, ONS 2014; BRES 2014

<sup>4</sup> ONS Census 2011 (Location of usual residence and place of work by industry - safeguarded)

## Local employment opportunities

- 3.7 Ensuring that local communities benefit from the opportunities arising from major developments is of crucial importance. The Applicant would use reasonable endeavours to work with local institutions and/or charities such as the King's Cross Constructions Skills Centre or the Construction Youth Trust. These relationships could help to ensure that construction benefits are secured for local residents where possible.
- 3.8 The Applicant will also prepare a local employment strategy (or similar) for the construction phase. This will be a condition for the planning application and will aim to ensure that local communities are able to benefit from the opportunities arising from the proposals; for example by providing apprenticeship opportunities.
- 3.9 These arrangements would maximise the opportunity for existing residents from within the London Borough of Camden to share in the benefits of the Proposed Development and take up the opportunities for employment that would arise.

## Local area spending

- 3.10 In addition to the jobs created by the construction phase, construction workers will also spend money in the local area. It is expected that throughout the construction period, these workers will spend £692k in the local area – equivalent to an annual spend of £268k<sup>5</sup>.

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<sup>5</sup> Assuming 60% of workers spend £6 a day for 220 days a year

## 4 Direct employment

- 4.1 This section sets out the direct employment impact of the scheme once completed and operational. The proposed scheme is assessed against the current use of the building, as is best practise.
- 4.2 The Proposed Development would be predominantly office but would also include flexible retail uses on the ground floor and mezzanine. The office floorspace will be flexible with a range of configurations possible according to occupier needs.
- 4.3 The Proposed Development results in uplift in floorspace of over 8,000 sqm (GIA); therefore it is expected to support a significantly higher overall level of employment than is currently supported onsite. The split of floorspaces across different use types is set out in Table 2.

Table 2: Comparison of floorspace (GIA sqm) split by use

	Use class	Existing	Proposed Development
Office	B1	18,830	28,513
Retail	A1/A3	3,873	2,399
Sui Generis	SG	70	0
<b>Total GIA</b>		<b>22,774</b>	<b>30,912</b>

Source: Volterra Calculations 2016; Note: figures are rounded to the nearest 5

### Existing employment

- 4.4 Information provided by the building manager gives the actual level of employment supported by the existing building: there are between 500-600 office staff working in the building per day and 225 retail/restaurant staff working per day. The retail employment is higher than expected due to high density employment at Made.com since this operation includes the service desk and the sales team for a company which is predominantly online orders.
- 4.5 In order to be conservative we have assumed that these are FTEs and we have used the upper bound for current office employment (600 FTEs). Therefore, it is estimated that the Site currently supports 825 FTEs, of which 600 FTEs are office based employment. This is equivalent to 940 jobs once part time working is taken into account<sup>6</sup>, of which 660 are in office based

<sup>6</sup> In line with standard appraisal it is assumed that 1 part time job = 0.5 FTE. The proportion of the workforce assumed to work part time is based on the relevant sectors in Camden from the ONS BRES 2014 data

and 280 are retail based employment. This is conservative since it is the maximum level of employment expected to be supported by the current building.

Table 3: Existing employment

	% assumed to be part time	FTEs	Jobs
Office	18%	600	660
Retail/restaurant	42%	225	280
<b>Total</b>		<b>825</b>	<b>940</b>

*Source: Volterra Calculations 2016; Note: figures are rounded to the nearest 5*

## Direct employment at the Proposed Development

- 4.6 It is estimated that the Proposed Development will support 1,745 FTEs<sup>7</sup>, equivalent to 1,940 jobs once part time working is taken into account<sup>8</sup>. The majority of this (1,795 jobs) will be office employment.
- 4.7 The proposed scheme will therefore support a significantly higher level of total employment than in the current building: it is estimated that the Proposed Development will result in at least 1,000 additional gross direct jobs onsite, equivalent to 920 FTEs. This is higher job creation than would be expected based on floorspace uplifts alone because the office employment within the current building is less dense than would be expected, i.e. it is under occupied (see 12.9).
- 4.8 It should be noted that there will be some loss of retail floorspace as a result of reconfiguration of the retail provision. In the context of the uplift in office floorspace, this change in the balance of uses seems appropriate given the sites location – it is within the CAZ but not in the central retail area of the West End e.g. the Oxford Street district.

<sup>7</sup> It is assumed that the office space is occupied at a density of 12 sqm (NIA) per FTE and retail/restaurant space is at 17.5 sqm (NIA) per FTE

<sup>8</sup> In line with standard appraisal it is assumed that 1 part time job = 0.5 FTE. The proportion of the workforce assumed to work part time is based on the relevant sectors in Camden from the ONS BRES 2014 data



Table 4: Direct employment at the Proposed Development

	% assumed to be part time	FTEs	Jobs
Office (B1)	18%	1,630	1,795
Retail (A1)	42%	115	145
<b>Gross direct employment at Proposed Development</b>	-	<b>1,745</b>	<b>1,940</b>
Total employment at existing Site	-	825	940
<b>Gross additional employment at Proposed Development</b>	-	<b>920</b>	<b>1,000</b>

*Source: Volterra Calculations 2016; Note: figures are rounded to the nearest 5*

## 5 Local area expenditure

- 5.1 Both office and retail workers contribute to the local economy through spending in the local area. A 2005 YouGov survey estimated that workers spend approximately £6 per day around their place of work. By uplifting this for wage growth since 2005 and higher wages in London as well as accounting for earnings differentials in different industries, it is possible to estimate worker expenditure by type of employment. High wages in office related sectors mean that office workers are expected to spend £13.35 a day in the local area, while retail workers would be expected to spend £8.40 a day.
- 5.2 Given the increase in the overall level of employment supported by the Proposed Development, the level of expenditure by workers in the local area would also be expected to increase significantly. The expected worker expenditure at both the Proposed Development and the existing Site is set out in Table 5. In order to be conservative, it is assumed that only 60% of workers spend money in the local area in both the existing building and the Proposed Development<sup>9</sup>.
- 5.3 Therefore, it is estimated that workers in the Proposed Development would spend £3.32m per annum in the local area – this is £1.85m more than spending supported by existing employment at the Site.

Table 5: Worker expenditure per annum

	Spend per day	Existing	Proposed	Additional
Office workers	£13.35	£1.16m	£3.16m	£2.00m
Retail workers	£8.40	£0.31m	£0.16m	(£0.15m)
<b>Total</b>	-	<b>£1.48m</b>	<b>£3.32m</b>	<b>£1.85m</b>

Source: YouGov 2005; Volterra calculations 2016

<sup>9</sup> Annual figures based on 220 working days per year

## 6 Local nature of employment

### Distribution of employment

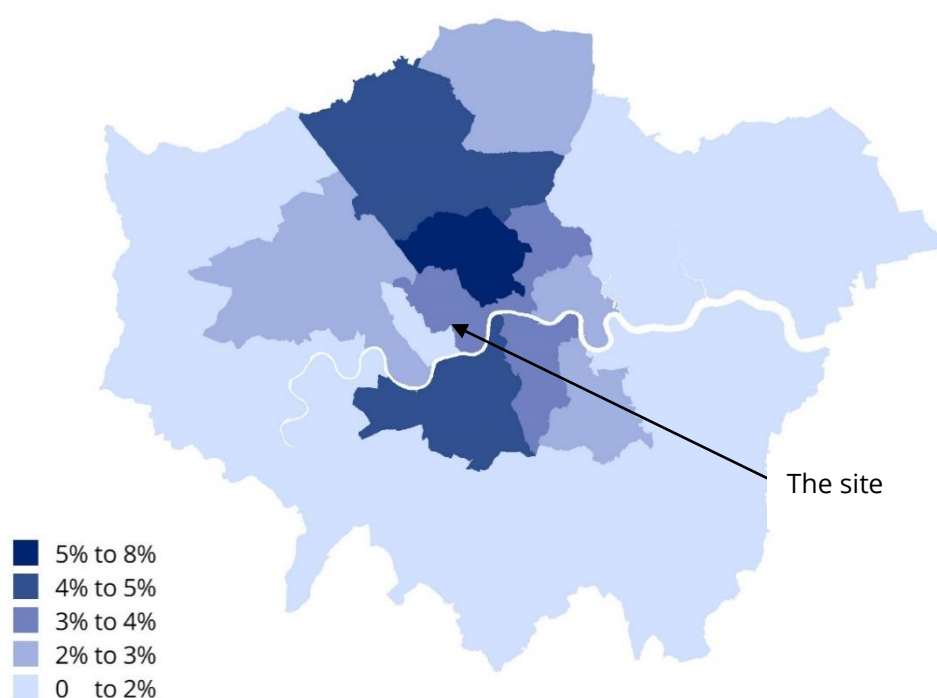
- 6.1 Table 6 and Figure 2 show the expected distribution of direct employment at the Proposed Development. This is based on the commuting data from the 2011 census of workers to Camden weighted by the types of employment that is expected to be supported by the development. This shows that 78% of workers commute from within London, of which 7% commute from Camden, which is equivalent to 145 jobs for Camden residents.

Table 6: Distribution of gross direct employment, by expected residence

	Camden		FTEs		Jobs	
Camden	7%	78%	130	1,355	145	1,510
Rest of Inner London	35%		615		685	
Outer London	35%		610		680	
Outside London	22%	22%	390	390	430	430
Total	100%	100%	1,745	1,745	1,940	1,940

Source: Census 2011, ONS; Note: figures are rounded to the nearest 5.

Figure 2: Distribution of gross direct employment, by expected residence



Source: Census 2011, ONS

## 7 Total net additional employment

- 7.1 The previous analysis of employment supported within the Proposed Development has been of gross direct jobs – the total number of people who will be directly employed in office/retail jobs within the building – and gross *additional* direct jobs – the number of people who will be directly employed in addition to those currently employed within the building. In order to present the net impact of the development, the displacement and multiplier impacts must be taken into account. The HCA Additionality Guide<sup>10</sup> provides a framework for the estimation of net additional impacts of development:
- **Displacement** is the proportion of jobs that would have otherwise occurred elsewhere. The guidance provides a standard displacement rate of 25% for low levels of displacement.
  - **The multiplier impact** is the indirect benefits to other sectors of indirectly boosting jobs in these industries. The guidance provides a standard composite multiplier of 1.7 for high multiplier effects at a regional level.
- 7.2 Applying the 25% displacement factor to 1,745 direct FTEs gives 1,310 net direct FTEs. Application of the 1.7 multiplier to this results in 915 net indirect FTEs. This method captures the indirect employment supported through worker expenditure and supply chain impacts. Therefore, it is estimated that the Proposed Development would support approximately 2,225 total net FTEs, equivalent to 2,470 total net jobs.
- 7.3 Applying the same assumptions to the direct employment currently supported onsite gives 1,050 FTEs which is equivalent to 1,200 jobs. Therefore it is expected that the net additional employment as a result of the Proposed Development will be 1,175 FTEs, which is equivalent to 1,270 jobs.

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<sup>10</sup> HCA, 2014, 'Additionality Guide', 4th Edition

Table 7: Breakdown of total employment

		FTEs	Jobs
Proposed Development	Gross direct	1,745	1,940
	Net direct	1,310	1,455
	Net indirect	915	1,015
	<b>Total net employment</b>	<b>2,225</b>	<b>2,470</b>
Existing Site	Gross direct	825	940
	Net direct	620	705
	Net indirect	430	495
	<b>Total net employment</b>	<b>1,050</b>	<b>1,200</b>
Additional	Gross additional direct	920	1,000
	Net additional direct	690	750
	Net additional indirect	485	520
	<b>Total net additional employment</b>	<b>1,175</b>	<b>1,270</b>

Source: Volterra Calculations 2016; Note: figures are rounded to the nearest 5

## 8 Gross Value Added (GVA)

- 8.1 GVA is the additional value generated by economic activity. It is possible to calculate the GVA impact of the different scenarios by multiplying the number of jobs in each sector by the annual Gross Domestic Product (GDP) per worker in that sector.
- 8.2 The GDP per worker in producer services<sup>11</sup> – assumed to represent office employment – in Camden for 2016 is £102,855, while the GDP per consumer services worker – assumed to represent retail workers – is lower, at £65,575. The difference in GDP per worker in the two sectors represents the difference in productivity of different occupations.
- 8.3 The scheme is estimated to support a total of £194m per year through direct economic activity. This would be an annual GDP increase of £108m compared to the current scheme which is estimated to support £86m per year in economic activity.

Table 8: Estimate of GVA by type of employment

	GVA per worker	Current	Proposed	Additional
Office workers	£102,855	£68m	£185m	£117m
Retail workers	£65,575	£18m	£9m	(£9m)
<b>Total</b>		<b>£86m</b>	<b>£194m</b>	<b>£108m</b>

Source: DfT Wider Impacts dataset, Regional GVA 2016; Volterra calculations 2016 (rounded)

<sup>11</sup> DfT Wider Impacts dataset, Regional GVA 2016



## 9 Public realm improvements

- 9.1 The development will include significant improvements to the public realm. It will improve the permeability of the local area for pedestrians, with a route connecting Old/New Compton Streets – the former Little Compton Street – allowing access between the two. There will also be significant improvements to public realm at the rear of the Site, aimed at combatting a pre-existing antisocial behaviour issue.
- 9.2 There are significant user benefits associated with public realm improvements. Detailed analysis is required to quantify these; however, in general people prefer to live and work in nice environments and therefore there is a clear social benefit of improved public realm. The rear of the Site currently suffers from poor public realm, with antisocial behaviour often creating an intimidating and unwelcoming pedestrian environment. Public realm improvements in this area aim to create an inviting, open public space in which more people will want to spend time. The reinstatement of the historic route between Old/New Compton Street is also likely to increase the volume of pedestrians walking through the area, who will all benefit from a high quality pedestrian environment. Combined, these factors will help discourage antisocial behaviour and improve pedestrian safety and comfort levels.
- 9.3 High quality public realm helps boost general perceptions of an area. This in turn helps attract businesses, with occupiers citing prestige and image as important considerations when looking to relocate.<sup>12</sup> Improved retail provision will complement public realm improvements with new active shop fronts at the ground floor level increasing the appeal of the area. A joint study between the Central London Partnership and Transport for London found that 85% of businesses identified the quality of the pedestrian environment as important for attracting customers.<sup>13</sup> High quality public realm is therefore also of benefit to retailers as it helps increase footfall and dwell times within the area, factors which are known to positively affect retail sales.

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<sup>12</sup> CABE (2001) cited in ECOTEC (2007), *Economic Impact of the Public Realm: A Final Report to the East Midlands Development Agency*

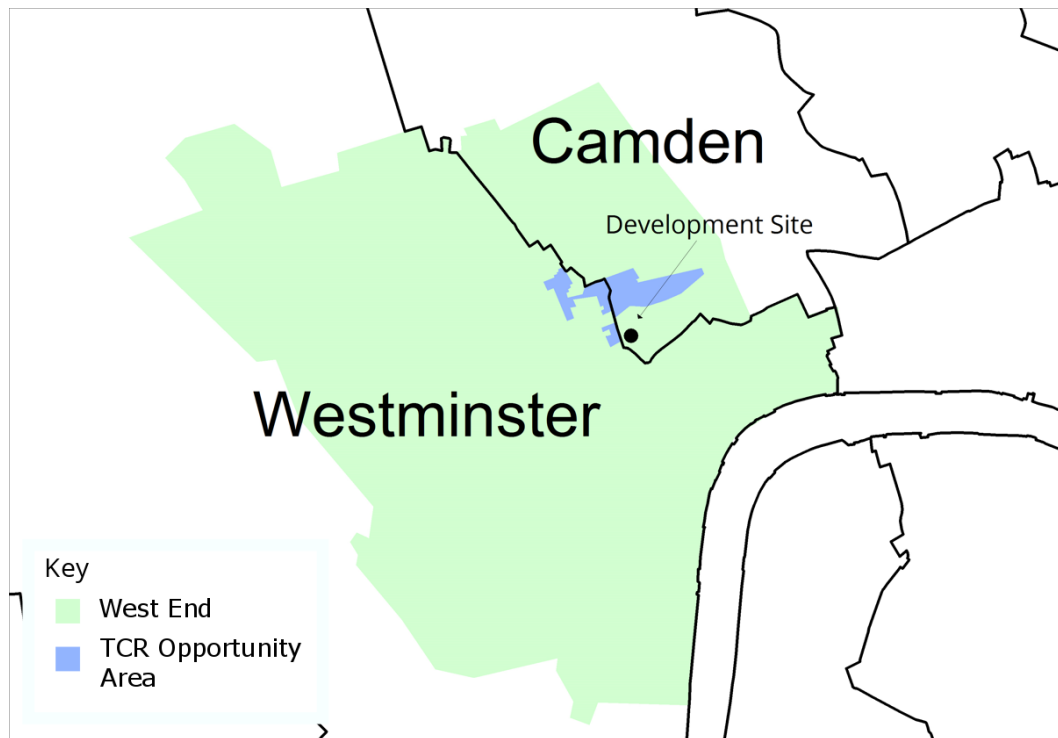
<sup>13</sup> Central London Partnership (2003), *Quality Streets: Why Good Walking Environments Matter for London's Economy*

# Requirement for Office Space in Camden

## 10 Importance of office space in Camden and the West End

- 10.1 The Site falls within the Camden side of the West End, just south of the Tottenham Court Road OA. This is illustrated in Figure 3.

Figure 3: West End and the Tottenham Court Road OA



- 10.2 In 2014, Camden supported approximately 347k jobs, equivalent to 7% of London's total employment. Of this almost half (49%) is in office related sectors, meaning the borough supports 8% of London's office employment.<sup>14</sup>
- 10.3 A significant proportion of both Camden's total employment (33%) and office employment (39%) is located in the West End. The success of the West End (which includes parts of both Westminster and Camden) is also vital to London, as it supports 13% of London's employment and GVA. The area has a higher than average proportion of office employment (50% of employment is in office related sectors compared to 41% across the whole

<sup>14</sup> Office related sectors are assumed to be: information & communication, financial & insurance, property, professional, scientific & technical and business administration & support services

of London), this is especially true within the CWE where 57% of people are employed in office based sectors.

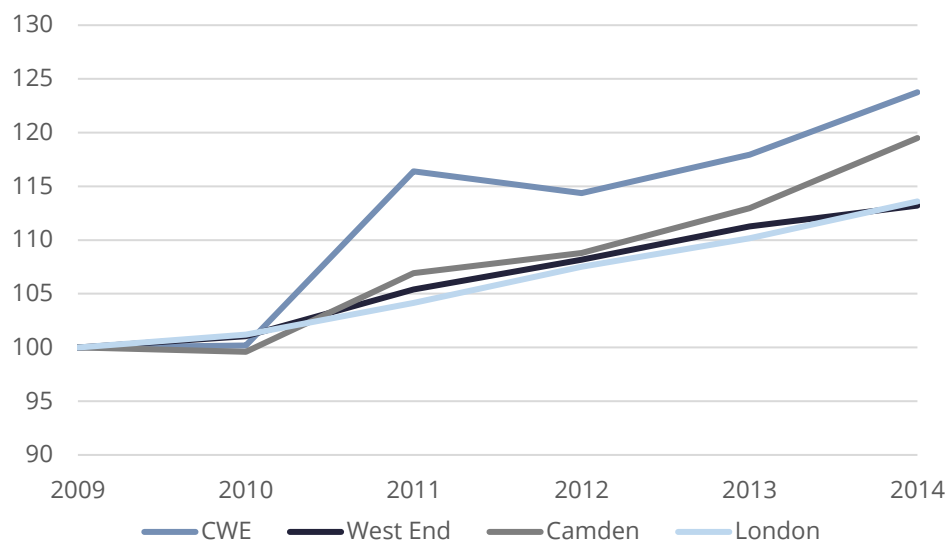
Table 9: Total employment, 2014

	Total employment	Office employment	% office employment
CWE	115,450	65,700	57%
(as % of West End)	18%	20%	
(as % of Camden)	33%	39%	
West End <sup>15</sup>	651,250	324,250	50%
(as % of London)	13%	16%	
Camden	347,050	168,800	49%
(as % of London)	7%	8%	
London	4,853,600	2,004,650	41%
England	25,151,250	6,808,050	27%

Source: BRES, ONS 2014

- 10.4 Both Camden and the Camden portion of the West End (CWE) have grown above the London average over the last five years. The CWE has performed particularly well with a 24% increase in employment since 2009, compared to 19% in the wider borough and 14% in London as a whole.

Figure 4: Total employment, Index: 2009 = 100

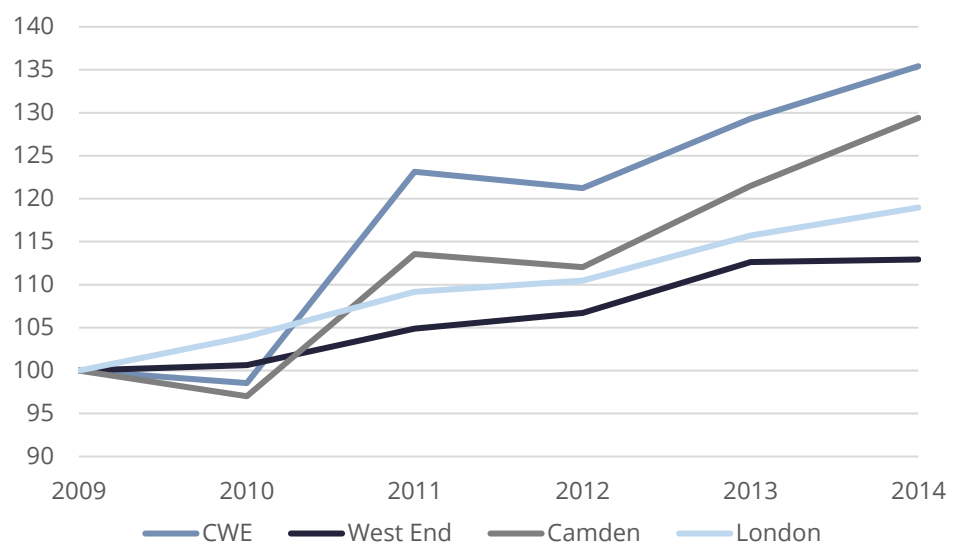


Source: BRES, ONS

<sup>15</sup> Defined as Bryanston and Dorset Square, Marylebone High Street, St James's, West End, three-quarters of Bloomsbury and half of Holborn and Covent Garden wards

- 10.5 Office employment has grown faster than total employment in CWE, Camden and London and at a similar level in the West End (13%). Office employment in London grew at 19% compared to 14% for total employment. CWE and Camden have again both seen higher office employment growth than London, growing 35% and 29% respectively compared to London's 19%.
- 10.6 Camden and CWE follow a similar pattern of growth here, likely due to the CWE's high employment density and high proportion of office employment, suggesting that Camden's success is reliant on that of its West End area. In fact, the data shows that the CWE increases the employment growth in office employment in Camden from 26% without the CWE to 29% when the CWE is included.

Figure 5: Office employment, Index: 2009 = 100



Source: BRES

- 10.7 The importance of the creation of office employment in supporting growth can be further demonstrated by the high proportion of job growth delivered in office based sectors over the past 5 years (refer to Table 10). In the CWE, 78% of new jobs have been in office based sectors, significantly higher than the 55% across the whole of London. It is therefore crucial for the continued success of the area and wider borough that the supply of office floorspace is maintained in order to accommodate future employment growth.

- 10.8 The importance of office floorspace in the CAZ is acknowledged by the GLA:

*“There is concern that sustained loss of offices, including the generally more affordable existing office stock, could erode the strategic offer of the CAZ as an internationally competitive and nationally important office location and undermine its agglomeration benefits.”*

*Source: Central Activities Zone; SPG, March 2016*

- 10.9 Both the GLA and Camden set out targets for office employment floorspace creation to ensure future growth targets are met and ensure economic growth is maintained (refer to Chapter 12).

Table 10: Employment growth

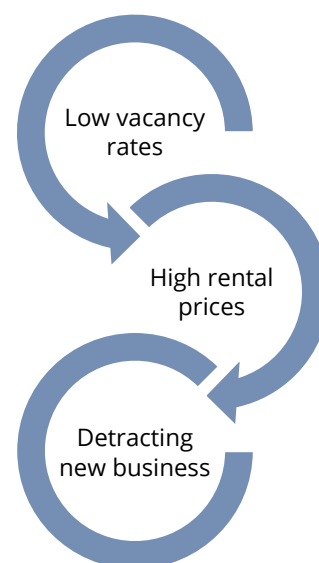
Area	Total employment growth (2009-2014)	% of total employment growth in offices
CWE	24%	78%
West End	13%	49%
Camden	19%	68%
London	14%	55%

*Source: BRES*



## 11 Risks of undersupply of office space

- 11.1 Despite the strong growth in office employment in recent years, the West End still shows worrying signs of the undersupply of office floorspace. Low vacancy rates means that there is a lack of options for businesses looking to locate in the area and result in increased rental prices. This may deter potential businesses and ultimately restrict economic growth.



### Low vacancy rates

- 11.2 In any market where demand and activities of businesses are growing, there will be a natural churn of businesses moving as they require more space to grow. In order to allow this movement of firms, it is necessary that some space is empty as firms move between it, avoiding the longer term wait for new sites to be built each time. In order for a growing market to function, there therefore needs to be some vacant stock to allow this movement to occur.
- 11.3 The GLA benchmark for a functioning market is a vacancy rate of between 5% and 8%. This means there will be a sufficient proportion of empty properties to allow the movement of firms between buildings with relative ease.
- 11.4 There are various sources for vacancy rates in the West End which vary according to the source of the data; this is because vacancy rates are difficult to measure accurately due to the availability of data, rates also vary according to the exact time period measured and the geographical definition of the West End used by the source. All sources show that there has been a downward trend in vacancy rates over the last three and a half years but that there has been a slight (or in the case of the Knight Frank data more major) recovery in recent quarters – this is shown in Figure 6.
- Quarterly analysis by JLL<sup>16</sup> puts the current West End overall vacancy rate at 3.4% and the vacancy rate for Grade A office space at 2.9%. This is below the 5-8% recommended level and the West End 10-year average vacancy rate (4.4%).
  - Research by Knight Frank<sup>17</sup> found that the vacancy rate in the West End increased from 5.8% to 6.3% over the quarter, having risen significantly in the first half of 2016. This means the vacancy rate is now within the

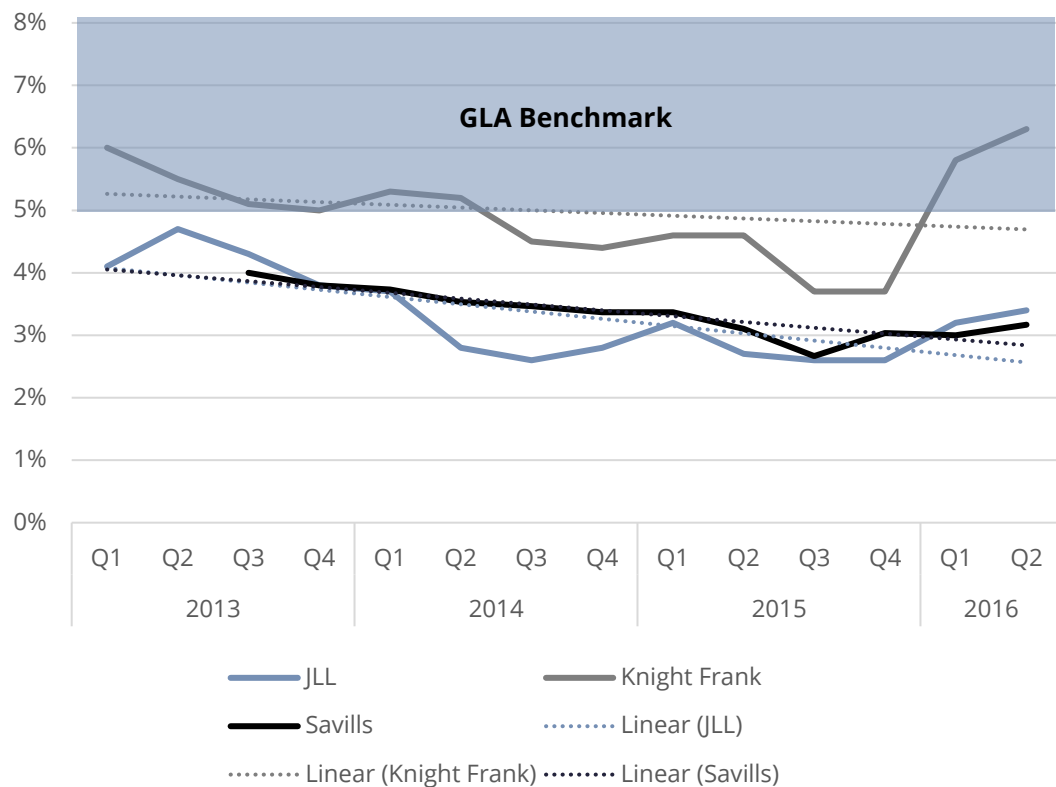
<sup>16</sup> Central London Office Market Report, Q2 2016, JLL

<sup>17</sup> Central London Quarterly Offices Q2 2016, Knight Frank

GLA benchmark but Knight Frank caveats the higher vacancy rate with a warning that the development pipeline remains extremely thin.

- Savills<sup>18</sup> quarterly data shows that the vacancy rate in the West End in June was 3.2%, below the GLA benchmark. Despite a slight recovery in 2016, the Savills data shows a general downwards trend in vacancy rates.

Figure 6: Vacancy rates in the West End



Source: Central London Office Market Report (quarterly), JLL; Central London Quarterly Offices, Knight Frank; West End Offices - Market Watch; Savills

NB Savills data is released monthly and so the months are averaged to give a quarterly figure.

## Need for office floorspace identified in employment land review

- 11.5 URS completed an Employment Land Study<sup>19</sup> for Camden in 2014. This identified an undersupply of office employment in the central section of the

<sup>18</sup> West End Offices: Market Watch, July 2016, Savills

<sup>19</sup>LB Camden Employment Land Study, URS, 2014

borough and suggest policy should 'encourage new provision of high quality office space' in this area.

In summary, recent history suggests that there is growing occupier and investor demand for office floorspace in LB Camden's central London area. At present and for the next few years, market signals suggest that the forthcoming supply falls short of this demand.

LB Camden Employment Land Study, URS, 2014

## 12 125 Shaftesbury Avenue will contribute to meeting future growth targets

- 12.1 Sustaining an appropriate level of employment growth is crucial in ensuring that London maintains its position as a global city; employment targets are crucial for London to achieve this growth. This section puts the Proposed Development in the context of the growth targets for both the whole of Camden and the CWE.

### Delivering Camden's borough level targets for office floorspace

#### **Camden's Local Plan target**

- 12.2 According to the London Office Policy Review (LOPR) office employment in Camden is expected to grow by c. 34% between 2011 and 2031, which is forecast to increase demand for office floorspace by 695,000 sqm between 2014 and 2031 – this is approximately 41k sqm per annum<sup>20</sup>. Camden adopts this target in the revised Local Plan<sup>21</sup>

- 12.3 The proposed scheme would deliver c. 9,700 sqm of additional office floorspace (GIA) – this is equivalent to an estimated uplift in office floorspace of c.10,200 sqm GEA<sup>22</sup>. Therefore the proposed scheme would deliver 25% of the annual requirement needed to meet Camden's target.

#### **Target to meet the GLA projections**

- 12.4 The GLA projects that 44,000 new jobs will be created in Camden in the twenty years to 2036<sup>23</sup>. Assuming 75% of new jobs are in offices; this will require the creation of 490k sqm of office floorspace<sup>24</sup> (GEA) in the borough this is approximately 24.5k sqm per annum. The Proposed Development would deliver 42% of the annual floorspace required to meet the GLA target.

#### **Difference between the projections**

- 12.5 There are therefore two different sets of targets for Camden, as detailed in Table 11. The Local Plan target is based on the LOPR forecast for the increase in office floorspace between 2014 and 2031. The GLA projections are based on the GLA employment forecasts between 2016 and 2036, with the additional need for office space estimated by Volterra<sup>24</sup>.

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<sup>20</sup> URS (2014), LB Camden Employment Land Study

<sup>21</sup> London Borough of Camden (2016), Camden Authority Monitoring Report 2014/15

<sup>22</sup> Estimated based on a conversion of 0.95 from GEA to GIA

<sup>23</sup> GLA, 2016, Borough Employment Projections

<sup>24</sup> Based on Volterra calculations assuming 12 sqm NIA per office worker and conversion of 0.95 from GEA to GIA and 0.85 from GIA to NIA

Table 11: Comparison of different targets for Camden

Basis for target	Total		Per annum	
	Office floorspace	% delivered by scheme	Office floorspace	% delivered by scheme
Camden Local Plan (2014 to 2031)	695k	1%	40.9k	25%
GLA projections (2016 to 2036)	490k	2%	24.5k	42%

## Delivering CWE targets

### Maintain proportion of Camden's employment in CWE

- 12.6 The CWE area is far more densely occupied by employment than the rest of Camden; the CWE contains 33% of Camden's employment and 39% of office employment on just 6% of its land. If the CWE were to maintain its proportion of Camden's office employment (i.e. accommodate 39% of the borough's growth), then it would be expected to deliver 17,200 new jobs by 2036 based on the GLA projections (12,900 of which would be in offices). Following the same methodology as above, this would require an additional 191k sqm of office space by 2036 created in the CWE area which is equivalent to an annual target of 9.6k sqm.
- 12.7 The Proposed Development would deliver 107% of this annual target. This is a significant contribution to the target delivering more than annual requirement for office floorspace in the CWE in one development.

### Match the London growth rate in the CWE

- 12.8 The West End Partnership has a separate target that the West End should match the London growth rate to 2036. In this scenario, Camden would be expected to provide over 18,000 new office jobs within its portion of the West End by 2036 (requiring 267k sqm of office floorspace). This is equivalent to 13k sqm of office floorspace per annum and therefore the Proposed Development would deliver 76% of this annual growth requirement.

Table 12: Comparison of different targets for the Camden West End

Basis for target	Total to 2036		Per annum	
	Floorspace	% delivered by scheme	Floorspace	% delivered by scheme
Maintain proportion of Camden employment in CWE	191k	<b>5%</b>	9.6k	107%
Matching London growth rate to 2036	267k	<b>4%</b>	13.4k	76%

Source: GLA Employment Projections (2016), Volterra calculations (rounded)

The Site is occupied below density and so contribution to targets will actually be higher than this

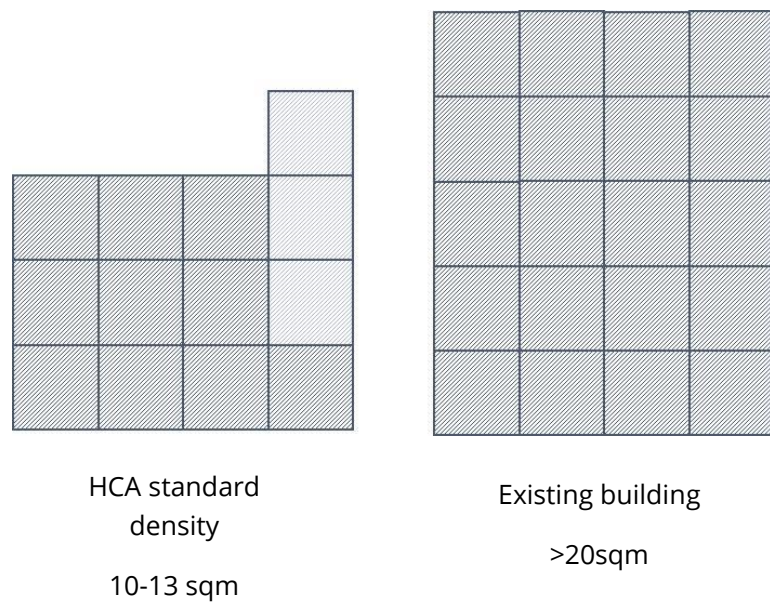
- 12.9 The contribution of 125 Shaftesbury Avenue to the growth targets set out above is based on the uplift in office floorspace. Since the office space at the existing Site is occupied at significantly under the standard density (office workers are accommodated at over 20 sqm per worker) these are very conservative estimates.
- 12.10 The proposed scheme will allow workers to be accommodated at standard densities, thus creating more jobs than might be expected based on floorspace uplifts compared to the current building<sup>25</sup>. As such, the calculations set out above (paragraphs 12.2 – 12.8) are conservative in estimating the impact of the additional floorspace created in the Proposed Development in meeting Camden's office space targets, because comparisons are based on volume of floorspace creation alone (and do not take into account the increase in employment density)<sup>26</sup>.

<sup>25</sup> The increase in employment density has been accounted for in the traditional economic assessment, as job numbers within the existing building have been provided. Jobs supported within the Proposed Development at standard densities have therefore been compared to the actual number of jobs in the existing building to assess the job creation impact of the development.

<sup>26</sup> Note that intensification could also reduce the total amount of office floorspace required in Camden/CWE



Figure 7: Employment density comparison – office floorspace



## Transport accessibility

- 12.11 The Site lies within a five minute walk of three tube stations (Covent Garden, Leicester Square and Tottenham Court Road), giving access to three different tube lines (Central, Northern and Piccadilly). The connectivity of the Site makes it ideal for high density employment – the densest developments should occur in the most accessible areas.

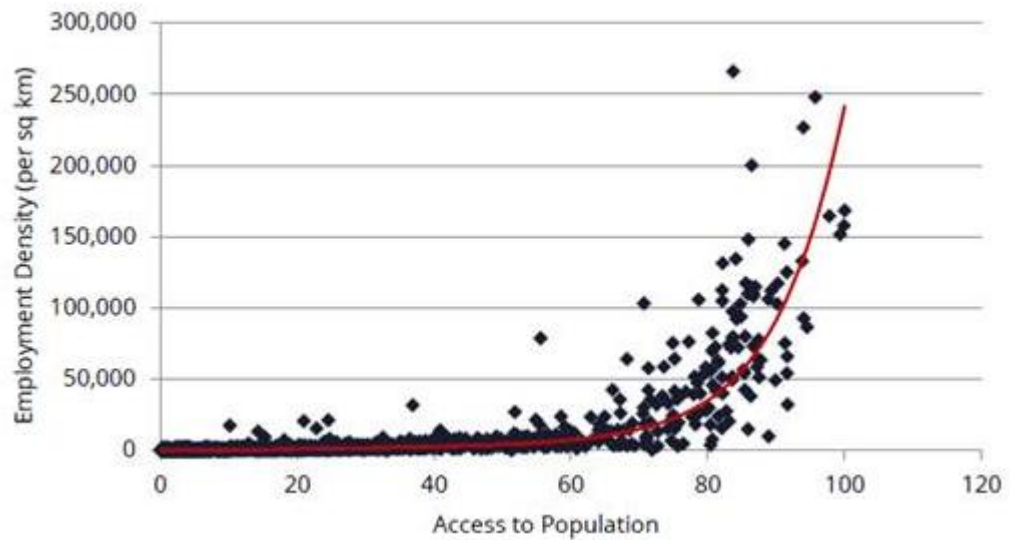
Figure 8: Tube map - accessibility



- 12.12 Previous work by Volterra has found that there is a strong relationship between accessibility and employment density – this is illustrated in Figure 9. The arrival of Crossrail at Tottenham Court Road in 2018 will improve the accessibility of the Site - passenger numbers expected to increase by 30% -

and this will have an impact on employment density. The purpose of Crossrail is to increase capacity into central London, facilitating future growth; the Proposed Development is ideally located to take advantage of this.

Figure 9: Relationship between accessibility and employment density, London



# Conclusion

## 13 Conclusion

- 13.1 The Camden section of the West End (CWE) is crucial for Camden's employment: despite taking up only 6% of the land it accommodates 33% of all employment and 39% of office employment. While CWE has performed well over the last five years - office employment grew by 24% between 2009 and 2014 compared to a borough average of 19% - a lack of suitable office space threatens to restrict this growth in the future.
- 13.2 The Proposed Development will contribute significantly to the employment growth targets set out in the London Plan: in fact the uplift in office floorspace would deliver over a years' worth of growth in office floorspace needed for CWE to maintain its proportion of Camden's growth while meeting the growth targets.
- 13.3 The Proposed Development would support 1,940 jobs directly onsite, of which 78% would be workers who commute from London and 7% would commute from within Camden<sup>27</sup>. Taking into account existing employment onsite, the Proposed Development would support an additional 1,000 jobs directly onsite resulting in an additional £1.85m of worker expenditure in the local area per year.
- 13.4 It is estimated that the direct employment at the Proposed Development would support an annual GVA of £194 million, which is an additional £108 million compared to the annual GVA of the current Site (£86 million).
- 13.5 The jobs employed directly onsite will support further indirect employment through supply chain impacts and additional worker expenditure. It is expected that there will be 1,270 net additional jobs supported by the development.
- 13.6 There would be significant public realm improvements as part of the proposed scheme – including the reinstatement of a pedestrian route linking New/Old Compton Streets, improving permeability of the block and improvements to the rear of the building where antisocial behaviour is currently a problem.
- 13.7 The economic benefits of the Proposed Development are significant: both in terms of the specific employment and GVA impacts of the scheme and in the wider context of contributing to employment growth targets. If employment growth targets are to be met, development such as this must be encouraged: 125 Shaftesbury Avenue is perfectly located to accommodate significant employment growth, particularly with Crossrail opening in 2018.

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<sup>27</sup> Census 2011, ONS

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