



## **London Borough of Southwark**

# **Affordable Workspace Support - Evidence of Needs**

December 2019

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**For and on behalf of GVA Grimley Limited t/a Avison Young**

## Executive Summary

This report provides a detailed evidence base that support recommendations for the delivery of affordable workspace in the London Borough of Southwark.

Avison Young has made individual proposals for each of the five study sub-areas (Southbank, Elephant & Castle, Canada Water, Camberwell and Peckham) in regards to relevant type of workspace that could be delivered, target industries, typologies of developments required to deliver those spaces and potential discount that could be applied to the affordable space delivered within the development.

These proposals bring together the different element of analysis presented in this report. This is presented in Table 1 to Table 5. As mentioned throughout the report, these proposals are not strict proposals and we understand that, based on factors that cannot all be captured and generalised in this study (i.e. type of business and activity, needs, etc.), the combinations between industry, workspace type, location and associated development typology can be extremely varied and will not, in practice, be limited to the proposals set below. These proposals are instead given as a mechanism for understanding delivery opportunities and challenges for the most common 'mixes' of use.

Throughout the report the indicative rent achievable is based on 10% of the total space being delivered as affordable workspace. It is to be noted that this is the overall rent charged to the operator and may not be fully passed on to the final user of the space (the operator would need to, at least, adjust the rent for its operating costs for instance).

Note that a financial contribution should be sought from developments that would deliver below the minimum thresholds of affordable workspace. This is further explained in this report (Design and Delivery Considerations).

Additionally to the proposals made below, the London Borough of Southwark should consider:

- Making the best of their own assets via the intensification of their use or considering the provision of meanwhile use of spaces. Depending on specification requirements, early investments (i.e. provision of fit-out, conversion or adaptation of the existing space, etc.) may be needed and could be financed through funds collected through financial contributions from below thresholds developments;
- Encouraging the retention of existing stock (the most affordable space is often the oldest) which responds to the needs and requirements of businesses;
- Using funds collected through the financial contributions from below thresholds developments to subsidise the rent (further discount, beyond the level sets in policy) for targeted businesses or provide grants/loans for upfront investments for targeted businesses (i.e. allowing some businesses to invest into the initial fit-out and equipment).

**Table 1: Affordable Workspaces proposal, Southbank, Summary table**

Potential key target industries	Corporate/head office activities	Professional, scientific & technical activities	Direct supply chain to core activities Cultural/Creative activities
Broad workspace type	Co-working space	Mixed: co-working space, with some studio space	Provision of mixed spaces
Indicative location	Particularly focused around Tooley Street and Borough High Street	Particularly focused around Tooley Street and Borough High Street	On the edges of the sub-area (i.e. Bermondsey Street, Tower Bridge Road, Long Lane)
Associated Development typologies	Type 4: large commercial block Type 5: mixed-used	Type 1: micro site Type 2: medium commercial block Type 4: large commercial block Type 5: mixed-used	Type 1: micro site Type 2: medium commercial block
<b>Key drivers to securing affordable workspace:</b>			
Rent	Application of discounted rent recommended	Application of discounted to be considered	Application of discounted to be considered
Design	Delivering flexible space (right sizing), including some private office space and shared facilities (i.e. meeting rooms, etc.) and equipment. Generic office space.	Space to be delivered with initial fit-out (remove barrier to entry), with access to shared facilities and equipment in large workspaces. Design to be tailored to prospective activities (require developer to work with operator pre-planning)	Likely to be made of small individual units. Delivery of the initial fit-out to be considered particularly for production activities (require developer to work with operator pre-planning). More generic studio space to support cultural activities (low specifications), making the most of meanwhile use of space.
Management	Delivering flexible space (flexibility in lease term); with appropriate rent structure (pay for what you use)	Flexibility in lease term	Flexibility in lease term
Other	Business rate exemption for small businesses operating in large shared space	Business rate exemption for small businesses operating in large shared space	N/A
Indicative rent achievable	Peppercorn rent on 10% of total space		

Source: Avison Young

Table 2: Affordable Workspaces proposal, Elephant &amp; Castle, Summary table

Potential key target industries	<b>Creative activities</b> <b>Small production based activities</b>	<b>Financial and insurance services, legal and accounting, activities of head office and support, computer programming, consultancy</b>
Broad workspace type	Studio space and Light industrial space (mixed space)	Co-working
Indicative location	Principally focused around Walworth Road and New Kent Road	In closer proximity of London Bridge and Waterloo, to the north of the sub-area
Associated Development typologies	Type 1: micro site Type 2: medium commercial block Type 3: micro site, independent retail	Type 4: large commercial block Type 5: mixed-used
<b>Key drivers to securing affordable workspace:</b>		
Rent	Application of discounted rent recommended	Rent level of office space is currently not the main concern (lowest of all sub-areas) most likely due to the current low quality of the stock. Rapid regeneration could, in the longer term push average rent for office space up. Provision of discounted rent could be considered and targeted at specific industries/groups (i.e. BAME, start-ups, businesses delivering high social values for local community, etc.) Lease incentive (i.e. initial free or heavily discounted rent) to be considered for start-ups.
Design	Likely to be made of small individual units, low specification, with potential for shared spaces/facilities in larger workspaces. Delivery of the initial fit-out to be considered particularly for production activities (require developer to work with operator pre-planning).	Delivering flexible space (right sizing), including hot-desking, private office space and shared facilities (i.e. meeting rooms, etc.) and equipment. Generic office space.
Management	Flexibility in term of lease duration. Small affordable workspaces may not be attractive for commercial operators – collaboration with local charities, educational institution, or public sector may be required for operation of those spaces.	Flexibility both in terms of space and lease duration, including pay as you go.
Other	Consider meanwhile use and intensification of the use of existing assets (i.e. vacant retail units to be temporarily converted)	Business rate exemption for small businesses operating in large shared space.
Indicative discount applicable	25% discount 10% of total space Type5 - no discount	

Source: Avison Young

**Table 3: Affordable Workspaces proposal, Canada Water, Summary table**

Potential key target industries	<b>Nascent professional services (computer programming, management consultancy, advertising)</b>	<b>Small production based activities and light industrial activities</b>
Broad workspace type	Co-working space, incubator space and studio space	Mixed space (including office space, maker space and studios) and light industrial space
Indicative location	Close proximity to Canada Water tube station	Around the docks and Salter Road. Light industrial space (maker space) along larger road network (i.e. Lower Road, A2208).
Associated Development typologies	Type 2: medium commercial block Type 4: large commercial block Type 5: mixed-used	Type 2: medium commercial block Type 3: micro site, independent retail Type 5: mixed-used
<b>Key drivers to securing affordable workspace:</b>		
Rent	Current average rent level is below borough and Greater London average. Discounted rent for start-ups could be considered (particularly for activities in association with King's College) Lease incentive (i.e. initial free or heavily discounted rent).	Application of discounted rent recommended
Design	Delivering flexible space (right sizing), including hot-desking, private office space and shared facilities (i.e. meeting rooms, etc.) and equipment in generic office space. Incorporation of incubator space, providing high specification fit-out (based on activities) and shared space for business support activities	Efficient use and retention of existing and suitable space (intensification and meanwhile use) with potential needs for light conversion / fit-out. Likely to be made of small individual units, low specification, with potential for shared spaces/facilities in larger workspaces. High level of specification might be required for activities linked to technologies and innovation – this would require early consultation between developer and operator.
Management	Provision of a range of facilities, including hot-desking (pay as you go), private space with flexible lease and communal shared facilities (all-in-rent). Possible collaboration with educational institution (i.e. King's College)	Possible collaboration with educational institution (i.e. King's College), particularly for operating of small units.
Other	Business rate exemption for small businesses operating in large shared space	Consider meanwhile use of existing industrial assets
Indicative discount applicable	Peppercorn rent on 10% of total space Type 5 – no discount	

Source: Avison Young

**Table 4: Affordable Workspaces proposal, Camberwell, Summary table**

Potential key target industries	Property and building management industry	Activities related to property and building management industry	Creative activities
Broad workspace type	Mixed space	Provision of maker space and light industrial, including retention of existing space	Studio space towards Peckham
Indicative location	Camberwell Green	Western edge of the sub-area	Eastern edge of the sub-area
Associated Development typologies	Type 1: micro site Type 3: micro site, independent retail	Type 1: micro site Type 3: micro site, independent retail	Type 1: micro site
<b>Key drivers to securing affordable workspace:</b>			
Rent	Application of discounted rent could be considered	Application of discounted rent recommended and potential for "all-in rent"	Application of discounted rent recommended
Design	Principally focused on space for retail/service activities, likely to require low level of specification. Likely to be made of small individual units.	Efficient use and retention of existing and suitable space (intensification and meanwhile use) with potential needs for light conversion / fit-out. Considered provision of initial fit-out. Potential for shared spaces/facilities in larger workspaces (all-in rent)	Likely to be low specification space, providing shared amenities, with some small private units. Limited number of high specifications might be required for specific activities (i.e. recording studio).
Management	Flexibility in terms of space and lease duration	Flexibility in terms of space and lease duration, with consideration of PAYG rent of high tech facilities/equipment	Careful consideration of operator is important due to potentially limited commercial operability of the space.
Other	Consider meanwhile use and intensification of the use of existing stock (i.e. vacant units)	Business rate exemption for small businesses operating in large shared space	N/A
Indicative discount applicable	Peppercorn rent on 10% of total space		

Source: Avison Young

**Table 5: Affordable Workspaces proposal, Peckham, Summary table**

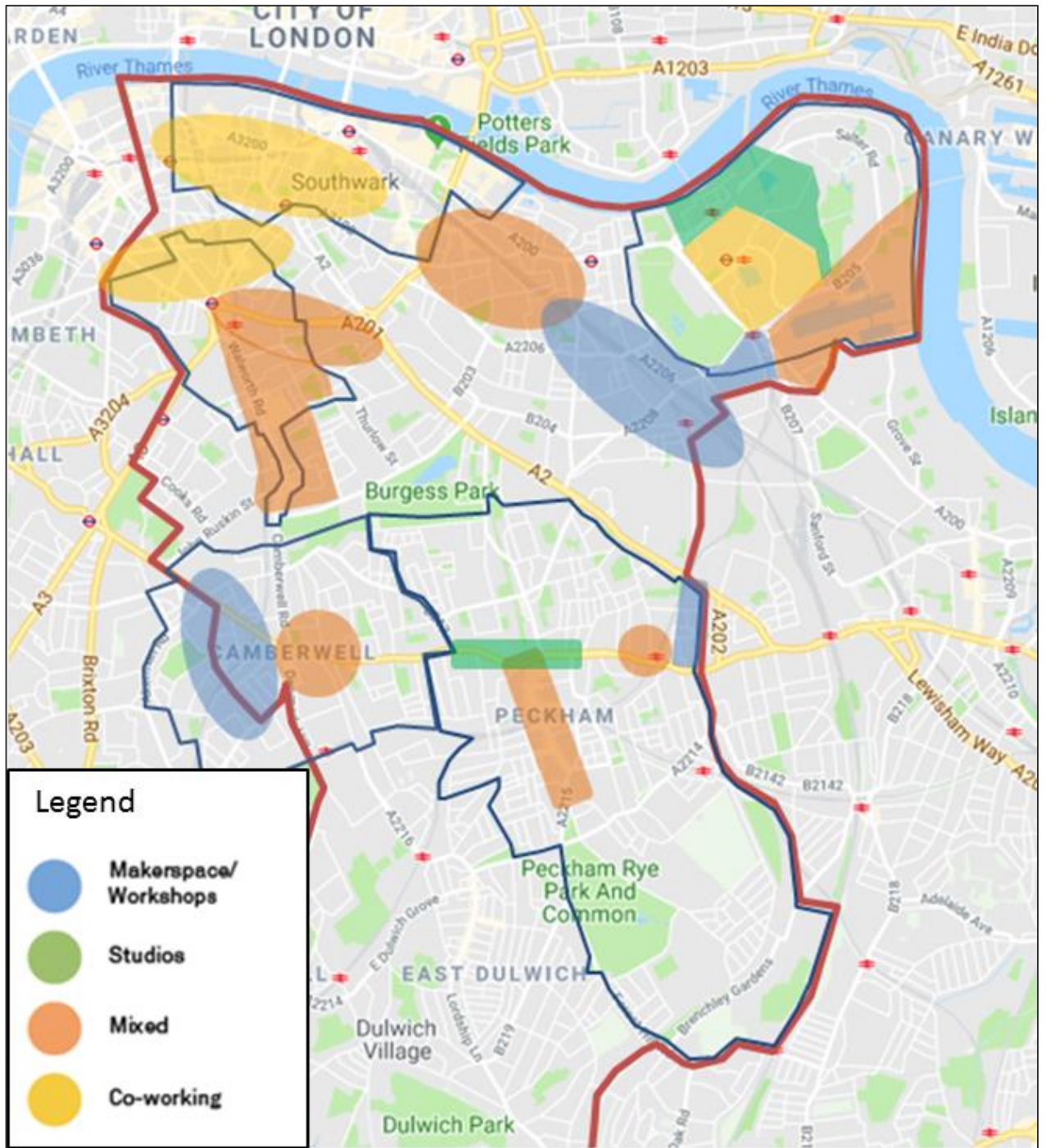
Potential key target industries	Creative activities	Small production activities	Technology and digital activities
Broad workspace type	Studio space	Maker space and light industrial space	Mixed-space
Indicative location	Proximity to the University of the Arts and the Mountview academy	Queen's Road Peckham (providing good accessibility via the road network)	local centre of Peckham
Associated Development typologies	Type 1: micro site	Type 1: micro site	Type 1: micro site
<b>Key drivers to securing affordable workspace:</b>			
Rent	Application of discounted rent recommended	Application of discounted rent recommended	Application of discounted rent recommended
Design	Likely to be low specification space, providing shared amenities, with some small private units. Limited number of high specifications might be required for specific activities (i.e. recording studio).	Efficient use and retention of existing and suitable space (intensification and meanwhile use). Potential for shared spaces/facilities in larger workspaces (all-in rent)	Close link to the creative activities – provision of maker/seller space (retail frontage with studio/maker space at the back or 1 <sup>st</sup> floor). Limited range of activities suitable for the area should lead to lower specification needs; provision of mixed office/maker space (i.e. hardware and software development). Provision of shared facilities/equipment in larger workspaces
Management	Careful consideration of operator is important due to potentially limited commercial operability of the space.	Careful consideration of operator is important due to potentially limited commercial operability of the space.	Flexible space, with consideration of PAYG. All-in-rent (with initial fit-out) to be considered to alleviate barriers to entry for start-ups
Other	Business rate exemption for small businesses operating in large shared space	Business rate exemption for small businesses operating in large shared space	Business rate exemption for small businesses operating in large shared space
Indicative discount applicable	Peppercorn rent on 10% of total space		

Source: Avison Young



Figure 1 summarises the above proposals on a schematic map, with indicative locations and typologies for the London Borough of Southwark.

Figure 1: Affordable Workspace Provision, high level proposal



Source: Avison Young

Detailed design considerations for different typologies have been provided as part of this report. These should be considered at the earliest possible moment (pre-planning) by developers, ideally in consultation with a workspace operator, to shape their proposal.

Additionally, the report provides viability considerations, crossing typologies with locations, which should be considered by the London Borough of Southwark to establish the level of space and discount to be asked to be delivered as "affordable workspace". The report focuses on establishing the optimum levels that can be asked whilst

not jeopardising the viability of a generic scheme in the considered location and not on establishing what can be considered as “affordable” (as explained in this report, the rent level in itself is not the only determinant of affordability and will vary from one business to another).

# 1. Introduction

- 1.1. Southwark accommodates a diverse range of economic activities; from large scale corporate occupiers through to small artisanal producers the borough's economy plays a vital role at the national, city-wide and local scale.
- 1.2. Traditionally a base for many of London's key industrial activities Southwark's economic evolution has reflected changes to the city itself. As the industrial economy has contracted new activities have repopulated former industrial sites and premises in some locations, whilst in others comprehensive redevelopment has injected an entirely new type of offer.
- 1.3. Economic change<sup>1</sup> has therefore been driven by a combination of borough level and London wide factors, which in turn have also influenced the wider growth agenda, catalysing significant housing delivery across the north of the borough in particular.
- 1.4. These changes have had a major impact on the supply and demand for the full range of workspaces across the borough. Redevelopment has (in many cases) come at the expense of traditional employment land capacity, limiting the overall supply of certain types of space. Where new space has been delivered it has been of a different form and quality than the space it replaced. At the same time, wider economic and development trends have driven more businesses to the borough, increasing the demand for workspace across all forms
- 1.5. Ultimately this has fuelled a major increase in the cost of commercial premises in most parts of the borough. This has impacted a large number activities and businesses and has, potentially, displaced them from the borough or prevented them from operating viably. This may have a disproportionate impact on a number of ethnic minorities (i.e. BAME) given higher levels of entrepreneurialism and self-employment, with small and micro businesses in particular susceptible to rising property costs.
- 1.6. With this in mind, the analysis supporting this report was realised on properties and businesses suitable for micro and small enterprises (MSEs), which, by definition employ between 1 and 49 employees<sup>2</sup>.
- 1.7. Southwark Council have recognised this economic challenge and are seeking to protect and enhance the provision of affordable workspace through the new Southwark Plan. To support this policy development Avison Young and Architecture 00 have been appointed to provide a range of research and advice relating to need for, supply of and delivery approaches to secure affordable workspace.

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<sup>1</sup> Contraction of industrial activities observed across London has particularly impacted the north of the Borough. Major economic shift in economic activities include the emergence of More London has one of the most successful business district in the capital from a historical industrial role (Hayes Warf, warehouses, granaries and factories, mills, breweries), the reconversion of Shad Thames, Butler's Wharf and St Saviour Dock from an industrial dock area to a food and beverage leisure destination and an office area for SMEs, or the reconversion of areas such as Bermondsey Street, Tanner Street and Leathermarket Street from production based activities towards a service oriented economy and an important hub for the creative industry.

Emergence and rapid expansion of service based, high value, high-tech sectors of activities, which was made possible by the rapid development of new technologies and the provision of necessary infrastructure (i.e. provision of telecommunication infrastructure; transport infrastructure connecting areas of Southwark to historical centres of activities in London; economic anchors, providing synergies for private businesses, such as university campuses, research facilities and centres, hospitals, etc.).

<sup>2</sup> Based on HCA Employment Density guidelines, office based employment requires between 95 sqft and 130 sqft per job, industrial based employment requires 160 sqft and 1,020 sqft per job (depending on activity). We have limited our analysis of the property market to office space up to 5,000 sqft and industrial space up to 25,000 sqft to avoid average market rent to be influenced by values of inadequate stock (i.e. large multi-storey prime office space).

- 1.8. This report will support the borough's approach to affordable workspace provision. It provides the evidence base and analysis of current market trends to understand the need for provision to support existing economic activity, consider future needs driven by projected economic growth and other regeneration factors and begins to outline the types of space that will be required to accommodate this growth.
- 1.9. The analysis considers dynamics and needs at a local level, considering in turn the situation in five of the six key sub-areas in the borough – Bankside, Elephant & Castle, Canada Water, Peckham and Camberwell. The sixth sub-area (the Old Kent Road) is subject to its own study, which was published earlier in 2019.
- 1.10. The report also considers the question of viability to determine the level of discount on market rent that could, for a generic scheme, be demanded from a developer (and associated quantum of space).

## 2. Defining Affordable Workspace

### What is a workspace?

- 2.1. Before considering the concept of affordability of a workspace, it is important to understand what a workspace is (regardless of its level of affordability), how they are operated and managed and who those operators are.
- 2.2. We will see in the next sub-section of this chapter ("What makes a workspace affordable?", page 17), that not all workspace typologies and all businesses have the same sensitivity to all affordability criteria and whilst discounted rent (one of the main mechanisms to deliver affordable workspace) can make a specific space affordable for a specific business, this mechanism may not have the same effect when applied to a different space for a different business.

### Typologies

- 2.3. Workspace, being affordable or not, can generally be categorised as within one of the following typologies:

#### Co-Working space:

- 2.4. Co-working space has probably become the most talked about form of "affordable" workspace over the past few years.
- 2.5. With the rise of new technologies and their incorporation into the world of co-working and shared space, co-working spaces is no longer only to be found in the back of libraries or in under-used and obsolete offices but has become a trend and has rapidly taken up a large amount of office space in Central London, which used to be a location for traditional real estate almost exclusively rather than co-working.
- 2.6. With venture capital funds pouring more and more money into the industry, independent business owners entering the market, and more technology tools serving shared workspaces, co-working space is the latest major disruption in business real estate.
- 2.7. The take-up of office space by operators of co-working spaces has boomed to almost triple between 2007 and 2017, from 3.7m sqft in London in 2007 to 10.7m in 2017 and London is the global capital for co-working space (not just nationally but internationally).
- 2.8. Across Central London, flexible workplace providers took more than a fifth of office space in 2017. A total of 2.5 million sqft of space was let in 2017, tripling the previous year's volumes. This represented 21.1% of all Central London take up, compared to 8.5% in 2016. Flexible workplace operators now occupy around 10.7 million sqft of space across Central London, or just over 4% of all office stock<sup>3</sup>.
- 2.9. This increase was largely driven by the rapid expansion of two operators: WeWork and Spaces.
- 2.10. The market has also moved from the more traditional serviced and private office model to a more fully flexible, membership, all inclusive and high specifications model.

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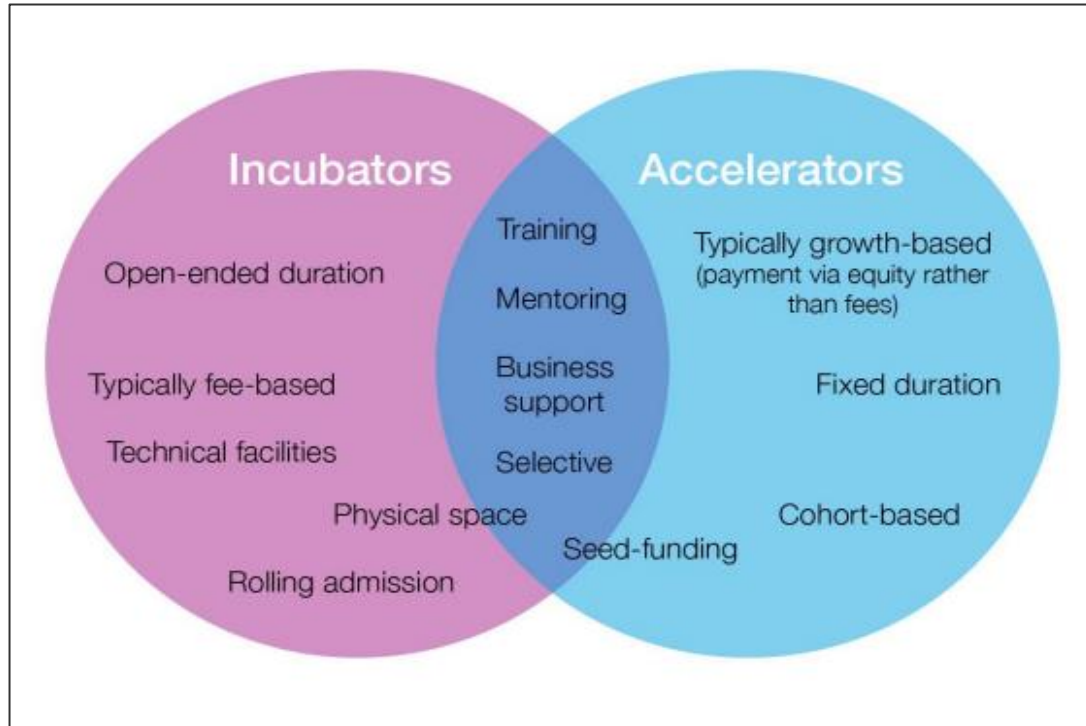
<sup>3</sup> Cushman & Wakefield, Co-working 2018

**Artists' Studio & Makers' Space:**

- 2.11. Studios and makers spaces are the most common typologies of workspace in London (and more particularly of affordable workspace).
- 2.12. Studios and makers spaces sustain London's cultural life and creative economy, and workspaces with a social purpose support the capital's community organisations, as well as helping disadvantaged people access employment.
- 2.13. There will inevitably be a range of activities taking place in studio and makers space within this a wide variety of sectors. There are varying attitudes towards fine art practice and wider creative design and craft practices being undertaken in affordable workspace.

**Incubator & Accelerator:**

- 2.14. Incubators are typically physical spaces, available on relatively flexible terms, which provide additional incubation services. These services generally include provision of training for entrepreneurs, access to networks and specialist equipment. Incubators are typically dependent on charging rent or membership fees to residents, often on a monthly basis. By charging rent, rather than taking equity in the businesses they support, incubators are able to support businesses that are unlikely to scale rapidly. In many cases, incubators are aligned with a university, supporting spin-outs along with other local businesses.
- 2.15. Accelerators are a more recent phenomenon than incubators. In contrast with incubators, accelerators typically provide services through a highly selective, cohort-based programme of limited duration (usually 3-12 months). Services often include assistance in developing the business plan, investor pitch deck, prototypes, and initial market testing. Whilst incubators typically charge rent or membership fees, accelerators more often base their business model on equity from the start-ups. This means that they are more growth driven, typically aiming to produce companies that will scale rapidly or fail fast.

**Figure 2: Overlapping features between incubators and accelerators**

Source: *Business Incubators and Accelerators: the national picture*, BEIS research paper, April 2017

- 2.16. The "Business Incubators and Accelerators: the national picture" research paper published by the Department for Business, Energy & Industrial Strategy in April 2017 mentions that London had 29 incubators (15% of all incubators in the UK) and 81 accelerators (58% of all accelerators in the UK), more than any other UK region.

### **Kitchen:**

- 2.17. Commercial and industrial kitchens are probably the less well-known and most recent type of workspace to have developed in London and whilst the GLA database references only 2 sites, a look at alternative sources (online desk based research) shows a multitude of "commercial" kitchens in London (of different level of specifications – going from very basic kitchens to the industrial high spec kitchens). Most spaces are located in East London.

### **Operators**

- 2.18. There are 4 main types of operators, ranging from the fully commercial operator to the charity/not for profit organisation.
- 2.19. Each type of operator will pretend to offer the best-value workspace, with the eternal debate of public versus private. The choice of the operator is important as each one has a different profile when it comes to access to capital, adversity to risk, expertise in operating spaces, capacity, provision of social values for the local communities, minimum space required to consider operating it.
- 2.20. The type of space, its location and the target sectors/industries/groups may sometimes restrict the type of operators that will be willing to take on the space. For instance, a commercial operator will usually require a

minimum space size or for the space to be close to other of their developments to ensure the operational and commercial viability of the project.

- 2.21. Understanding the profile of each single operator (as even commercial operators are not all equivalent), particularly if establishing a list of recommended operators, is a very important step for the local planning authority.
- 2.22. The following table outlines the pros and cons of each operator. The table is by no means exhaustive, but illustrates some of the positives and negatives that local authorities should consider when shaping their workspace policy.
- 2.23. It also provides an indication the type of space these operators would the most commonly operate. There is not clear cut, and operators are not tied to specific typologies but, due to factors such as the historical evolution of the market or commercial and operational constraints, the operation of some typologies are generally concentrated with specific operators.
- 2.24. This would be the case of co-working space for example, which is historically an evolution of the managed office space offer dominated by major commercial operators such as Regus of the Offices Group. Newer entrants to the market, such as WeWork, build their (relative) success on an aggressive growth strategy typical of modern and tech-oriented capital venture companies (such as Uber or Tesla). This growth strategy requires access to major capitals, often inaccessible to public sector bodies or charities. But this does not mean that public sector bodies do no operate co-working spaces.



**Table 6: Operators pros and cons**

	Examples	Positive	Negative	Characteristics of Typical space operated	Typical typologies of space operated
Commercial	WeWork, Regus, Spaces, The Office Group	<ul style="list-style-type: none"> <li>- Expertise</li> <li>- Human and capital resources to operate large space</li> <li>- Marketing</li> </ul>	<ul style="list-style-type: none"> <li>- Costly memberships</li> <li>- Operate mainly in prime London locations</li> </ul>	<ul style="list-style-type: none"> <li>- Large co-working, creative, kitchens in prime locations across London</li> </ul>	<ul style="list-style-type: none"> <li>- Co-working</li> </ul>
Owner-operator	Google Campus	<ul style="list-style-type: none"> <li>- Can shape design</li> <li>- Lower capital investment required (no double profit)</li> <li>- Long term vision</li> </ul>	<ul style="list-style-type: none"> <li>- Generic space</li> <li>- Risk of lower level of expertise/ investment (side business)</li> </ul>	<ul style="list-style-type: none"> <li>- Discretionary to the operators needs</li> <li>- Operate large spaces</li> <li>- Accelerators (large corporations)</li> </ul>	<ul style="list-style-type: none"> <li>- Co-working</li> <li>- Incubator</li> <li>- Accelerator</li> <li>- Kitchen</li> </ul>
Public sector	Wood Green Works (operated by NWES for LB Haringey)	<ul style="list-style-type: none"> <li>- Low cost of memberships</li> <li>- Able to focus on addressing disadvantaged groups/areas</li> <li>- Able to guide the vision</li> </ul>	<ul style="list-style-type: none"> <li>- Generic space</li> <li>- Risk of lower level of expertise/ investment (side business)</li> <li>- Do not have the resources to operate large spaces</li> </ul>	<ul style="list-style-type: none"> <li>- Discretionary</li> <li>- Use own assets</li> <li>- Light industrial/ studio space</li> </ul>	<ul style="list-style-type: none"> <li>- Artists' studio</li> <li>- Markers' space</li> </ul>
Charities and Not-for-profit organisations	ACAVA, Wimbletech, Brixton Hub CIC	<ul style="list-style-type: none"> <li>- Low cost of memberships</li> <li>- Able to focus on addressing disadvantaged groups/areas</li> </ul>	<ul style="list-style-type: none"> <li>- Do not have the resources to operate large spaces</li> <li>- Reliant on funding</li> </ul>	<ul style="list-style-type: none"> <li>- Small spaces</li> <li>- Disused units or within building partially in operation</li> <li>- Co-working, studios, workshops, kitchens</li> <li>- Incubators (mainly large educational institutions)</li> </ul>	<ul style="list-style-type: none"> <li>- Co-working</li> <li>- Artists' studio</li> <li>- Markers' space</li> </ul>

Source: Avison Young

2.29. It is advisable that developers reach out to operators in the early stages of their project and seek advice from them in regards to elements such as demand, appropriate typology (or typologies), size requirements and design specifications in order to ensure the delivery of a commercial operable and viable space.

2.30. Southwark has established a workspace provider list<sup>4</sup> which should be consulted and used by developers as early as possible in the planning application process.

<sup>4</sup> <https://www.southwark.gov.uk/assets/attach/10108/Workspace-provider-list-Summer-2019-20-1.2.pdf>

## Operating models

- 2.31. Workspace can be operated in several ways, diverging from the more traditional way of operating employment space (office and industrial). In the past, the industry practice has been signing a long-term lease, in which the relationship between the workspace operator and the property owner has not had much difference with that of a conventional office lease. Nowadays, both sides of the market have shown greater interest in creative lease structures and operating models as a strategy for sustainable business growth.
- 2.32. Workspace are operated under 5 main models<sup>5</sup>:
- **The lease model:**
- 2.33. The operator signs a lease contract, usually 10-20 years, with the property owner and makes contractual payments following the lease terms.
- 2.34. Most operators will experience negative cash flows over the initial months due to significant upfront build-out expenses and an initial misalignment between rent payment and leasing schedule (as sub-leasing space or selling memberships take time).
- 2.35. The lease model is the most commonly seen operating model in the co-working business (used by operators such as WeWork).
- **The joint venture model:**
- 2.36. Under the joint venture model, the workspace operator and the property owner will enter a joint venture agreement. The property owner, as the investing partner, contributes the majority of the initial investment and has the priority in receiving profits; the workspace operator, as the managing partner, puts in a small amount of capital and has the operational control of the space(s). The joint venture splits profits after the property owner's preferred return and will usually be disproportionately be allocated to the property owner until the JV higher operating profits, at which point it can become very rewarding for the operator.
- 2.37. The most important characteristic of the Joint Venture Model is interest alignment. Both partners will benefit from the business' prosperity and suffer from its adversity. In designing the waterfall structure, it is important to match the expected return with the risk exposure for both partners.
- **The management model:**
- 2.38. In this operating model, the workspace operator and the property owner will enter a management agreement. The property owner is responsible for all the capital investment and is required to reimburse all the operational costs upon occurrence. The workspace operator is in charge of the design and operation of the space, marketing and sales of membership, event organizing, and community building. Usually, it does not contribute capital or only puts in a nominal amount of equity if required by the agreement.
- 2.39. The operator earns a management fee (composed of the base management fee, which is usually a percentage of the total revenue, and the incentive fee, which builds on the adjusted profits) with remaining profit going to the property owner.

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<sup>5</sup> Wensi Zhai, "A Study of the Co-Working Operating Model", Massachusetts Institute of Technology, February 2017

2.40. While the Management Model allows both parties to focus on their specialties, there may be disagreements on business strategy (i.e. operator might want to increase capital expenditures to upgrade the space and keep its competitiveness or take aggressive marketing and sales strategies to squeeze market share from its competitors, while the property owner is reluctant to do so). Disagreement may lead to litigation between the two parties and as far as interrupting the space operation.

- **The franchise model:**

2.41. In the Franchise Model, the property owner is responsible for all capital investments and operates the workspace by itself. As the franchisee, it pays the workspace operator an upfront franchise fee plus annual royalty fees to use its brand, member network, and technologies. The operator, as the franchisor, provides expert guidance, staff training, and on-going supports to the franchise space throughout the preliminary stage to the operating period.

2.42. This model requires the workspace operator to have a strong brand influence and an established member community.

2.43. Brand consistency is crucial in this model. To avoid losing control of the franchise spaces during rapid expansion, the franchisor should standardise the product, service, visual identification, and workflows, and ensure the effective execution of those standards.

- **The owner-operator model:**

2.44. The owner-operator model has two cases: the operator purchases the property where its space locates; or the property owner starts a workspace in the property it owns (i.e. Westfield in it San Francisco Center). The latter case is more commonly seen in practice because the capital requirement of real estate investment is much higher than that of running a workspace, and the profit model encourages operators to develop their business in an asset-light approach.

2.45. Property owners (real estate development and asset management companies) have greater financial strength and higher risk tolerance. They can balance the profits of a workspace with that of the other assets.

2.46. For those companies, the workspace is more of an attractive feature that contributes to the ecosystem and overall performance of the existing properties than of an independent business or profit generator.

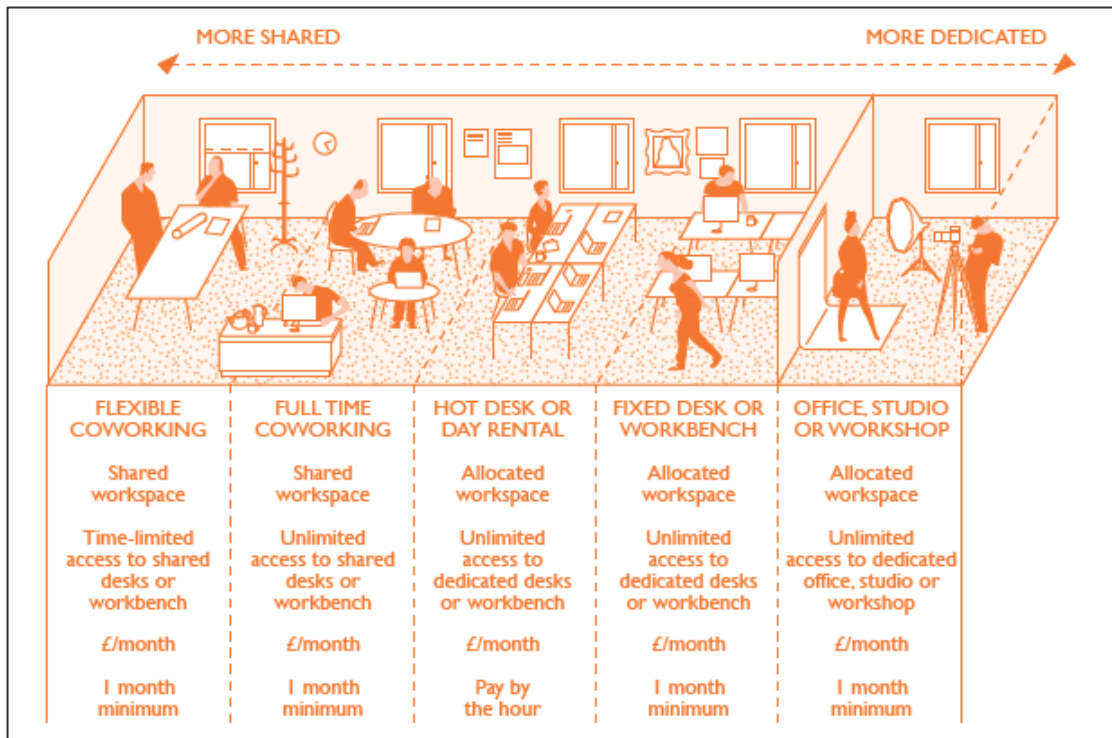
2.47. In some markets where office properties are oversupplied, real estate companies also use workspace as a temporary strategy to lessen excess inventories.

## **Rental models**

2.48. Similarly to operating structures, workspace can be operated under different rental/business models. These models can be summarised from fully dedicated space to fully shared space – with some operators applying several rental models within one property.

2.49. Open workspaces will typically offer a variety of payment structures to their users, based on the business model applied by the operator. These structures define what resources and services the user will be able to access. Figure 3 sets out the most common payment structures used in open workspaces.

Figure 3: Rental Model



Source: GLA, *Creating Open Workspaces*, 2015

## What makes a workspace affordable?

### Defining affordable workspace

- 2.50. The New London Plan (Policy E3) defines “affordable workspace” as workspace that is provided at rents maintained below the market rate for that space for a specific social, cultural, or economic development purpose.
- 2.51. Such circumstances include workspace that is:
- Dedicated for specific sectors that have social value such as charities or social enterprises
  - Dedicated for specific sectors that have cultural value such as artists’ studios and designer-maker spaces
  - Dedicated for disadvantaged groups starting up in any sector
  - Providing educational outcomes through connections to schools, colleges or higher education
  - Supporting start-up businesses or regeneration.
- 2.52. It can be provided directly by a public, charitable or other supporting body; through grant and management arrangements (for example through land trusts); and/or secured permanently by planning or other agreements.
- 2.53. Policy E3 of the New London Plan precise that particular consideration should be given to the need for affordable workspace for the purposes in part A above:
- Where there is existing affordable workspace on-site

- In areas where cost pressures could lead to the loss of affordable workspace for micro, small and medium-sized enterprises (such as in the City Fringe around the CAZ and in Creative Enterprise Zones)
  - In locations where the provision of affordable workspace would be necessary or desirable to sustain a mix of business or cultural uses which contribute to the character of an area.
- 2.54. Policies within the New London Plan provide a strategic framework for intervention, however local policy will need to be cognisant of the wider risks and challenges of introducing such a policy and that these cannot operate in isolation. Key considerations/test of policy should be:
- **Viability of developments:** Complex development sites have high costs already which workspace policies should not exacerbate – intervention rates should be appropriately calibrated and viability tested. However, this risk should be low given the scale of development and the overall proportion of GDV any workspace element would represent. In some cases the workspace may positively impact residential value so become closer to cost neutral.
  - **Subsidy for unviable businesses:** Affordable workspace should be a platform from which sustainable business can grow, ideally giving them a base in early years which decreases the risk of failure, creating value from public investment. However, it shouldn't be a means of allowing businesses to continue if they are unviable. Careful management of lettings will be needed to ensure any provision is well targeted.
  - **Planning for a balance of spaces:** intervention should seek to retain capacity that may not otherwise come forward (if value maximisation were the only driver). If intervention is not well focussed it could further squeeze out those businesses less compatible with residential-led redevelopment.
  - **Limiting competition:** There is a growing array of workspace providers, many of whom deliver affordable spaces. Intervention should not limit their ability to operate or create situations where they are undercut. To make the most of public investment intervention should only focus on areas where commercial operators are not engaged.
- 2.55. Policies within the New London Plan are judged too generic and fail to consider the question of affordability in a holistic perspective. A truly effective approach to affordable workspace delivery will need to consider all of the factors affecting affordability of space to ensure that a range of spaces are available and affordable to target businesses.
- 2.56. To be effective, policies need to be adapted to the local context (both in terms of condition of the local market and local policy objectives) and may want to go beyond a Local Plan level to be adapted to the particularities of sub-areas within a local planning authority territory.
- 2.57. There are no agreed definitions of affordable workspace. The affordability of workspace might be defined by one or more of the parameters presented in Figure 4.

#### Figure 4: Defining/ Achieving Affordability



Source: Avison Young

2.58. **Discounted rent:** As presented in the New London Plan, discounted rent is often the best-known way of delivering affordable workspace. However, discounted rent may not always have the desired effect and several considerations have to be assessed.

- **Who is benefiting the discount?** Is the discount applied by the property owner on the lease to the operator? Is the operator passing this discount onto the end users?
- **The discount is relative to the market price.** Whilst a certain percentage of the market rate can be perceived as affordable in a certain year, this discount may quickly be insufficient to provide affordability if market prices are rapidly increasing.
- **What is affordable?** This is a difficult question as what may seem affordable for a specific industry or a specific business may be unaffordable for another industry or business. It is therefore important to understand who the target audience is and, if necessary, to apply restriction to access to this discounted space. A limitation in time may also be useful for some businesses in order to encourage them to develop and not be forever dependent on this discount to survive (whilst some businesses, seen as valuable for the community, may require long term support).

2.59. **Lease incentives:** They usually take the form of months free rent given by the owner to the lessee. Initial free months of rent could help businesses quick-start their activity in the new location and therefore ease their cash flow or be used by the lessee to finance initial fit-out costs and cost of installation/relocation.

- 2.60. **"All-in" rent:** Can provide significant discount in running costs for end users, which will benefit from economies of scales if services are provided in bulk across a shared working space by the space operator or across their full portfolio. They can also benefit from sharing non-exclusive resources and infrastructure between several users (when the use of a resource by a user does not prevent another user to use it – i.e. internet).
- 2.61. **Other rent structures:** Types of leasing contracts are varied, with some structures making spaces more affordable or better value for money for businesses. Those other rent structures could include a rent based on business performance, flexible rental terms, partial rent, sub-lease of under-used space, etc.
- 2.62. **Fit-out:** For some businesses, and particularly some start-ups, one of the main obstacles to the development of their activity (or the creation of their activity) is the initial fit-out cost of their working space. This usually becomes particularly true as the activity of the business becomes very specialised and very technical (i.e. pharmaceutical research, food development...). The fit-out of space will usually be an issue for start-ups and micro businesses, which have not got sufficient cash flows to finance the initial investment. Therefore, subsidising the cost of this fit-out may have, in specific circumstances, a greater impact than providing a discounted rent.
- 2.63. **Right sizing:** in some cases, the problem is not as much the cost of the space (per sqft) but the minimum threshold required to rent which makes workspace unaffordable for businesses. Adapted unit sizes and flexibility in renting more or less space as business evolves will impact on the affordability aspect of this space.
- 2.64. **Shared facilities:** As discussed above, shared facilities can help bringing the cost of a workspace for a business down. The sharing of equipment that is occasionally or temporarily used by businesses will release pressure on the cash flow of those businesses – making their overall operating cost more affordable.
- 2.65. **Use of intensification:** Rent can be brought down by using less space for the same amount of people (or placing more jobs into the same space). This could be achieved through pure intensification of employment densities (i.e. smaller desks – to keep it simple) or through the shared of one space between different businesses at different time of the day (i.e. artist studio during the day turning into an art gallery at night). As the rent is shared between businesses, it becomes more affordable.
- 2.66. **Meanwhile use:** Similarly to intensification, the use of (temporary) vacant space can be for some businesses very inexpensive, particularly when fit-out costs are low (i.e. equipment is easily moveable and temporarily installed in fixed commercial unit or entire working unit is transportable on temporarily placed bare land).
- 2.67. **Business rate:** a consistent comment made in many studies and research piece is the application of business rate based on the space rather than the business and the impact that this has on operating costs for businesses. Whilst a micro company, working in an individual workspace, may be exempt from paying business rate (as the space is below the threshold), a co-working space operator, operating a large space and sub-letting this large open space to similar micro businesses (overall not using more space individually) would be subject to business rate and would pass this cost onto their users. In this instance, the saving made by opting for a co-working space over an individual unit (as generally cheaper to rent) could be offset by the application of the business rate (what is saved in rent is paid in tax)

- 2.68. It is to be noted that existing space is often more affordable than new space. Where availability of space is limited, and prices are on the rise following this lack of availability of space (where demand exceed offer), policies should aim at protecting existing space, where possible, against redevelopment and particularly against redevelopment for a competitive use (i.e. conversion to residential under PDR).

### **Affordability for end users**

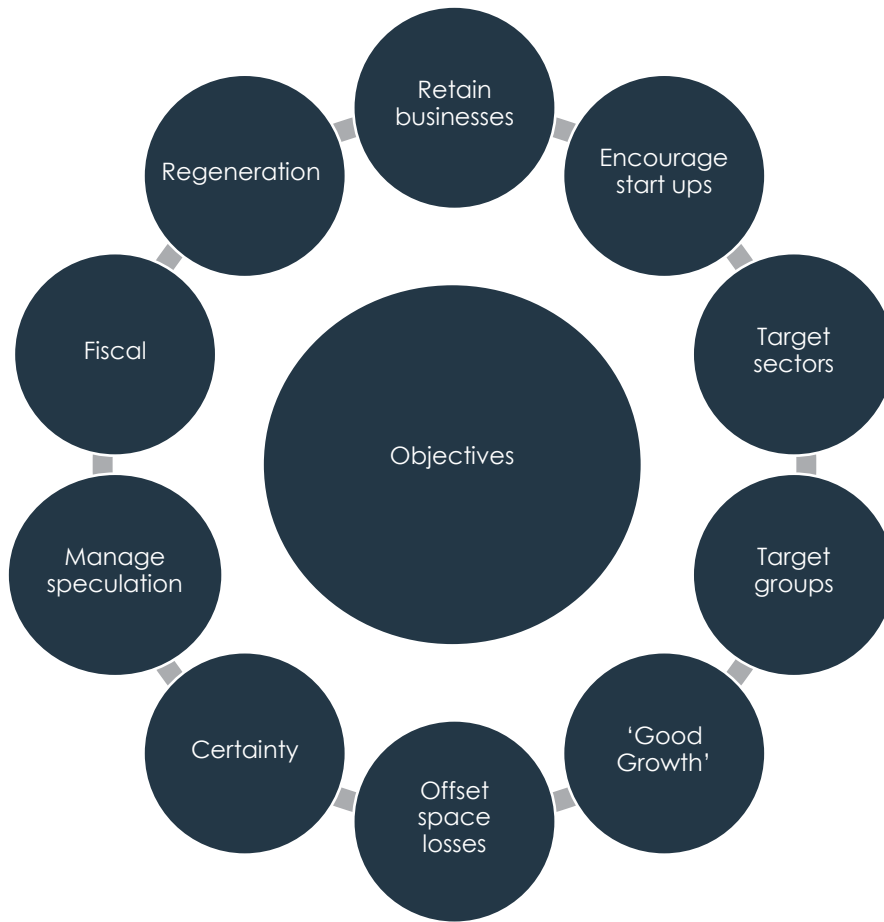
- 2.69. As discussed above affordability in the current workspace market is complex and the setting of these parameters of affordability, particularly discount rent levels, is complicated by the varying and complex way in which different operators charge for space. For example many include a range of other costs/benefits (such as service charges, rates, ICT, level of fit out and incentives) and may not charge per area of floorspace but by desk or unit. What is/isn't included in the rent is not consistent between providers.
- 2.70. It also needs to be clear who is benefiting from the affordable rent, an end user business or a workspace operator. If the latter the affordability benefit may be weakened to businesses as the operator will need to cover their costs from the rent they charge occupiers.

### **Rationale for Intervention**

- 2.71. This section describes the rationale for the provision of affordable workspace in a general context and the context of the Greater London workspace market.
- 2.72. The rationale for intervention in the delivery of affordable workspace is ultimately linked to the local authority's objectives. A well-focused policy approach allied to wider support from local planning authorities can deliver significant local benefits.
- 2.73. Objectives to be achieved by the provision of affordable workspace will inform the delivery mechanism to be considered, the typology of the space and the operating model that should be privileged by the local authority.
- 2.74. The rationales for intervention is summarised in Figure 5.



Figure 5: Affordable Workspace Rationale

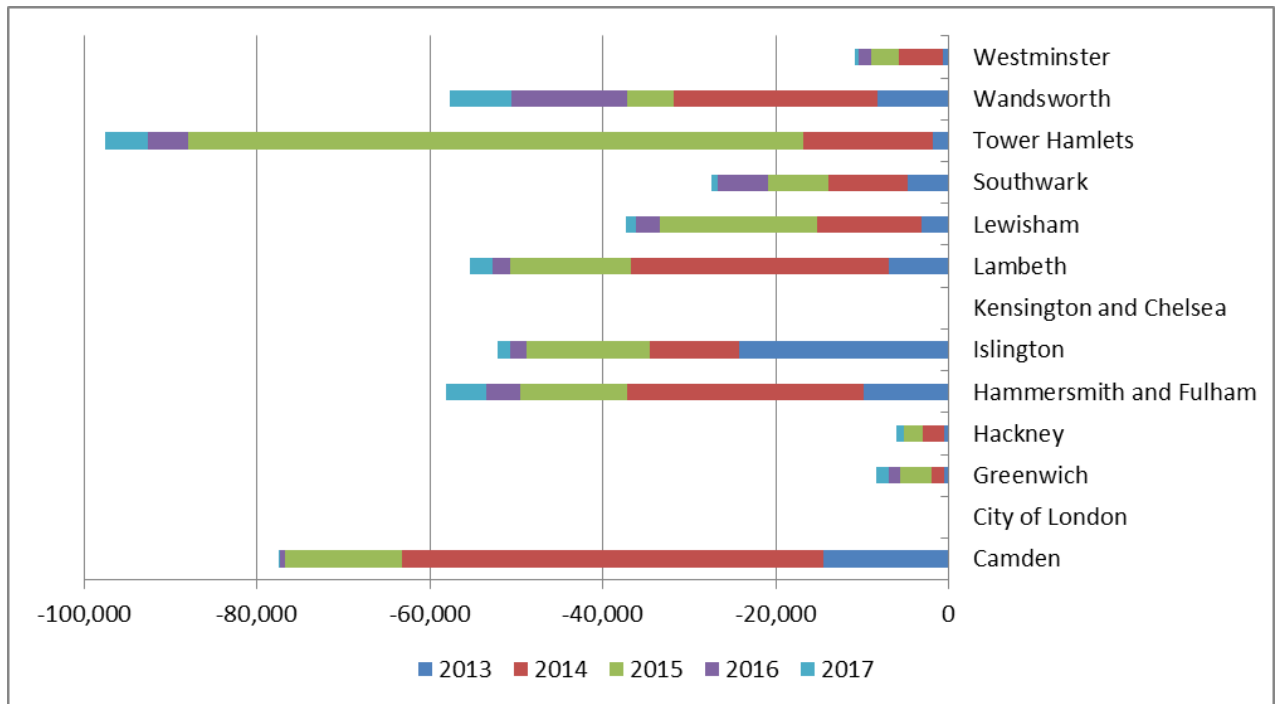


Source: Avison Young

- 2.75. **Retain Businesses:** many of the existing businesses provide important jobs for local people and form part of wider supply chains. By securing the re-provision of appropriate and affordable space for them the Council can maintain the strong economic and/or social rationale for their current location.
- 2.76. The question of affordability is particularly problematic for micro and small businesses. MSEs, which are composed of 50 employees or less, made up 90% of all London Businesses (based on ONS data) and account for 41% of employment. MSEs offer:
- sustainable development;
  - more community links;
  - a more natural fit for mixed-use development;
  - an important source of revenue for Local Authorities through the payment of business rates; and
  - they enliven neighbourhoods
- 2.77. Businesses will be pushed out of an area by fast increasing rent or lack of suitable space. In the case of Southwark, there are risks of seeing major industries being pushed out of regeneration areas such as the Old Kent Road, Elephant & Castle or Canada Water. The impact of an increase in rent of industrial space will have a particularly important impact on manufacturing businesses. Due to the lack of alternatives within the borough those businesses are likely to move to neighbouring local authorities.

- 2.78. Retaining existing businesses which strengthen an area, such as Latin-American businesses which are particularly concentrated in Elephant and Castle and contributed to its economic dynamism, is particularly important to preserve the sense of community and vibrancy of an area.
- 2.79. Policies promoting the delivery of space and keep rent levels under an affordable level will have a positive impact on business retention.
- 2.80. However, such measures taken along are not targeted measures (towards a sector or a group) and may benefit businesses which do not require additional support.
- 2.81. **Encourage start-ups:** SMEs tend to struggle more in finding suitable workspace, and therefore intervention would support start-ups, early growth and smaller businesses. Affordable in the context of SMEs can be far wider than the cost of rent and may include scale of space, levels of fit out, lease flexibility, etc.
- 2.82. Start-ups often are faced with a problem of cashflow and uncertainty over their future liquidity. Therefore, any measure providing flexibility in regards to rent, size and terms of the lease and/or any measure aiming at reducing the initial fixed costs for those start-ups will encourage their development and growth.
- 2.83. Note that failure amongst start-ups is an inherent part of economic development and public policies should be designed in a way to avoid supporting businesses which are vowed to fail (unable to turn into a sustainable business activity without any public aid).
- 2.84. Whilst affordable workspace should be secured for the longest possible period; their access by start-ups should be limited in time (after which start-ups should have developed their activity sufficiently to be financial sustainable).
- 2.85. This period will be different from one area to another and from one sector of activity to another – conventionally, it can take 2 to 3 years to become profitable.
- 2.86. **Target sectors:** particular sectors may warrant greater support given their wider impact in terms of employment, supply chain or even place branding roles. The creative sectors including artists and craftspeople, some production sectors (e.g. Food and specialist fabricators) and early stage tech are often priced out of changing locations, despite having strong links locally.
- 2.87. **Target groups:** intervention would tend to focus on small and start-up enterprises. A wealth of research suggests SMEs tend to have an over-representation of BAME groups and therefore intervention can help these communities succeed.
- 2.88. **'Good Growth':** a broad range of targeted space types and rents can attract significant demand. They can therefore support a range of local employment and create much greater levels of animation and street activity at different times of day, making areas 'feel safer'.
- 2.89. **Offset space losses:** permitted Development rights to convert commercial space to residential disproportionately impacts low value (and typically more affordable) spaces, particularly in areas of high residential value change. Because no planning permission is required, no intervention can be made, therefore intervening in locations where planning does offer a lever can preserve and even enhance the stock of appropriate space.

Figure 6: Total net B1a office floorspace lost to residential through PDR (sqm)



Source: London Development Database (LDD), May 2018

\* Data for the 2017/18 financial year are subject to corrections

\*\* Data likely underestimate impact of PDR as there is no requirement to enter floorspace of less than 1,000 square meters (sqm) on LDD

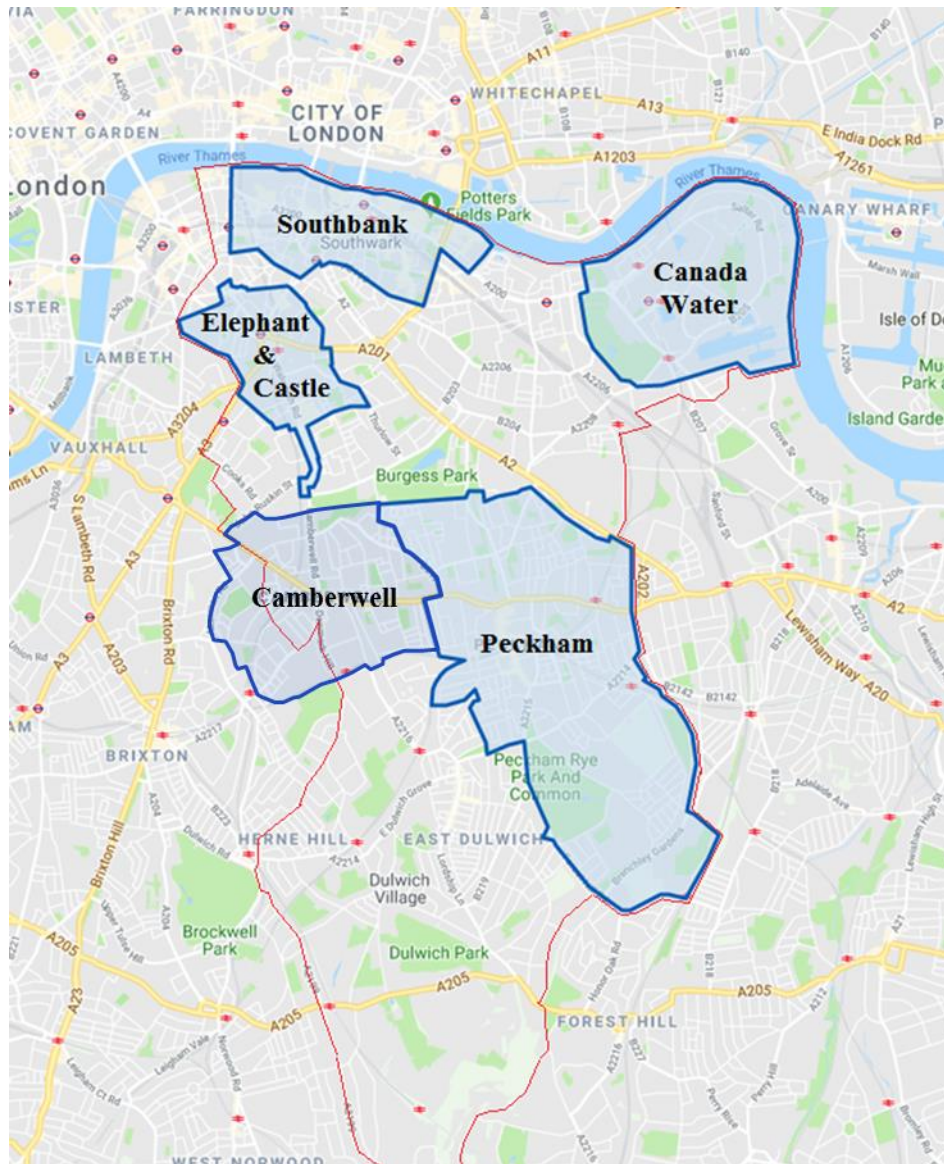
- 2.90. **Create certainty of outcomes:** other 'case by case' mechanisms of securing affordable workspace such as through s.106 agreements are dependent on a buoyant development market, overall scheme cost considerations and affordable workspace not being negotiated away in favour of higher political priorities such as affordable housing or public realm. A clear, common, policy approach (whilst still subject to viability) can overcome these issues and create a clear pipeline of space for businesses.
- 2.91. **Manage speculation:** by including an effective workspace policy, the planning policy helps to direct developers to more suitable solutions and also manage overvaluation of land where generally this space would not be provided by the market on its own due to relative values.
- 2.92. **Fiscal:** the provision of affordable workspace is a way to maintain fiscal returns for the council (collected through business rate when businesses are retained) and generates additional financial resources (business rates collected on growing businesses and new start-ups).
- 2.93. **Regeneration:** Affordable workspaces also provide many regeneration benefits and encourage economic growth. They activate unused spaces and bring activity back to high streets or sites awaiting development and contribute to the dynamism of an area and to the sense of community. Affordable workspaces are also a tool to promote collaboration and innovation between members of the local community and businesses or between businesses themselves. Affordable workspaces are locations where new ideas can be developed (i.e. workshops, labs, kitchens, etc.) and tested on the public (through a direct connection between those spaces and the local communities).

### 3. Property Market Baseline Analysis

- 3.1. This section focuses exclusively on Micro and Small Enterprises (MSEs), composed of 1 to 50 employees, as the main target of affordable workspace. The importance of focussing on MSEs (as opposed to medium size businesses or large businesses) comes from several observations:
- Delivering affordable workspace for businesses of more than 50 employees would require important financial contribution (with the need to provide a minimum of 5,000 sqft of office space or 15,000 sqft of industrial space to accommodate such businesses). These would damage the viability of developments, making most of them undeliverable without a substantial public intervention (financial subsidy). The delivery of affordable workspace for medium and large businesses is therefore highly unrealistic.
  - Larger businesses are usually well-established businesses and therefore should not require public subsidies to maintain or expand their activities. Large businesses facing difficulties are more likely to be faced with structural issues and would require long term support. On the other hand, MSEs are more likely to face temporary obstacles when setting up their activities (i.e. barriers to entry) or when planning on expanding their activities (with the move from self-employment to a company with employees often being a major step change for businesses). Temporary support is likely to have a far greater long term positive impact on the economic growth of Southwark.
  - MSEs represent the largest proportion of all businesses in the borough (96.2% in 2018).
- 3.2. Where possible, figures will be compared to similar figures for Inner London and Greater London.
- 3.3. The baseline market analysis aims to position the property market in Southwark and its sub-areas within the wider context of Inner and Greater London to determine factors that could drive an issue of affordability in the borough (i.e. high rent, lack of vacancy in appropriate area and of appropriate space typology...).
- 3.4. ***As the target businesses are MSEs, we focuses this analysis of the context on the property market on properties of smaller sizes: up to 5,000 sqm for office space and up to 25,000 sqm for industrial and light industrial space.***
- 3.5. Data are sourced from CoStar, which reference all commercial properties and deals reported by all the major commercial real estate companies in the UK. The data may not be totally accurate and will omit properties and deals which are being managed by independent agents. This would particularly be the case for smaller properties and therefore some quantum should not be fully relied on (such as total existing floorspace), although some data may provide a good proxy to actual value (such as average rent or average vacancy).
- 3.6. This analysis of the property market, at the local level, focuses on five sub-areas:
- Southbank
  - Elephant and Castle
  - Canada Water
  - Camberwell

- Peckham
- 3.7. The five sub-areas are compared to their wider area (LB Southwark and Greater London) to provide a better understanding of the potential issue of affordability.
- 3.8. Figure 7 provides a map of boundaries of sub-areas forming part of this property market analysis. Each sub-area will be compared between themselves and against the Borough average as well as the Inner London average figures.

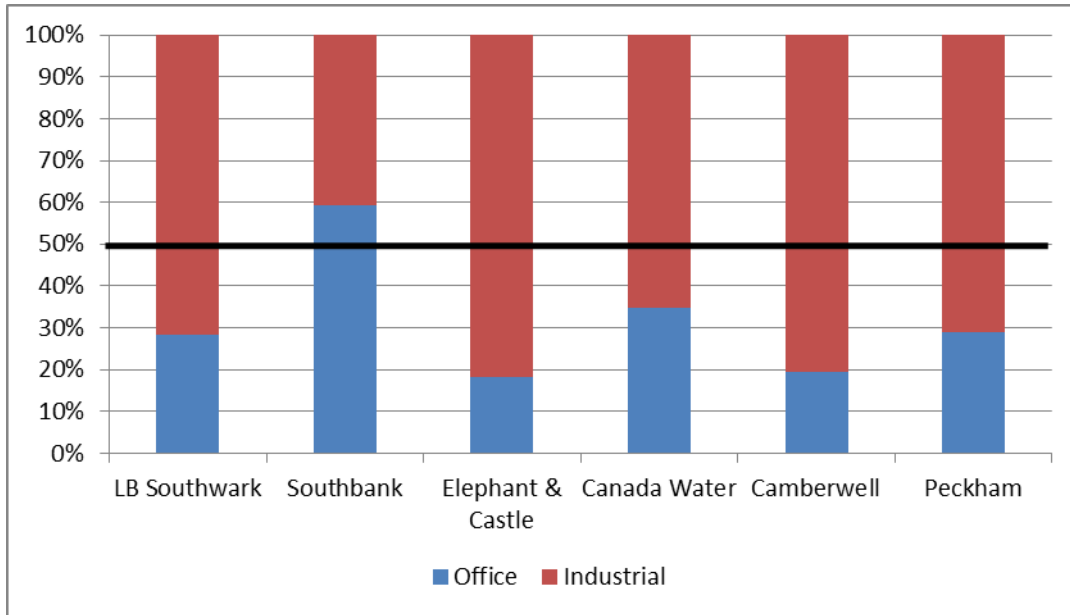
**Figure 7: Sub-areas of analysis, LB Southwark**



Source: Avison Young, Costar, 2019

- 3.9. Figure 8 shows the dominant character of each sub-area (for MSEs' space). Whilst Elephant & Castle, Canada Water, Camberwell and Peckham have a profile relatively aligned with the borough-wide profile, which is predominantly industrial (72% of all existing floorspace for MSEs in the borough is for industrial and light industrial use, 28% for office use), the Southbank is predominantly focused on the provision of office space.

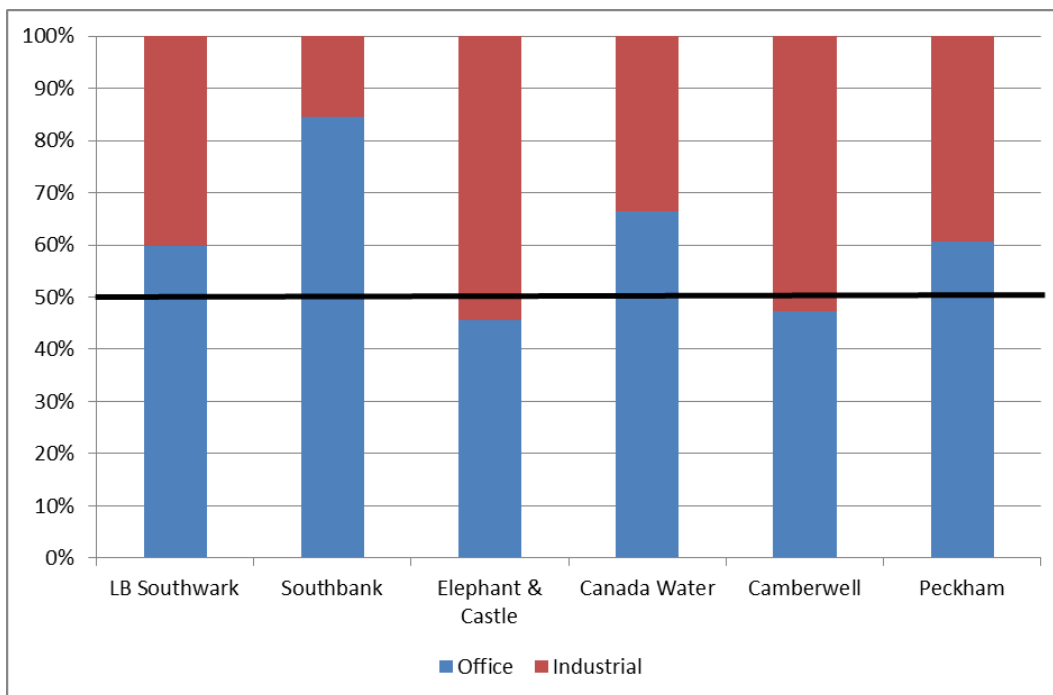
Figure 8: Office vs. Industrial space, LB Southwark and Sub-areas



Source: Avison Young, Costar, July 2019

- 3.10. Note that it is not surprising to observe a large proportion of industrial space compared to office space. However, this comparison of space quantum does not directly translate into job numbers (as industrial jobs will generally require more floorspace than office based jobs).
- 3.11. A very high level estimate of jobs repartition in MSEs between office and industrial space (based on the assumption of 12 sqm per office job and 45 sqm per industrial job) portrays a different picture, with a predominance of office jobs across all sub-areas at the exceptions of Elephant & Castle and Camberwell.

Figure 9: Office vs. Industrial jobs estimate, LB Southwark and Sub-areas



Source: Avison Young estimate, based on Costar (existing floorspace, July 2019) and employment density guidance

## Office

- 3.12. The London Borough of Southwark provides c.4.8% of all office space (of up to 5,000 sqft) available in Greater London<sup>6</sup>. Interestingly, the borough is home to only 3.2% of all MSEs in Greater London, suggesting that either MSEs in Southwark tend to be on the upper side of the bracket (compared to the London average MSE size) or have a lower density of employment than the London average. This will be explored further in the demand analysis (see section 5.174).
- 3.13. The Southbank sub-area, the main business area in the borough, is the principal location for office space for MSEs, with nearly 50% of all space available in the borough.
- 3.14. The Southbank is also the most expensive in borough and drives its average rent up. In July 2019, the average rent in the Southbank was £45.88 per sqft per annum, well above the London average of £40.53.
- 3.15. Office rent values vary widely across the borough, with average values as low as £17.11 per sqft per annum in Elephant and Castle. This is well below both the London average (£40.53) and the borough average (£41.81).
- 3.16. This tend to demonstrate that rent values are not necessarily the main reason of unaffordability in some parts of the borough, whilst it is clearly (one of) the main issues for the Southbank.
- 3.17. All sub-areas suffer of a lack of vacancy, particularly Elephant and Castle, Canada Water, Camberwell and Peckham which combined low provision of floorspace and no vacancy at all. The lack of available space, of the correct typology and providing adequate specifications, in sought after areas is another element that could explain the problem of affordability (access to space) for MSEs in Southwark.

**Table 7: Office Space (up to 5,000 sqft), Overview, LB Southwark**

	Southbank	Elephant & Castle	Canada Water	Camberwell	Peckham	LB Southwark	Greater London
Inventory Bldgs	244	30	13	50	48	533	11,592
Inventory SF	574,433	56,399	29,023	122,170	89,382	1,186,591	24,875,894
Vacancy %	3.30%	0.00%	0.00%	0.00%	0.00%	1.90%	1.60%
Rent Overall	£45.86	£17.11	N/A	£25.16	£19.86	£41.82	£40.53

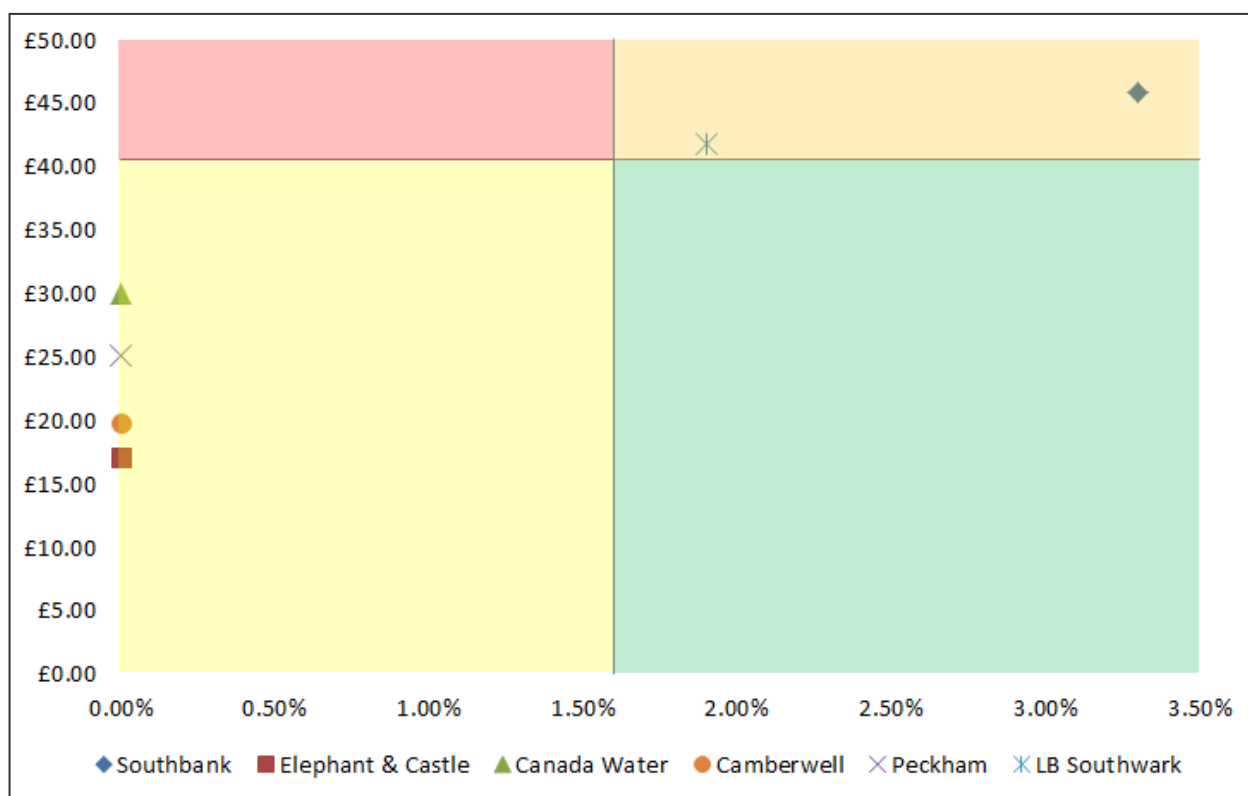
Source: Costar, July 2019

- 3.18. Figure 10 provides a comparison of rent and vacancy levels for office space in the different sub-areas and borough-wide against the averages observed for Greater London (represented by the axis). This figure provides an initial analysis of potential basic factors that could lead to an issue of affordability in a sub-area (i.e. either high rent or lack of suitable space).
- 3.19. Elephant & Castle, Camberwell, Peckham and Canada Water are all located in the yellow zone. Rent level for office space is in average (well) below the Greater London average and rent alone should not be considered as an element of un-affordability. The vacancy rate, of 0% is probably the main factor which constraints economic growth and the development of MSEs in these sub-areas.

<sup>6</sup> This only looks at spaces of 25,000 sqft or less (and not all industrial floorspace)

- 3.20. The provision of additional office space, specified in line with the businesses' needs, is vital for these sub-areas. Additionally, due to the low level of rent (which might however be explained by a low quality of the existing stock), discounted rent should be carefully considered in conjunction with the commercial viability of those spaces. Discounted rent might prevent the delivery of additional space due to viability concerns – unless rent levels achieved for those spaces are higher (due to higher quality of the stock).
- 3.21. Considering meanwhile use of existing, unused, council's assets or encouraging a greater flexibility of the use of existing stock could be considered to increase the floorspace or the efficiency of the use of the existing space (higher employment density).
- 3.22. The Southbank inversely is characterised by high rent level and comparatively high level of vacancy (although the Greater London vacancy rate is judged below the optimal level – vacancy is needed for businesses to move around premises and access space that is adapted to their evolving needs).
- 3.23. Comparatively high level of vacancy could be explained by either the high level of rent (being unaffordable) or by the unsuitability of this stock (does not respond to the needs of businesses, therefore remains vacant). Discounted rent could be considered for the Southbank, together with allowing for a greater flexibility of use.

**Figure 10: Office Space, rent (£/sqft/year) vs. vacancy (%) comparison (against Greater London)**



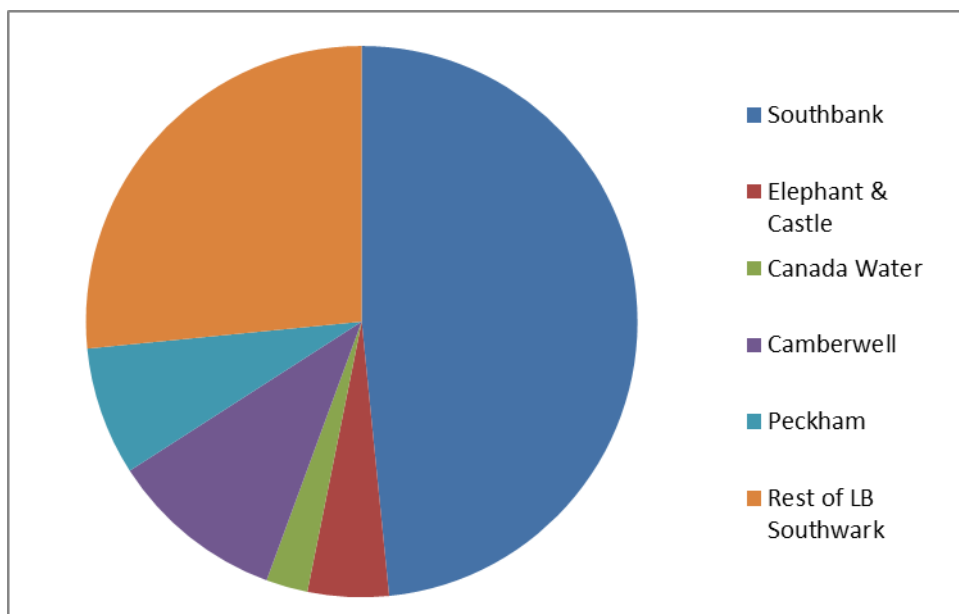
Source: Avison Young, Costar, July 2019

**Geographical distribution of existing office floorspace (up to 5,000 sqft)**

- 3.24. The Southbank is a major provider of office space for MSEs, accounting for nearly 50% of all existing office space in the borough. The other four sub-areas provide circa 25% of the space, with the remaining 25% of the space distributed across the rest of the borough.



Figure 11: Office Space Distribution within LB Southwark



Source: Avison Young, Costar, July 2019




### Floorspace change

Table 8: Office Space Floorspace Change (2010-2019)

	% Change	Sqft Change	Total Sqft 2018
<b>LB Southwark</b>	<b>4.1%</b>	<b>46,717</b>	<b>1,186,591</b>
Southbank	1.8%	10,309	574,433
Elephant & Castle	11.5%	5,836	56,399
Canada Water	0.0%	0	29,023
Camberwell	-2.0%	-2,509	122,170
Peckham	4.3%	3,673	89,382
Rest of LB Southwark	10.3%	29,408	315,184

Source: Costar, July 2019

- 3.25. The Southbank sub-area delivered an additional 10,309 sqft of office space (up to 5,000 sqft), the greatest contribution towards the 46,717 sqft of space delivered across the Borough. Deliveries of new floorspace were made in 2012, 2013 and 2018.
- 3.26. Camberwell is the only sub-area which has lost office floorspace between 2010 and 2018, with space that could have been lost to PDR considering the prime residential character of the area.

<p>Great Suffolk Street (1,893 sqft), 2012 Rent achieved: unknown Tenant industry: Real Estate (2 tenants)</p>	<p>Weston Street (3,716 sqft), 2013 Rent achieved: £35.52/sqft/annum (effective) Tenant industry: Engineering Consulting</p>
	
<p>Weston Street (4,700 sqft), 2018 Rent achieved: unknown Tenant industry: Artistic Creations</p>	
	



Source: Costar, July 2019

3.1 Elephant & Castle has seen a rapid increase of office floorspace, delivered in 2012 and 2016.

<p>Penton Place (4,071 sqft), 2012                  Rent achieved: £13.56/sqft/annum                  Tenant industry: unknown</p>	<p>Randall Court (1,765 sqft), 2016                  Rent achieved: unknown                  Tenant industry: Retailers/Wholesalers</p>
	

Source: Costar, July 2019

3.2 New developments built in Peckham since 2010 are more recent and date from 2016 and 2017 and mainly formed of smaller units in comparison to units delivered in the Southbank area and Elephant & Castle.

<p>Bull Yard (596 sqft), 2016                  Rent achieved: unknown                  Tenant industry: unknown</p>	<p>Maxted Road (rear) (322 sqft), 2017                  Rent achieved: unknown (est.: £27/£32)                  Tenant industry: unknown</p>
	

Rye Lane (2,755 sqft), 2017  
Rent achieved: £30.85/sqft/annum (asking)  
Tenant industry: unknown



Source: Costar, July 2019

3.3 There is only one new development in Camberwell since 2010 which provides office space (790 sqft). However, there is limited information on the lease terms of this space.

1 Harbour Rd (790 sqft), 2011  
Rent achieved: unknown  
Tenant industry: unknown



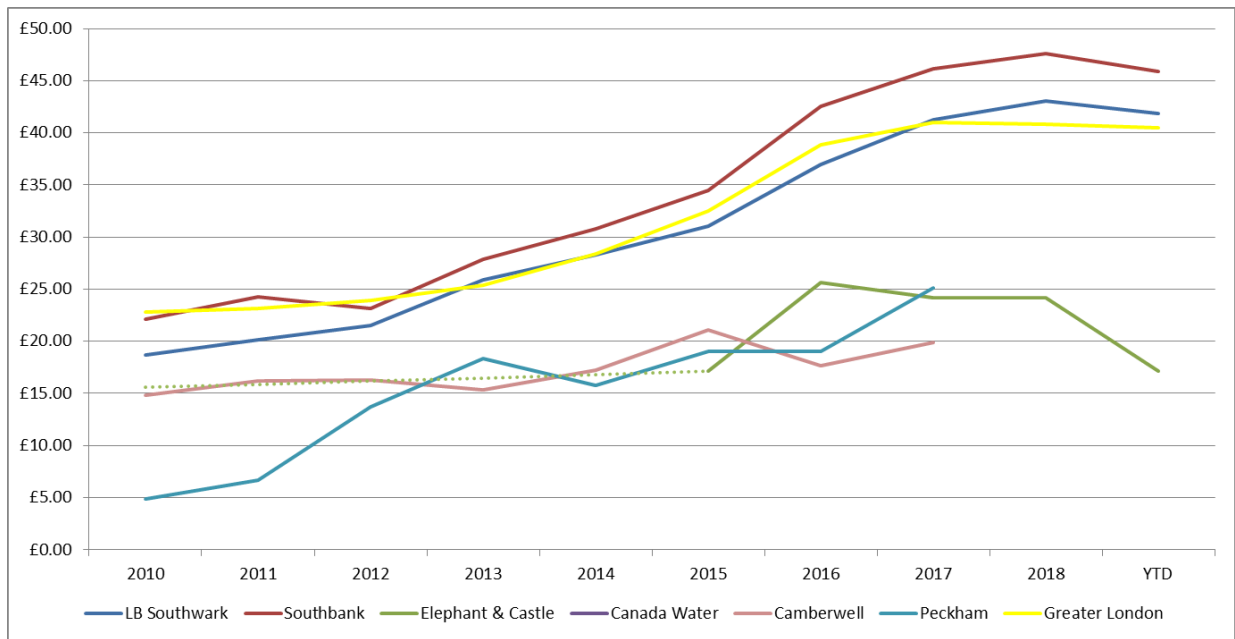
Source: Costar, July 2019

### Rent change

- 3.30. The cost of office space has rapidly increased in LB Southwark, driven by rapid growth of the Southbank's office space rent value, which follows the Greater London trend.
- 3.31. Rent remains "affordable" in all sub-areas of Southwark, in comparison to the Greater London average, at the exception of the Southbank (which is about 12% more expensive than the Greater London average).

- 3.32. However, high annual rent increase, regardless of its baseline level, can be challenging for businesses, particularly the less established/newest businesses which do not necessarily have the adequate cashflow or reserve to sustain higher office space costs.
- 3.33. Rent for office space has more than doubled on the Southbank between 2010 and 2019, but the increase is even more dramatic in Peckham, where the cost of office space was five times greater in 2017 than in 2010, with a particularly important price growth between 2011 and 2013.

**Figure 12: Office Rent (£/sqft/annum), 2010-2019**



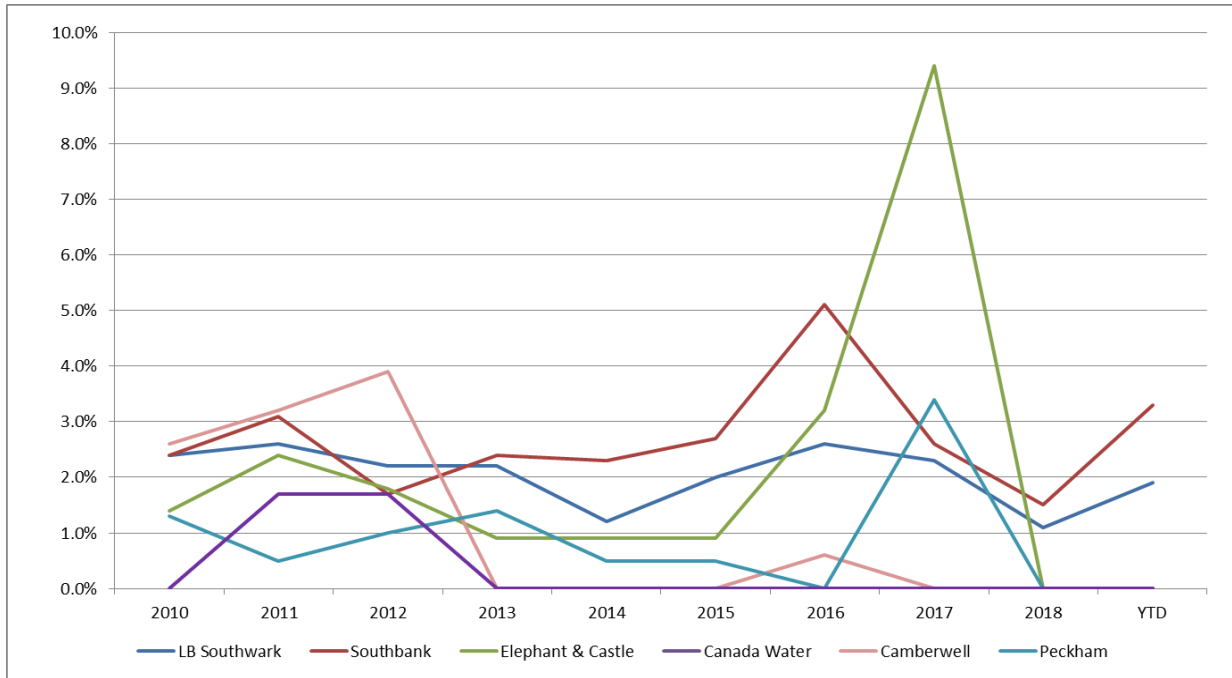
Source: Avison Young, Costar, July 2019

### Vacancy change

- 3.34. At the exception of a few spikes, coinciding with the delivery of new space (delay in being leased out), vacancy rate of office space has remained consistently low and below 3% in the borough, across all sub-areas.
- 3.35. The Southbank is the only sub-area with space availability at the time of research (July 2019), with less than 19,000 sqft of space. A further 3,500 sqft is available across the borough outside the four sub-areas.
- 3.36. The low amount of space available would limit the possibilities for businesses to move around (within the borough) to align their space with their evolving needs or for new businesses to settle in the borough (i.e. relocating from a different area or new start-ups).
- 3.37. The current amount of floorspace available for MSEs in the borough (22,500 sqft) would provide space for 200 office based jobs<sup>7</sup>.

<sup>7</sup> Rough estimate based on employment density guidance

Figure 13: Office Vacancy Rate (%), 2010-2019, LB Southwark

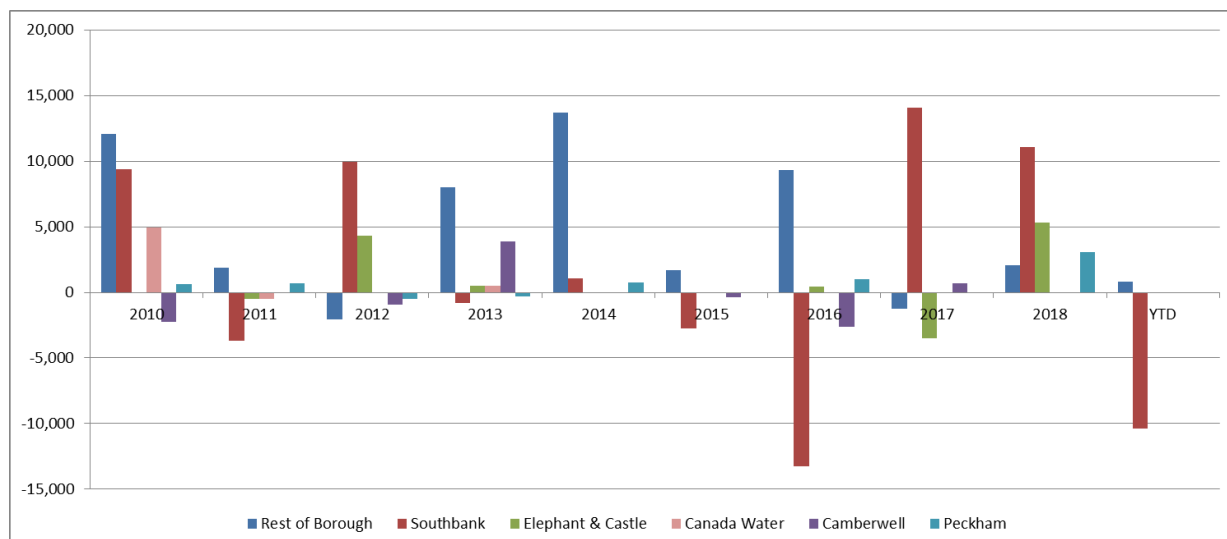


Source: Avison Young, Costar, July 2019

### Take-up

- 3.38. Net absorption of office floorspace is limited, probably due to the lack of availability of space, and accounted for 2.1% of the total existing floorspace across the borough in 2010 (or 24,800 sqft) the best performance since 2010.
- 3.39. A few years have been marked with a negative net absorption of floorspace, mainly following delivery of new space, but is relatively marginal (-0.8% or -9,500 sqft this year to date being the worst performance since 2010).
- 3.40. Absorption of space is mainly concentrated in the Southbank area and across the rest of the borough. Other sub-areas have very flat level of net absorption (close to 0), possibly due to the lack of available space and new space delivery into these areas.

Figure 14: Office Floorspace, Net Absorption (sqft), 2010-2019, LB Southwark



Source: Avison Young, Costar, July 2019

### Quality

- 3.41. The average office space in LB Southwark dates from 1930, with an average quality score of 2.6 (out of 5).
- 3.42. Whilst the quality is comparable across all sub-areas (Camberwell: 2.2; Canada Water: 2.4; Peckham: 2.5; Elephant & Castle: 2.6; Southbank: 2.7), the average age of office space in these sub-areas varies, with Canada Water providing the most modern spaces and the Southbank the oldest (in average).

Table 9: Office Space, Quality and Age, LB Southwark

	Average Quality Score	Average Age (year completed)
<b>LB Southwark</b>	<b>2.6</b>	<b>1933</b>
Southbank	2.7	1923
Elephant & Castle	2.6	1953
Canada Water	2.4	1992
Camberwell	2.2	1934
Peckham	2.5	1946

Source: Avison Young, Costar, July 2019

- 3.43. Whilst older space, of lesser quality, is often the most affordable type of space (and therefore retaining those spaces may help with the provision of affordable workspace), they can sometimes no longer correspond to the needs of businesses.

## Industrial

- 3.44. The London Borough of Southwark provides c.4.7% of all industrial (and light industrial) space (of up to 25,000 sqft) available in Greater London<sup>8</sup>. This is similar to the contribution towards office space.
- 3.45. Unlike the office property market, the industrial property market is spread more evenly across the borough, with the largest contribution coming from Camberwell with circa 17% of the total space in the borough. The Southbank remain a large contributor, with 13% of all space. Elephant and Caste and Peckham provide respectively 8% and 7% of the total floorspace in the borough.
- 3.46. The five sub-areas provide together c.48% of the total industrial floorspace (of up to 25,000 sqft) in the borough.
- 3.47. The average rent per sqft per annum is comparable between LB Southwark and Greater London, at just under £15.50. However, rent varies widely and is above the borough average in three of the four sub-areas (with the average rent reach an extreme of £35.58 in the Southbank sub-area). Peckham is the only sub-area where rent is below the London and borough average.
- 3.48. Similarly to office space, vacancy of industrial space in the sub-areas is extremely low and below the borough average. This could suggest that they are particularly sought after areas (either due to location or to quality of the stock or value for money of the stock).

**Table 10: Industrial Space (up to 25,000sqft), Overview, LB Southwark**

	Southbank	Elephant & Castle	Canada Water	Camberwell	Peckham	LB Southwark	Greater London
Inventory Bldgs	55	31	5	101	36	426	8,141
Inventory SF	392,058	253,336	54,790	509,210	218,348	3,001,930	63,354,130
Vacancy %	0.30%	0.00%	0.00%	4.50%	0.70%	2.10%	1.80%
Rent Overall	£35.58	£25.00	£20.03	£18.22	£10.77	£15.49	£15.38

Source: Costar, July 2019

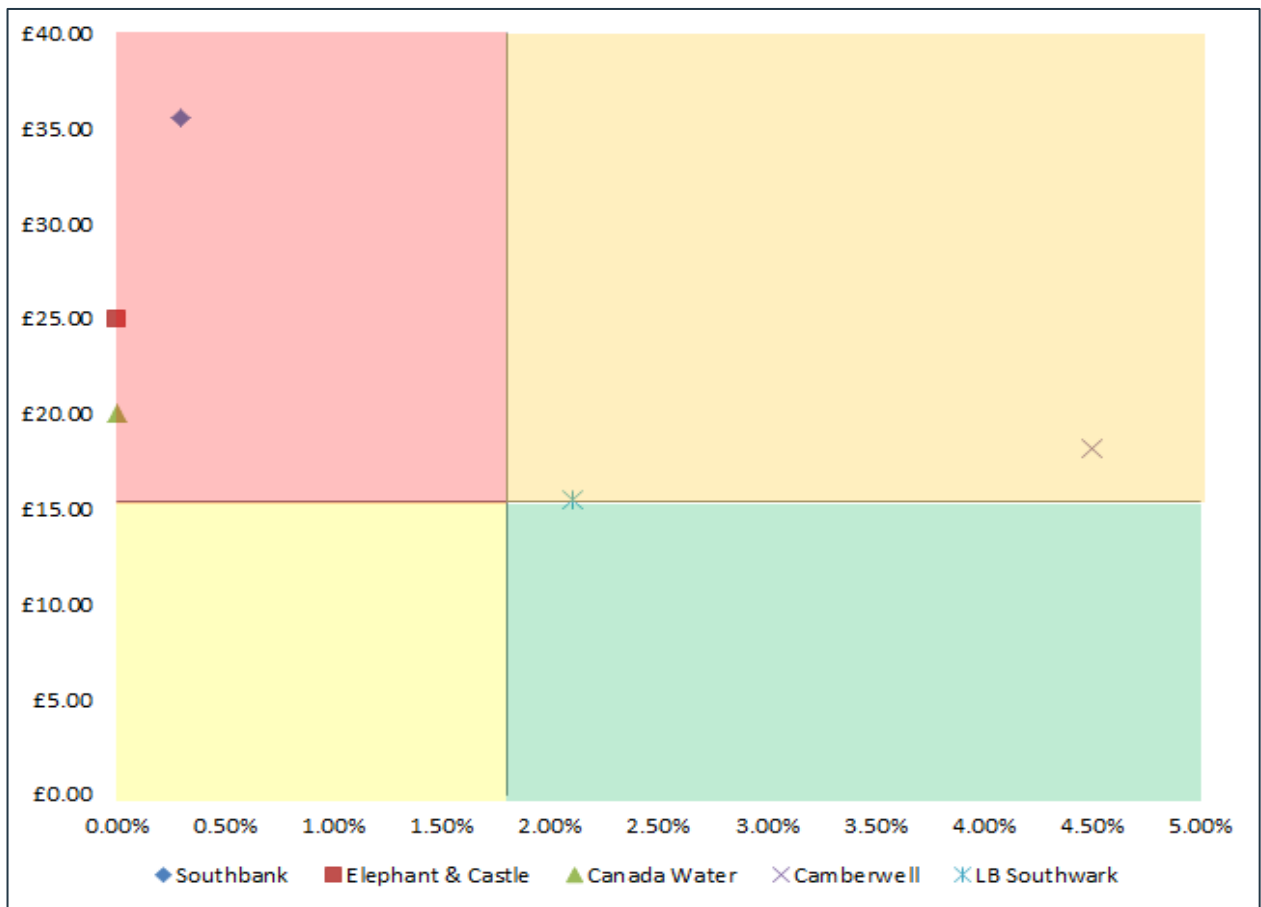
- 3.49. Figure 15 provides a comparison of rent and vacancy levels for industrial space in the different sub-areas and borough-wide against the averages observed for Greater London (represented by the axis)
- 3.50. The graph shows that with a relatively high level of vacancy at the borough-wide level (although this level of vacancy is probably below an optimal level), and extremely low level of vacancy in all sub-areas at the exception of Camberwell.
- 3.51. This high level of vacancy in Camberwell, which provides a large amount of floorspace, could indicate that either the stock is not fit for purpose or located in undesirable areas (when stock is fully leased on other areas despite higher rent).

<sup>8</sup> This only looks at spaces of 25,000 sqft or less (and not all industrial floorspace)



- 3.52. Together with high rent values in most sub-areas (at the exception of Peckham which shows rent values below the borough and London average), this could indicate that the sub-areas are considered as prime location for MSEs operating in the industrial sector.
- 3.53. The Southbank, Elephant & Castle and Canada Water are all characterised by a lack of vacant space and high rent prices. Policies put in place should aim at encouraging new developments into these areas rather than purely focusing on discounted rent (discounted rent alone will do nothing to deliver the additional space that might be needed).
- 3.54. Peckham is mainly characterised by a lack of vacant space, and therefore, discounted rent might not be required in this sub-area (unless higher quality of the new build pushes rent up).

**Figure 15: Industrial Space, rent (£/sqft/year) vs. vacancy (%) comparison (against Greater London)**

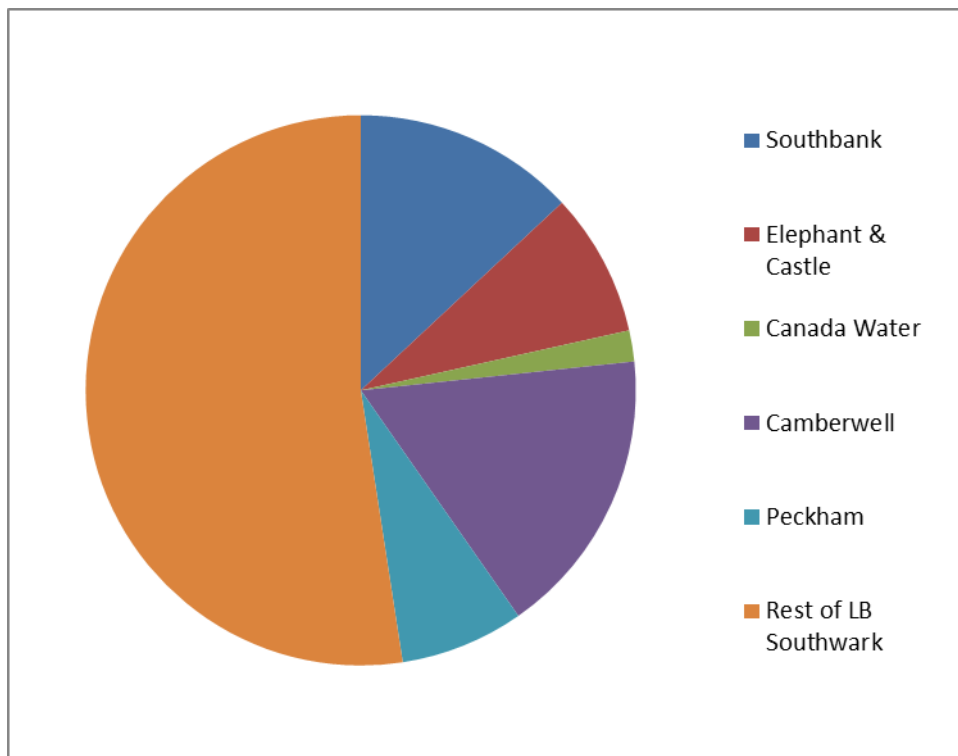


Source: Avison Young, Costar, July 2019

**Geographical distribution of existing industrial floorspace (up to 25,000 sqft)**

- 3.55. Unlike office space, the distribution of industrial space isn't highly concentrated in one area. The majority of the space (of up to 25,000 sqft), about 53%, is located in the rest of the borough. The remaining space is distributed between Camberwell (16%), the Southbank (13%), Elephant & Castle (8%), Peckham (7%) and Canada Water (2%).

**Figure 16: Industrial Space Distribution within LB Southwark**



Source: Avison Young, Costar, July 2019

### Floorspace change

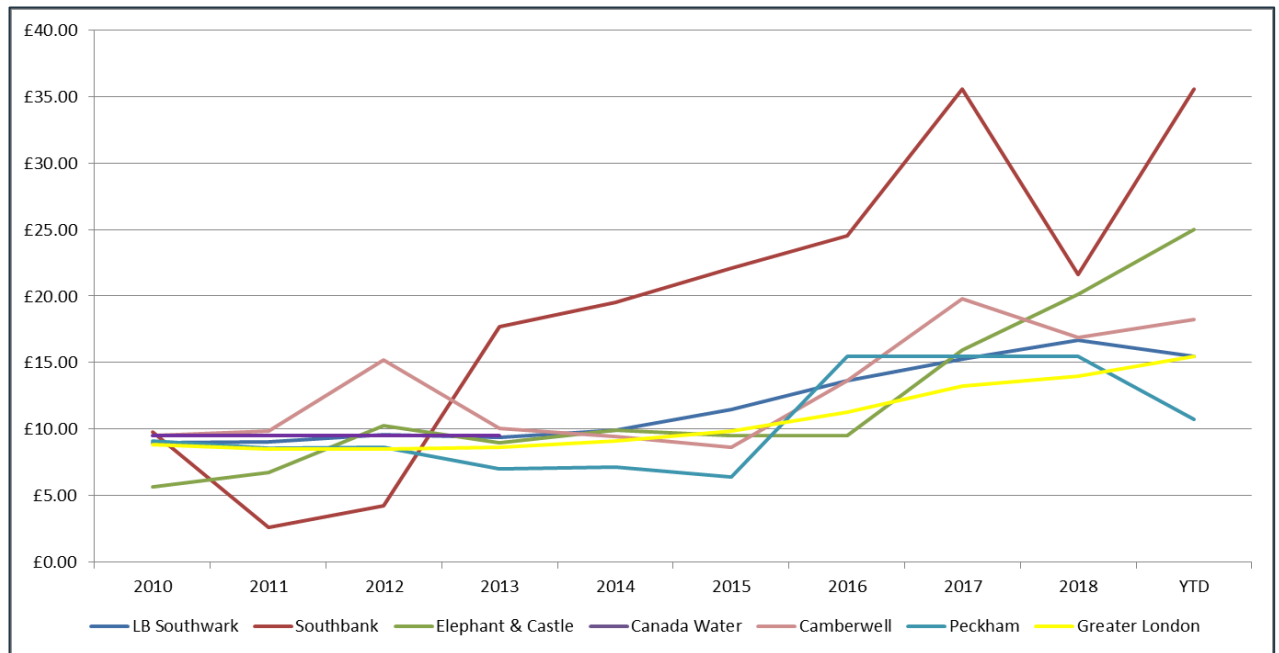
3.56. There has been no increase (or decrease) of industrial floorspace in the Borough since 2010. In comparison, an additional 2.1% of industrial floorspace has been created since 2010 in Greater London (this represents 1.3m sqft).

### Rent change

3.57. The rent level for industrial space in LB Southwark follows the Greater London trend and has increased by circa 50% between 2010 and 2019.

3.58. Whilst all areas started with a comparable rent level (£10/sqft/annum) in 2010, at the exception of Elephant & Castle which offered space at much lower rates, rent levels in both the Southbank and Elephant and Castle has increased dramatically between 2010 and 2019 to far exceed the average rent in Greater London and the average borough-wide.

**Figure 17: Industrial Rent (£/sqft/annum), 2010-2019, LB Southwark**



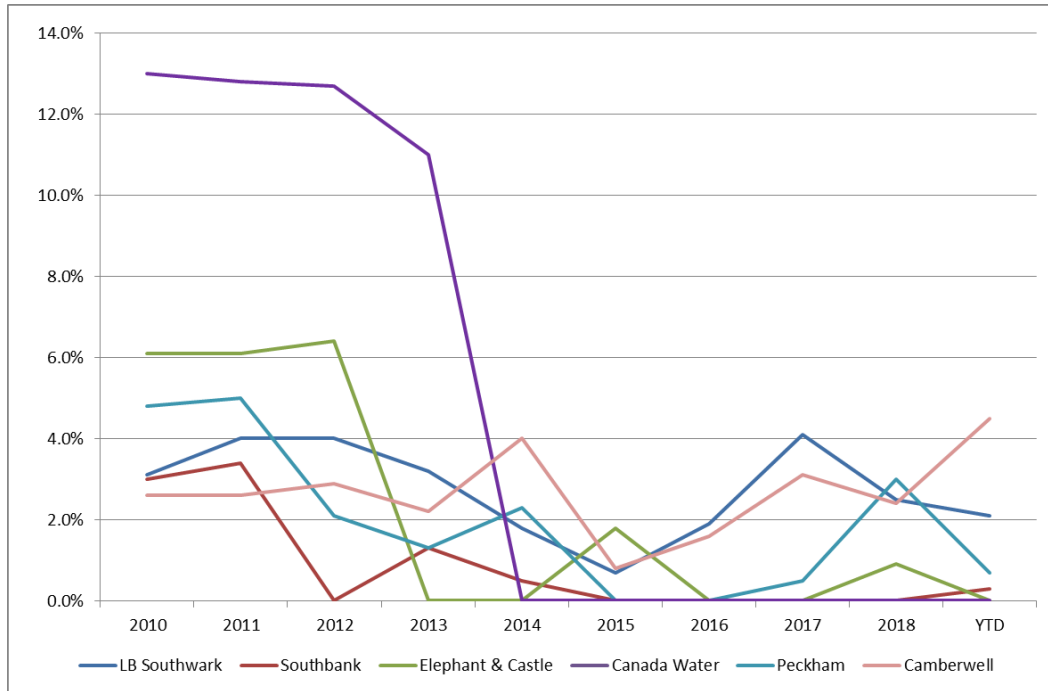
Source: Avison Young, Costar, July 2019

### Vacancy change

- 3.59. Vacancy rates of industrial space has dropped everywhere across the borough between 2010 and 2013-2015 to extremely low levels.
- 3.60. Vacancy rates remained low in all sub-areas after 2015, with the exception of Camberwell where the vacancy rates reached 4.5% at the time of this study.
- 3.61. There is currently 63,000 sqft of industrial floorspace vacant in the borough, with more than a third located in the Camberwell sub-area (22,900 sqft). This space could accommodate circa 130 additional jobs in the borough<sup>9</sup>.

<sup>9</sup> Rough estimate based on employment density guidance

Figure 18: Industrial Vacancy Rate (%), 2010-2019, LB Southwark

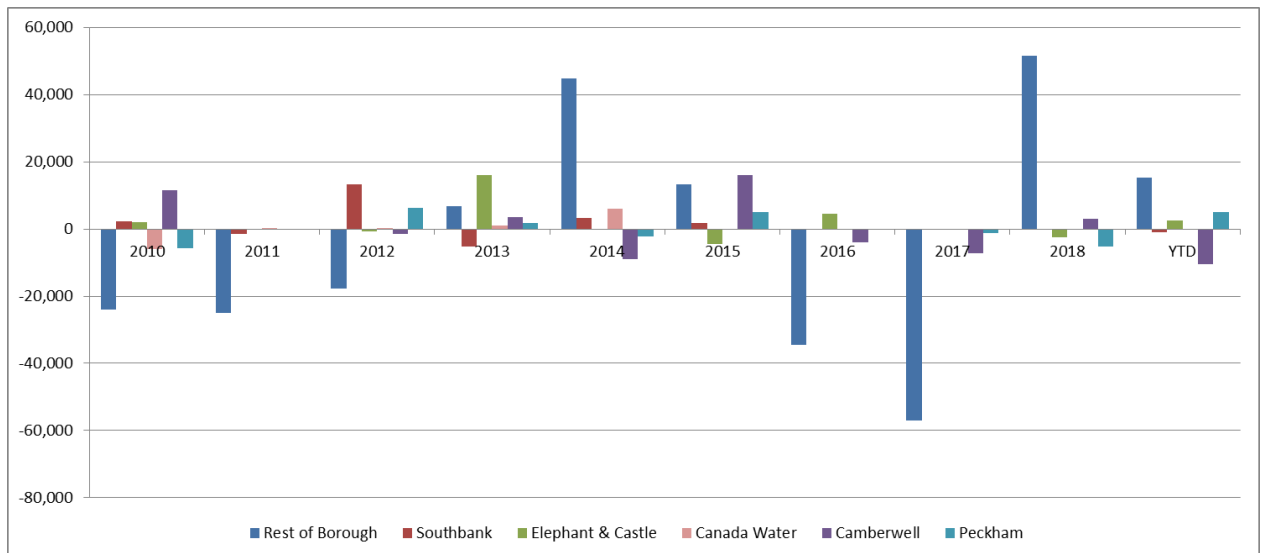


Source: Avison Young, Costar, July 2019

**Take-up**

3.62. Most of the activity on the industrial property market takes place in the rest of the borough, with very little activity in the sub-areas. This observation, associated with the low vacancy in most sub-areas, could indicate that businesses are unable to move to new premises, if needed, and therefore take the decision to stay where they are.

Figure 19: Industrial Floorspace, Net Absorption (sqft), 2010-2019, LB Southwark



Source: Avison Young, Costar, July 2019

**Quality**

3.63. The average industrial space in LB Southwark dates from 1950, with an average quality score of 2.2 (out of 5).

- 3.64. Industrial space in Peckham, Canada Water and Southbank is relatively dated (older than the borough average) and of relatively poor quality (score around 2). Industrial space in Canada is more modern and of better quality (however, this is based on a limited number of observations).

**Table 11: Industrial Space, Quality and Age, LB Southwark**

	Average Quality Score	Average Age (year completed)
<b>LB Southwark</b>	<b>2.2</b>	<b>1953</b>
Southbank	2.0	1940
Elephant & Castle	2.0	1924
Canada Water	2.8	1985
Camberwell	2.2	1958
Peckham	2.1	1944

Source: Avison Young, Costar, July 2019

## 4. Economic Baseline Analysis – LB Southwark

### LB Southwark Overview

#### Number of MSEs and historical growth

- 5.1. Southwark has seen the growth of the number of businesses (local units) based in the borough growing at a significantly high rate over the past 8 years.
- 5.2. Southwark counts 38% more businesses in 2018 than it did in 2010. This increase is well under the increase observed in Inner London (43%) and Greater London (45%).
- 5.3. In terms of MSEs, the growth is marginally greater, with an increase of 39% of MSEs between 2010 and 2018. Again, this number is below the Inner London average ((44%) and Greater London average (46%).
- 5.4. The difference of growth between all business sizes and MSEs is relatively small (difference of 0.04% annually) in Southwark, compared to Inner London (0.08% annually) and Greater London (0.09% annually) which may highlight some difficulty for MSEs to settle, remain or grow within the borough of Southwark.

**Table 12: Local Business Units (Total), LB Southwark**

	Southwark		Inner London		Greater London	
	All	MSEs	All	MSEs	All	MSEs
2010	13,250	12,710	199,535	192,185	392,535	379,595
2011	13,815	13,270	200,340	192,865	394,060	380,985
2012	14,155	13,610	211,410	203,745	419,735	406,455
2013	13,835	13,280	219,135	211,340	432,100	418,580
2014	14,750	14,155	233,650	225,710	461,025	447,275
2015	16,250	15,650	254,850	246,630	505,140	490,985
2016	17,310	16,670	270,320	261,860	537,145	522,695
2017	18,640	17,995	283,690	275,050	566,710	552,090
2018	18,320	17,630	285,335	276,430	568,200	553,200
<b>% All Businesses (2018)</b>	<b>100%</b>	<b>96.2%</b>	<b>100%</b>	<b>96.9%</b>	<b>100%</b>	<b>97.4%</b>
<b>CAGR</b>	<b>4.13%</b>	<b>4.17%</b>	<b>4.57%</b>	<b>4.65%</b>	<b>4.73%</b>	<b>4.82%</b>
<b>Change 2010-2018</b>	<b>38.3%</b>	<b>38.7%</b>	<b>43.0%</b>	<b>43.8%</b>	<b>44.8%</b>	<b>45.7%</b>

Source: NOMIS, Business Count

- 3.5. In 2018, MSEs represented 96.2% of all businesses in Southwark. This is slightly less than in Inner London, with 96.9% of all businesses being an MSE, or Greater London, with 97.4%.

- 5.5. The difference is even more noticeable when looking at micro businesses alone (1 to 9 employees). Micro enterprises represented 82.9% of all businesses in Southwark in 2018. They represented 84.7% in Inner London and 87.1% in Greater London.
- 5.6. The smallest proportion of MSEs and more importantly of micro businesses in Southwark likely reflects the central character of the borough (or at least the northern side of the borough) as a prime business area, attracting medium and large businesses to the detriment of MSEs.

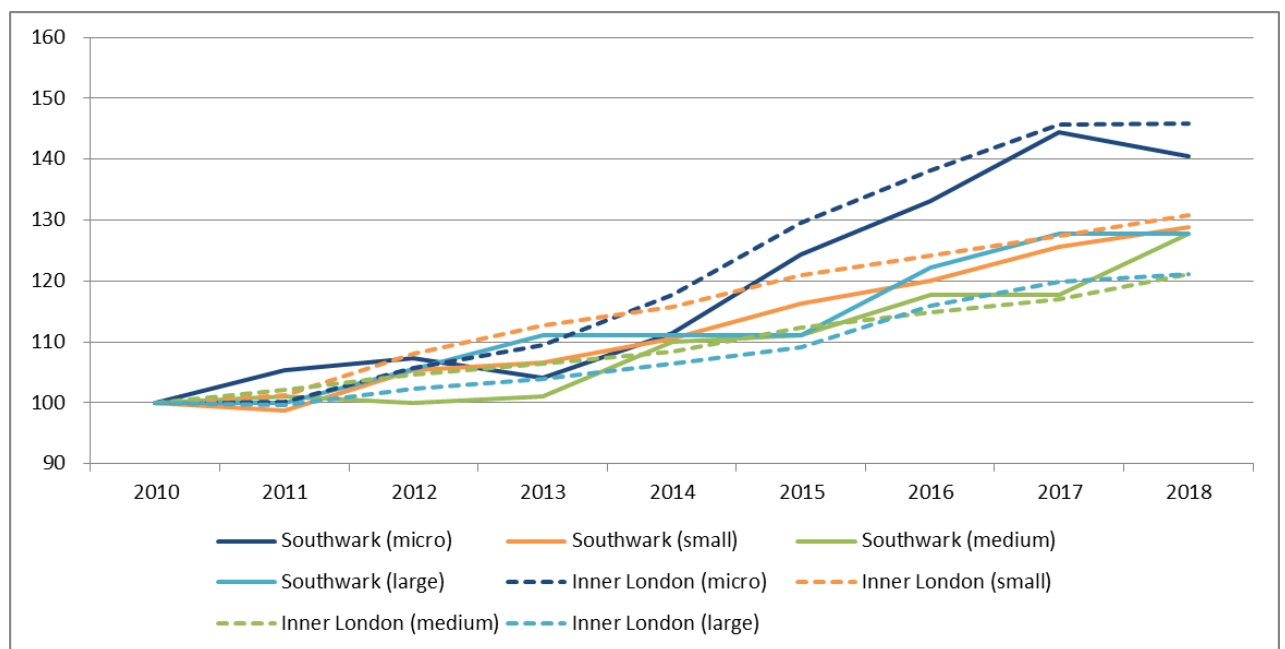
**Table 13: Local Business Units (change from previous year), LB Southwark**

	MSEs	Medium & Large
2011	560	5
2012	340	0
2013	-330	10
2014	875	40
2015	1,495	5
2016	1,020	40
2017	1,325	5
2018	-365	45

Source: NOMIS, Business Count

- 3.8. The following figure clearly shows that both micro and small enterprises grew at a lower rate in Southwark compared to Inner London between 2010 and 2018. Both the number of medium and large size businesses (50 or more employees) grew at a faster rate in the borough of Southwark than in Inner London over the same period.

**Figure 20: Businesses Growth (index) by company size**

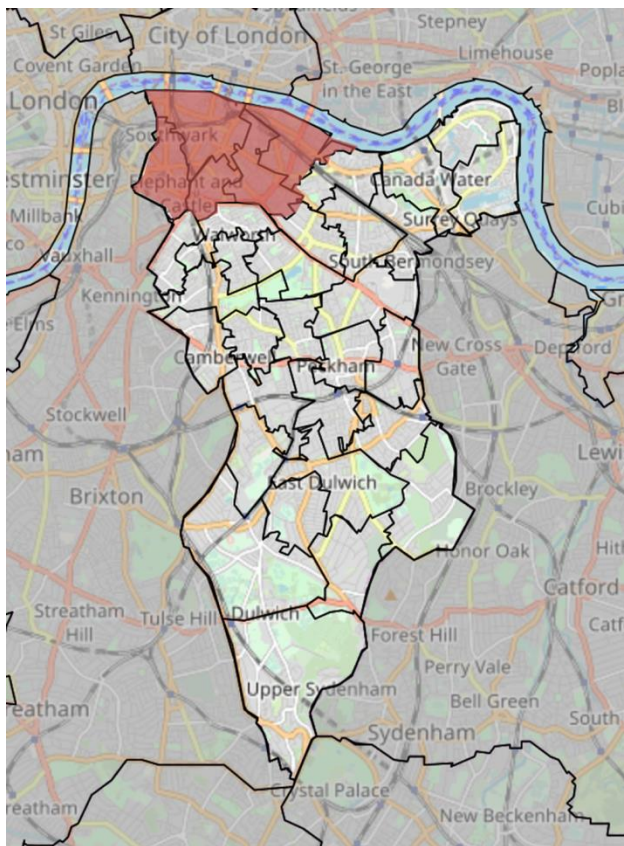


Source: NOMIS, Business Count

### MSEs at the local level

- 5.7. Whilst Southwark has a large proportion of MSEs (96.2%), this proportion varies widely from one local area to another. The repartition between micro and small companies also differs hugely from one location to another.
- 5.8. Looking at MSOAs' data, we can start forming a picture of the dynamics in Southwark, with generally the lowest concentration of MSEs in locations such as the Southbank (from Blackfriars Bridge to Tower Bridge), Borough and Elephant and Castle. These locations have a concentration of 80% or less of micro businesses (compared to 83% in average across the whole borough and up to 96.3% in some parts of the borough).
- 5.9. This area (composed of 5 MSOAs out of a total of 33 MSOAs in Southwark and identified in Figure 21) is host to 43% of all businesses in the borough.

**Figure 21: Southbank / Borough / Elephant & Castle**



Source: Avison Young, NOMIS

- 5.10. The southern half of the borough, south of Peckham Road, is characterised by a high concentration of micro businesses (above 90% in all but one MSOA) and MSEs in general (between 99% and 100%).

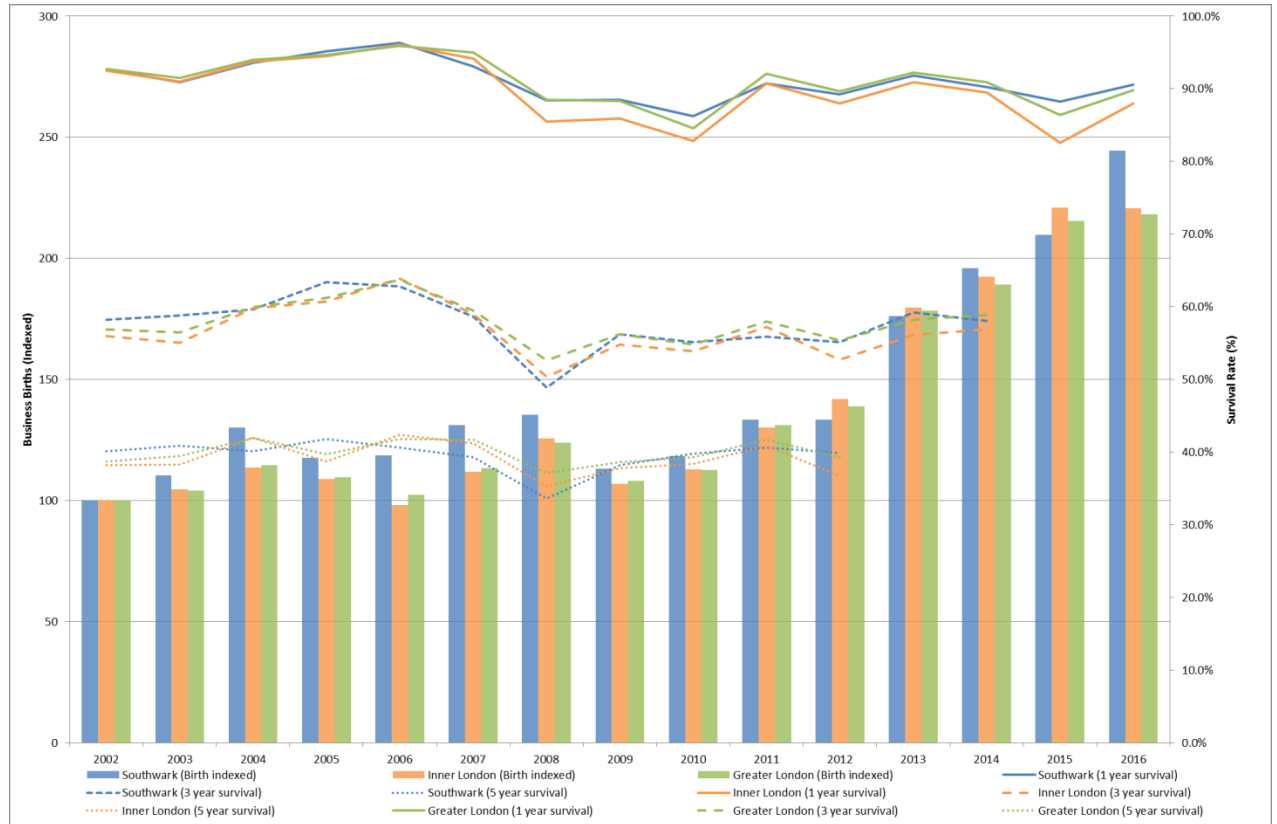
### Birth and survival rates

- 5.11. Birth and survival rates presented are for all businesses (all sizes) as no data is available for micro and small businesses alone.
- 5.12. Southwark presents both a good rate of birth and a good survival rate compared to the Inner and Greater London averages. With figures from the previous figures in mind, it is likely that the good performance of



Southwark is driven in part by the good performance of medium and large companies, particularly the good performance in survival rate (as subsidiaries/branches of large corporations will be more resilient to the economic environment than small independent start-ups).

Figure 22: Birth and Survival Rates, LB Southwark



Source: GLA Datastore

### Economic Activity

5.13. An analysis of location quotients highlights the importance (concentration) of particular industries in Southwark. Detailed data is provided in Appendices.

5.14. This initial analysis, on business counts, shows high concentration of MSEs in Southwark active in specific industries, compared to the average concentration of similar MSEs in the same industries in Inner London. These industries can be regrouped as follows:

- Manufacture (including Manufacture of wood, of basic pharmaceutical products, of rubber and plastic products, of other non-metallic mineral products, of fabricated metal products, of electrical equipment, of other transport equipment);
- **Advanced construction and engineering** (including Civil engineering, Specialised construction activities, Architectural and engineering activities; technical testing and analysis, Services to buildings and landscape activities);
- **Media and publishing** (including Printing and reproduction of recorded media, Publishing activities, Advertising and market research);

- **Retail, F&B and entertainment** (including Manufacture of food products, Manufacture of beverages, Food and beverage service activities, Retail trade, except of motor vehicles and motorcycles, Creative, arts and entertainment activities, Gambling and betting activities);
- **Professional services** (including Computer programming, consultancy and related activities, Activities of head offices; management consultancy activities, Other professional, scientific and technical activities)

- 5.15. Whilst the number of MSEs in Southwark grew by 39% between 2010 and 2018, the growth varied widely from one industry to the other. Table 14 summarises the growth by industries of importance (high concentration) highlighted above.
- 5.16. Overall, all industries at the exception of "Printing and reproduction of recorded media" and "Gambling and betting activities" have seen a growth in terms of number of MSEs in the borough.
- 5.17. All four categories of activities (combined industries) grew in terms of number of MSEs at a rate superior to the total borough average (39%), at the exception of the retail, F&B and entertainment category (25%), which demonstrates the strength of industries of importance in the London Borough of Southwark.
- 5.18. The slower growth in activities in retail, F&B and entertainment is not surprising given the current economic context and the growth in MSEs in retail has actually been greater than in Inner London or Greater London (28% against 24% and 21% respectively); growth in the number of MSEs in creative and arts activities is also greater than in Inner and Greater London (17% against 9% and 6% respectively) and the growth in the number of MSEs in the F&B activities is comparable to growth figures for the industry across Inner and Greater London (25% against 24% and 27%). This demonstrates a certain strength and resilience of the sector in the London Borough of Southwark.

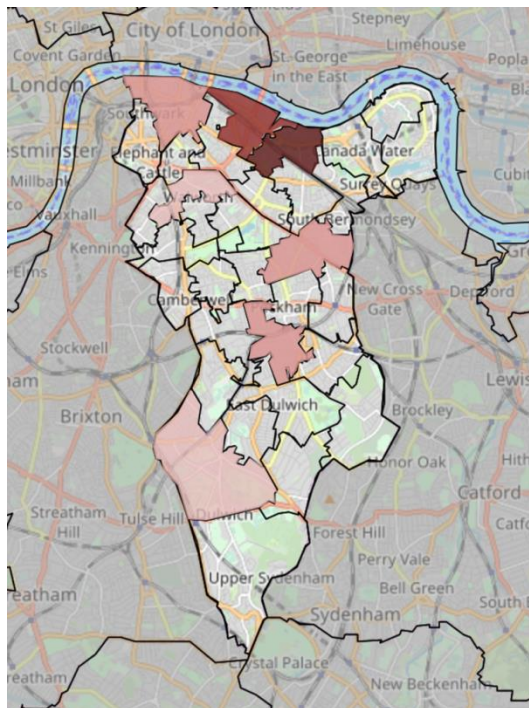
Table 14: MSEs growth (2010-2018), LB Southwark

Category	Industry (2 digits SIC Code)	# MSOAs with LQ>1	MSEs Count		
			2010	2018	% change 2010-2018
Manufacture	16 : Manufacture of wood and of products of wood and cork, except furniture	0	10	15	50%
	21 : Manufacture of basic pharmaceutical products and pharmaceutical preparations	0	5	5	0%
	22 : Manufacture of rubber and plastic products	1	5	10	100%
	23 : Manufacture of other non-metallic mineral products	0	5	10	100%
	25 : Manufacture of fabricated metal products, except machinery and equipment	3	55	55	0%
	27 : Manufacture of electrical equipment	1	5	15	200%
	30 : Manufacture of other transport equipment	0	0	10	0%
	<b>SUB-TOTAL</b>		<b>85</b>	<b>120</b>	<b>41%</b>
Advanced Construction and Engineering	42 : Civil engineering	16	40	115	188%
	43 : Specialised construction activities	24	305	425	39%
	71 : Architectural and engineering activities; technical testing and analysis	23	435	635	46%
	81 : Services to buildings and landscape activities	20	310	330	6%
	<b>SUB-TOTAL</b>		<b>1,090</b>	<b>1,505</b>	<b>38%</b>
Media and Publishing	18 : Printing and reproduction of recorded media	11	115	100	-13%
	58 : Publishing activities	17	140	190	36%
	73 : Advertising and market research	18	240	420	75%
	<b>SUB-TOTAL</b>		<b>495</b>	<b>710</b>	<b>43%</b>
Retail, F&B and Entertainment	10 : Manufacture of food products	4	20	50	150%
	11 : Manufacture of beverages	2	0	30	0%
	56 : Food and beverage service activities	19	910	1,135	25%
	47 : Retail trade, except of motor vehicles and motorcycles	18	1,070	1,365	28%
	90 : Creative, arts and entertainment activities	16	530	620	17%
	92 : Gambling and betting activities	9	90	75	-17%
	<b>SUB-TOTAL</b>		<b>2,620</b>	<b>3,275</b>	<b>25%</b>
Media and Publishing	62 : Computer programming, consultancy and related activities	26	875	1,710	95%
	70 : Activities of head offices; management consultancy activities	15	1,080	1,845	71%
	74 : Other professional, scientific and technical activities	23	625	925	48%
	<b>SUB-TOTAL</b>		<b>2,580</b>	<b>4,480</b>	<b>74%</b>
<b>LB SOUTHWARK</b>	<b>TOTAL (all industries)</b>		<b>12,685</b>	<b>17,605</b>	<b>39%</b>

Source: Avison Young, NOMIS (Business Count)

- 5.19. Additionally, Table 14 indicates the number of MSOAs in Southwark that have scored an LQ above 1 (compared to Inner London) by industry out of a total number of 33 MSOAs. This shows that the high concentration of most of the industries of importance is widespread across the borough, at the exception of all the manufacture activities, which is highly concentrated in a small number of MSOAs
- 5.20. Figure 23 shows those locations of concentration of the manufacturing industries, with the highest concentration in the north of the borough, likely driven by the provision of space in the rail arches (London Bridge to South Bermondsey) and small industrial estates along these arches (i.e. Old Jamaica Business Estate, Tower Workshops, the Biscuit Factory).

**Figure 23: MSOAs of high concentration for manufacturing industries (2018)**



Source: Avison Young, NOMIS (Business Count)

## Sub-Areas Character Baseline Analysis

### Overview

- 5.21. This section aims at understanding the baseline character of each sub-area and the dynamic they form within Southwark and London.
- 5.22. By looking at the number of MSEs in each sub-area, their evolution over time, and their concentration in this particular area, we will be able to understand:
- What the “specialisations” of each sub-area are (LQ analysis)
  - Which sectors are of significant size and therefore an important source employment in the sub-area
  - Which sectors of activity have contracted over the recent years (and may be faced with a challenging environment)
- 5.23. Table 15 shows that the Southbank concentrates a lot of all MSEs in the borough (circa 35% of all MSEs are located in this sub-area), with Peckham being the second in number of MSEs (circa 13%). These two sub-

areas are also amongst the sub-areas which experienced the fastest growth in number of MSEs between 2016 and 2018 (data prior 2016 is not available at this geographical level).

- 5.24. Elephant & Castle has been the sub-areas with the highest growth in the number of MSEs in Southwark, with a growth of 8.8%, well above the borough average (5.8%).
- 5.25. The borough performance in terms of MSEs growth is comparable to the Inner and Greater London average, with Southbank and Elephant and Castle (the most "inner" sub-areas in Southwark) performed slightly better than the Inner London average.

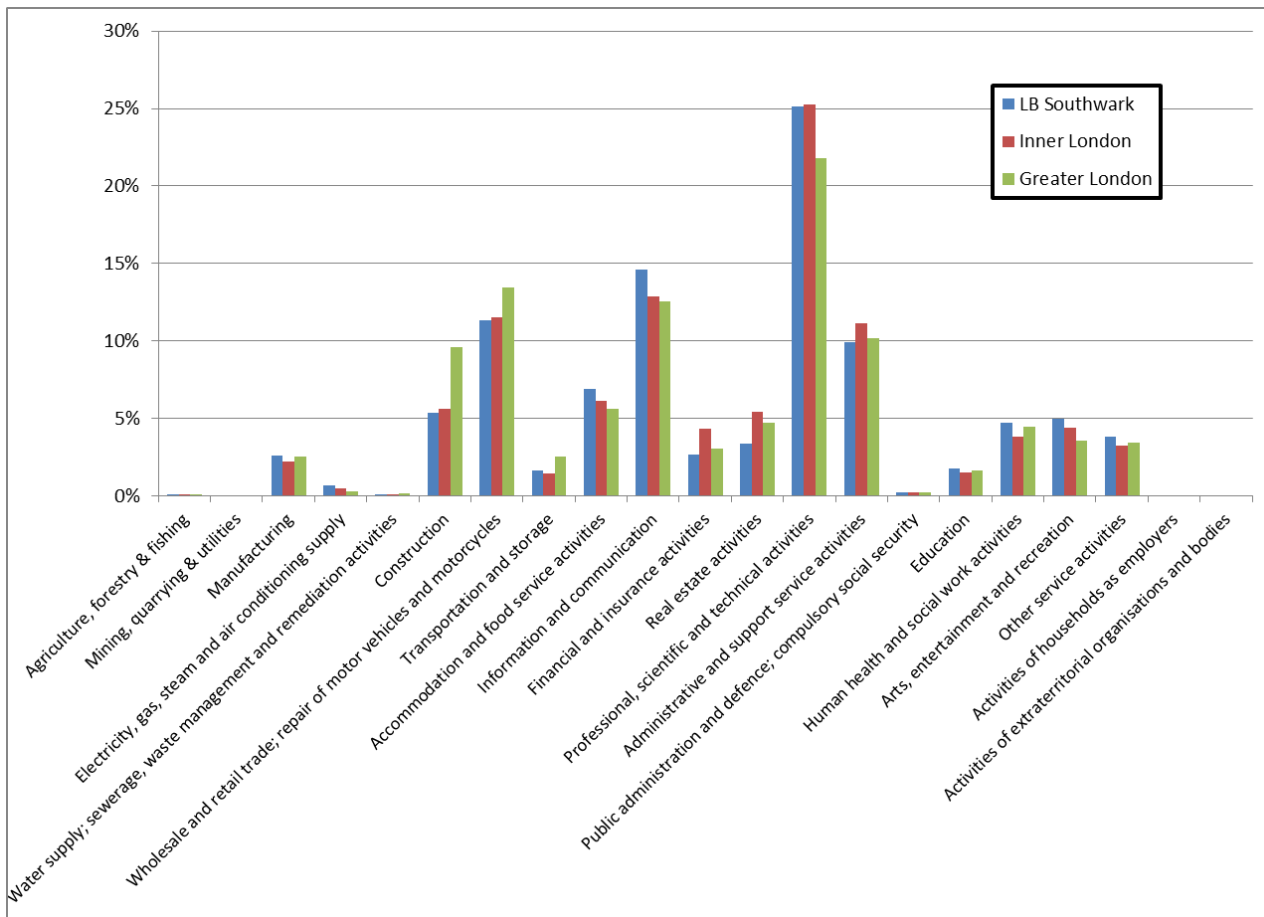
**Table 15: MSEs Overview, LB Southwark**

	% MSEs	# MSEs 2016	# MSEs 2018	Change # MSEs 2016-2018 (%)
Southbank	93.2%	5,670	6,135	8.2%
Elephant & Castle	96.3%	1,425	1,550	8.8%
Canada Water	98.9%	1,385	1,385	0.0%
Camberwell	96.8%	1,065	1,070	0.5%
Peckham	98.1%	2,165	2,295	6.0%
<b>LB Southwark</b>	<b>96.3%</b>	<b>16,670</b>	<b>17,630</b>	<b>5.8%</b>
Inner London	96.9%	261,860	276,430	5.6%
Greater London	97.4%	522,695	553,200	5.8%

Source: Avison Young, NOMIS (Business Count)

- 5.26. Overall, Southwark is characterised by a local economy overwhelmingly turned towards the service industry. More than 60% of all MSEs located in the borough are active across four industrial sections:
- Professional, scientific and technical activities (25%): mainly represented by activities of head offices; management consultancy activities
  - Information and communication (15%): mainly represented by computer programming, consultancy and related activities
  - Wholesale and retail trade; repair of motor vehicles and motorcycles (11%): mainly represented by retail trade activities, except of motor vehicles and motorcycles
  - Administrative and support service activities (10%): mainly represented by office administrative, office support and other business support activities
- 5.27. This repartition of MSEs between industrial sections closely aligns with the Inner London repartition, with a few minor differences (importance of finance and real estate is less important in Southwark but compensated by a higher proportion of MSEs in information and communication).

Figure 24: LB Southwark, Repartition of MSEs by Industrial Sections (2018)



Source: Avison Young, NOMIS (Business Count)

**Southbank**

- 5.28. Due to data constraint, the analysis of the Southbank sub-area covers a different (and less accurate) area from the one assumed for the property market. Therefore, direct parallels between these two sections of the report should be made carefully.
- 5.29. Figure 25 shows the boundaries of the Southbank sub-area. In black are the MSOAs used as part of the economic analysis and in red highlight is the sub-area boundaries, used as part of the property market analysis.

**Figure 25: Southbank Study Area Boundaries**

Source: Avison Young

- 5.30. The character of Southbank, in term of type of activities, differs from the Borough average, with a high concentration of financial and real estate activities to the detriment of manufacturing, construction, wholesale and retail and art, entertainment and recreation. The high concentration of office based activities is not unsurprising given the central nature of the area.
- 5.31. Table 16 presents a summary analysis of the Southbank sub-area by industrial section.
- 5.32. This table provides LQs of industrial sections in the Southbank compared to LB Southwark, Inner London and Greater London. This highlights industries of particular concentration (clustering) in the Southbank area.
- 5.33. This table also provides an analysis of the number of MSEs by industrial section in 2016, 2018 and the change between these two years. This highlights industries of particular importance at the local level (important source of employment) as well as industries facing difficulties (where growth in term of number of MSEs in below the borough average). There is a caveat to this analysis a reduction of the number of MSEs could be explained by businesses growing and moving from a MSE classification to a medium-size company. An analysis of employment within MSEs would be more appropriate but lack of detailed data does not allow us to carry this analysis.

**Table 16: Sub-area Analysis, Southbank**

Southbank	LQ Southwark	LQ Inner London	LQ Greater London	# MSEs (2018)	2016-2018 # MSEs Change (%)	2016-2018 # MSEs Change
Manufacturing	0.62	0.73	0.64	100	-9%	-10
Construction	0.81	0.78	0.45	265	0%	0
Wholesale and retail trade; repair of motor vehicles and motorcycles	0.72	0.71	0.61	495	6%	30
Transportation and storage	0.85	0.95	0.55	85	0%	0
Accommodation and food service activities	1.04	1.17	1.28	435	12%	45
Information and communication	0.96	1.08	1.11	845	11%	85
Financial and insurance activities	1.83	1.15	1.63	300	43%	90
Real estate activities	1.42	0.88	1.01	290	7%	20
Professional, scientific and technical activities	1.08	1.08	1.25	1650	2%	25
Administrative and support service activities	1.22	1.09	1.19	735	18%	110
Arts, entertainment and recreation	0.73	0.82	1.03	220	19%	35
Other service activities	0.95	1.11	1.05	220	-4%	-10

Source: Avison Young

**LQ Analysis**

- 5.34. The LQ analysis presented shows quotients close to 1 (meaning the concentration of MSEs within the industrial section in the Southbank is comparable to the concentration in the same industrial section in Southwark/inner London/Greater London).
- 5.35. LQs show that the Southbank has a high concentration of financial and insurance activities at all levels of LQ analysis as well as administrative and support services activities
- 5.36. The full analysis, at SIC 2 digit level, is provided in Appendix and main observations are summarised in the conclusion of the analysis of this sub-area.

**Industries of Local Importance**

- 5.37. There are three particularly important industrial sections for the local economy of the sub-area which are Professional, scientific and technical activities; Information and communication and Administrative and support service activities. Together these three industrial sections represent 3,230 MSEs in the sub-area (circa 53% of all MSEs in this sub-area).
- 5.38. The full analysis, at SIC 2 digit level, is provided in Appendix and main observations are summarised in the conclusion of the analysis of this sub-area.

**Growth Analysis**

- 5.39. The total number of MSEs in the Southbank sub-area increased by 8.2% between 2016 and 2018. This is more than the borough-wide average of 5.8%.
- 5.40. Looking exclusively to industries which could be associated with workspace (i.e. excluding health services, education, public administration and other industries which require specific purpose-built spaces), the growth in number of MSEs is even in the sub-area and reached 8.4%, the second fastest growth (after Peckham).



- 5.41. Many industrial sections have seen a decrease or a slow growth (below borough average) of their number of MSEs in the Southbank between 2016 and 2018. This is particularly important as those businesses could be the ones facing challenging times and being priced out of the area due to the cost of space or the lack of availability of suitable space.
- 5.42. The industrial sections showing the lowest growth rates (including negative rates) include manufacturing, construction, transport and storage, professional, scientific and technical activities, and other service activities.
- 5.43. High productivity industries faced with low growth may be facing an issue of space availability that fits their requirements; whilst low productivity industries facing with low growth may struggle with general financial affordability of the space in the area.
- 5.44. The full analysis, at SIC 2 digit level, is provided in Appendix and main observations are summarised in the conclusion of the analysis of this sub-area.

### Conclusion

- 5.45. The following figure provides a summary of key industrial sectors and detailed industries (SIC 2 digit) for the Southbank, where industries circled in red have been identified as challenged industries.
- 5.46. Southwark Council may consider that intervention for the delivery of affordable workspace is required to support the growth of those (or some of those) industries, particularly the struggling industries which are also highly concentrated in the area (forming a cluster) and are a large source of employment within the sub-area.
- 5.47. It is to be noted that some industries will decrease in term of the number of MSEs present in the sub-area due to factors other than affordability of the workspace. It is not unreasonable to believe that some businesses will grow their activity and therefore be reclassified as medium-sized company, whilst the number of new entrants will not totally outweigh this shift. Some business may also decide to relocate their activity elsewhere for strategic reasons independent of the question of affordability (i.e. retail and wholesale may relocate to stay close to their clients should those move).
- 5.48. The Council may also want to consider supporting specific industries which are considered as important for the sub-area and could, with some support (particularly supporting the supply chain of high value industries), form clusters in the sub-area and drive economic growth (i.e. supporting the supply chain of a high productivity industry will help develop the sub-area as a competitive and integrated cluster and eventually attract additional businesses from other areas).

Figure 26: Sub-area Analysis Summary, Southbank



Source: Avison Young

- 5.49. The Professional, Scientific and Technical activities sector has long been the predominant sector in the Southbank sub-area, however in recent years there has been relatively low growth in the sector in terms of the number of businesses – reflecting perhaps the shift towards larger corporate activity that has occurred in the area and the affect this has had on rents and property provision. Whilst some elements (such as activities of head offices; management consultancy activities; architectural and engineering activities; technical testing and analysis) have experienced a positive growth this has been below the Borough average of 5.8%
- 5.50. Other professional, scientific and technical activities have been particularly affected as they lost 17% of their MSEs in the sub-area between 2016 and 2018 (from 325 MSEs to 270 MSEs). This would include activities such as design, photography, film processing, translation and interpretation, environmental consulting and quantity surveying. These uses would have long been the bedrock of the Bankside economy, benefitting from its (originally) cheaper rents, proximity to the City/West End and the nature of space provided in ex-industrial buildings.
- 5.51. Many activities focused on design and creative endeavour have been attracted to the this sub-area due to the high concentration of anchor cultural institutions between London Bridge and Bermondsey Street/Tanner Street such as the Greenwood Theatre, London Glassblowing, Fashion and Textile Museum, White Cube, Ugly

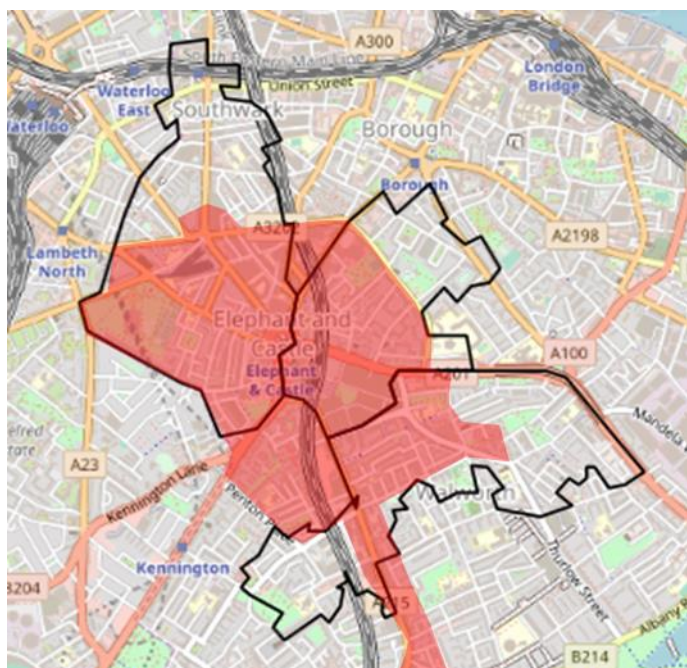
Duck Studios, etc as well as the proximity to other Central London creative hubs and anchors. Ultimately it is this proximity factor that is a key consideration, with a number of businesses unlikely to be able to relocate a significant distance from the location if they are to continue to trade efficiently.

- 5.52. However, despite being location sensitive, these activities are also particularly susceptible to the changing nature of floorspace provision in recent years and the rapid increase in rents in this area. To address these issues there may be a need to provide more affordable and appropriately scaled workspace in this sub-area to enable MSEs to remain or locate here. This would have to include a mix of small offices and affordable studios.
- 5.53. Given the high land values in the area this may need to be focussed away from the more 'corporate' locations to the north of Tooley Street, focussing instead on locations around the fringes of the sub-area such as Bermondsey Street.
- 5.54. The ability to provide affordable space in this location will be challenging however there are wider benefits to securing this space for them beyond the solely economic. MSEs within the creative industry, when offering activities for the public, will complement the leisure and cultural offer and support the food and beverage industry which is a key industry in this sub-area. The provision of maker-seller spaces could be considered to improve this offer (studios/maker space with selling area at the front) and help improve affordability by combining back and front of house activities, reducing the need for a business to occupy two separate locations.

### **Elephant & Castle**

- 5.55. Due to data constraint, the analysis of the Elephant & Castle sub-area covers a different (and less accurate) area from the one assumed for the property market. Therefore, direct parallels between these two sections of the report should be made carefully.
- 5.56. Figure 27 shows the boundaries of the Elephant & Castle sub-area. In black are the MSOAs used as part of the economic analysis and in red highlight is the sub-area, used as part of the property market analysis.

Figure 27: Elephant & Castle Study Area Boundaries



Source: Avison Young

- 5.57. Table 17 presents a summary analysis of the Southbank sub-area by industrial section.
- 5.58. This table provides LQs of industrial sections in the Southbank compared to LB Southwark, Inner London and Greater London. This highlights industries of particular concentration (clustering) in the Southbank area.
- 5.59. This table also provides an analysis of the number of MSEs by industrial section in 2016, 2018 and the change between these two years. This highlights industries of particular importance at the local level (important source of employment) as well as industries facing difficulties (where growth in term of number of MSEs in below the borough average). There is a caveat to this analysis a reduction of the number of MSEs could be explained by businesses growing and moving from a MSE classification to a medium-size company. An analysis of employment within MSEs would be more appropriate but lack of detailed data does not allow us to carry this analysis.

Table 17: Sub-area Analysis, Elephant & Castle

Elephant & Castle	LQ Southwark	LQ Inner London	LQ Greater London	# MSEs (2018)	2016-2018 # MSEs Change (%)	2016-2018 # MSEs Change
Manufacturing	0.26	0.31	0.27	10	-33%	-5
Construction	0.71	0.68	0.40	55	0%	0
Wholesale and retail trade; repair of motor vehicles and motorcycles	0.98	0.97	0.83	160	14%	20
Transportation and storage	0.84	0.94	0.55	20	-20%	-5
Accommodation and food service activities	1.16	1.30	1.43	115	0%	0
Information and communication	1.02	1.16	1.19	215	10%	20
Financial and insurance activities	0.90	0.56	0.80	35	40%	10
Real estate activities	0.92	0.58	0.66	45	13%	5
Professional, scientific and technical activities	0.93	0.92	1.07	335	5%	15
Administrative and support service activities	0.91	0.81	0.88	130	-4%	-5
Arts, entertainment and recreation	0.84	0.94	1.18	60	-14%	-10
Other service activities	1.19	1.38	1.30	65	-13%	-10

Source: Avison Young

- 5.60. The character of Elephant & Castle, in term of type of activities, is not too dissimilar to the Borough average, with LQs for most industrial section close to one. There are however a few exceptions, with a really low concentration of manufacturing businesses (MSEs) and a low proportion of construction businesses in this sub-area.
- 5.61. The local economy is mainly driven (in terms of MSEs) by the professional, scientific and technical activities, and the information and communication activities.

#### **LQ Analysis**

- 5.62. There is no major concentration of particular industrial section in Elephant and Castle, at the exception of Accommodation and food service activities, driven by a high concentration of food and beverage services in the sub-area.
- 5.63. There are a few detailed industries, which are relevant for this study, which show a high level of concentration such as Manufacture of wearing apparel; Civil engineering; Publishing activities; Services to buildings and landscape activities; Activities of membership organisations.
- 5.64. The full analysis, at SIC 2 digit level, is provided in Appendix and main observations are summarised in the conclusion of the analysis of this sub-area.

#### **Industries of Local Importance**

- 5.65. The largest industrial sections in Elephant & Castle are the Professional, scientific and technical activities and Information and communication. However, similarly to LQs, these sections are not focused on particular industries and there are very few large detailed industries in Elephant & Castle, the largest one being Activities of head offices; management consultancy activities (160 MSEs in 2018, representing 11% of all MSEs in this sub-area). Computer programming, consultancy and related activities and Food and beverage service activities are also two large industries.
- 5.66. The full analysis, at SIC 2 digit level, is provided in Appendix and main observations are summarised in the conclusion of the analysis of this sub-area.

#### **Growth Analysis**

- 5.67. The total number of MSEs in Elephant & Castle increased by 8.8% between 2016 and 2018. This is more than the borough-wide average of 5.8% and the highest percentage increase of all sub-areas.
- 5.68. However, excluding industries which would require specialised spaces (and therefore could not be located within workspaces), this growth drops to 4.3% meaning that the growth in the number of MSEs in Elephant & Castle was mainly driven by industries which are irrelevant for this study.
- 5.69. Table 17 shows that a high number of industrial sections actually experienced a reduction in the number of MSEs in Elephant & Castle between 2016 and 2018, including manufacturing; transportation and storage; administrative and support services activities; arts, entertainment and recreation; other service activities.

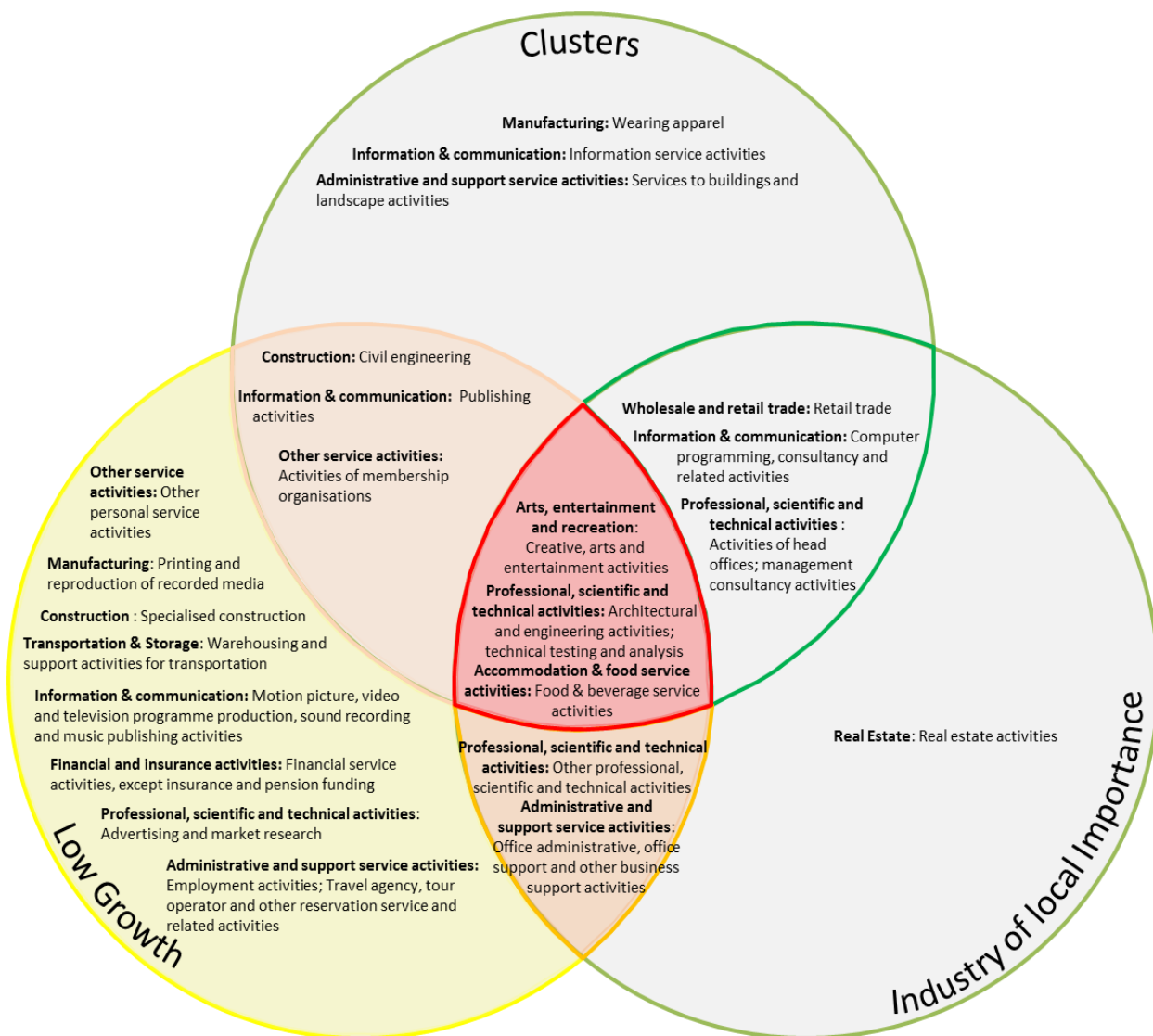
5.70. The full analysis, at SIC 2 digit level, is provided in Appendix and main observations are summarised in the conclusion of the analysis of this sub-area.

**Conclusion**

5.71. The following figure provides a summary of key industrial sectors and detailed industries (SIC 2 digit) for Elephant & Castle, where industries circled in red have been identified as challenged industries.

5.72. Similarly to comments made in paragraphs 5.45 to 5.46, considerations should be given to struggling industries as well as industries of high importance for the local economy.

**Figure 28: Sub-area Analysis Summary, Elephant & Castle**



Source: Avison Young

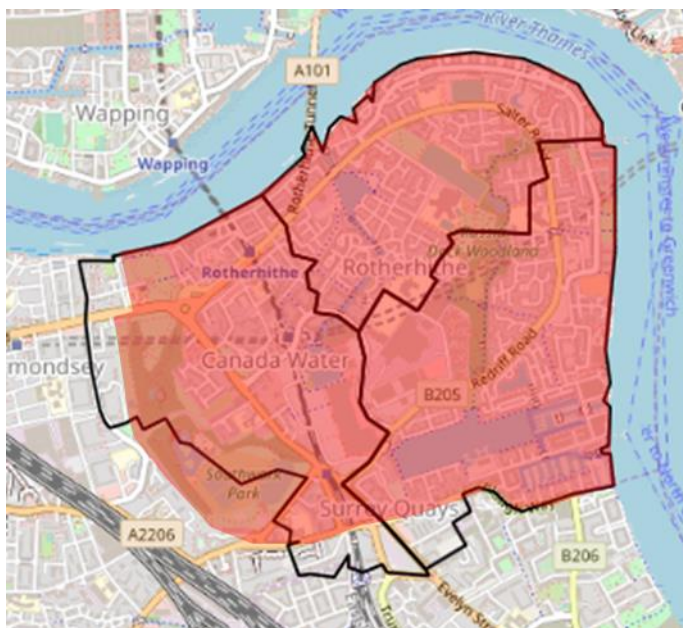
5.73. The sub-area has a diverse business base cutting across industrial, office and studio based activities. However there has been mixed performance and limited growth across many sectors, which may reflect the impact of large scale development and regeneration that is occurring across the area, disrupting business activity.

- 5.74. The area has seen an increase in activity broadly within the creative sector, which is likely (in part at least) to have some link to the presence the LCCC and UAL in the area, similarly small production based activity has remained in a small form – however with far less activity than the scale of floorspace provision would suggest.
- 5.75. Both of these areas are likely to have been constrained by property factors including cost and nature of space. The area is the second most expensive in the borough and is likely to have experienced a shift in occupier types in its 'industrial' spaces. To help retain and grow these activities, which have significant growth potential in London, the provision of affordable light industrial and studio spaces will be necessary – this could link to initiatives at LCCC and LSBU to create space for graduate 'spin outs'.
- 5.76. There is also a clear need for additional office space based on the data considered particularly to capture and retain growth in high productivity activities such as computer programming and consultancy, activities auxiliary to financial services and insurance activities, legal and accounting activities, activities of head office and management consultancy. Our analysis of the office market suggests without affordable space these may be priced out of the area or have difficulties finding space in this sub-area given the low provision of space and low level of vacancy.

**Canada Water**

- 5.77. Due to data constraint, the analysis of the Canada Water sub-area covers a different (and less accurate) area from the one assumed for the property market. Therefore, direct parallels between these two sections of the report should be made carefully.
- 5.78. Figure 29 shows the boundaries of the Canada Water sub-area. In black are the MSOAs used as part of the economic analysis and in red highlight is the sub-area, used as part of the property market analysis.

**Figure 29: Canada Water Study Area Boundaries**



Source: Avison Young

- 5.79. Table 18 presents a summary analysis of the Southbank sub-area by industrial section.

- 5.80. This table provides LQs of industrial sections in the Southbank compared to LB Southwark, Inner London and Greater London. This highlights industries of particular concentration (clustering) in the Southbank area.
- 5.81. This table also provides an analysis of the number of MSEs by industrial section in 2016, 2018 and the change between these two years. This highlights industries of particular importance at the local level (important source of employment) as well as industries facing difficulties (where growth in term of number of MSEs in below the borough average). There is a caveat to this analysis a reduction of the number of MSEs could be explained by businesses growing and moving from a MSE classification to a medium-size company. An analysis of employment within MSEs would be more appropriate but lack of detailed data does not allow us to carry this analysis.

**Table 18: Sub-area Analysis, Canada Water**

Canada Water	LQ Southwark	LQ Inner London	LQ Greater London	# MSEs (2018)	2016-2018 # MSEs Change (%)	2016-2018 # MSEs Change
Manufacturing	0.00	0.00	0.00	0	-100%	-5
Construction	1.22	1.17	0.68	85	13%	10
Wholesale and retail trade; repair of motor vehicles and motorcycles	0.68	0.67	0.57	100	-26%	-35
Transportation and storage	0.47	0.52	0.30	10	-33%	-5
Accommodation and food service activities	0.78	0.88	0.97	70	17%	10
Information and communication	1.61	1.83	1.87	305	5%	15
Financial and insurance activities	0.72	0.45	0.64	25	-38%	-15
Real estate activities	1.14	0.71	0.81	50	0%	0
Professional, scientific and technical activities	1.21	1.21	1.40	395	0%	0
Administrative and support service activities	0.78	0.69	0.76	100	-5%	-5
Arts, entertainment and recreation	0.70	0.79	0.98	45	13%	5
Other service activities	0.81	0.94	0.89	40	0%	0

Source: Avison Young

- 5.82. The character of Canada Water is predominantly turned towards office activities, with a small provision of industrial floorspace (for MSEs) in the area, probably driven by the location of Canada Water being half way between London Bridge and Canary Wharf, two major business districts in London.

**LQ Analysis**

- 5.83. There is a high concentration of information and communication services around Canada Water, mainly driven by high concentration of the computer programming, consultancy and related activities. To some extent, the economic character of Canada Water is not too dissimilar to the one of Elephant & Castle (as a provider of professional support activities to prime business districts).
- 5.84. There are a few detailed industries, which are relevant for this study, which show a high level of concentration such as Computer programming, consultancy and related activities; Activities of head offices; management consultancy activities or Civil engineering.
- 5.85. The full analysis, at SIC 2 digit level, is provided in Appendix and main observations are summarised in the conclusion of the analysis of this sub-area.

**Industries of Local Importance**

- 5.86. The largest industrial sections in Canada Water are the Professional, scientific and technical activities and Information and communication, this is similar to Elephant & Castle.



- 5.87. These two industrial sections occupy 700 MSEs in Canada Water, out of a total of 1,385 MSEs in the sub-area (or just over 50% of all MSEs).
- 5.88. Whilst the high number of MSEs observed in information and communication is exclusively driven by a high number of MSEs operating in Computer programming, consultancy and related activities, the high number of MSEs in professional services is made up of MSEs operating in a variety of fields (Activities of head offices; management consultancy activities ; Legal and accounting activities; Other professional, scientific and technical activities; and Architectural and engineering activities; technical testing and analysis)
- 5.89. The full analysis, at SIC 2 digit level, is provided in Appendix and main observations are summarised in the conclusion of the analysis of this sub-area.

### **Growth Analysis**

- 5.90. The total number of MSEs in Canada Water did not change between 2016 and 2018 (0% change). This is well below the borough-wide average of 5.8% and the worst performance amongst all the sub-areas.
- 5.91. Excluding industries which would require specialised spaces (and therefore could not be located within workspaces), this "growth" drops even lower to -1.7% and may suggest a true problem of affordability for MSEs in this sub-area (either in term of price or in term of access to adequate space).
- 5.92. Table 18 shows that most industrial sections experienced a reduction or a low growth in the number of MSEs in the sub-area between 2016 and 2018. These include manufacturing (which has disappeared, however starting from a low number), wholesale and retail trade, transportation and storage, financial and insurance activities, real estate activities, professional, scientific and technical activities, and other service activities.
- 5.93. The full analysis, at SIC 2 digit level, is provided in Appendix and main observations are summarised in the conclusion of the analysis of this sub-area.

### **Conclusion**

- 5.94. The following figure provides a summary of key industrial sectors and detailed industries (SIC 2 digit) for Canada Water, where industries circled in red have been identified as challenged industries.
- 5.95. Similarly to comments made in paragraphs 5.45 to 5.46, considerations should be given to struggling industries as well as industries of high importance for the local economy.

Figure 30: Sub-area Analysis Summary, Canada Water



Source: Avison Young

- 5.96. What is clear from this analysis is that the development and regeneration of Canada Water is having a dramatic effect on its economic make up. The traditional 'manufacturing' has all but disappeared with the area currently dominated by activities related to the delivery of the area's regeneration programme including specialised construction activities, civil engineering, architectural and engineering activities.
- 5.97. Aside from these activities the area appears to have a nascent grouping of tech based and professional services, with some growth in computer programming, management consultancy and advertising activity. These may provide some signal of how the economy may evolve as the area matures into its new form.
- 5.98. Given the point at which Canada Water has reached there is an opportunity to shape the economy here in a way that harnesses strategic growth trends and provides new opportunities for high value activity. A key part of that approach will be the ability to attract and retain small and start-up enterprises to create the dynamism and vibrancy that will help attract larger occupiers.
- 5.99. With no 'proven' sector in the area at present the area is going to need 'seeding' with a range of new activities that can create a new economic hub in the area. This creates an opportunity to place small

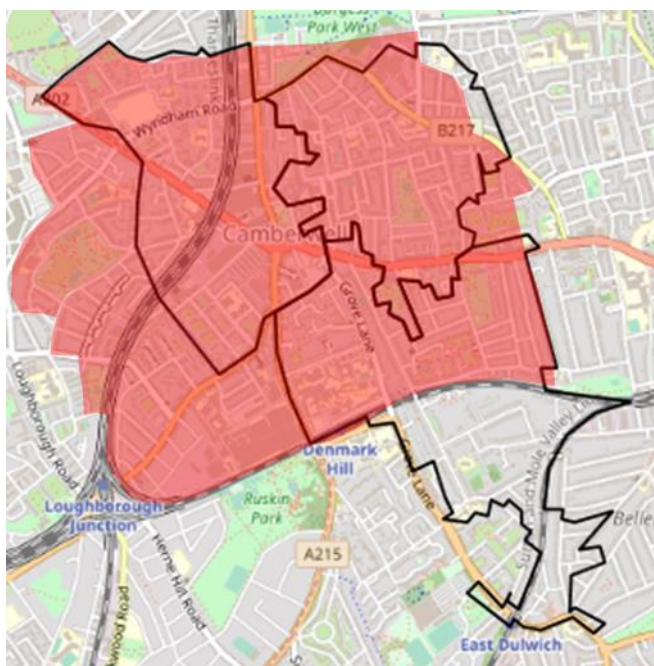
businesses at the very heart of the economic success here, integrating affordable workspace into the mix so entrepreneurs can help drive the area's success alongside more corporate actors will be vital.

- 5.100. This location provides a relative 'blank canvas' in terms of workspace provision, with the opportunity to create a dynamic mix of spaces that cater to a range of sectors. At present the mix of sectors is impossible to predict and will be influenced by wider economic trends as well as local changes such as any teaching/research offer Kings College introduce here.
- 5.101. As such the affordable workspace will need to be flexible enough to accommodate a range of different sectors meaning the typologies delivered should focus more on the types of activities that are likely to occur irrespective of the sector. Given the nature of the area today and what regeneration proposals will deliver it is most likely that workspace would predominantly fall into the office and studio categories – enabling it to cater to the tech, professional services, creative and artisanal sectors.
- 5.102. There may also be opportunities, given the road connectivity, to integrate some light industrial workspaces through new forms of mixed use development. Some specialist facilities may be required if there is a particular focus to Kings College's offer, however this will need to be considered as their plans become clearer.

## Camberwell

- 5.103. Due to data constraint, the analysis of the Camberwell sub-area covers a different (and less accurate) area from the one assumed for the property market. Therefore, direct parallels between these two sections of the report should be made carefully.
- 5.104. Figure 31 shows the boundaries of the Camberwell sub-area. In black are the MSOAs used as part of the economic analysis and in red highlight is the sub-area, used as part of the property market analysis.

**Figure 31: Camberwell Study Area Boundaries**



Source: Avison Young

- 5.105. Table 19 presents a summary analysis of the Southbank sub-area by industrial section.
- 5.106. This table provides LQs of industrial sections in the Southbank compared to LB Southwark, Inner London and Greater London. This highlights industries of particular concentration (clustering) in the Southbank area.
- 5.107. This table also provides an analysis of the number of MSEs by industrial section in 2016, 2018 and the change between these two years. This highlights industries of particular importance at the local level (important source of employment) as well as industries facing difficulties (where growth in term of number of MSEs in below the borough average). There is a caveat to this analysis a reduction of the number of MSEs could be explained by businesses growing and moving from a MSE classification to a medium-size company. An analysis of employment within MSEs would be more appropriate but lack of detailed data does not allow us to carry this analysis.

**Table 19: Sub-area Analysis, Camberwell**

Camberwell	LQ Southwark	LQ Inner London	LQ Greater London	# MSEs (2018)	2016-2018 # MSEs Change (%)	2016-2018 # MSEs Change
Manufacturing	0.00	0.00	0.00	0		0
Construction	1.21	1.17	0.68	65	30%	15
Wholesale and retail trade; repair of motor vehicles and motorcycles	1.06	1.05	0.90	120	4%	5
Transportation and storage	1.22	1.37	0.79	20	100%	10
Accommodation and food service activities	1.60	1.80	1.98	110	5%	5
Information and communication	0.86	0.98	1.00	125	-17%	-25
Financial and insurance activities	0.74	0.47	0.66	20	-20%	-5
Real estate activities	1.04	0.65	0.74	35	17%	5
Professional, scientific and technical activities	0.92	0.92	1.06	230	2%	5
Administrative and support service activities	0.86	0.77	0.84	85	6%	5
Arts, entertainment and recreation	1.52	1.71	2.13	75	7%	5
Other service activities	0.79	0.92	0.87	30	-14%	-5

Source: Avison Young

- 5.108. The character of Camberwell, in term of type of activities, is not too dissimilar to the Borough average, with LQs for most industrial section close to one. There are however a few exceptions, which show a higher concentration than the Borough average (LQ) such as Accommodation and food service activities and Arts, entertainment and recreation.
- 5.109. There is no manufacturing activity in Camberwell, despite the sub-area being a major provider of industrial space for MSEs in the Borough (with over 500,000 sqft of existing space) – but however a relatively high level of vacancy (4.5%) which could indicate an issue with the quality and specifications of the space not being aligned with the needs of manufacturing businesses or the area not being particularly attractive for this industry (due to issues of accessibility via the road for example or a limitation of the type of activities that can be located within this highly residential part of the borough).

**LQ Analysis**

- 5.110. There is a high concentration of Accommodation and food service activities and Arts, entertainment and recreation in Camberwell, mainly driven by high concentration of the Food and beverage service industry, and the Creative, arts and entertainment industry. This is not totally surprising given the residential and relatively affluent character of Camberwell.

- 5.111. There are a few other detailed industries, which are relevant for this study, which show a high level of concentration such as Motion picture, video and television programme production, sound recording and music publishing activities; Activities of membership organisations; or other professional, scientific and technical activities.
- 5.112. The full analysis, at SIC 2 digit level, is provided in Appendix and main observations are summarised in the conclusion of the analysis of this sub-area.

### **Industries of Local Importance**

- 5.113. The largest industrial sections in Canada Water are the Professional, scientific and technical activities and Information and communication, closely followed by the wholesale and retail trade and the accommodation and food service activities.
- 5.114. These four industrial sections occupy 585 MSEs in Canada Water, out of a total of 1,070 MSEs in the sub-area (or just below 55% of all MSEs). The economy in Camberwell is relatively diverse and focused on the service industry.
- 5.115. The sub-area counts 110 MSEs providing food and beverage service activities, by far the largest detailed industry in this sub-area, followed by retail trade (85 MSEs).
- 5.116. The full analysis, at SIC 2 digit level, is provided in Appendix and main observations are summarised in the conclusion of the analysis of this sub-area.

### **Growth Analysis**

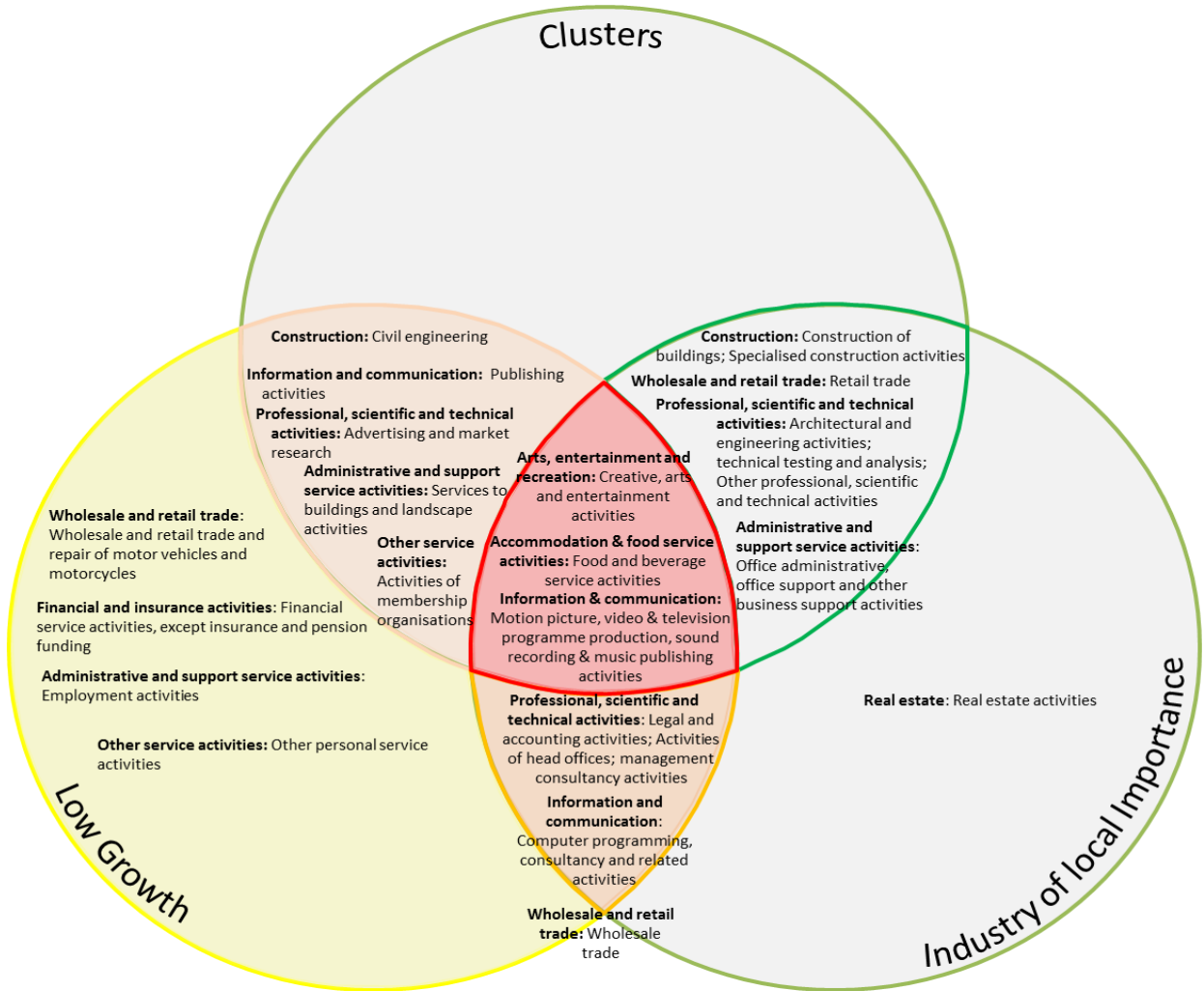
- 5.117. The total number of MSEs in Camberwell increased slightly between 2016 and 2018 (0.5% change). This is well below the borough-wide average of 5.8% and the worst performance amongst all the sub-areas.
- 5.118. Excluding industries which would require specialised spaces (and therefore could not be located within workspaces), this growth increases slightly to 1.2%.
- 5.119. Table 19 shows that most of the large industrial sections experienced a reduction or a low growth in the number of MSEs in the sub-area between 2016 and 2018.
- 5.120. When looking at relevant detailed industries, we see that a large number of industries are characterised by a low or negative growth in number of MSEs over this period. It can be noted that whilst the retail trade industry experienced a good level of growth (+6.3% of MSEs), the food growth in the food and beverage industry was slower, although positive (+4.8%). This indicates that the personal service economy is growing and expanding in Camberwell despite being already of significant size.
- 5.121. The full analysis, at SIC 2 digit level, is provided in Appendix and main observations are summarised in the conclusion of the analysis of this sub-area.

### **Conclusion**

- 5.122. The following figure provides a summary of key industrial sectors and detailed industries (SIC 2 digit) for Camberwell, where industries circled in red have been identified as challenged industries.

5.123. Similarly to comments made in paragraphs 5.45 to 5.46, considerations should be given to struggling industries as well as industries of high importance for the local economy.

Figure 32: Sub-area Analysis Summary, Camberwell



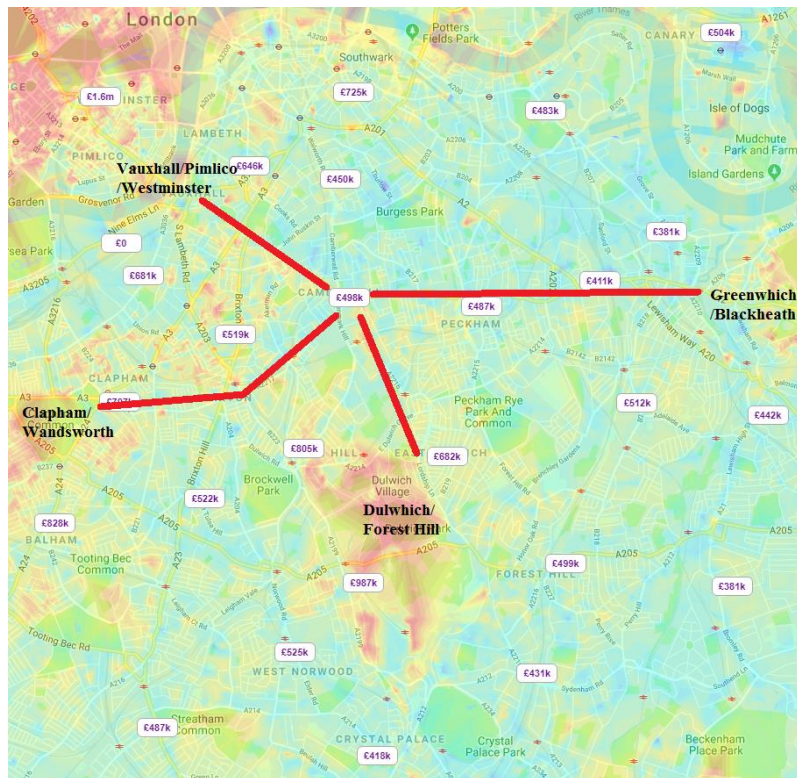
Source: Avison Young

5.124. LB Southwark could consider supporting the development of the food and beverage service activities as well as the creative, arts and entertainment activities to reinforce the offer in this sub-area. In complement of a good retail trade offer (which is large, forms a cluster and rapidly growing in the sub-area), these two industries could improve the prospects of Camberwell as a niche leisure destination focused on higher-end and bespoke products and services, differentiating itself from the more main-stream offer available in areas such as the Southbank or Canada Water (i.e. mainly mid-range, chains).

5.125. There is also an opportunity to support the supply chain of the property industry – Camberwell already has four thriving industries in this sector (construction of buildings, specialised construction activities, architectural and engineering activities and real estate activities). Supporting industries such as civil engineering and services to buildings and landscape could make of Camberwell a hub for real estate activities such property management and maintenance, residential property development, etc. (most likely targeting residential properties and small scale developments). This could generate local economic growth given the position of Camberwell, close proximity to several affluent residential areas (such as Camberwell itself, Dulwich,

Clapham, Balham, Wandsworth, Blackheath) as shown in Figure 33, which could make of Camberwell a desirable location for MSEs to establish their activities.

**Figure 33: Camberwell, Accessibility to neighbouring areas**

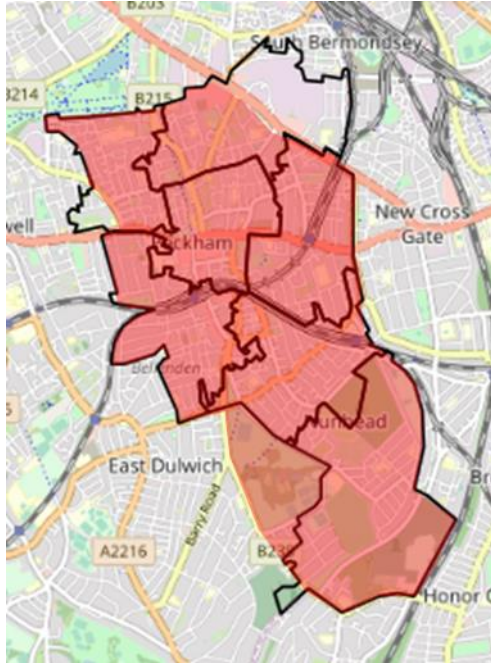


Source: Avison Young, Zoopla (August 2019)

- 5.126. The creative industries (i.e. motion picture, video and television programme production, sound recording and music publishing activities) have an interest in Camberwell, with the presence of the University of the Arts, this industry has tended to establish their premises in and around Peckham, which progressively became one of London most successful creative area. Some affordable workspace could be provided in the eastern boundary of Camberwell, in the proximity of the University of the Arts and Peckham, where rent could be made affordable in comparison to rent levels towards Camberwell Green or closer to the local centre of Peckham.
- 5.127. In workspace terms Camberwell provides a real opportunity to deliver affordable workspace in future development and through building re-use given it lags much of the rest of the borough in value terms. The growing creative focus and established professional service economy suggests therefore that the provision of studio, small production, light industrial and office/co-working facilities would be a good fit with occupier demand.

### Peckham

- 5.128. Due to data constraint, the analysis of the Peckham sub-area covers a different (and less accurate) area from the one assumed for the property market. Therefore, direct parallels between these two sections of the report should be made carefully.
- 5.129. Figure 34 shows the boundaries of the Peckham sub-area. In black are the MSOAs used as part of the economic analysis and in red highlight is the sub-area, used as part of the property market analysis.

**Figure 34: Peckham Study Area Boundaries**

Source: Avison Young

- 5.130. This table provides LQs of industrial sections in the Southbank compared to LB Southwark, Inner London and Greater London. This highlights industries of particular concentration (clustering) in the Southbank area.
- 5.131. This table also provides an analysis of the number of MSEs by industrial section in 2016, 2018 and the change between these two years. This highlights industries of particular importance at the local level (important source of employment) as well as industries facing difficulties (where growth in term of number of MSEs in below the borough average). There is a caveat to this analysis a reduction of the number of MSEs could be explained by businesses growing and moving from a MSE classification to a medium-size company. An analysis of employment within MSEs would be more appropriate but lack of detailed data does not allow us to carry this analysis.
- 5.132. Table 20 presents a summary analysis of the Southbank sub-area by industrial section.
- 5.133. This table provides LQs of industrial sections in the Southbank compared to LB Southwark, Inner London and Greater London. This highlights industries of particular concentration (clustering) in the Southbank area.
- 5.134. This table also provides an analysis of the number of MSEs by industrial section in 2016, 2018 and the change between these two years. This highlights industries of particular importance at the local level (important source of employment) as well as industries facing difficulties (where growth in term of number of MSEs in below the borough average). There is a caveat to this analysis a reduction of the number of MSEs could be explained by businesses growing and moving from a MSE classification to a medium-size company. An analysis of employment within MSEs would be more appropriate but lack of detailed data does not allow us to carry this analysis.



**Table 20: Sub-area Analysis, Peckham**

Peckham	LQ Southwark	LQ Inner London	LQ Greater London	# MSEs (2018)	2016-2018 # MSEs Change (%)	2016-2018 # MSEs Change
Manufacturing	0.61	0.72	0.63	35	-13%	-5
Construction	1.38	1.33	0.77	160	14%	20
Wholesale and retail trade; repair of motor vehicles and motorcycles	1.47	1.45	1.24	360	1%	5
Transportation and storage	0.85	0.95	0.55	30	0%	0
Accommodation and food service activities	1.08	1.21	1.33	160	19%	25
Information and communication	0.89	1.01	1.03	280	4%	10
Financial and insurance activities	0.43	0.27	0.38	25	25%	5
Real estate activities	0.48	0.30	0.34	35	75%	15
Professional, scientific and technical activities	0.89	0.88	1.02	480	14%	60
Administrative and support service activities	0.91	0.81	0.89	195	18%	30
Arts, entertainment and recreation	1.31	1.47	1.83	140	17%	20
Other service activities	1.22	1.42	1.34	100	43%	30

Source: Avison Young

- 5.135. The character of Peckham differs widely from the Borough average, with a high representation of the Arts and entertainment as well as the wholesale and retail trade and the construction sectors.
- 5.136. This sub-area is also host to a large number of MSEs (circa 2,300) and has one of the highest concentrations of MSEs (as % of the total number of businesses, of all sizes) amongst the sub-areas.

### LQ Analysis

- 5.137. There is a high concentration of several industrial section in Peckham, including Construction; Wholesale and retail trade; Accommodation and food service activities; Arts, entertainment and recreation; Other service activities.
- 5.138. Looking at detailed industries, there are several very important clusters in Peckham. These include Motion picture, video and television programme production, sound recording and music publishing activities; Programming and broadcasting activities; Printing and reproduction of recorded media; Advertising and market research; Creative, arts and entertainment activities all active in the creative/design/art area; as well as Civil engineering; Specialised construction activities; Services to buildings and landscape activities ; Architectural and engineering activities; technical testing and analysis within the real estate sector or Manufacture of food products; Wholesale and retail trade and repair of motor vehicles and motorcycles; Wholesale trade, except of motor vehicles and motorcycles; Retail trade, except of motor vehicles and motorcycles; Food and beverage service activities in the retail trade of goods and services.
- 5.139. The full analysis, at SIC 2 digit level, is provided in Appendix and main observations are summarised in the conclusion of the analysis of this sub-area.

### Industries of Local Importance

- 5.140. The largest industrial sections in Peckham are the Professional, scientific and technical activities and Wholesale and retail trade, closely followed by Information and communication.

- 5.141. These three industrial sections occupy 1,120 MSEs in Peckham, out of a total of 2,295 MSEs in the sub-area (or just below 50% of all MSEs). The economy in Peckham is very diverse and focused on the service industry with the presence of some manufacturing businesses in the sub-area.
- 5.142. The sub-area counts 260 MSEs active in the retail trade, 180 in management consultancy and head office activities, 160 in computer programming, 155 in the food and beverage service industry or 110 in the creative, arts and entertainment activities (which is the second highest number of MSEs in a sub-area in this industry after the Southbank).
- 5.143. The full analysis, at SIC 2 digit level, is provided in Appendix and main observations are summarised in the conclusion of the analysis of this sub-area.

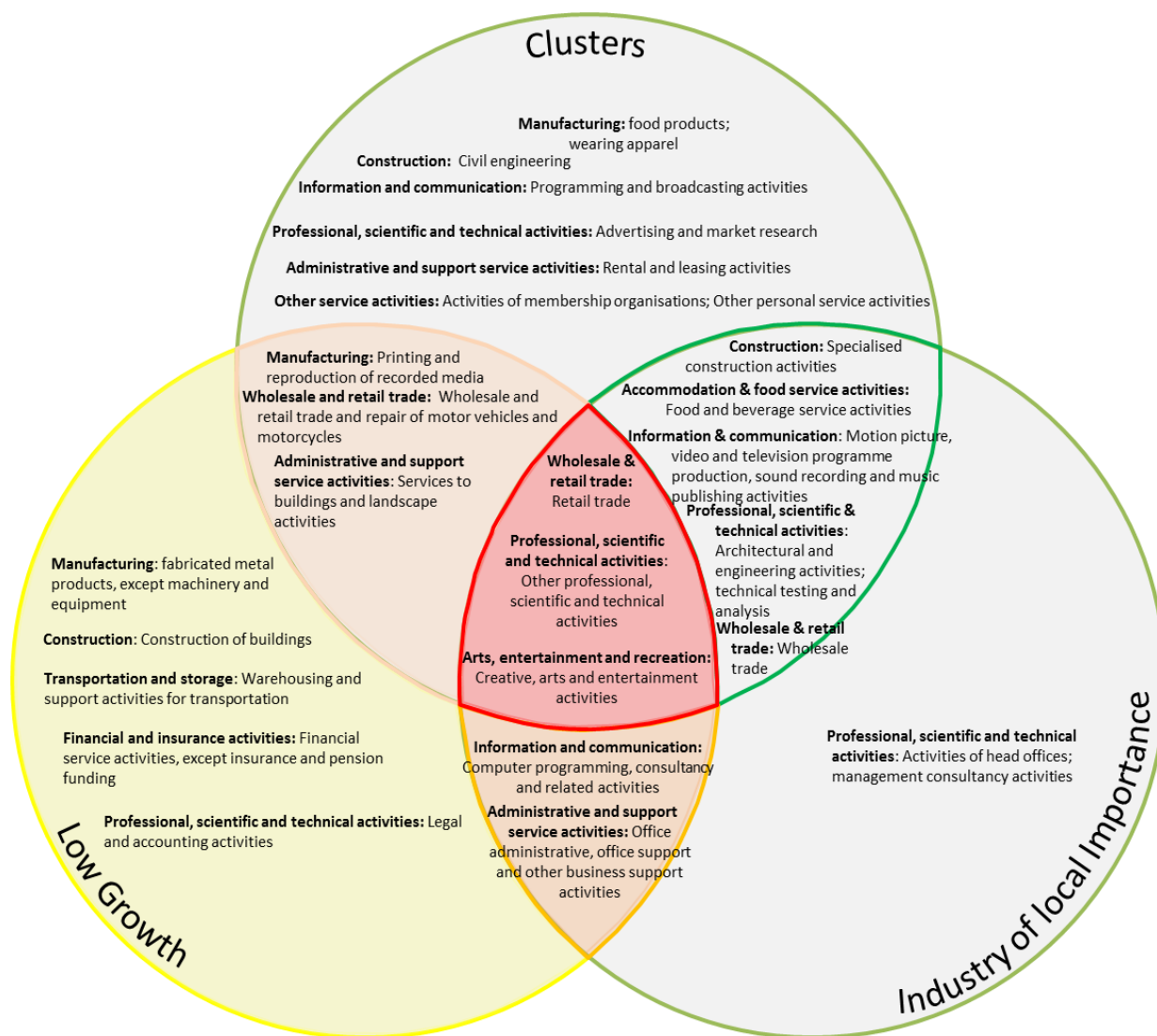
### **Growth Analysis**

- 5.144. The total number of MSEs in Peckham increased by more than 100 between 2016 and 2018 (+6%). The percentage change is comparable to the borough-wide average of 5.8%.
- 5.145. Excluding industries which would require specialised spaces (and therefore could not be located within workspaces), this growth increases significantly to 12.5%, which would suggest that relevant MSEs are relatively well performing in this sub-area.
- 5.146. There are however a few industries which did not perform as well and particularly Printing and reproduction of recorded media; Construction of buildings; or other professional, scientific and technical activities.
- 5.147. Surprisingly Financial service activities, except insurance and pension funding did not see any growth whilst Activities auxiliary to financial services and insurance activities double in size. However, both industries are very small in size.
- 5.148. All the large industries in Peckham, and relevant for this study, at the exception of Other professional, scientific and technical activities, had a positive growth between 2016 and 2018.
- 5.149. The full analysis, at SIC 2 digit level, is provided in Appendix and main observations are summarised in the conclusion of the analysis of this sub-area.

### **Conclusion**

- 5.150. The following figure provides a summary of key industrial sectors and detailed industries (SIC 2 digit) for Peckham, where industries circled in red have been identified as challenged industries.
- 5.151. Similarly to comments made in paragraphs 5.45 to 5.46, considerations should be given to struggling industries as well as industries of high importance for the local economy.

Figure 35: Sub-area Analysis Summary, Peckham



Source: Avison Young

- 5.152. Despite its increasing presence and reputation within the creative industries sector Peckham has seen a low level of growth in the number of businesses active locally, which may suggest there are challenges in finding adequate and affordable space locally. Recent developments such as Peckham Levels are beginning to address this issue, however with the University of Arts located in the area and the opening of the new Mountview Academy demand is likely to continue to grow.
- 5.153. Historically Peckham had a strong supply of affordable workspace for a range of activities, particularly with some form of productive output (small manufacturing, art, etc.) however these have ever been removed or become more expensive. This is a key issue for the borough's affordable workspace strategy to address, securing new affordable studio and light industrial space in particular to allow these activities to thrive.
- 5.154. Alongside this productive creativity Peckham has also seen a growth in the number of businesses in the tech and digital sectors, largely again linked to the creative end of the sectors, which could in turn lead to much more significant demand for office/co-working space. This sector will also be driven by the changing population characteristics of the area, with professionals engaged in these sectors attracted to Peckham by the wider 'lifestyle' offer the retail, leisure and F&B provision provides.

- 5.155. The provision of affordable workspace here should not only consider how the 'primary' activities referred to above can be accommodated but also their supply chains. Locations such as Peckham were rich in supply chain activity to a range of large sectors that operated more centrally as well as locally, many of which are being priced out of such locations.
- 5.156. All of the sectors mentioned are (to a reasonable degree) footloose and have migrated across London as property and social trend change. However, by enabling the primary and supply chain activities to both locate in the area it will create a much deeper cluster that will 'lock in' the activity and make it less susceptible to larger changes and therefore less likely to migrate away from Peckham in the future.

## 5. Southwark Current Workspace Market

- 5.1. The current provision of affordable workspaces in LB Southwark is principally concentrated in the north of the Borough, in line with the distribution of businesses.
- 5.2. A large number of affordable workspaces, mainly co-working spaces, are situated in the Waterloo-London Bridge-Elephant & Castle triangle.
- 5.3. Table 21 summarises the provision of affordable workspaces by sub-area as well as an indicative dominant typology.

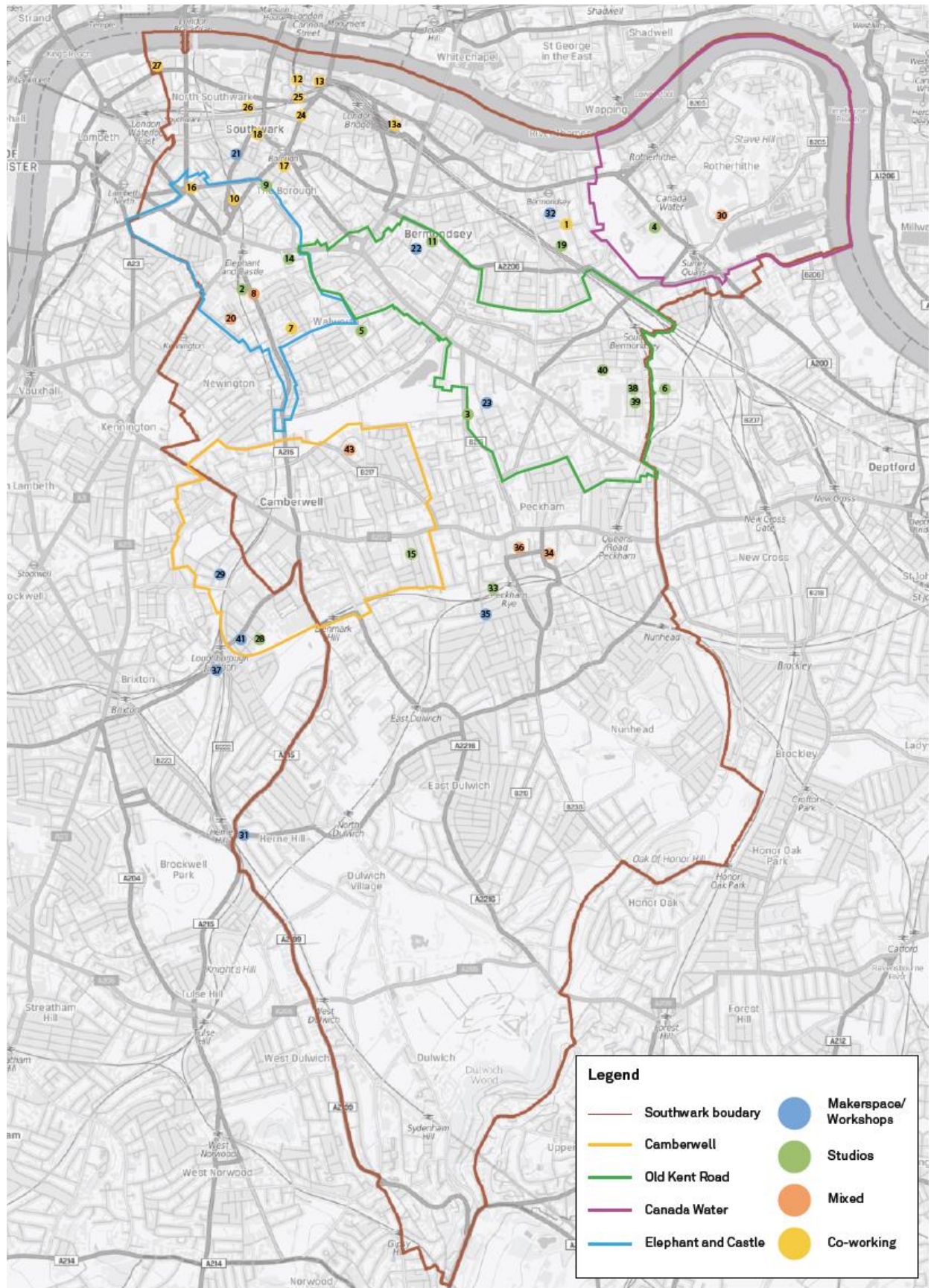
**Table 21: Existing Affordable Workspaces, Summary table**

Location	Number of Spaces	Dominant Typology
Southbank	10	Co-working
Elephant & Castle	9	Mainly studio space with some co-working and incubator space
Canada Water	2	Studios and Maker Space
Camberwell	2 (+3)	Maker Space and Studio
Peckham	5	Maker Space and Studio
<b>LB Southwark</b>	39	Maker Space: 15% Studios: 36% Mixed: 15% Co-working: 33%

Source: Architecture00

- 5.4. Figure 36 shows the location and typologies of existing affordable workspaces in LB Southwark. Further detailed characteristics, regarding operator, size, pricing and space characteristics are provided as an annex document (Annex 1).
- 5.5. The rationale for identifying the existing affordable workspace provision has included the spaces identified in the GLA's 'Open Workspaces Map', workspace operators of Southwark's Approved Operator List, desktop research in each sub-area, as well as cross referencing with our own list of operators that we know to be present in London. This list includes co-working space where the rent (if calculated per annum) can be quite expensive but we consider "affordable" because they provide very flexible leases. We acknowledge that there are micro / small scale providers who may not currently appear on the lists mentioned and are more difficult to identify. This may in part be due to their niche &/or local focus. It should be recognised that rent based on £/sqft is not the only means to determine affordable workspace and that different operators utilise different models to provide affordable workspace as each model provide different services integrated into space access (e.g. membership versus studio space or desk rental).

Figure 36: Existing Affordable Workspaces Map



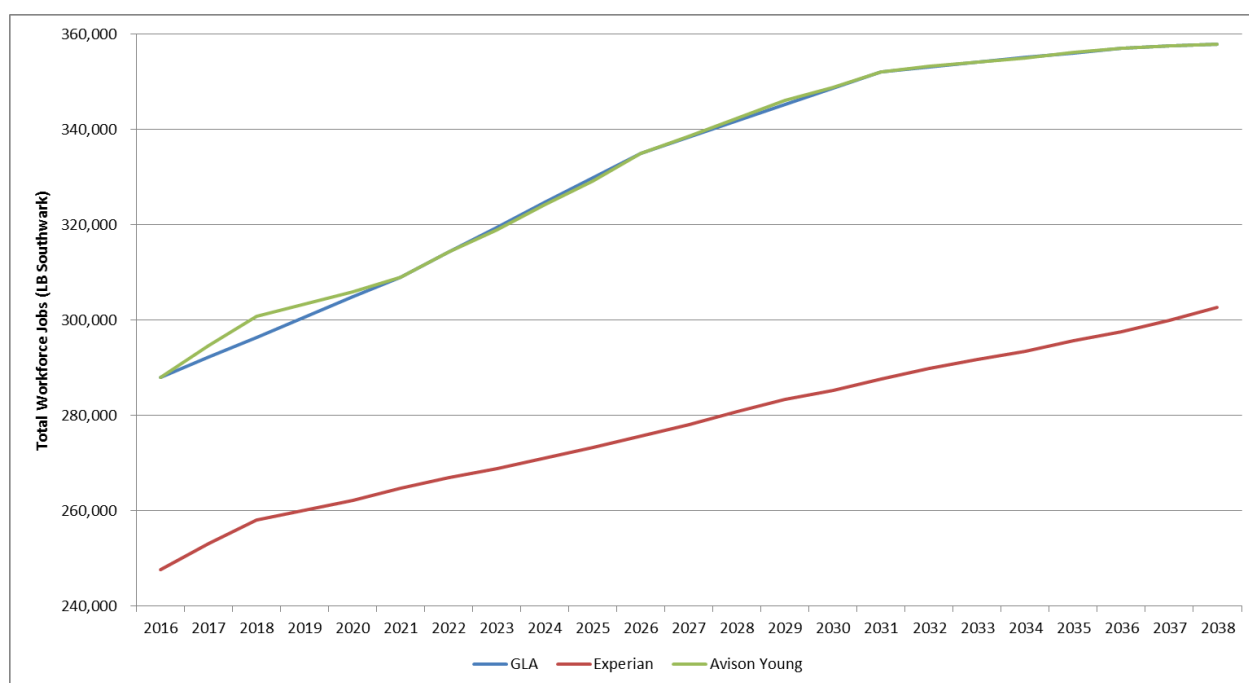
Source: Architecture00

## 6. Future Needs

### Employment projections by category

- 6.1. The first base forecast is drawn from the GLA Employment Projections (2017) as set out in the London Labour Market Projections 2017 published by GLA Economics. These projections reveal the updated considerations from the GLA on future economic growth, which underpin the Draft New London Plan.
- 6.2. As the GLA data provides forecasts every 5 years only, we have used a second base forecast drawn from Experian's latest December 2018 Local Market Forecasts, which provide borough level projections across on a year-on-year basis. The Experian assumed growth was used to extrapolate the missing year-on-year growth in the GLA forecasts and applied to derive the Avison Young forecasts.

**Figure 37: Employment Projections, LB Southwark**

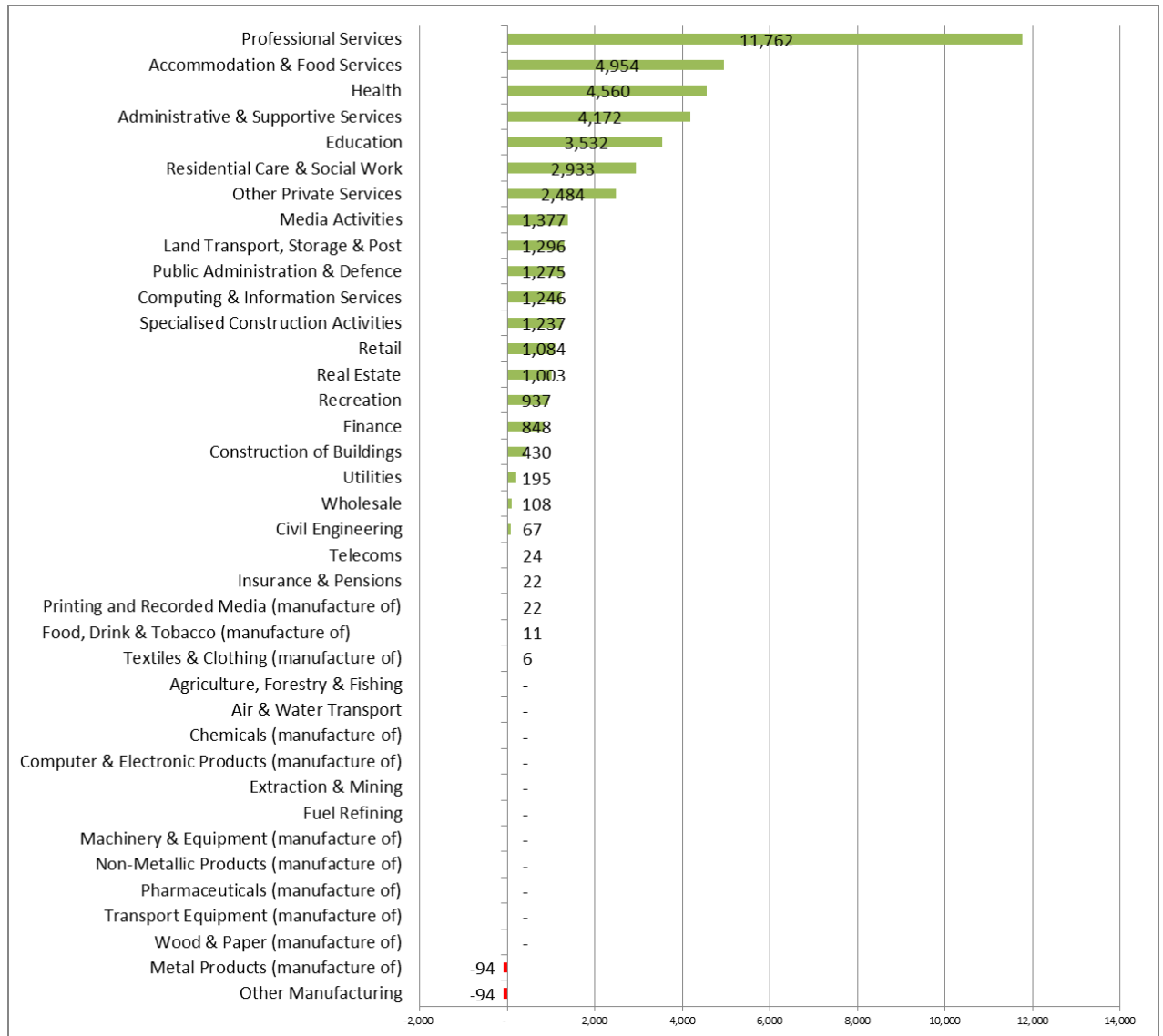


Source: Avison Young, based on GLA (2017) and Experian (2018) figures

- 6.3. However, this base forecast also has significant limitations as it does not provide an understanding of future growth by activity or sector at the borough level, which means it cannot be directly translated into future requirements.
- 6.4. To overcome this issue, we have also used the Experian's latest December 2018 Local Market Forecasts again, which provide borough level projections across 38 categories. The Experian forecasts factor in demographic trends and future expectations and changes, therefore reflecting expected shifts in age profiles and economic activity rates. The model uses a base population projection that is consistent with those used by DCLG and interprets their outputs to forecast the influence the complete basket of demographic factors have on employment rates in any location.
- 6.5. To enable an understanding of future requirements to be developed we have translated the total employment figure provided by the GLA into the 38 sectors used by Experian. To do this we have calculated the share of employment within each sector for each year of the forecast within the Experian model and

applied these to the GLA jobs figure. This allows total employment to then be translated into employment by industry (Experian Category).

**Figure 38: Projected Change in Employment by Industry (Experian Category), 2019-2030, LB Southwark**



Source: Avison Young, based on GLA (2017) and Experian (2018) figures

- 6.6. Employment projections show a large increase in the number of Professional Services jobs in LB Southwark between 2019 and 2030 (+11,762 jobs in the sector), by far the largest growth amongst all sectors. This sector covers a wide range of activities and will require an equally broad range of property types.
- 6.7. Whilst there is not a clear and condensed definition of what professional services activities are, and therefore the type of workspace they may require, it is reasonable to think that most professional services activities would be carried out within office space – with a large share of them requiring meeting space. A proportion of those activities could also potentially be carried out in alternative types of workspace (studios), particularly when those activities include a design or creative character (i.e. architecture).
- 6.8. It is likely that part of this increase will be driven by MSEs and therefore could add additional pressure on office space rent in areas where the average rent can already be perceived as unaffordable for some

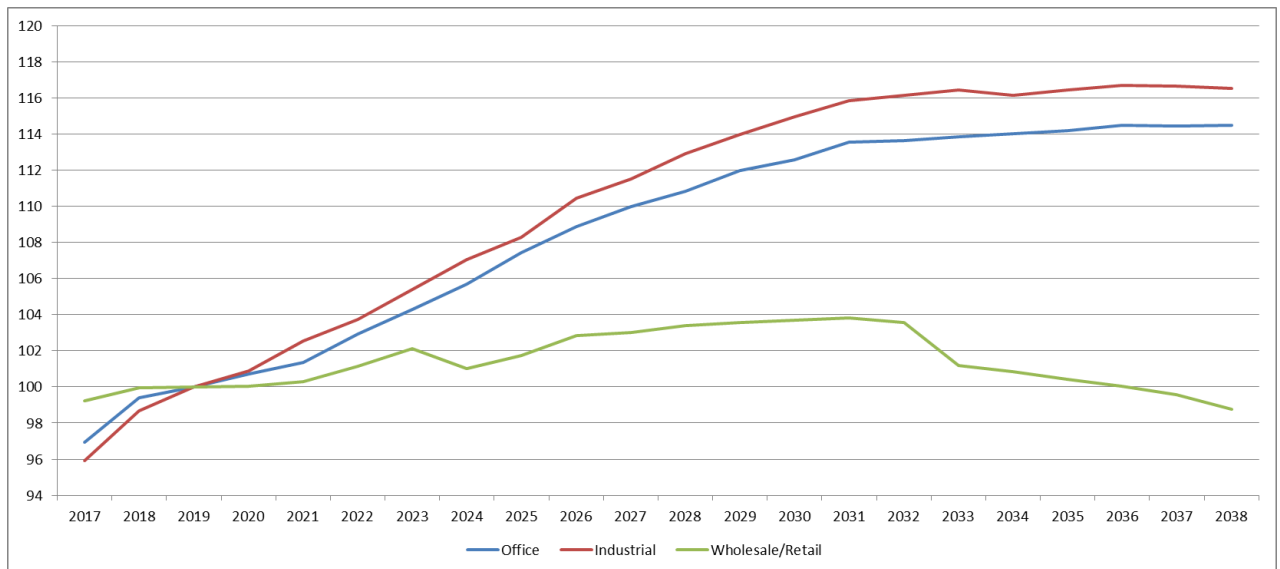


businesses. This is particularly the case of the Southbank, which would be the preferred location for a large proportion of those additional jobs (i.e. consultancy services).

### From employment projections to future space needs

- 6.9. To better understand the relationship between employment projections (by Experian Category) and future space requirements, we have translated employment forecasts by Experian Categories into employment projections by SIC 2 digits code industries and in turn translated these projections into growth by space quantum using HCA Employment Density Guidance.
- 6.10. Figure 39 provides an indexed floorspace needs (2019=100) for industrial and office space. The same floorspace needs are also provided for wholesale and retail floorspace. These figures are provided as an indexed rather than absolute SQM of floorspace as data available to us (CoStar) do not capture the full existing floorspace in the Borough and therefore our analysis would be biased by this incorrect baseline figures.
- 6.11. However, this analysis shows that the needs for both industrial and office floorspace will rapidly increase between 2019 and 2031. We expect that an additional 13.5% of office space and an additional 15.8% of industrial space will be required by 2030 to cope with future employment growth.

Figure 39: Future space needs, LB Southwark



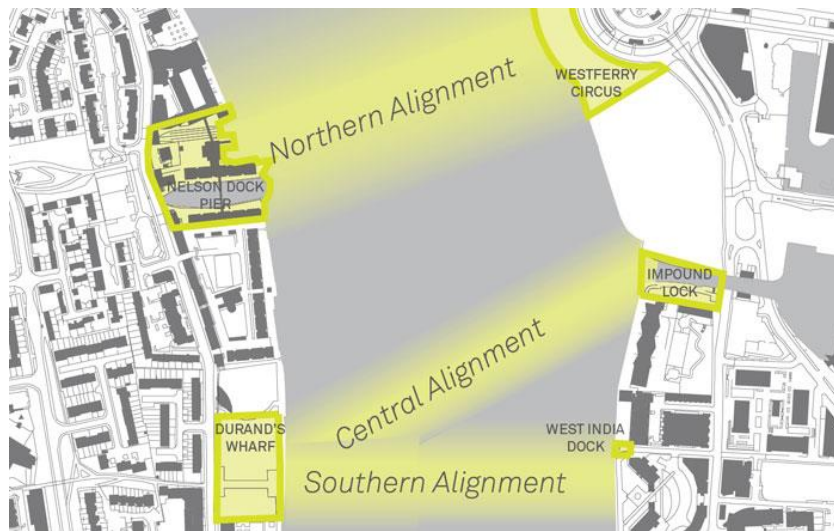
Source: Avison Young

- 6.12. Office space needs are estimated to be between an additional 0.5% and 1.6% of existing floorspace per annum between 2019 and 2031 and then remain low until 2038. This would represent an average annual increase in floorspace of 1.1% between 2019 and 2031 and of 0.1% between 2031 and 2038.
- 6.13. The demand for industrial space is estimated to be between 0.8% and 2% additional floorspace (from existing floorspace) per annum between 2019 and 2031 and then remain lower until 2038. This represents an average annual increase in floorspace of 1.2% between 2019 and 2031 and of 0.1% between 2031 and 2038.
- 6.14. The demand for retail and wholesale retail space is also due to increase slightly to up to 3.8% of additional space by 2031 before decreasing rapidly from 2031 to 2038 to -1.2% (compared to the 2019 baseline).

- 6.15. From this analysis, it is clear that the main pressure on rent will be observed on office and industrial space, particularly over the next 10 years. The expected future high demand and low level of delivery (particularly of industrial space) will exacerbate the issue of pure financial affordability of the space and contribute to the displacement of businesses towards more affordable areas (mainly towards the south of the Borough, or other Boroughs in Greater London to the South and South East of Southwark such as Croydon, Bromley or Bexley which offer good public transport, good road accessibility and lower rent).
- 6.16. That is not to say other spaces (such as studios) will be exempt from the impacts, indeed they are already experiencing significant rent increases as a result of the limited (and diminishing) supply across London generally. With the number of creative industry anchors in the borough the provision of affordable workspace for artisanal and creative activities will need to continue to be a focus.

## External factors of influence

- 6.17. Additionally to the condition on the property market and the economic context in the borough directly affecting the resilience of MSEs and economic growth of the Borough, additional factors will influence the demand for affordable workspace and the future needs of businesses. This section summarises the main (external) factors of influence and their potential impact on driving (or constraining) future needs:
- **Bakerloo Line Extension:** the extension of the Bakerloo line is likely to drive rent for office space up around Lambeth North and Elephant & Castle. Additionally, the provision of new stations on Old Kent Road (and potentially Bricklayers Arms) will drive the delivery of residential development in the area, creating a strong pressure to convert employment land into residential land (both office and industrial space) and therefore contributing to an increase in rent values in the area. The impact could extend to a zone north of the Peckham sub-area (north of Peckham High Street and Queen's Road).
  - **Rotherhithe-Canary Wharf crossing:** The delivery of a crossing between Rotherhithe (Canada Water) and Canary Wharf would increase the attractiveness of Canada Water as a residential area through the improvement of the connectivity between the area and Canary Wharf (providing a pedestrian access, therefore removing the necessity to use the underground, which runs at full capacity at peak hours).
  - Pressure from residential developments will ultimately lead to an increase demand for land, potentially reducing the availability of employment space and therefore pushing rent values up. The pressure will be particularly important at the point of crossing.

**Figure 40: Rotherhithe - Canary Wharf, options for crossing**

Source: TfL

- London South Bank University Redevelopment:** Plans include the redevelopment of the London Road building between August 2019 and spring 2021, together with facilities update from the School of Arts and Creative industry and facilities upgrade from the School of Business.
- Elephant & Castle offer a range of creative related academic paths, with offer from the London South Bank University, the University of Arts or the London College of Communication. Together with other Creative anchors (i.e. Ministry of Sound, Southwark Playhouse or the Siobhan Davies Studios), the sub-area has become a destination for the creative industry and will attract MSEs which have ties with these institutions.
- King's College campus in Canada Water:** The new King's College campus in Canada Water is an opportunity to attract new businesses to the area and help start-ups in their development. LB Southwark could consider the provision of incubator space, in conjunction with King's College services.
- Move-on space, at affordable rate, will also be required to ensure the retention of new businesses in the area. With the rapid regeneration of Canada Water, pressure on employment space and rent could force MSEs to move out of the area in search of more affordable space elsewhere if they have no tie with the area.
- Resurgence of crafting industries, with a strong focus on food and beverage:** Borough Market is the best-known example of the attractiveness of craft products and the role of those industries in creating a local economic dynamism. But in recent years, smaller, independent and artisanal markets and micro companies have emerged in the borough, with places such as Maltby Street Market, Deal Porters Square Street Food Market, London Bridge Farmers Market, Mercato Metropolitan, or the Bermondsey Beer Mile.
- Ongoing expansion of the City:** The continued expansion of the City has contributed to the economic development of the bankside (Southbank), the London Bridge Quarter and More London as a major economic hub in London, providing employment in a wide range of high profile activities such as financial and insurance services, legal; management consultancy and activities of head offices; accounting and tax advisory; computer programming and consultancy; professional, scientific and technical activities; etc.

- The regeneration of the area has led to a sharp increase in rent, generating an issue of affordability particularly for MSEs located in this area, which gradually been got pushed out.
- **Guy's Cancer Centre:** Opening in 2016 – provide care, research and clinical trials. Can work collaboratively with other stakeholders (UCL Cancer Institute, the Institute of Cancer Research, Barts Cancer Institute, Cancer Research UK Imperial Centre, the Institute of Cancer Research Sutton, etc.) as well as create an economic anchor for the clustering of activities in the field of cancer research and other life-science research fields.
- **Development of flexible corporate space:** With the rapid development and expansion of flexible office space, and the desire of large corporation to encourage agile and collaborative working (i.e. set up temporary small project offices), demand for smaller office units has become increasingly important over the recent years, leading to difficulties for MSEs to access and afford suitable space in prime areas.

## 7. Design and Delivery Consideration

- 7.1. This section of the report focuses on the delivery of affordable workspace within new mixed-use developments, as the most likely and common route for securing new affordable workspace provision.
- 7.2. However it should be recognised that there are a range of other mechanisms that could be used to bring affordable workspace forward, such as the re-use of Council-owner assets, conversion/repurposing of existing (privately held) premises or intensifying the use of other existing commercial space. Each will have specific considerations in terms of design, cost and value and cannot be easily replicated in a study such as this one (difficulty to establish a general / average case). However, they should be investigated on a case by case basis, to understand the contribution they can make.

### General Considerations

- 7.3. New Southwark Plan Amended Policies January 2019 states that major developments proposing 500sqm GIA or more employment floorspace (B class use) must deliver at least 10% of the proposed gross new employment floorspace as affordable workspace on site at discounted market rent.
- 7.4. Most Workspace Operators want a minimum of 15,000 - 20,000 sqft for a site to be operationally viable.
- 7.5. There are scenarios where discrete standalone units could form part of an operator's portfolio with no on site management.
- 7.6. Residential led schemes provide limited opportunity for delivery of affordable workspace as a minimum of 50% of the ground floor is typically required for residential amenity. A typical residential block would have a footprint of c. 5,000-6,000 sqft for 8 units per floor plate (for each core). Typically this would mean a commercial floor area of 2,500 sqft at ground and additional 5,000 sqft at first floor of the scheme. 10% of the commercial floor area of 5,000 sqft would provide 500 sqft Affordable Workspace. This lends itself to a single standalone unit. (See Typology for Type 1 - micro site for specification and conditions).
- 7.7. Note that in new development, the provision of affordable workspace could be assumed at 2nd & 3rd floor as ground and 1st would have a premium. This would limit the activity to office / micro office and potentially very light industrial such as graphic design, fashion, or photography. However this is highly dependent on vertical access arrangements. Ideally an independent vertical access could be provided that could enable activities such as transporting of goods.
- 7.8. A "Shell & Core" finish is typically defined as the completion of the basic internal framework of the building. The building could look complete from the outside, however the internal space would simply be an empty shell. There is unlikely to be any level of polished finish, and one might expect to see exposed concrete floors and ceilings. Communal elements such as building reception, lifts and communal toilets are likely to have been fitted.
- 7.9. A "CAT A" fit out will provide a basic level of finish including raised floors, suspended ceilings and internal surfaces along with basic mechanical and electrical services such as fire detection services and smoke alarms, air conditioning and ventilation.

- 7.10. A CAT B fit out provides a finished workspace that can include interior partitions to divide up the space and create offices, meetings rooms etc. This fit out level includes the final finish for doors, walls and doors such as textures and colours. This also includes IT infrastructure, distribution of small power outlets and air conditioning, fully fitted amenities such as kitchens, workstations and furniture.
- 7.11. Supply of high speed / large bandwidth internet is assumed as necessary for any activity.

**Table 22: General considerations**

Affordable Workspace (10%)	Employment Space Assumptions (100%)	Notes	Specification
<1,000 sqft		Off-site contribution should be considered unless an operator for a small/standalone AWS unit is identified	
< 5,000 sqft	Total employment space of 50,000 sqft area 0-5 storey height	Most likely operated as standalone unit. Possibly recommend to provide off site. Too small as standalone unit to manage by anyone other than main building manager at a discounted rent with set eligibility criteria. The unit will likely be too small to influence the key heights, structure and floor plate dimensions.	500 sqft unit suited for Ground Floor, independent retail / light industrial unit/micro office to be managed off site. Independent access to mitigate service charge. Ideally 1.5 storey height (min) to allow maximum flexibility. As a standalone unit, it will need to be flexible to the market for B1a/b or c uses to remain viable. Specification should be flexible enough to cater for a variety of uses from micro office / studio / clean light industrial uses not requiring heavy loads
5,000 - 10,000 sqft	Total commercial space of 50,000 - 100,000 sqft 5-10 storey height Plot size 36m x 36m Central core with 2 lifts & 2 stair cores	Size may still be under the threshold for a workspace operator to be of interest depending on the operator portfolio. Providing a contained amount of communal space could mitigate operational overhead and form part of an operator's portfolio. Some ground floor presence providing independent access to first floor.	Suitable for light industrial compatible with commercial office Micro offices for professional/scientific Small scale independent retail / maker at ground only. Independent access to mitigate service charge. Ideally 1.5 storey height (min) to allow maximum flexibility.
10,000 - 50,000 sqft	Total commercial space of 100,000 sqft + 20 storey height Plot size 36m x 45m Central core with 2 lifts & 2 stair cores	Second and Third Floor; Cat B Office specification. Likely to be within a high spec office building to support 20 storeys and therefore use is limited to micro office / office uses with communal spaces / amenity. GF and 1F likely to be more premium spaces, therefore needs to be located at higher storey levels. Independent vertical access less likely.	Suitable for light industrial compatible with commercial office Micro offices for professional/scientific Small scale independent retail / maker at ground only. Ideally 1.5 storey height (min) to allow maximum flexibility.
50,000 sqft +	Would require a commercial led masterplan development with 500,000 sqft (totaling 550,000 sqft commercial + AWS) e.g. 40 storey building with plot size 36m x 45m (1,400 sqm NIA per floor plate)	Standalone enterprise centre at 4-5 storey at 36m x 36m to achieve 1,000 sqm per floor NIA	Large scale units at ground and first Goods lift

Source: Architect 00, 2019

## What are the types of workspace that should be delivered?

7.12. From the breadth of analysis to date, Architecture 00 have conceptualised workspace typologies that would be suitable towards meeting the future demand in Southwark. The typologies are based upon schemes which have come forward across London, and are aligned with generalised locations i.e. town centres etc. which have been agreed are most likely to support new workspace schemes across Southwark.

**Table 23: Summary of suitable typologies by location**

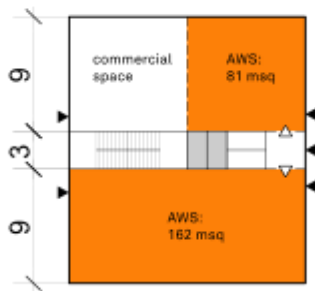
	Type 1	Type 2	Type 3	Type 4	Type 5
Description	Micro Site Mixed-use	Medium commercial block	Micro Site Independent Retail	Large commercial block	Light Industrial Mixed-use
Use types	Micro Office (12-15 persons) Light Industrial (as 1 or 2 units) Independent Retail mixed with production workshop to rear Food & Beverage 5 storeys residential	Office (1-15 persons) Light Industrial (as 1 or 2 units) at ground only Independent Retail mixed with production workshop to rear at ground only Food & Beverage at ground only	Light Industrial (as 1 or 2 units) Independent Retail mixed with production workshop to rear Food & Beverage	Micro Office Office	Office (12-18 persons) Light Industrial ground floor Independent Retail mixed with production workshop to rear 5 storeys residential
Southbank	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
Elephant & Castle	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
Canada Water		<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
Camberwell	<b>X</b>		<b>X</b>		
Peckham	<b>X</b>		<b>X</b>		

Source: Architect 00, 2019

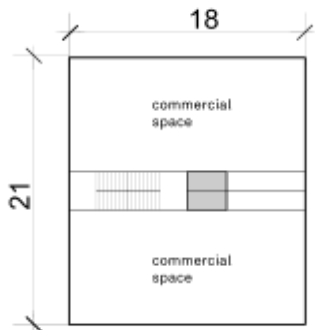
7.13. A description of each type is provided below.



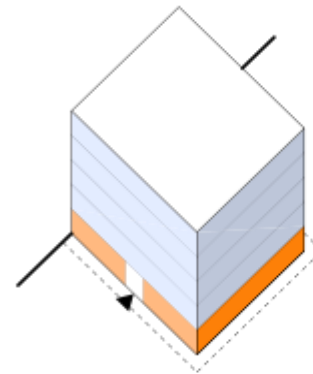
**Type 1 – Micro Site (< 5,000 sqft Affordable Workspace)**



**GF  
Micro Site  
190 msq AFW @ GF**



**1F - 4F  
Micro Site**



**TYOLOGY 1 - Micro Site  
< 5,000 sqft Affordable Workspace**



Source: Architecture 00, 2019

7.14. Use types:

- Micro Office (12-15 persons)
- Light Industrial (as 1 or 2 units)
- Independent Retail mixed with production workshop to rear
- Food & Beverage

**Table 24: Area Locations, type 1**

	Suitability of the area?
Southbank	Unlikely on Riverside due to urban form in the area Opportunities around Bermondsey Street and towards Bermondsey
Elephant & Castle	Yes
Canada Water	Unlikely due to urban form in the area
Camberwell	Yes
Peckham	Yes

Source: Architect 00, 2019

**Table 25: Area Schedule, type 1**

	Commercial Space (sqm NIA)	AWS (sqm NIA)
Ground Floor	160	190
1F	350	0
2F	350	0
3F	350	0
4F	350	0
Sub Total	1,560	190
Total	1,750	

Source: Architect 00, 2019

## 7.15. Assumptions:

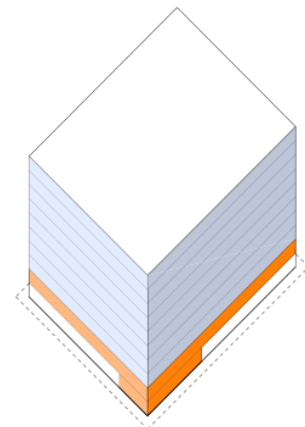
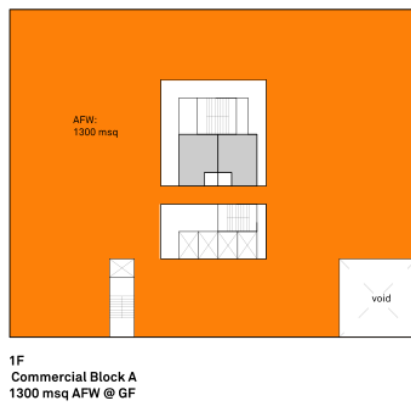
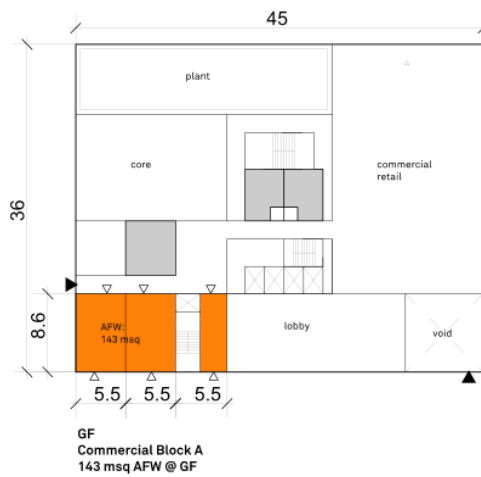
- Commercial led development
- 18m x 20m plot = 378 sqm footprint
- 5 storey building
- Total building floor area 2268 sqm / 1683 sqm NIA
- 3 sided access
- Minimum 10% AWS = 190 sqm

- Residential = 360 sqm GIA / 288 sqm NIA per floor (assume 4no 2 bed per floor \* 4 floors = 16 total housing units). Building would need to be 10 storeys high (ground plus 9 storeys) to achieve 35 units and therefore Affordable Housing threshold.

7.16. Recommended Specification:

- For a micro unit, the recommendation would be for a flexible specification to enable office, retail or light industrial uses.
  - CAT A+ fit out based on tenant input; for a small unit it is recommended that small power and any utilities outlets are installed based on tenant input
  - Suitable openings for extraction ventilation
  - Independent extract system
  - 2.7m min to 3.5m floor to ceiling height
  - Wide entrance for access (leaf and a half or double door)
  - Level access from street to unit
  - Allow floor finishes for 150mmm raised floor
  - Small power to perimeter wall
  - 3 Phase power needed for some light industrial uses
  - Double door access to street

**Type 2 – Commercial Block A (< 10,000 sqft Affordable Workspace)**



**TPOLOGY 2 - Commercial Block A**



Source: Architecture 00, 2019

7.17. Use types:

- Office (1-15 persons)
- Light Industrial (as 1 or 2 units) at ground only
- Independent Retail mixed with production workshop to rear at ground only
- Food & Beverage at ground only

**Table 26: Area Locations, type 2**

	Suitability of the area?
Southbank	Yes
Elephant & Castle	Yes
Canada Water	Yes
Camberwell	Unlikely due to size
Peckham	Unlikely due to size

Source: Architect 00, 2019

- 7.18. This typology could be generic enough to be located in several locations but Peckham and Camberwell may be less likely (though they did have some site allocations with this size).

**Table 27: Area Schedule, type 2**

	Commercial Space (sqm NIA)	AWS (sqm NIA)
Ground Floor	706	143
1F	0	1,300
2F	1,300	0
3F	1,300	0
4F	1,300	0
5F	1,300	0
6F	1,300	0
7F	1,300	0
8F	1,300	0
9F	1,300	0
Sub Total	11,106	1,443
Total	12,549	

Source: Architect 00, 2019

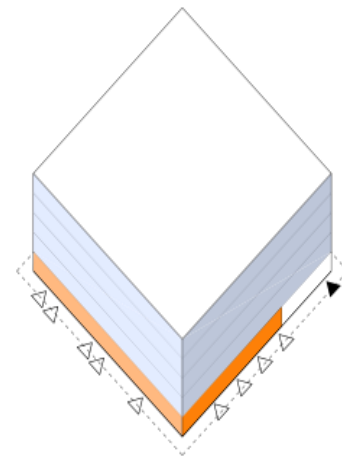
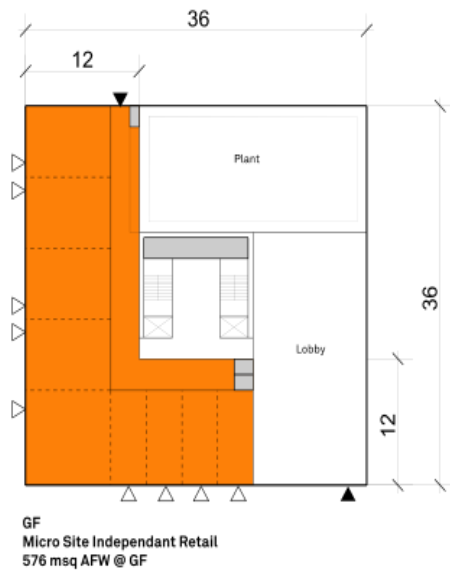
## 7.19. Assumptions:

- Commercial led development
- 36m x 45m plot = 1620 sqm footprint
- 10 storeys building
- Total building floor area 16,200 sqm / 12,549 sqm NIA
- Island site
- 10% AWS = 1,440 sqm
- Assume small scale AWS footprint, independent ground floor entrance and independent vertical access to first floor, plus AWS workspace at entire first floor

## 7.20. Recommended Specification:

- CAT A+ fit out based on tenant input; for a small unit it is recommended that small power and any utilities outlets are installed based on tenant input
- Suitable openings for independent extraction ventilation to each unit, possibly ventilation to street to mitigate large service charge overhead
- Independent extract system to each unit
- 2.7m min to 5m floor to ceiling height
- Wide street entrance for access (leaf and a half or double door)
- Level access from street to unit
- Allow floor finishes for 150mmm raised floor for ground floor units; First floor unit to have raised floor with input from operator on finish
- Exposed services and cable trays to support flexible routing of small power; small power within floor boxes
- Consider exposed low cost durable material such as blockwork at ground floor units
- Non structural partition walls at ground floor units to enable flexibility
- 3 Phase power needed for some light industrial uses at ground floor with independent meter
- Suitable lift for ground to first floor to mitigate service charge overhead

**Type 3 – Micro Site Independent Retail (5,000 – 10,000 sqft Affordable Workspace)**



**TPOLOGY 3 - Micro Site Independent Retail**



Source: Architecture 00, 2019

7.21. Use types:

- Light Industrial (as 1 or 2 units)
- Independent Retail mixed with production workshop to rear
- Food & Beverage

**Table 28: Area Locations, type 3**

	Suitability of the area?
Southbank	Potentially too large a plot size but feasible
Elephant & Castle	Yes
Canada Water	Yes
Camberwell	Potentially too large a plot size but feasible
Peckham	Potentially too large a plot size but feasible

Source: Architect 00, 2019

**Table 29: Area Schedule, type 3**

	Commercial Space (sqm NIA)	AWS (sqm NIA)
Ground Floor	720	576
1F	1,150	0
2F	1,150	0
3F	1,150	0
4F	1,150	0
Sub Total	5,320	576
Total	5,896	

Source: Architect 00, 2019

## 7.22. Assumptions:

- Commercial led development.
- 10% of typical ground floor plate of 2,500 sqft = 250 sqft unit
- 3m deep x 8m wide unit could support micro retail
- 36m x 36m plot = 1296 sqm footprint
- 5 storeys building
- Total building floor area 6480 sqm / 5896 sqm NIA
- 4 sided access

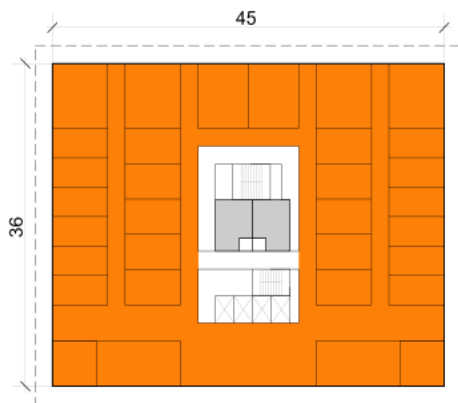


- 10% AWS = 590 sqm
- 5 Units - 9m deep x 7.2m wide = 64 sqm NIA
- 4 Units - 9m deep x 3.6m wide = 32 sqm NIA
- WC/Kitchenette & service corridor to rear of each unit with external access
- 9 Units total

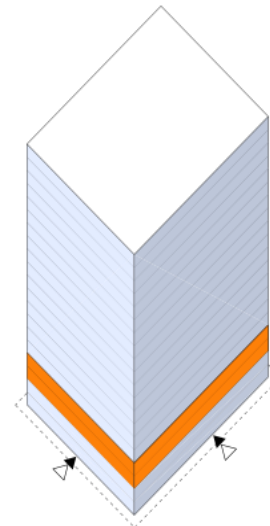
7.23. Recommended Specification:

- CAT A+ fit out based on tenant input; for a small unit it is recommended that small power and any utilities outlets are installed based on tenant / operator input
- Suitable openings for independent extraction ventilation to each unit, possibly ventilation to street to mitigate large service charge overhead
- Independent extract system to each unit
- 2.7m min to 5m floor to ceiling height
- Wide street entrance for access (leaf and a half or double door)
- Level access from street to unit
- Allow floor finishes for 150mmm raised floor for ground floor units; First floor unit to have raised floor with input from operator on finish
- Exposed services and cable trays to support flexible routing of small power; small power within floor boxes
- Consider exposed low cost durable material such as blockwork at ground floor units
- Non structural partition walls at ground floor units to enable flexibility
- 3 Phase power needed for some light industrial uses at ground floor
- Suitable lift for ground to first floor to mitigate service charge overhead
- Durable material for internal service corridor such as blockwork and concrete or vinyl flooring
- Robust communal kitchenette

**Type 4 – Commercial Block B (< 20,000 sqft Affordable Workspace)**



Typical commercial block  
AFW - 1440 sqm @ 2F  
AFW - 1440 sqm @ 3F



**TPOLOGY 4 - Typical Commercial Block**

WC
  lift
  stairs
  Commercial space

Affordable Workspace

General Access
  Independent Access

Source: Architecture 00, 2019

7.24. Use types:

- Micro Office / Office

**Table 30: Area Locations, type 4**

	Suitability of the area?
Southbank	Yes on riverside. Potentially too high for Bermondsey street
Elephant & Castle	Yes
Canada Water	Yes
Camberwell	Potentially too large a plot size but feasible
Peckham	Potentially too large a plot size but feasible

Source: Architect 00, 2019

**Table 31: Area Schedule, type 4**

	Commercial Space (sqm NIA)	AWS (sqm NIA)
Ground Floor	1,620	0
1F	1,620	0
2F	0	1,400
3F	0	1,400
4F – 19F	25,920	0
Sub Total	29,160	2,800
Total	31,960	

Source: Architect 00, 2019

#### 7.25. Assumptions:

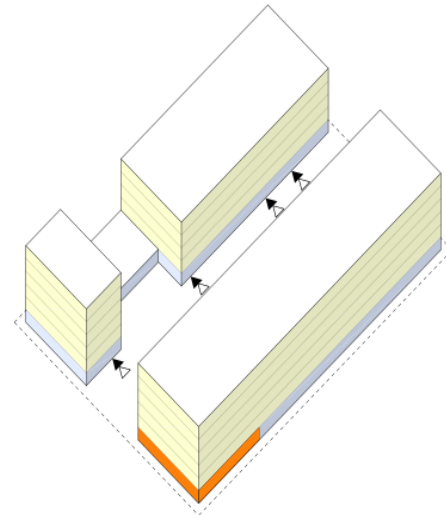
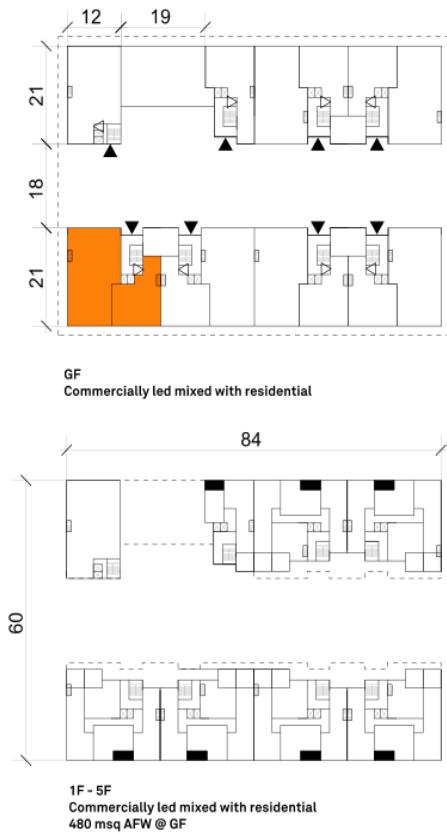
- Commercial led development
- 36m x 45m plot = 1,620 sqm GIA footprint
- 20 storey building
- Total building floor area 32,400 sqm (GIA) / 27,860 sqm NIA
- 4 sided access
- 10% AWS = 2800 sqm
- AWS office space at 2nd and 3rd floor plates (1,440 sqm each)

#### 7.26. Recommended Specification:

- CAT A+ fit out based on tenant input; at this scale of space it is a potential option to seek developer contribution to enable the operator to install a more bespoke fit out to achieve CAT B to install communal kitchens, small power distribution and internal partitions
- 2.7m min to 3.5m floor to ceiling height
- Independent access from street level to affordable workspace unit is ideal to mitigate high service charge associated with shared reception, security and vertical lift.
- Raised floor to support services distribution
- Exposed services and ceiling cable trays to support flexible routing of small power in addition to small power within floor boxes
- Suitable lift for ground to first floor to mitigate service charge overhead

- o Robust communal kitchenette

**Type 5 – Light Industrial, Mixed Use Development (10,000 – 20,000 sqft Affordable Workspace)**



**TYPOLGY 5 - Commercial Led - Mixed Use**



Source: Architecture 00, 2019

7.27. Sample site that request re-provision of employment with requirement to add residential in low rise existing buildings

7.28. Use types:

- Office (12-18 persons)
- Light Industrial
- Independent Retail mixed with production workshop to rear

**Table 32: Area Locations, type 5**

	Suitability of the area?
Southbank	Unlikely due to urban form in the area; possibilities around Bermondsey Street and towards Bermondsey
Elephant & Castle	Yes
Canada Water	Yes
Camberwell	Unlikely
Peckham	Unlikely

Source: Architect 00, 2019

**Table 33: Area Schedule, type 5**

	Total GIA (sqm)	Total Employment Space (sqm GIA)	AWS only (NIA)	Residential (GIA)	Units
Ground Floor	3,400	3,400	480	0	
1F	2,750	230	0	2,520	1B x 13; 2B x 13
2F	2,750	230	0	2,520	1B x 13; 2B x 13
3F	2,750	230	0	2,520	1B x 13; 2B x 13
4F	2,750	230	0	2,520	1B x 13; 2B x 13
5F	2,750	230	0	2,520	1B x 13; 2B x 13
Sub Total	17,150	4,550	480	12,600	130 its

Source: Architect 00, 2019

## 7.29. Assumptions:

- Commercial led development as re-provision of existing employment space
- Assumes existing footprint of two blocks at 21m x 84m each
- Re-provision of 3,600 sqm plus additional 10% AWS and residential units
- 84m x 60m plot
- 3,400 sqm Ground Floor GIA footprint
- 6 storeys building
- Total building floor area 17,150 sqm (GIA)

- 4 sided access
- 10% AWS = 450 sqm (480sqm provided)
- AWS light industrial at ground floor

7.30. Recommended Specification:

- Small power to perimeter wall
- incoming gas and electric supply may be required for larger units
- 3 phase power supply
- Capped drainage connection
- Independently metered units
- Suitable openings for extraction and ventilation to each unit
- Metered water supply point (minimum pressure 1 bar)
- Double door street entrance for goods in and out
- Level access
- Consider Heating, Ventilation and Air Conditioning for larger units/ This higher specification may be too costly for some operations.
- Floor loading for light industrial use (5kPa) with durable floor such as concrete slab
- Ceiling can be exposed concrete with surface fixed M&E to enable change over time

## Viability considerations

- 7.31. This section of the report takes the conceptualised workspace typologies, provided by Architecture 00, one step further and considers the viability implications and considerations that could arise to deliver these new workspace forms, in Southwark.
- 7.32. It should be noted that the assessment is not intended to be site specific, nor test all potential forms of workspace development that could conceivably come forward.
- 7.33. A range of industry standard data sources have been used to inform the analysis, including Costar, EGi, Molior, Land Registry, Nimbus, Zoopla to determine the values and cost assumptions. These have allowed us to test key value and location characteristics that reflect the sub-areas markets.
- 7.34. Please note that the values and assumptions detailed in this section reflect a point in time, September 2019. We stress that the following appraisals are **not** in accordance to RICS red book, and should not be relied on for future valuations. Avison Young, remains the right to amend the recommendations in this section should new information come to light.

## Appraisal methodology

- 7.35. In line with practice, the residual method of valuation has been used to establish a Residual Land Value ('RLV'):

$$\text{Gross Development Value} - \text{Development Costs (including Developer's Profit)} = \text{RLV}$$

- 7.36. In order to test viability, the RLV is compared to a Benchmark Land Value ("BLV"), the land value required to incentivise a hypothetical land owner to promote development.
- 7.37. If the RLV is sufficiently greater than a BLV then the scheme is considered potentially commercially attractive and a landowner is likely to be sufficiently incentivised to release the site for development. If the RLV is roughly equivalent to the BLV then the scheme is marginally viable. If the RLV is less than the BLV then the scheme is commercially unattractive and there is little incentive for the landowner to bring the site forward for redevelopment.

## Benchmark Land Values

- 7.38. There are a number of methods to determine the BLV. We are aware that the RICS Guidance Note<sup>10</sup> recommends a Market Value approach to determine the existing use value, and the GLA guidance recommends a landowner's premium of 20% on top of this. This approach has been adopted by a number of studies, including the Industrial Intensification and Co-location study: Design and Delivery Testing (2018) which forms part of the London Plan evidence.
- 7.39. For the purpose of this assessment, Avison Young have used MHCLG Estimate Land Value for Policy Appraisals and recent transactional sales to establish BLVs.

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<sup>10</sup> RICS GN 'Financial Viability in Planning' (GN 94/2012, 1<sup>st</sup> Edition, 2012)

**Table 34: Benchmark Land Values**

	Benchmark Land Value per hectare
Office	£289,000,000
Residential	£67,300,000
Industrial	£6,175,000

Source: Land value estimates for policy appraisal, MHCLG, 2017 and Costar, 2019

- 7.40. Different BLVs have been considered for each sub area which aligns with the highest competing land use and type of land which we would expect schemes to be delivered on.
- 7.41. Therefore whilst we understand an existing use may be a car park for example, it is acknowledged that the redevelopment of the plot will most likely be for residential (as the highest competing land use), and this will ultimately influence the price that would be expect to be paid for the land.
- 7.42. This is with the exception of land designations. If a land is designated for employment, for example, whereby future development is restricted to this use, this would ultimately influence the price of the land.
- 7.43. Aligned to Figure 8 (quantum of office versus industrial floorspace), each sub area's commercial mix is predominantly industrial with the exception of the Southbank, which comprises predominantly offices. Therefore the following BLVs, in Table 35, have been adopted for the testing.

**Table 35: BLVs adopted for testing**

	Office	Residential	Industrial
Southbank	X	X	X
Elephant & Castle		X	X
Canada Water		X	X
Camberwell		X	X
Peckham		X	X
Southbank		X	X

Source: Avison Young

- 7.44. It is acknowledged that BLVs have always been a highly contested point of debate, within policy viability appraisals. We are well aware that there are a number of different approaches that could be adopted, and as such it imperative to understand that the outcomes of these appraisals are indicative only. It is encouraged that as sites come forward, more detailed investigations are conducted.



## Typologies tested

7.45. With regards to Table 23 and Architecture 00's comments on suitable locations, set out earlier in this section, testing has been carried out where it is assumed typologies are most likely be delivered in the current urban form. Therefore, testing of typologies has not been carried out where Architecture 00 has identified that delivery may be "possibly feasible/unlikely." Highlighted in black in the table below are scenarios which have been tested. We have not tested the scenarios highlighted in red. The rationale is that although we understand that the typologies could theoretically come forward in these locations, delivery is unlikely to be feasible given the current urban form.

**Table 36: typologies tested**

	Type 1	Type 2	Type 3	Type 4	Type 5
Description	Micro Site Mixed use	Medium commercial block	Micro Site Independent Retail	Large commercial block	Light industrial Mixed-use
Southbank	X	X	X	X	X
Elephant & Castle	X	X	X	X	X
Canada Water		X	X	X	X
Camberwell	X		X		
Peckham	X		X		

Source: Architecture 00, 2019

## Base assumptions

7.46. Table 37 outlines the base assumptions used. This reflects industry standards and our previous knowledge and experience in other projects of a similar nature.

**Table 37: Base assumptions**

Assumptions	Assumption	
Profit blended GDV	18%	
Ground Rent	£300	4.00%
Externals	5%	
Abnormals	£5	per sqft
Contingency	5%	total build costs
Stamp duty	5%	
Stamp duty legal and sale fee	1.8%	
Sale Agent Fee	1.0%	
Sale Legal Fee	0.25%	
Marketing Fee	1.0%	Applied to residential and commercial
Professional fees	7%	
Finance rate	6.5%	
Demolition	£5	per sqft

Source: Avison Young, 2019

**Values and costs**

7.47. The value and costs outlined in the following paragraphs are derived from reviewing the averages £ per sqft across the sub-areas. Whilst it is understood that higher rental prices may be marketed in these sub areas, we would consider this to be aspirational. To ensure that the outcome of the testing is robust, historical rental data is analysed, and an average of achieved rents reflective of the sub area as a whole have been adopted.

*Residential Values*

7.48. Table 38 shows the average residential values (£/sqft) across the different sub-areas. Please note that as the typologies include a predominantly flatted residential component, we have only used the flatted average values.

**Table 38: Average residential values – Flats only (average £/sqft)**

Location	Private	Social Rent at 25%	Intermediate at 75%
Southbank	£1,072	£268	£804
Elephant & Castle	£917	£229	£688
Canada Water	£669	£167	£502
Camberwell	£640	£160	£480
Peckham	£686	£172	£515

Source: Avison Young, based on Molior Data, 2019

- 7.49. We have not carried out testing which varies the proportion of affordable housing in this assessment. The rationale behind this is that there would be little additional analysis to consider. It is widely understood that reducing the proportion of affordable housing in a scheme will improve the viability, and vice versa. For the purposes of this assessment, we have assumed that affordable housing have been agreed at the minimum requirement (as set out in the London Plan) as this is to be expected of all schemes unless the developer can in exceptional circumstances prove otherwise; affordable housing is a case by case matter which we are unable to address in detail for this assessment.

#### Commercial Values

- 7.50. Table 39 shows the prime, secondary and average commercial values across the sub-areas.

**Table 39: Average commercial rents (£/sqft) and yields (%)**

Commercial values	Industrial		Office	
	Rents £/sqft	Yields (%)	Rents £/sqft	Yields (%)
Southbank	£35	4.5%	£46	5%
Elephant & Castle	£25	4.5%	£24	5%
Canada Water	£20	4.5%	£30	5%
Camberwell	£19	4.5%	£25	5%
Peckham	£11	4.5%	£20	5%

Source: Costar, 2019

#### CIL charges

- 7.51. Table 40 outlines the gross CIL charges for each typology.

**Table 40: Gross CIL charges (£)**

Gross CIL charge	Type 1	Type 2	Type 3	Type 4	Type 5
Southbank	£662,012	£0	£0	£2,567,050	£5,792,602
Elephant & Castle	£331,767	£0	£0	£0	£2,902,959
Canada Water		£0	£0	£0	£2,902,959
Camberwell	£82,181		£0		
Peckham	£331,767		£0		

Source: Respective local authorities' CIL Charging schedules, BCIS, and MCIL2 charging schedule, 2019

### Build Costs

- 7.52. To determine the build costs for the commercial and residential components, Avison Young have referred to the information provided by BCIS (Building Cost Information Service). An average of the build cost per sqft across sub-areas has been adopted for the assessment.
- 7.53. This is outlined in Table 41 below.

**Table 41: Build cost (£/sqft)**

Build costs	Light industrial	Office	Residential (flatted)
Type 1	£126		£184
Type 2	£126		
Type 3	£126		
Type 4		£257	
Type 5	£126		£230

Source: BCIS, Avison Young analysis, 2019

### Timings

- 7.54. BCIS and Avison Young's previous knowledge and experience has been used to determine the development timings for the appraisals. For the purposes of this exercise, it is assumed that the residential and commercial component is sold at completion.

**Table 42: Development timings**

Timings	Micro		Med comm.		Micro inds Retail		Large comm.		Mixed use	
	Type 1	Duration (Months)	Type 2	Duration (Months)	Type 3	Duration (Months)	Type 4	Duration (Months)	Type 5	Duration (Months)
Purchase	0	0	0	0	0	0	0	0	0	0
Pre construct	0 - 3	3	0 - 3	3	0 - 3	3	0 - 3	3	0 - 3	3
Construction	4 - 13	9	4 - 22	18	4 - 13	9	4 - 34	30	4 - 40	36
Sale	14	1	23	1	14	1	35	1	41	1

Source: BCIS, Avison Young analysis, 2019

**Appraisal results**

- 7.55. The results of the appraisals are detailed in Table 43 to Table 48, and summarised in Table 49.
- 7.56. The appraisals tests different level of discount (starting with peppercorn rent, or 100% discount) on 10% of the total space being delivered as affordable workspace (as set out in the Design and Deliverability Considerations chapter).
- 7.57. Further discount testing has been considered where the RLV, shows to be "not viable." This includes the respective discounts:
- 25% market rent paid (75% discount to the operator)
  - 50% market rent paid (50% discount to the operator)
  - 75% market rent paid (25% discount to the operator)

## Peppercorn rent (100% discount)

Table 43: Results - Residential land BLV – peppercorn rent

		Residual Land Value	Residual Land Value per hectare	Residential Benchmark Land Value per hectare	Outcome
Type 1	Southbank	£11,304,000	£314,000,000	£67,300,000	Viable
	Elephant & Castle	£7,913,000	£219,805,556	£67,300,000	Viable
	Canada Water				
	Camberwell	£4,236,000	£117,666,667	£67,300,000	Viable
	Peckham	£2,658,000	£73,833,333	£67,300,000	Viable
Type 2	Southbank	£46,784,200	£288,791,358	£67,300,000	Viable
	Elephant & Castle	£26,895,200	£166,019,753	£67,300,000	Viable
	Canada Water	£16,950,800	£104,634,568	£67,300,000	Viable
	Camberwell				
	Peckham				
Type 3	Southbank				
	Elephant & Castle	£13,057,000	£100,748,457	£67,300,000	Viable
	Canada Water	£8,614,000	£66,466,049	£67,300,000	Not Viable
	Camberwell				
	Peckham				
Type 4	Southbank	£72,146,856	£445,350,963	£67,300,000	Viable
	Elephant & Castle	£583,354	£3,600,951	£67,300,000	Not Viable
	Canada Water	£20,340,200	£125,556,790	£67,300,000	Viable
	Camberwell				
	Peckham				
Type 5	Southbank				
	Elephant & Castle	£18,320,364	£51,928,469	£67,300,000	Not Viable
	Canada Water	£5,994,311	£16,990,677	£67,300,000	Not Viable
	Camberwell				
	Peckham				

Source: Avison Young analysis, 2019

Table 42: Results - Industrial land BLV – peppercorn rent

		Residual Land Value	Residual Land Value per hectare	Industrial Benchmark Land Value per hectare	Outcome
Type 1	Southbank	£11,304,000	£314,000,000	£6,175,000	Viable
	Elephant & Castle	£7,913,000	£219,805,556	£6,175,000	Viable
	Canada Water				
	Camberwell	£4,236,000	£117,666,667	£6,175,000	Viable
	Peckham	£2,658,000	£73,833,333	£6,175,000	Viable
Type 2	Southbank	£46,784,200	£288,791,358	£6,175,000	Viable
	Elephant & Castle	£26,895,200	£166,019,753	£6,175,000	Viable
	Canada Water	£16,950,800	£104,634,568	£6,175,000	Viable
	Camberwell				
	Peckham				
Type 3	Southbank				
	Elephant & Castle	£13,057,000	£100,748,457	£6,175,000	Viable
	Canada Water	£8,614,000	£66,466,049	£6,175,000	Viable
	Camberwell				
	Peckham				
Type 4	Southbank	£72,146,856	£445,350,963	£6,175,000	Viable
	Elephant & Castle	£583,354	£3,600,951	£6,175,000	Not Viable
	Canada Water	£20,340,200	£125,556,790	£6,175,000	Viable
	Camberwell				
	Peckham				
Type 5	Southbank				
	Elephant & Castle	£18,320,364	£51,928,469	£6,175,000	Viable
	Canada Water	£5,994,311	£16,990,677	£6,175,000	Viable
	Camberwell				
	Peckham				

Source: Avison Young analysis, 2019

**Table 44: Results - Office land BLV – peppercorn rent**

		Residual Land Value	Residual Land Value per hectare	Office Benchmark Land Value per hectare	Outcome
Type 1	Southbank	£11,304,000	£314,000,000	£289,000,000	Viable
Type 2	Southbank	£46,784,200	£288,791,358	£289,000,000	Marginal
Type 4	Southbank	£72,146,856	£445,350,963	£289,000,000	Viable

Source: Avison Young analysis, 2019

**25% market rent (75% discount)****Table 45: Results - Residential land - 75% discount**

		Residual Land Value	Residual Land Value per hectare	Residential Benchmark Land Value per hectare	Outcome
Type 3	Canada Water	£11,362,687	£87,675,054	£67,300,000	Viable
Type 4	Elephant & Castle	£1,705,259	£10,526,290	£67,300,000	Not Viable
Type 5	Elephant & Castle	£18,794,042	£53,271,094	£67,300,000	Not Viable
	Canada Water	£6,336,935	£17,961,834	£67,300,000	Not Viable

Source: Avison Young analysis, 2019

**Table 46: Results - Industrial land - 75% discount**

		Residual Land Value	Residual Land Value per hectare	Industrial Benchmark Land Value per hectare	Outcome
Type 3	Canada Water	£11,362,687	£87,675,054	£6,175,000	Viable
Type 4	Elephant & Castle	£1,705,259	£10,526,290	£6,175,000	Viable
Type 5	Elephant & Castle	£18,794,042	£53,271,094	£6,175,000	Viable
	Canada Water	£6,336,935	£17,961,834	£6,175,000	Viable

Source: Avison Young analysis, 2019

**50% market rent (50% discount)****Table 47: Results - Residential land - 50% discount**

		Residual Land Value	Residual Land Value per hectare	Residential Benchmark Land Value per hectare	Outcome
Type 4	Elephant & Castle	£2,654,564	£16,386,198	£67,300,000	Not Viable
Type 5	Elephant & Castle	£19,177,720	£54,358,617	£67,300,000	Not Viable
	Canada Water	£6,679,559	£18,932,990	£67,300,000	Not Viable

Source: Avison Young analysis, 2019



**75% market rent (25% discount)****Table 48: Results - Residential land - 75% discount**

		Residual Land Value	Residual Land Value per hectare	Residential Benchmark Land Value per hectare	Outcome
Type 4	Elephant & Castle	<b>£3,949,071</b>	<b>£24,376,981</b>	<b>£67,300,000</b>	<b>Not Viable</b>
Type 5	Elephant & Castle	<b>£19,606,398</b>	<b>£55,573,690</b>	<b>£67,300,000</b>	<b>Not Viable</b>
	Canada Water	<b>£7,022,183</b>	<b>£19,904,147</b>	<b>£67,300,000</b>	<b>Not Viable</b>

Source: Avison Young analysis, 2019

**Outcome of testing**

- 7.58. The outcome of the testing is summarised in Table 50.
- 7.59. Typology 1 and 2 is deliverable at multiple locations, at a peppercorn rent.
- 7.60. Where viability is challenged is the delivery of typology 3, 4 and 5 at Elephant and Castle and Canada Water, particularly when considered against a Residential BLV.

**Typology 4**

- 7.61. There are a number of reasons attributing to this outcome. Typology 4 (pure office scheme), is challenged in Elephant and Castle due to the office rents adopted (c.£24 psf) for the testing. Aforementioned, this reflects the average rents achieved in the sub area, rather than headline rents. In relation to the latter, we have seen asking rents of £27-£35psf for a handful of properties.
- 7.62. Our understanding of the Elephant and Castle sub market is that there has been limited speculative office development. We are only aware of one permission granted (5-9 Rockingham Street) for a pure office/co-working scheme in the last five years, with majority of office properties converted to residential, or residential-led mixed use schemes with small ground floor office/retail units. Therefore it is not surprising that average office rents are relatively low, given the lack of demand, in comparison to other sub areas. However, we recognise that there may be schemes at the pre-application stage but as this is not publically available information, we are unable to take this into consideration.
- 7.63. Looking at the position of the sub-markets and the rising rents in neighbouring Southbank sub area, it may be that in the future Elephant and Castle becomes a more attractive office location, achieving the higher rents outlined above. A sensitivity test has been carried out to determine a slight increase in office rents base on this hypothetical scenario, towards the viability of the scheme coming forward in Elephant and Castle.
- 7.64. Increasing the office rent by 10% and 20% and testing at differing levels of market rent paid on the affordable workspace (0%, 25% and 50%) in comparison to the Residential BLVs, the viability position is considerably different.
- 7.65. An increase of 20% to the market rent (c.£29psf) enables a peppercorn rent to be achieved for affordable workspace component for typology 4.

- 7.66. An increase of 10% to the market rent (c.£26psf) enables a 25% discount (75% of market rent paid on the affordable workspace) to be a viable proposition.
- 7.67. This sensitivity testing indicates that it is not unreasonable to consider 25% discount (75% market rent paid) for the affordable workspace, for new schemes coming forward.

**Table 49: Sensitivity testing – typology 4 – Elephant and Castle, Residential BLV**

RLVs compared to Residential BLVs	10% AWS no discount	10% AWS 25% MR paid	10% AWS 50% MR paid	10% AWS 75% MR paid
Rent @ £24psf (0% increase)	£583,354	£1,705,259	£2,654,564	£3,949,071
Rent @ £26.4psf (10% increase)	£8,109,787	£9,335,253	£10,560,720	£11,786,186
Rent @ £28.8psf (20% increase)	£16,263,426	£17,601,080	£18,938,737	£20,276,394

Source: Avison Young analysis, 2019

### Typology 5

- 7.68. For Typology 5, the outcome of the viability testing (when compared to a residential BLV) is unsurprising. There are a number of different factors at play affecting the viability. Primarily this is due to the average industrial and residential values adopted for the testing and the higher build cost needed to deliver the residential tower.
- 7.69. As the typology is residential-led, the viability is primarily hinged on the residential values.
- 7.70. However, it should be recognised that when compared the Industrial BLV, typology 5 is able to be delivered at Elephant and Castle, and Canada Water with the notion of a peppercorn rent for the affordable workspace component.
- 7.71. Here we would expect public investment might be required to deliver this typology in these locations.

Table 50: Testing summary

% rent paid		Peppercorn			25% market rent			50% market rent			75% market rent		
BLVs		Resi	Incs	Office	Resi	Incs	Office	Resi	Incs	Office	Resi	Incs	Office
Type 1	Southbank	y	y	y									
	Elephant & Castle	y	y										
	Canada Water												
	Camberwell	y	y										
	Peckham	y	y										
Type 2	Southbank	y	y	m									
	Elephant & Castle	y	y										
	Canada Water	y	y										
	Camberwell												
	Peckham												
Type 3	Southbank	y	y										
	Elephant & Castle	n	y										
	Canada Water				y	y							
	Camberwell												
	Peckham												
Type 4	Southbank	y	y	y									
	Elephant & Castle	n	n		n	y		n	y		n	y	
	Canada Water	y	y										
	Camberwell												
	Peckham												
Type 5	Southbank												
	Elephant & Castle	n	y		n	y		n	y		n	y	
	Canada Water	n	m		n	y		n	y		n	y	
	Camberwell												
	Peckham												

### Recommendations of discount:

7.72. The following recommendations towards discount applicable for workspace schemes are indicative of the testing conducted above; however due to the limitations associated with the viability testing, we recommend the Council's position should be to consider detailed testing of proposed schemes on a case by case basis.

- Southbank – Peppercorn
- Elephant and Castle – 25% discount/ no discount
- Canada Water – Peppercorn/ no discount
- Camberwell – Peppercorn
- Peckham - Peppercorn

## 8. Intervention options

- 8.1. The analysis presented in this Report demonstrates there is a clear rationale and justification for public sector intervention across Southwark to ensure an appropriate mix of workspace is delivered in the future and that this space is affordable and accessible to a range of existing and future businesses.
- 8.2. This section focuses on the potential affordable workspace responses that could be adapted in policy to support the delivery of the affordable workspace in each authority area.

### Policy approaches

#### Specific Affordability Criteria (discounting rent)

- 8.3. Affordability is a key concern for a number of businesses, and has been a challenge in other parts of London where major change has occurred.
- 8.4. A simple approach to addressing this issue would be to require (in developments over a certain size) a set proportion of space to be delivered as affordable space, at a set rent discount to market rates.
- 8.5. This is the approach being adopted by Hackney Council in their draft LP33, with specific rates set for different parts of the borough to reflect different market conditions. The London Legacy Development Corporation uses a similar approach and suggests a starting point of 75% of market rent is appropriate – however this is focussed at particularly uses and activities.
- 8.6. This is also similar to policy P28 of the New Southwark Plan which sets out that:

Developments proposing 500 sqm or more employment space (B Class Use) must:

- 3.1 Deliver at least 10% of the proposed gross new employment floorspace as affordable workspace on site at discounted market rents; and
- 3.2 Secure the affordable workspace for at least 30 years at discounted market rents appropriate to the viability of the businesses the space will be targeted for; and
- 3.3 Provide affordable workspace of a type and specification that meets current local demand; and
- 3.4 Prioritise affordable workspace for existing small and independent businesses on the site at risk of displacement. Where this is not feasible, affordable workspace must be targeted for small and independent businesses from the local area with an identified need; and
- 3.5 Collaborate with the council to identify the businesses that will be nominated for occupying affordable workspace.

4. If it is not feasible to provide affordable workspace on site, an in lieu payment will be required for off-site affordable workspace."

- 8.7. As discussed above affordability in the current workspace market is complex and the setting of these discounted rent levels is complicated by the varying and complex way in which different operators charge for space. For example many include a range of other costs/benefits (such as service charges, rates, ICT, level of fit out and incentives) and may not charge per area of floorspace but by desk or occupiable unit. What is/isn't included in the rent is not consistent between providers.
- 8.8. It also needs to be clear who is benefitting from the discounted rent, an end user business or a workspace operator. If the latter the affordability benefit may be weakened to businesses as the operator will need to cover their costs from the rent they charge occupiers.

- 8.9. This approach could therefore have some complications in its application with the authorities needing to understand in detail the terms on offer and how it aligns to a simple affordability metric (£/sqm), it would also need to keep an accurate and up to date understanding of prevailing rents for the type of space being proposed within their respective boroughs. This could be managed through the pre-application process alongside the other planning issues.
- 8.10. A further challenge may be that, even with a threshold in place, a proportional requirement as part of an overall development could result in a 'pepperpotting' of small workspaces across the borough, which would present operational challenges in terms of the cost of management.
- 8.11. Policy P38 of the New Southwark Plan would lead to the delivery of affordable workspace units as small as 50 sqm, which are unlikely, as standalone units, to be operationally viable for most commercial operator and challenging for any kind of operator, including charities and non for profit organisations.
- 8.12. It may therefore be beneficial for the policy to seek to establish an investment pool from 'in kind' payments, which can then be used to deliver a more meaningful scale workspace that offers a viable proposition for operators. The contribution rates should reflect up to date build cost estimates for an appropriately specified permanent workspace building.

### Directing the Specification

- 8.13. A discounted rent approach can help secure affordable space, however it provides the authorities with limited control or influence over the type of space that is being delivered and therefore would not necessarily create affordable space of the type needed.
- 8.14. Borough policy could include greater direction and control over the level of specification in commercial floorspace provided to ensure it meets the needs identified in this study and also can respond to changes over time to encourage space that can respond to changing demands over time.
- 8.15. Key considerations for engaging this approach would be:
- Create a Design Guide to set requirement for spaces to be fitted out to basic usable standard (Category A fit-out: facade; plumbing, electrics and ICT as a minimum), this will apply to both end user and operator based models.
  - Ensure space does provide an opportunity for end users to be able to 'customise' space where an operator is not used – this an enhanced shell and core that allows sub-division. This is particularly important for end user focused developments.
  - Options exist to extend the guidance from 'fit out' to types and use classes, which could help broaden the range of space provided.
  - The authorities would need to maintain an up to date understanding of needs of businesses in the area, to be certain of what is being requested from developers.
- 8.16. Alternatively, the borough could require developers to demonstrate pre-planning the suitability of the design to meet current local demand (in collaboration with an identified workspace operator).

### Directing the Target Occupiers

- 8.17. This study has identified a number of activities that currently underpin Southwark's economy and are likely to be important in the future. Many of these are also likely to be impacted most significantly by a loss of space and increasing costs.
- 8.18. The authority could seek to actively protect and promote these specific sectors and require new developments to provide space to the existing level of floorspace in a form suitable for occupation by businesses within the creative/cultural, production-based or industrial economy. This would need to be considered subject to viability.
- 8.19. In pursuing this approach policy:
- Would need to be supported by more detailed guidance on specification and (potentially) procurement parameters.
  - Would require clear and up to date evidence of businesses requiring space. The authority (or another partner) could populate a 'waiting list' of occupiers.
  - Developers would need to be given clear guidance on the required use classes within their developments, which would help maintain a diversity of stock, given 'sector' needs cut across a range of use classes and activities.
- 8.20. This approach would help existing businesses to remain in Southwark, and ensure similar businesses can locate here in the future. However, it does risk the policy becoming outdated quickly as the economy continues to evolve, new sectors emerge and demand increases for other forms of space or business activity. This approach would therefore likely result in significant levels of challenge and/or discussion with developers over levels of demand.

### Specify Workspace Providers

- 8.21. Many boroughs in London (including Southwark) have developed, or are in the process of developing, approved workspace provider lists, either for whole boroughs or specific areas. The authority must ensure that the Workspace Provider list closely aligns with the scale and type of space that will be delivered in the borough.
- 8.22. Southwark policy could reinforce the requirements to for developers to deliver a proportion of affordable space in their development, with the operator coming from the list. It is important, if working with an approved workspace provider list, to keep this list up to date and constantly review it to recognise the rapid evolution of the market.
- 8.23. Given the future nature of demand, the workspace provider list should include a range of operators who specialise in the provision and management of office/studio space and workshop/light industrial spaces.
- 8.24. In the first instance the authorities would need to 'vet' the providers through a procurement process, completing appropriate due diligence to ensure they can reliably be used to manage workspace. This will create confidence with developers that operators won't have a negative impact on their overall

development, critical in managing risk. The authorities could then act as a broker or intermediary to introduce developers to operators in order to secure appropriate affordable workspace provision.

8.25. To further manage risk, the authority could use a similar approach to Islington, where the Council is assigned a lease at a nominal cost (or even assigned the freehold) and then invites proposals from their workspace provider list to operate the space. This transfers all of the risk away from the developer as the authority effectively guarantees the appropriate use of the workspace provided. In appointing the operator the authority can then shape the offer to directly meet local needs, with opportunities to achieve a wide set of social, financial or other outcomes.

8.26. Whichever of the routes is pursued, the following need to be addressed to ensure a policy/intervention functions properly:

- Needs clarity on expected length of agreement (10/ 20 years+ / perpetuity) to allow operators to secure funding.
- The way in which a 'registered operator' list is created and managed is critical. Would there be suitable procurement with regular and robust assessments of operators' processes, resilience and finances, impact evaluation, rent setting and other policy assessments, charities commission/other governance ratings and ongoing market engagement to ensure it includes new and relevant entrants. This is not a small job and could be taken on regionally (i.e. lead from the GLA).
- The procurement process/vetting process will need to be transparent and secure a range of providers to prevent developers challenging the list or raising concerns about how provision could affect the overall value of their development if the quality of provision/activity is not guaranteed
- The developer needs to provide certainty through the planning process to enable commercial discussions, this (borrowing from Islington's approach) could include policy wording such as [the developer shall provide] "suitable evidence of commitment to provide this from a third party and Heads of Terms agreed" or similar formulation as condition

### **Brokerage and Intervention to Create Partnerships**

8.27. Similar to the approach above, although less formal, the authority could operate outside of the policy through its economic development and regeneration teams to support the development of new partnerships between developers and operators. Rather than an approved list, the authority could maintain a contact database of providers interested in the borough, or who are known to deliver the type of space the borough requires.

8.28. Through pre-application processes the authority could then seek to bring parties together to develop any workspace concept, ensuring space is tailored to local requirements across sectors, leading to agreement (on spec and lease terms) subject to approval.

8.29. This requires much lower levels of resource for the authority than an 'approved' list and would expose the authority to lower risk. The authority involvement may still be required to:

- Ensure space is tailored to specific provider needs – with pricing and specification aligned to providers understanding of the market demand

- Secure certainty through including "suitable evidence of commitment to provide this from a third party and Heads of Terms agreed" or similar formulation as a planning condition
  - Seek clarity on expected length of agreement (10/20 years+ / perpetuity)
  - Ensure any alternative providers proposed by the applicant are suitable, seeking sufficient evidence (heads of terms etc.) that provider is credible and an integrated part of the team.
- 8.30. By working with developers and providers the process would help alleviate developer concerns over quality of provision, demand for space and impact on wider scheme value, however much of the risk would be on the developer to secure an appropriate operator.
- 8.31. This would require the authority to actively seek opportunities to take on space themselves if they wanted to create workspace operator model. This could be done by either acquiring space outright from the market, or negotiating with developers to provide a proportion of space

### **An Exceptions Approach**

- 8.32. As discussed in previous chapters of this Report, financial contributions could be sought if the delivery of workspace at a given site is not feasible. This may be an appropriate mechanism, which allows for authority to pool monies to deliver workspace elsewhere.
- 8.33. The financial contribution should, at minimum, equate to the total cost of bringing forward the space as is. Therefore the base build cost £ sqft multiplied by the gross total floorspace. It is cautioned that this is a simplistic approach to calculating financial contributions, and it is advised that build costs used by developers are scrutinised, and up to date (accounted for inflation etc.) build costs are provided to ensure that the right monetary sum is received. Allowances beyond 'base' build costs should also be considered to ensure they offer no positive financial incentive to a developer in comparison to on-site provision.
- 8.34. Beyond this 'offsite' contribution the authority should not seek to limit the imagination and innovation that the private sector can deliver and should focus on establishing clear objectives without being overly prescriptive in relation to the delivery method.
- 8.35. To encourage and enable private sector innovation any of the options considered above could be supported by an 'exceptions' policy which could be applied where it can be demonstrate an alternate approach would meet the overall aims of the policy. This would still provide a strong signal to the market and help encourage innovation in provision and partnerships that could benefit the authority area overall.
- 8.36. The onus would pass to the scheme promoter to demonstrate the benefits of the approach, with the authority needing to seek clarity and reassurance on key issues such as approach to letting, terms of agreement, track record of provider, overall workspace strategy for the development (any support from specialist 3rd party advisor etc.) and evidence of demand for this space.
- 8.37. From the authority's perspective it would need to ensure it had sufficient knowledge and support to be able to assess incoming proposals, which could be in house or drawn from the GLA Special Assistance or Open Workspace teams.



## Other 'non-policy' considerations

8.38. Planning policy is only one tool available to the London Borough of Southwark. By bringing together other departments and activities there are wider interventions that could be made.

### Make the most of existing stock

8.39. Southwark, before investing (directly or indirectly, through planning policy) into the provision of workspace in new development should consider making the most of existing stock and assets, as existing (older) space is often more affordable than new space.

8.40. Southwark could consider using planning policies to build up funds (off-site contributions) that would be used for either converting some of their own under-used assets or purchasing existing space, giving them control over the future use and terms of use of the space. Note that this will require a more interventionist approach.

8.41. Additionally, collaboration between the council and the GLA should be prioritised in order to improve the visibility of the existing offer in the borough. Desk-based research have shown major discrepancies between data available (and marketed) in regards to affordable workspace. For instance, the GLA Open Workspace Database identifies just a few workspaces within the Southwark area; whilst our research identifies circa 40 spaces in this borough. Greater collaboration with the GLA would provide greater visibility for those workspaces and attract businesses as well as investors into Southwark.

### Scale and Aggregation of Space

8.42. The analysis in this report has identified a significant challenge in the long term operation of affordable workspace when the spaces secured are standalone, of relatively small scale or dispersed across a large area.

8.43. As noted in other recommendations, the acceptance of financial contributions in some instances may be an appropriate mechanism for ensuring space delivered can be viably operated over the long term.

8.44. However, this may mean that workspace provision is not well distributed across Southwark – an important consideration when one key reason for delivering affordable workspace is to provide economic opportunities for a wide range of communities.

8.45. An alternate mechanism could be for the authority to take a more direct role in the future provision of workspace, acting as an 'aggregator' of space across the area to create packages of floorspace that can then be operated viably. There will be limits to this approach in terms of the efficiency of management and the logistics of operating a dispersed array of units.

8.46. This role would essentially position the authority as an intermediary, which could also help address the potential challenge of poor understanding/experience in the development sector in the delivery of affordable workspace. Many developers don't have the knowledge or connections to engage in delivery, so a 'readymade' solution for them will help bring space forward - critically it could provide a consistent point of engagement early in the planning process to help shape space solutions, lease arrangements and delivery process.

- 8.47. There are likely to be two main approaches to fulfilling this intermediary role, both would need detailed feasibility testing to roll out.
- 8.48. The first would be for the authority to partner with a provider(s) at a strategic level, with the authority seeking to take the headlease on new space delivered (therefore using their covenant to 'de-risk' development) with a back to back agreement in place for the operating partner to then lease and operator the space from the authority.
- 8.49. This would provide certainty for both the developer and operator with the operator in particular having a secure pipeline of long term space against which they could secure finance to scale up their operations.
- 8.50. The key challenge for this approach is the scale of the affordable workspace provider sector and the number of organisations that could play the role as provider alongside the authority. However, as described the 'secure' pipeline could help existing operators scale.
- 8.51. The second approach would be for the authority to build their own operator vehicle, therefore not only taking the headlease on space from the developer but then operating the space itself.
- 8.52. This would clearly have much greater resource and risk implications, however it would give the authority much more direct control over the operation of the space and how affordable workspace is targeted to meet key objectives.
- 8.53. Such an intermediary role would agree to take up the mixed use employment spaces early in development process, make sure they are delivered to the right specification and conditions and position them appropriately for end users. By managing letting processes they could exert control of who end users are and the wider outcomes workspace can help achieve, by having a known partner carefully managing lettings residential developers and future residents will be reassured activity would remain compatible in mixed use schemes.
- 8.54. The intermediary may also be able to balance between more affordable and more commercial units to help protect and promote affordable space whilst still maintaining a viable business model overall. For example it might have flexible rent policy which sets a general long-term expectation on yield across its portfolio, enabling it to vary individual rents to respond to needs and context.
- 8.55. Even if the Southwark do seek to create a new operational vehicle it would require a clear policy position that 'required' developers to work with the authority. As such it would need to link to other recommendation in this study around policy wording, Section 106 principles etc.

### **Shared investment**

- 8.56. As shown in our high level assessment of deliverability and viability in some locations and with some typologies securing delivery of affordable workspace through private sector contribution will be challenging as schemes are of marginal or negative viability, assuming a high level of discount.
- 8.57. Unlocking the delivery of more affordable workspace across Southwark, and the subsequent social and economic benefits this can create, is likely to therefore require a broader investment strategy that allows private contributions to be pooled with public resources.

- 8.58. A new revolving investment fund, focussed on unlocking the delivery of workspace, could help to 'smooth' the investment curve by balancing large upfront capital costs with a longer term return perspective to help providers or businesses with initial fit out, equipment or other set up costs.
- 8.59. The operation of such a fund could mirror the Opportunity Investment Fund which Haringey created to help businesses in Tottenham, which combined loan and grant payments, allowing some money to be 'recycled' across projects.
- 8.60. A key challenge for such a recycled fund will be scale (and the ability to have a large enough investment portfolio) and the delay between investment and return. Many funds that operate at a local level have struggled with ensuring the pipeline is self-sustaining over time, the more successful ones (e.g. Manchester Evergreen Fund) have been deployed over much larger areas.
- 8.61. There are also limitations to relying solely on repayments to replenish a revolving fund, in particular the fact that the income delay the fund is seeking to address will also delay repayments, meaning slower return of funds to the source and therefore limited ability to reinvest. The inclusion of a 'top up' mechanism (potentially using retained business rates or developer contributions) may therefore be necessary to ensure the fund works effectively. The predictability of business rates income could be particularly helpful given it has a regular and reliable flow of money into the pot than if developer contributions formed the additional source.
- 8.62. The creation of this fund to create some certainty around workspace provision, with a clear timetable for investment and a more predictable 'pool' of funding could also help develop a stronger pipeline of projects, with those seeking to access the funds able to plan a project knowing the fund will be accessible, rather than reacting to a new funding opportunity in a short timeframe once it is announced. This should help both the quality of the projects supported and also the success rate in terms of their ability to pay back any loans.

### **Eligibility criteria and measuring success**

- 8.63. This study has been clear in its conclusion that affordable workspace can be a valuable tool in meeting objectives, however it will require the creative use of limited resources to ensure it has the most impact. Affordable workspace should therefore be carefully targeted to ensure those businesses that are most in 'need' of support are those that benefit – therefore it will be important to establish Eligibility Criteria alongside any provision requirement.
- 8.64. Criteria for how affordable workspace may be accessed will vary depending on the key objectives of the workspace and the corporate objectives, as well as how these align with other policies of the Local Authority.
- 8.65. Southwark may use a form of evaluation to quantify and justify expenditure such as a Cost Benefit Analysis (e.g. Manchester New Economy). Such social value calculators can quantify the social and economic value and return on investment in addition to the solely financial return in the form of rent.
- 8.66. Method:

## 8.1 Define the Corporate Objectives for the workspace

- Are the objectives primarily Economic or Social
- Does the workspace need to return financial income or socio economic outcomes

## 8.67. Is the affordable workspace intended to achieve:

## 8.2 Economic output

- increase new micro SME births
- promote specific sector growth
- address market failure / mitigate loss of existing businesses due to lack of appropriate space provision - upscale existing early stage / trading businesses (into larger scale employers)
- encourage inward investment into local area
- promote innovation
- promote diversification of the local economy and support local supply chains (Social Value Act 2012)

## 8.68. Social

- local community businesses (charitable organisations, social enterprises etc.)
- provide access to BAME businesses and employment
- provide access to local residents or other specified groups
- promote diversity (women, LGBTQ, non FE/HE educated groups)
- strengthen local economy (e.g. talent retention of HE/FE graduate talent from local institutions)
- support businesses displaced by regeneration or land sale
- support skills, talent development
- support organisations/businesses making positive contribution to local socio - economy

## 8.69. The criteria for "who is eligible for space" may include a variety of structures. It is important to note that often, a viable workspace model is comprised of a variety of users - those able to pay higher rent / make other forms of contributions, to users requiring more subsidy. Therefore, different criteria may be used to apply to different segments of users. The mix of users may be dependent on the business model of the workspace operator. In approximate terms, an operator may have a model comprised of three financial categories for users.

- Supported Rate (i.e. subsidised / free / heavily discounted)
- Affordable Rate (below market rent)
- Market Rate (rent that is competitive against commercial workspace)

- 8.70. Therefore the authority should question what proportion of financial return is required and therefore what proportion of socio economic impact is desired.
- 8.71. The criteria may also be applied on entry and/or regular review (e.g. 6 months, 1 year, 2 years). Some criteria have varying lengths of time to be able to generate and evaluate. For example, an annual survey provides sufficient time for users to collate company accounts and contribute to a survey for evaluation, where an operator is unlikely to have resources to conduct case by case evaluations. Although a definitive tenure model can guarantee a churn of businesses and regularly free up access to the programme/space, it can also mean the loss of a business from the borough once the term is over, and does not allow for businesses to embed in the local area and naturally move on to other spaces as they grow.
- 8.72. Measures of performance and business growth can also vary based on the authority's objectives, going beyond a measure of business growth by annual turnover to, for example, account for the contribution of businesses and organisations that achieve lower growth (such as in the 3rd sector or many maker and craft businesses) than tech businesses for example, but can gradually grow to becoming London Living Wage employers or take on Apprentices. Therefore, the corporate objectives need to be defined first before the allocations criteria and measures of impact can be defined. The list below suggests some of these options:
- 8.73. Definitive Tenure
- linked to a programme / accelerator
  - length of time dependent on stage of business (e.g. 1-2 year for pre-trade ideation / first 6 months of trading stage, 2 years for early stage business / revenue generating)
  -
- 8.74. Measures of business growth
- against a business plan (units of sales)
  - defined increase of turnover or profit
  - growth in employee numbers
  - inward investment / business is new to the authorities
- 8.75. Measures of impact
- organisational type (charity / not for profit / social enterprise)
  - number of (new) employees who are BAME
  - number of (new) employees who are local residents
  - number of (new) employees from another specific group
  - number of (new) female employees
  - activities that create benefit for beneficiaries identified as target groups for the LA
  - Look at impact / KPI outcomes in HIS lease
- 8.76. Check against diversity agenda (gender, LGBTQ, BAME)

- 8.77. The analysis considers dynamics and needs at a local level, considering in turn the situation in five of the six key sub-areas in the borough – Bankside, Elephant & Castle, Canada Water, Peckham and Camberwell. The fifth sub-area (the Old Kent Road) is subject to its own study, which was published earlier in 2019.
- 8.78. The report also consider the question of viability to determine the level of discount on market rent can, for a generic scheme, be demanded from a developer (and associated quantum of space).

# Appendix I

## MSEs Analysis – LB Southwark

Industry (2 digits SIC Code)	LQ (vs Inner London) 2018	# MSOAs with LQ>1	MSEs Count		
			2010	2018	% change 2010-2018
01 : Crop and animal production, hunting and related service activities	0.64	1	10	10	0%
02 : Forestry and logging	1.21	0	0	5	0%
03 : Fishing and aquaculture	0.00	0	0	0	0%
05 : Mining of coal and lignite	0.00	0	0	0	0%
06 : Extraction of crude petroleum and natural gas	0.00	0	0	0	0%
07 : Mining of metal ores	0.00	0	0	0	0%
08 : Other mining and quarrying	0.00	0	0	0	0%
09 : Mining support service activities	3.14	0	0	5	0%
10 : Manufacture of food products	1.41	4	20	50	50%
11 : Manufacture of beverages	2.54	2	0	30	0%
12 : Manufacture of tobacco products	0.00	0	0	0	0%
13 : Manufacture of textiles	0.58	0	15	10	-33%
14 : Manufacture of wearing apparel	0.81	3	15	35	33%
15 : Manufacture of leather and related products	0.00	0	0	0	0%
16 : Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	1.57	0	10	15	50%
17 : Manufacture of paper and paper products	0.00	0	5	0	-100%
18 : Printing and reproduction of recorded media	1.64	11	115	100	-13%
19 : Manufacture of coke and refined petroleum products	0.00	0	0	0	0%
20 : Manufacture of chemicals and chemical products	0.00	0	5	5	0%
21 : Manufacture of basic pharmaceutical products and pharmaceutical preparations	0.00	0	5	5	0%
22 : Manufacture of rubber and plastic products	1.10	1	5	10	100%
23 : Manufacture of other non-metallic mineral products	0.00	0	5	10	100%
24 : Manufacture of basic metals	0.00	0	5	0	-100%
25 : Manufacture of fabricated metal products, except machinery and equipment	0.68	3	55	55	0%
26 : Manufacture of computer, electronic and optical products	0.56	2	20	20	0%
27 : Manufacture of electrical equipment	0.63	1	5	15	200%
28 : Manufacture of machinery and equipment n.e.c.	0.00	0	10	10	0%
29 : Manufacture of motor vehicles, trailers and semi-trailers	0.00	0	5	5	0%
30 : Manufacture of other transport equipment	0.00	0	0	10	0%
31 : Manufacture of furniture	0.28	1	20	20	0%
32 : Other manufacturing	0.29	1	25	40	60%
33 : Repair and installation of machinery and equipment	0.00	0	10	20	100%
35 : Electricity, gas, steam and air conditioning supply	1.33	1	0	115	0%
36 : Water collection, treatment and supply	0.00	0	0	0	0%
37 : Sewerage	0.00	0	0	0	0%
38 : Waste collection, treatment and disposal activities; materials recovery	0.41	1	10	15	50%
39 : Remediation activities and other waste management services	0.00	0	0	0	0%
41 : Construction of buildings	0.80	7	285	410	44%
42 : Civil engineering	1.69	16	40	115	88%
43 : Specialised construction activities	1.18	24	305	425	39%
45 : Wholesale and retail trade and repair of motor vehicles and motorcycles	0.93	13	135	120	-11%
46 : Wholesale trade, except of motor vehicles and motorcycles	0.94	12	490	510	4%
47 : Retail trade, except of motor vehicles and motorcycles	1.05	18	1,070	1,365	28%
49 : Land transport and transport via pipelines	1.23	18	90	135	50%
<b>LB SOUTHWARK (total)</b>			<b>12,685</b>	<b>17,605</b>	<b>39%</b>



Industry (2 digits SIC Code)	LQ (vs Inner London) 2018	# MSOAs with LQ>1	MSEs Count		
			2010	2018	% change 2010-2018
50 : Water transport	1.50	2	20	10	-50%
51 : Air transport	0.00	0	0	0	0%
52 : Warehousing and support activities for transportation	0.76	8	70	70	0%
53 : Postal and courier activities	1.13	10	50	75	50%
55 : Accommodation	0.55	3	35	80	229%
56 : Food and beverage service activities	1.18	19	910	1,135	25%
58 : Publishing activities	1.18	17	140	190	36%
59 : Motion picture, video and television programme production, sound recording and music publishing activities	0.86	12	300	485	62%
60 : Programming and broadcasting activities	0.37	2	10	20	100%
61 : Telecommunications	0.79	5	55	65	18%
62 : Computer programming, consultancy and related activities	1.33	26	875	1,710	95%
63 : Information service activities	0.85	10	70	100	43%
64 : Financial service activities, except insurance and pension funding	0.66	5	340	230	-32%
65 : Insurance, reinsurance and pension funding, except compulsory social security	0.79	2	20	20	0%
66 : Activities auxiliary to financial services and insurance activities	0.59	3	130	225	73%
68 : Real estate activities	0.65	2	450	595	32%
69 : Legal and accounting activities	0.57	1	380	540	42%
70 : Activities of head offices; management consultancy activities	1.06	15	1,080	1,845	71%
71 : Architectural and engineering activities; technical testing and analysis	1.46	23	435	635	46%
72 : Scientific research and development	0.46	2	35	45	29%
73 : Advertising and market research	1.26	18	240	420	75%
74 : Other professional, scientific and technical activities	1.27	23	625	925	48%
75 : Veterinary activities	0.00	0	5	15	200%
77 : Rental and leasing activities	0.92	7	70	85	21%
78 : Employment activities	0.64	4	155	275	77%
79 : Travel agency, tour operator and other reservation service and related activities	0.68	5	65	85	31%
80 : Security and investigation activities	0.89	8	40	85	113%
81 : Services to buildings and landscape activities	1.25	20	310	330	6%
82 : Office administrative, office support and other business support activities	0.93	14	540	885	64%
84 : Public administration and defence; compulsory social security	0.52	2	85	40	-53%
85 : Education	1.20	20	265	310	17%
86 : Human health activities	0.97	17	235	350	49%
87 : Residential care activities	0.73	7	95	75	-21%
88 : Social work activities without accommodation	1.68	25	390	410	5%
90 : Creative, arts and entertainment activities	1.13	16	530	620	17%
91 : Libraries, archives, museums and other cultural activities	0.00	0	25	35	40%
92 : Gambling and betting activities	1.15	9	90	75	-17%
93 : Sports activities and amusement and recreation activities	0.90	15	80	145	81%
94 : Activities of membership organisations	1.29	19	225	225	0%
95 : Repair of computers and personal and household goods	0.58	4	35	50	43%
96 : Other personal service activities	1.13	17	385	395	3%
97 : Activities of households as employers of domestic personnel	0.00	0	0	0	0%
98 : Undifferentiated goods- and services-producing activities of private households for own use	0.00	0	0	0	0%
99 : Activities of extraterritorial organisations and bodies	0.00	0	0	0	0%
<b>LB SOUTHWARK (total)</b>			<b>12,685</b>	<b>17,605</b>	<b>39%</b>

# Appendix II

## MSEs Analysis – Southbank

Industrial Section	SIC 2 Digit Industry	LQ Southwark	LQ Inner London	LQ Greater London	Sum of LQs	% of total MSEs	# MSEs Growth (2016-2018)
Manufacturing	Manufacture of food products	0.58	0.82	0.74	2.14	0.2%	
	Manufacture of beverages	0.48	1.23	1.63	3.35	0.1%	
	Printing and reproduction of recorded media	1.45	2.27	2.23	5.95	0.8%	-16.7%
	Manufacture of fabricated metal products, except machinery and equipment	0.53	0.75	0.49	1.77	0.2%	0.0%
	Manufacture of computer, electronic and optical products	1.45	1.55	1.35	4.35	0.2%	0.0%
	Other manufacturing	1.09	0.80	0.93	2.82	0.2%	0.0%
Construction	Construction of buildings	1.17	0.88	0.67	2.72	2.7%	13.8%
	Civil engineering	0.63	1.17	0.69	2.49	0.4%	-28.6%
	Specialised construction activities	0.51	0.58	0.25	1.34	1.2%	-11.8%
Wholesale and retail trade; repair of motor vehicles and motorcycles	Wholesale and retail trade and repair of motor vehicles and motorcycles	0.36	0.43	0.19	0.98	0.2%	0.0%
	Wholesale trade, except of motor vehicles and motorcycles	1.17	1.06	0.90	3.13	3.4%	5.1%
	Retail trade, except of motor vehicles and motorcycles	0.59	0.59	0.54	1.71	4.5%	7.8%
Transportation and storage	Warehousing and support activities for transportation	1.45	1.22	0.99	3.66	0.6%	-12.5%
Accommodation and food service activities	Food and beverage service activities	1.00	1.15	1.24	3.39	6.4%	9.9%
Information and communication	Publishing activities	1.22	1.49	2.06	4.78	1.3%	-5.9%
	Motion picture, video and television programme production, sound recording and music publishing activities	0.66	0.56	0.74	1.97	1.8%	57.1%
	Programming and broadcasting activities	0.73	0.52	0.61	1.86	0.1%	0.0%
	Computer programming, consultancy and related activities	0.97	1.23	1.11	3.31	9.4%	11.8%
	Information service activities	1.31	1.25	1.52	4.08	0.7%	-10.0%
Financial and insurance activities	Financial service activities, except insurance and pension funding	1.89	1.21	1.76	4.86	2.5%	42.9%
	Insurance, reinsurance and pension funding, except compulsory social security	2.91	2.20	2.85	7.95	0.3%	300.0%
	Activities auxiliary to financial services and insurance activities	1.68	1.01	1.42	4.11	2.1%	30.0%
Real estate activities	Real estate activities	1.42	0.88	1.01	3.31	4.8%	7.4%
Professional, scientific and technical activities	Legal and accounting activities	1.00	0.54	0.67	2.21	3.1%	2.8%
	Activities of head offices; management consultancy activities	1.08	1.09	1.24	3.41	11.3%	5.4%
	Architectural and engineering activities; technical testing and analysis	1.40	1.89	1.86	5.14	5.0%	5.2%
	Scientific research and development	1.29	1.28	1.73	4.30	0.3%	33.3%
	Advertising and market research	1.28	1.59	2.08	4.96	3.1%	12.1%
	Other professional, scientific and technical activities	0.85	1.03	1.22	3.10	4.5%	-16.9%
Administrative and support service activities	Rental and leasing activities	1.20	1.36	1.17	3.73	0.6%	0.0%
	Employment activities	1.53	0.94	1.29	3.76	2.4%	20.8%
	Travel agency, tour operator and other reservation service and related activities	1.71	1.45	1.61	4.77	0.8%	25.0%
	Services to buildings and landscape activities	1.19	1.44	1.33	3.95	2.2%	0.0%
	Office administrative, office support and other business support activities	1.10	0.98	1.06	3.14	5.5%	24.1%
Arts, entertainment and recreation	Creative, arts and entertainment activities	0.77	0.85	1.18	2.81	2.7%	32.0%
Other service activities	Activities of membership organisations	0.97	1.34	1.53	3.83	1.2%	-6.3%
	Repair of computers and personal and household goods	0.29	0.32	0.25	0.87	0.1%	-50.0%
	Other personal service activities	1.03	1.10	0.99	3.13	2.3%	0.0%

## Appendix III

### MSEs Analysis – Elephant & Castle

Industrial Section	SIC 2 Digit Industry	LQ Southwark	LQ Inner London	LQ Greater London	Sum of LQs	% of total MSEs	# MSEs Growth (2016-2018)
Manufacturing	Manufacture of wearing apparel	1.75	1.41	1.57	4.72	0.3%	
	Printing and reproduction of recorded media	0.61	0.95	0.94	2.50	0.3%	-50.0%
Construction	Construction of buildings	0.75	0.56	0.43	1.73	1.7%	66.7%
	Civil engineering	1.06	1.97	1.17	4.20	0.7%	0.0%
	Specialised construction activities	0.58	0.65	0.28	1.50	1.4%	-33.3%
Wholesale and retail trade; repair of motor vehicles and motorcycles	Wholesale and retail trade and repair of motor vehicles and motorcycles	0.51	0.60	0.27	1.38	0.3%	
	Wholesale trade, except of motor vehicles and motorcycles	0.96	0.87	0.74	2.57	2.8%	14.3%
	Retail trade, except of motor vehicles and motorcycles	1.03	1.03	0.95	3.01	8.0%	9.5%
Transportation and storage	Warehousing and support activities for transportation	0.87	0.73	0.60	2.20	0.3%	0.0%
Accommodation and food service activities	Food and beverage service activities	1.24	1.43	1.54	4.20	8.0%	4.5%
Information and communication	Publishing activities	0.97	1.18	1.63	3.77	1.0%	-25.0%
	Motion picture, video and television programme production, sound recording and music publishing activities	0.88	0.75	1.00	2.63	2.4%	0.0%
	Computer programming, consultancy and related activities	1.07	1.36	1.23	3.67	10.4%	20.0%
	Information service activities	1.22	1.17	1.42	3.81	0.7%	100.0%
Financial and insurance activities	Financial service activities, except insurance and pension funding	1.06	0.68	0.99	2.73	1.4%	0.0%
	Activities auxiliary to financial services and insurance activities	0.82	0.49	0.69	1.99	1.0%	200.0%
Real estate activities	Real estate activities	0.92	0.58	0.66	2.16	3.1%	12.5%
Professional, scientific and technical activities	Legal and accounting activities	0.91	0.49	0.61	2.01	2.8%	33.3%
	Activities of head offices; management consultancy activities	1.06	1.07	1.22	3.35	11.1%	18.5%
	Architectural and engineering activities; technical testing and analysis	0.96	1.30	1.28	3.55	3.5%	-9.1%
	Advertising and market research	0.73	0.91	1.19	2.82	1.7%	-37.5%
	Other professional, scientific and technical activities	0.79	0.97	1.14	2.90	4.2%	0.0%
Administrative and support service activities	Employment activities	0.67	0.41	0.56	1.64	1.0%	-25.0%
	Travel agency, tour operator and other reservation service and related activities	0.72	0.61	0.68	2.01	0.3%	-50.0%
	Services to buildings and landscape activities	1.30	1.57	1.45	4.31	2.4%	16.7%
	Office administrative, office support and other business support activities	0.90	0.80	0.86	2.56	4.5%	-7.1%
Arts, entertainment and recreation	Creative, arts and entertainment activities	0.89	0.98	1.36	3.22	3.1%	-18.2%
Other service activities	Activities of membership organisations	1.90	2.62	3.00	7.53	2.4%	-22.2%
	Other personal service activities	0.93	0.99	0.90	2.82	2.1%	0.0%

# Appendix IV

## MSEs Analysis – Canada Water

Industrial Section	SIC 2 Digit Industry	LQ Southwark	LQ Inner London	LQ Greater London	Sum of LQs	% of total MSEs	# MSEs Growth (2016-2018)
Construction	Construction of buildings	0.83	0.62	0.47	1.93	1.9%	0.0%
	Civil engineering	1.18	2.19	1.30	4.67	0.8%	100.0%
	Specialised construction activities	1.60	1.79	0.78	4.17	3.9%	11.1%
Wholesale and retail trade; repair of motor vehicles and motorcycles	Wholesale trade, except of motor vehicles and motorcycles	0.67	0.60	0.51	1.79	1.9%	-37.5%
	Retail trade, except of motor vehicles and motorcycles	0.75	0.75	0.69	2.19	5.8%	-16.7%
Accommodation and food service activities	Food and beverage service activities	0.84	0.97	1.04	2.85	5.4%	16.7%
Information and communication	Publishing activities	0.36	0.44	0.60	1.40	0.4%	0.0%
	Motion picture, video and television programme production, sound recording and music publishing activities	0.56	0.48	0.63	1.67	1.5%	-20.0%
	Computer programming, consultancy and related activities	2.15	2.73	2.46	7.34	20.8%	5.9%
Financial and insurance activities	Financial service activities, except insurance and pension funding	0.59	0.38	0.55	1.52	0.8%	-50.0%
	Activities auxiliary to financial services and insurance activities	0.91	0.55	0.77	2.22	1.2%	-25.0%
Real estate activities	Real estate activities	1.14	0.71	0.81	2.67	3.9%	0.0%
Professional, scientific and technical activities	Legal and accounting activities	1.51	0.82	1.01	3.35	4.6%	-20.0%
	Activities of head offices; management consultancy activities	1.62	1.63	1.87	5.12	17.0%	7.3%
	Architectural and engineering activities; technical testing and analysis	0.86	1.16	1.14	3.16	3.1%	0.0%
	Advertising and market research	0.65	0.81	1.05	2.51	1.5%	-20.0%
	Other professional, scientific and technical activities	0.81	0.99	1.16	2.95	4.2%	10.0%
Administrative and support service activities	Employment activities	0.49	0.30	0.42	1.21	0.8%	100.0%
	Travel agency, tour operator and other reservation service and related activities	1.60	1.35	1.51	4.46	0.8%	0.0%
	Services to buildings and landscape activities	0.41	0.50	0.46	1.37	0.8%	-33.3%
	Office administrative, office support and other business support activities	1.08	0.96	1.03	3.07	5.4%	-6.7%
Arts, entertainment and recreation	Creative, arts and entertainment activities	0.66	0.73	1.00	2.39	2.3%	0.0%
Other service activities	Activities of membership organisations	0.30	0.42	0.48	1.20	0.4%	0.0%
	Repair of computers and personal and household goods	1.36	1.51	1.18	4.05	0.4%	
	Other personal service activities	1.03	1.11	1.00	3.13	2.3%	-14.3%

# Appendix V

## MSEs Analysis – Camberwell



Industrial Section	SIC 2 Digit Industry	LQ Southwark	LQ Inner London	LQ Greater London	Sum of LQs	% of total MSEs	# MSEs Growth (2016-2018)
Construction	Construction of buildings	1.29	0.97	0.74	3.01	3.0%	50.0%
	Civil engineering	0.77	1.42	0.84	3.04	0.5%	0.0%
	Specialised construction activities	1.25	1.40	0.61	3.26	3.0%	20.0%
Wholesale and retail trade; repair of motor vehicles and motorcycles	Wholesale and retail trade and repair of motor vehicles and motorcycles	0.74	0.87	0.39	1.99	0.5%	0.0%
	Wholesale trade, except of motor vehicles and motorcycles	1.04	0.94	0.80	2.79	3.0%	0.0%
	Retail trade, except of motor vehicles and motorcycles	1.10	1.10	1.02	3.22	8.5%	6.3%
Accommodation and food service activities	Food and beverage service activities	1.71	1.98	2.13	5.82	11.1%	4.8%
Information and communication	Publishing activities	0.93	1.14	1.57	3.64	1.0%	0.0%
	Motion picture, video and television programme production, sound recording and music publishing activities	1.64	1.40	1.86	4.90	4.5%	0.0%
	Computer programming, consultancy and related activities	0.67	0.86	0.77	2.30	6.5%	-27.8%
	Information service activities	0.88	0.84	1.03	2.76	0.5%	
Financial and insurance activities	Financial service activities, except insurance and pension funding	0.77	0.49	0.71	1.98	1.0%	-50.0%
	Activities auxiliary to financial services and insurance activities	0.79	0.47	0.67	1.92	1.0%	100.0%
Real estate activities	Real estate activities	1.04	0.65	0.74	2.43	3.5%	16.7%
Professional, scientific and technical activities	Legal and accounting activities	1.15	0.63	0.77	2.54	3.5%	0.0%
	Activities of head offices; management consultancy activities	0.72	0.72	0.83	2.27	7.5%	-6.3%
	Architectural and engineering activities; technical testing and analysis	0.98	1.32	1.30	3.59	3.5%	40.0%
	Advertising and market research	0.84	1.05	1.37	3.26	2.0%	-33.3%
	Other professional, scientific and technical activities	1.24	1.52	1.78	4.54	6.5%	18.2%
Administrative and support service activities	Employment activities	0.64	0.39	0.54	1.58	1.0%	0.0%
	Services to buildings and landscape activities	1.07	1.30	1.20	3.57	2.0%	-20.0%
	Office administrative, office support and other business support activities	1.10	0.98	1.06	3.14	5.5%	22.2%
Arts, entertainment and recreation	Creative, arts and entertainment activities	1.57	1.73	2.40	5.70	5.5%	0.0%
Other service activities	Activities of membership organisations	1.18	1.63	1.86	4.67	1.5%	0.0%
	Other personal service activities	0.67	0.72	0.65	2.04	1.5%	-25.0%

# Appendix VI

## MSEs Analysis – Peckham

Industrial Section	SIC 2 Digit Industry	LQ Southwark	LQ Inner London	LQ Greater London	Sum of LQs	% of total MSEs	# MSEs Growth (2016-2018)
Manufacturing	Manufacture of food products	1.63	2.31	2.09	6.03	0.5%	100.0%
	Manufacture of wearing apparel	1.17	0.94	1.05	3.16	0.2%	
	Printing and reproduction of recorded media	1.23	1.91	1.88	5.02	0.7%	-25.0%
	Manufacture of fabricated metal products, except machinery and equipment	0.74	1.06	0.68	2.48	0.2%	0.0%
Construction	Construction of buildings	1.00	0.75	0.57	2.32	2.3%	-9.1%
	Civil engineering	1.78	3.29	1.95	7.01	1.2%	66.7%
	Specialised construction activities	1.63	1.83	0.79	4.26	3.9%	21.4%
Wholesale and retail trade; repair of motor vehicles and motorcycles	Wholesale and retail trade and repair of motor vehicles and motorcycles	2.04	2.40	1.08	5.52	1.4%	0.0%
	Wholesale trade, except of motor vehicles and motorcycles	1.12	1.02	0.87	3.00	3.2%	7.7%
	Retail trade, except of motor vehicles and motorcycles	1.56	1.56	1.44	4.55	12.1%	0.0%
Transportation and storage	Warehousing and support activities for transportation	0.58	0.49	0.40	1.47	0.2%	0.0%
Accommodation and food service activities	Food and beverage service activities	1.12	1.29	1.39	3.79	7.2%	19.2%
Information and communication	Publishing activities	0.43	0.53	0.72	1.68	0.5%	100.0%
	Motion picture, video and television programme production, sound recording and music publishing activities	1.77	1.51	2.00	5.28	4.9%	10.5%
	Programming and broadcasting activities	2.04	1.46	1.72	5.22	0.2%	
	Computer programming, consultancy and related activities	0.76	0.97	0.88	2.61	7.4%	0.0%
Financial and insurance activities	Financial service activities, except insurance and pension funding	0.53	0.34	0.49	1.37	0.7%	0.0%
	Activities auxiliary to financial services and insurance activities	0.36	0.22	0.31	0.89	0.5%	100.0%
Real estate activities	Real estate activities	0.48	0.30	0.34	1.12	1.6%	75.0%
Professional, scientific and technical activities	Legal and accounting activities	0.68	0.37	0.46	1.51	2.1%	0.0%
	Activities of head offices; management consultancy activities	0.80	0.80	0.92	2.52	8.4%	33.3%
	Architectural and engineering activities; technical testing and analysis	0.84	1.13	1.11	3.08	3.0%	18.2%
	Advertising and market research	0.88	1.09	1.43	3.39	2.1%	28.6%
	Other professional, scientific and technical activities	1.28	1.56	1.84	4.68	6.7%	-3.3%
Administrative and support service activities	Rental and leasing activities	1.44	1.64	1.41	4.50	0.7%	200.0%
	Employment activities	0.89	0.55	0.75	2.19	1.4%	50.0%
	Services to buildings and landscape activities	0.99	1.20	1.11	3.29	1.9%	0.0%
	Office administrative, office support and other business support activities	0.92	0.82	0.89	2.63	4.6%	5.3%
Arts, entertainment and recreation	Creative, arts and entertainment activities	1.45	1.60	2.21	5.26	5.1%	4.8%
Other service activities	Activities of membership organisations	1.27	1.75	2.01	5.03	1.6%	40.0%
	Repair of computers and personal and household goods	0.82	0.91	0.71	2.43	0.2%	
	Other personal service activities	1.24	1.33	1.20	3.77	2.8%	33.3%

# Appendix VII

## Operators Interviews

Workspace Operator Questions								
Organisation	Contact Name	Q1 : What is your perspective of workspace affordability in Southwark?	Q2 : Given our focus on affordable workspace provision, what type of spaces do think are/will be needed?	Q3 : What areas in Southwark would be of interest to you?	Q4 : Do you have comments on the delivery method to provide affordable workspace in Southwark? (eg operational model)	Q5 : Do you have plans to create workspace in Southwark. If so, can you describe. If not, what is preventing you from doing so?	Q6 : Due to the Draft London Plan Policy to provide 10% of new commercial space as affordable workspace, this may mean that new schemes are likely to provide anywhere between 500 sqft to 10,000 sqft of affordable workspace. Do you have comments on how you would manage spaces that are too small to manage "on site" and what is your minimum threshold (sqft)?	Q7 : What rental costs would you expect?
3space		There does seem to be a range of offers from the expensive such as Workspace Group, WeWork etc. down to the more arts led and innovative spaces run by the likes of 3Space, Assemble, Sustainable Bridges, Many Hands etc. Many of the Affordable offers are tied to meanwhile uses so there will be challenges around how the diversity of offer is maintained in the long run. Affordability feels in line with other equivalent Boroughs.	I don't think this is necessarily exclusive to Southwark but with rents going up artist, young people and social enterprises are at risk of displacement so providing studios and genuinely affordable office is important. I also think that lab or light industrial space should be incorporated for the likes of Green Lab, Sustainable Bridges and the various med-tech start-ups clustering around London Bridge around Guys & St Thomas / Kings.	Bermondsey, Elephant & Castle, London Bridge, Canada Water	Our current operating Model is BuyGiveWork whereby we give space away to young people / artists / innovative use / social enterprise when we sell space on commercial terms. This is normally only possible through an asset being rented to us at significantly below market rent.	No current plans beyond Keeton's & Collett due to resources currently being tied up elsewhere but for the right opportunity we would consider it.	Our minimum threshold is 10,000 sq ft but often it needs to be 20,000 + sq ft to make it work. For smaller spaces Councils should look to fill them with an existing local single occupier need rather than including an operator in the process, as it is not viable. It is our frustration that well intentioned policies do not consider implementation. It is also, in our opinion, preferable to make more efficient use of existing spaces and policy should work to retain certain space - there is a great Jane Jacobs quote about this and how new ideas must use old buildings. We have also seen that with our BuyGiveWork model that high growth companies want to support their local community and see this as shared value and attraction to a location or space - this might be a better route for new developments.	Too many factors to give an exact figure but significantly below market rent to incorporate our BuyGiveWork model.
Second Floor Studios & Arts (SFSA)		I don't know enough about the area to comment but I strongly recommend you talk to Will Austin	Type of space needed is Individual self contained work space (not open plan unless it is a shared resource such as a print room). Need studios that are 100-400 sq ft in size with natural light and natural ventilation.	I don't know the area well enough to comment, I am copying in Matthew (Second Floor) just in case he knows.	Delivery method - leases are not enough, studio providers need to own assets to protect the sector. Ideally. However if it is a lease it needs to be at least 20 years with a break clause earliest 15 years.	We haven't looked into schemes in the area but would be happy to look at a scheme if the allocation of space was large enough. If we were to buy we would need a scheme such as the CLT to enable us to deposit. Ideally we would need a soft loan from the council to pay for the fit out.	SFSA are unlikely to look at a scheme that is offering less than 10,000 sq ft of space to be separated into studios. This is partly operational considerations but mainly economic. You need to have the scale of the project to make the repayment of loans to buy our fit out the space viable.	If we are being asked to deliver the space at around £15psf we need to rent including service charge for about £10-11psf
Bow Arts		no current view on the borough. We used to manage a large studio base - 150 studios + with education project supporting local schools from 2010-2015 - however we received no support or interest from the borough.	There is a massive demand for the broad level creative start up spaces provided by Bow Arts. 170-200 sqft flexible, affordable - These spaces suit young independent professionals running practices of 1 to 2 person's creative practices ranging across the arts and design sectors. Fashion, Theatre, Media, Fine arts, etc..	All	We believe our Charitable social enterprise model is the most up to date and relevant model in London - it is designed to support and grow these young creative individuals, while embedding their activity within communities helping grow local economies and promoting true sustainability. Other models (with respect) seem to be more focused on buildings and rentals!	Lack of opportunities. Lack of support - No real interest or understanding from the LA of the sector, However we are happy to engage again.	Again our model, with 25 years exceptional track record manages remote sites of all scales. However we are about making successful artist and creatives, so to survive and thrive they work best if they cluster and mutually support each other. These are not 9-5 trades and often involve working away from studios regularly - this creates empty spaces so you need more to make a working cluster that support the whole. We tend to feel a health target population of around 35-40 studios is a good first step this equates to 6-8k sqft gross sq footage.	What would we expect to charge: All our costs are inclusive and dependent on area. We have a target of £15-16/sqft - this delivers safe affordable managed space. What would we expect to pay: There are no margins in area. We deliver additional community impact at scales so we would expect this cost to be born by the asset in low of rent. More tangibly, I try to have a target of £0 -£6/sqft in order to allow me to deliver £15-£16 /sqft to end users.
Acme		There are very few genuinely affordable long term spaces left in the borough. It helps to imagine affordable workspace in the same way as affordable housing. Under the umbrella of 'affordable' are spaces that cost 80% of market rent, through to spaces aimed at middle-income earners, down to social rent, which might be 30% of market rent. Looking at other providers in the area, most are in the middle to top range, with only longstanding groups who own their properties charging the lower end. It is essential to understand the differences within affordable workspace before creating a policy to facilitate more. It also helps to imagine artists having the status of 'cultural key workers' within the wider creative industries sector. Although low paid, artists are a force for the good and beneficial to wider society. Local communities lose them at their peril.	Acme is constituted to provide space for artists in financial need. Recent surveys put artists' income at around £12k per year. This is around a third of average income. Acme's studio rents cannot be more than a third of market rent. It is extremely difficult to achieve more spaces in an open market where commercial operators can open profitable shared desk space offers which still tick the artificial box of being 'affordable'. There are currently over 1,200 people on Acme's waiting list looking for workspace they can afford. There is little or no new provision for creatives with a low level of income other than short-term, temporary or incubator-style spaces. Many established practitioners earn very little from their work and still need cheap workspace without any strings attached in return. It is taken for granted that nurses should be offered low rents to keep them in London, without requiring them to hold a medical drop-in for free at the weekend. Sadly this is not the case with creative spaces which often require time-pressed, low-income artists to complete additional workshops or programming in return for a studio.	The whole borough, though realistically the cheaper, less accessible areas.	The current list of approved providers has been running for several years. Despite Acme being the most experienced developer of new-build studios in mixed-use schemes, we have not achieved any studios via this process. Acme's Galleria in Peckham, in partnership with Barratt Homes was the first example of incorporating genuinely affordable artists' studios into a mixed-use residential scheme. Due to a wide range of providers being on the list ranging from charities to businesses, all the developer need do is email all the providers and then either a) take the best deal on the table, or b) evidence to the council that all of the offers are too low and affect the scheme's viability. Well written planning obligations, section 106 agreements, are needed to create affordable workspace. Planners need to speak to workspace providers about working which results in enshrining stronger, long-term commitments from developers. [NB Acme has copies of well-written S106 agreements it is happy to share on request]	Acme currently operates in eight London boroughs. We plan to create new, long-term workspace wherever there is opportunity. At the moment there is a great deal of hopeful speculation within the market over potential returns on commercial space. It is impossible to achieve a deal when planning permission grants commercial elements a variety of use classes. If there is a requirement to create affordable workspace this is often time-limited and almost always shell and core finish - neither of which lead to affordable studios.	It would be more beneficial to 'pool' small sites into larger ones. However, small units are possible to manage if the location is close to existing buildings. Economy of scale means a building in a new area would need to be 5-10,000sqft to manage on its own. If a site is close to existing sites then the management costs are reduced and units as small as 2,000-5,000sqft can be absorbed.	Acme's average rent to artists is below £13psf. This rent is inclusive of business rates, service charge, communal services and cleaning, repairs and maintenance and management costs. The only additional cost is electricity which is individually metered. As our rents are linked to artists' earnings, the location of the studios has little bearing on their price. We would look to be charging a similar end rent in Southwark. However, in order to achieve this we need to purchase the property designed and built to our performance specifications at a price that reflects the end rent.
This is Projekt		there is a potential for AWS as there is stock and the location is close to the theatres and artistic institutions in the west end however supply is limited as developers look to build rest. However with the slow down in the rest market there may now be a time to put AWS to the front of the development plans for the borough	adaptable and able to be personalised. Studio space not co-working, a mixture of build space (but access) and studios of floors above with an area as a hub	Peckham, Bermondsey, Walworth Road	/	not at the moment - we looked at a site but the competition was with residential developers	We have a team of managers on other sites and we would use remote management with regular visits by community managers to speak to the occupiers. We find that 200 sq ft to 500 sq ft is very lettable for offices and small workshops. We would take 3,000 sq ft assuming it is nearby to other sites - (eg a cluster) in which case we could manage multiple sites.	If the sites are to be classified as "affordable" as the draft London Plan discussed, we would anticipate rents to users at approx £19.00 Psqft. Business rates for the users. That would include wif and utility costs (subject to reasonable use).
Meanwhile Space		Seems in neighborhood areas there is very limited provision in comparison to areas such as Hackney. Affordability likely to be focused on artists studios and not other types of business space	Space hungry low profit margin businesses usually struggle in inner London zones often coming with unpopular ancillary amenities such as white van access are in high demand but difficult to provide due to market values and planning policy.	All areas of Southwark but especially those with low density of workspace provision but potentially high latent demand and strong existing entrepreneurial spirit e.g. Peckham of interest	Profit share in years 1 - 2 shares risk where running costs are an unknown or capital injections are required. Or landlord does capital injection prior to operator take on. Borough wide approach to fibre into buildings would be good.	71-75 Albion Street is a new project we have to deliver start up workspace in an innovative demountable building with Southwark. A difficult site constrained by TfL assets on borders main hold up is in agreeing a BAPA with TfL which is a costly time consuming process. Would like to see this project as a Mark I with further roll out if successful. Also the SLIC project to make use of awkward / underused spaces such as undercrofts is awaiting confirmation of funding application.	Minimum 200sqm unless clusters of spaces. We often manage our spaces in a combination of on site and off site that is more about needs and demand vs maintaining a receptionist function which is costly for workspace users.	Depends on area and £5 - £10 sqft pa.
Ethical Property (general affordable)		As with the rest of London there is a major shortage of affordable workspace in Southwark. Mostly this is the result of PDR and the fact that the issue has not been sufficiently on the radar for LAs in the same way as affordable housing. It is positive that this is now changing certainly across a number of boroughs - particularly those that have traditionally been home to a large number of artists and other creatives as well as business start ups.	Most types of affordable workspace have been squeezed out by the residential market. At Ethical Property we see a big shortage in offices and light industrial and it would be good to see more schemes in Southwark that delivered more of this space	The north of the borough mostly. Would need to be close to either a train station i.e. London Bridge or Elephant & Castle or tube station. The Old Kent Road area is interesting given the scale of new development and the opportunities this must offer for the LA to negotiate new affordable space from developers building major flat schemes on retail and industrial sites. Also Surrey Quays, Bermondsey, Camberwell would also be good locations	One problem that we have identified with other LAs is the tendency to negotiate spaces that are too small or too short leases to be commercially viable. At Ethical Property we prefer to buy freeholds as this provides greater certainty that we can create workspaces that will be there for the long term. If it is a lease it needs to be long in order for us to invest in the fabric of the buildings to make it worthwhile i.e. we are generally not interested in meanwhile uses.	We have looked at a range of opportunities over the last 5 years so yes, we are keen to establish a centre in Southwark. The borough did show us a couple of spaces a few years ago but they were too small, poorly located etc. to be viable. We would be interested in sitting down with the Council to establish a centre where perhaps we could co-invest. For this to work though we would need to be looking at a minimum size of 1,500 sq mt and, as above, either a purchase or long lease.	As above, over 15,000 is what we believe to be sustainable long term. The property management costs are such that anything less than this would be challenging. The borough could consider either grouping together a number of allocations into larger schemes or securing developer cash contributions and then procuring a larger space off the open market.	If it was offices in a great location i.e. close to London Bridge the organisations we house would be able to pay over £40 psf all in i.e. gross rent which includes rent, service charge, rates etc.
CRATE		CRATE don't have a lot of exposure in Southwark so we don't have personal take - but we are in Lewisham. With inner London Boroughs we find a lot of workspace provision is dominated by eg. wework - which are great for some but don't suit all. There needs to be workspace of quality that isn't about price point - other values should come into play that attract and support younger startups that ultimately want more than size. From our perspective there is a lot of high quality stuff in LBS so maybe there needs to be options which are less grand, more mixed use and with a more balanced offer.	Spaces that are more mixed use in every way - even in regards to the business sectors they support. Some areas eg. Old street - tech, work as business hubs but I think single sector workspace in flawed - only works in specific environments. Spaces that offer cross sector support and a wider scope of 'attractor' for the businesses will be needed.	All around, but maybe mostly the less obvious parts. Areas where we can add value through, reducing failure rates, assisting with regen and placemaking.	Not in southwark specifically since we have no experience but our delivery normally varies depending on place and need and type of space. We often focus on business support and creating a curated service to the businesses we support. As a general note, big players (developers and other landlords) need to understand that commercial space should be a primary consideration from the start. It should be market tested in a meanwhile capacity in order to figure out what works in that space and what operational model / delivery method best suits it.	Would love to bring crate to southwark if the right opportunity arises either through meanwhile uses or repurposing retail. We have started going south and west so yes.	we manage anything over 5000 sqft	cap comes from developer. 10-15% of freeholder depending on location. we design, fit-out, and operate so we don't feel like we really fit into an expected rental bracket, it's all relative, as long as we see some return on our investment as we are creating a value.

# Contact Details

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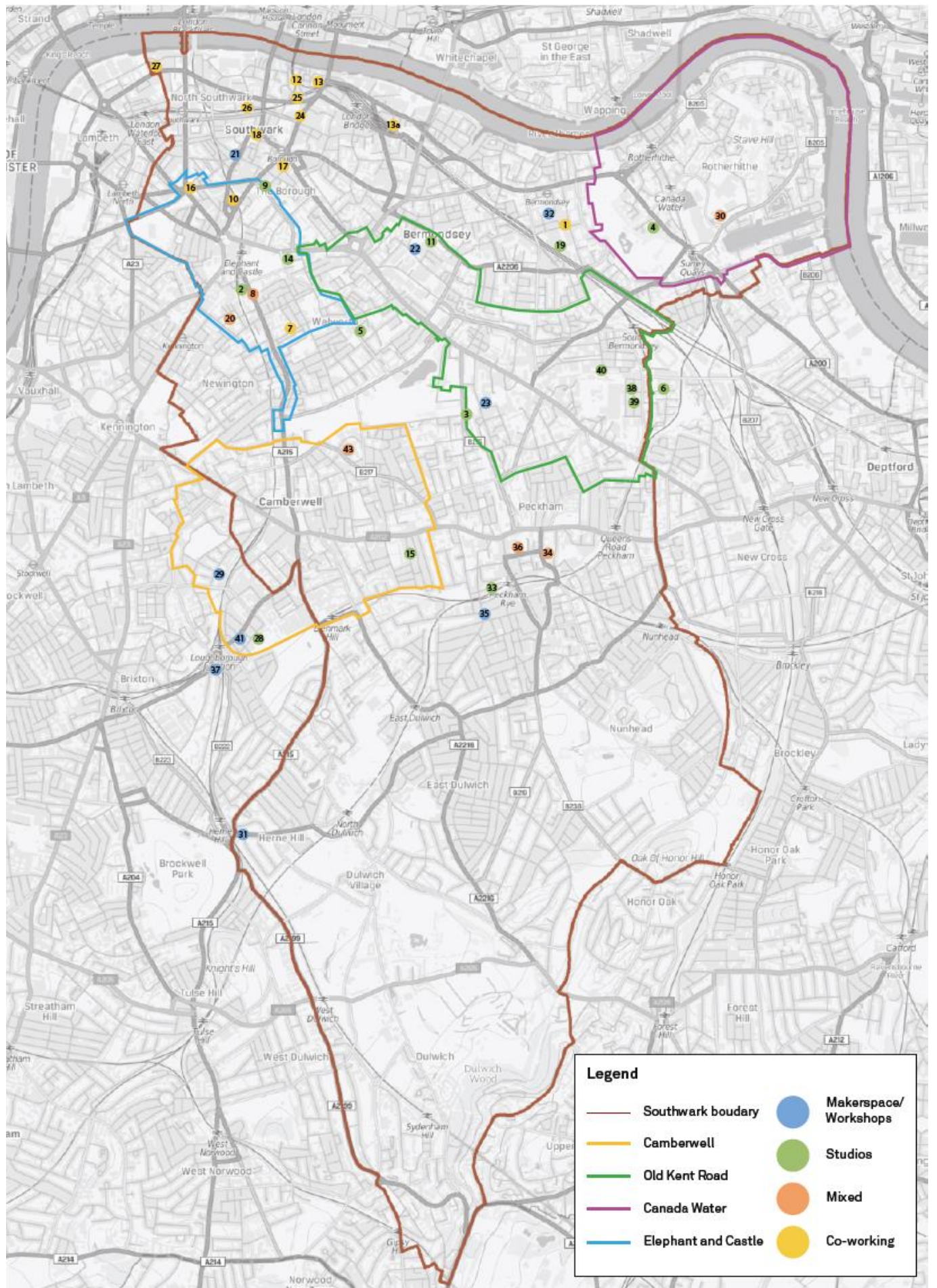
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# LBS Affordable Workspace Assessment Annex 1: Existing Provision





Opportunity Area & Map Location	Location	Operator	Size	Notes	Price/ affordability	Permanency of space
Canada Water						
4		Artists Studios Company	12,000 sqft	Former police station, circa 1960, 32 studios, rents are inclusive of business rates, water rates, electric usage, building insurance; <a href="https://ascstudios.co.uk/studios/">https://ascstudios.co.uk/studios/</a>	Reduced rates for recent graduates	Permanent
30		THRIVE	n/a	Maker Space & Co-Working Business Hub; <a href="https://www.wise16.co.uk/thrive-maker-space-co-working-business-hub/">https://www.wise16.co.uk/thrive-maker-space-co-working-business-hub/</a>	Affordable and low-cost - Tree Shepherd Initiative [Studio: £26/day, £149/ month; Fixed desk: £10/ day]	Permanent
Elephant & Castle						
2		ACME - Highline	3 ground floor studio spaces	The Highline building contains 3 purpose-built accessible studio spaces at ground level, all with natural light. The building also provides student accommodation on upper floors, which is separately owned and managed. <a href="https://acme.org.uk/studios/#filter/all-spaces/details/highline/">https://acme.org.uk/studios/#filter/all-spaces/details/highline/</a>	Affordable for fine artists who cannot afford at market rate	Permanent
5		Artists Studios Company	23,000 sqft	The Chaplin Centre provides a number of self-contained, own access units, 700-850 sq ft. Circa 1960s mixed-use property. 54 self-contained studios, communal kitchen, 24hr access, broadband and gas central heating. Full disability access. <a href="https://ascstudios.co.uk/studios/">https://ascstudios.co.uk/studios/</a>	Lower than commercial market rate	Permanent
7		Hatch Enterprise - 55 East	n/a	Co-working membership space <a href="https://hatchenterprise.org/55east/">https://hatchenterprise.org/55east/</a> ; <a href="https://www.55east.co.uk">https://www.55east.co.uk</a>	Affordable rates (£14/day, £143/ month).	Permanent
8		Hotel Elephant Workspace	9,000 sqft	Spare Street - Five newly refurbished railway arches with glazed fronts. Permanent creative enterprise hub providing: Arch's 1 & 2: Co-working space, with grade A fit out. Providing 50 desks, as a combination of hot desk, dedicated desk and office units with up to 6 desks in each. Approx. 40 - 50 users Arch's 3 & 4: 24 studio units for recent graduates, local artists and creatives. <a href="https://hotelelephant.co.uk/artist-studio-space">https://hotelelephant.co.uk/artist-studio-space</a>	Affordable (Hot desk: £25/ day; dedicated desk: £330/ month; individual office: £1,320/ month; graduate workspace: £260; meeting space: £200).	The first permanent Creative Enterprise hub in the Elephant & Castle
9		Hotel Elephant Studios	20,000 sqft	Studio space	n/a	permanent
10		Ministry of Sound	10,000 sqft	Large co-working space in Elephant & Castle with a choice of fixed and hot desks. 5 meeting rooms including 20-person boardroom with large digital screens. Large kitchen/café area, break out spaces, free tea and coffee. <a href="https://theministry.com/locations/01-47/workspace/">https://theministry.com/locations/01-47/workspace/</a>	n/a	permanent
14		Tannery Arts	Cannot see individual studios	'Tannery Arts is a small, independent charity concerned with making contemporary art accessible to a wide public through its programme of exhibitions and learning projects. It supports the professional development of emerging and established artists and curators, promoting their practice through opportunities to exhibit work, develop projects, to engage in learning activities and through the provision of affordable studios.' <a href="http://tanneryarts.org.uk/studios/">http://tanneryarts.org.uk/studios/</a>	Affordable studios provided by a charity	permanent
16		Clearance Centre	n/a	Office incubator; 'The award-winning Clarence Centre for Enterprise and Innovation is LSBU's hub of entrepreneurial activity and home to a variety of start-ups and local businesses. Transformed from 17 derelict Grade II-listed Georgian buildings, the now modern and accessible Clarence Centre is the heart of a community of start-ups, student entrepreneurs, SMEs and LSBU's Research, Enterprise and Innovation Team. It also houses the Legal Advice Clinic a free drop-in service for local residents.' <a href="http://www.lsbu.ac.uk/business/office-space/clarence-centre">http://www.lsbu.ac.uk/business/office-space/clarence-centre</a>	Caters to start-ups, SMEs, student entrepreneurs	permanent
20		Pullens Yard	n/a	Artist studios, live/work workshops to designer makers - information on lettings to contact Southwark council; Within the yards there are diverse and established arts and artisan businesses, ranging from Potters and Furniture designers to Painters and Architects, <a href="http://www.pullensyards.co.uk">http://www.pullensyards.co.uk</a>	Run by association, prices not available on demand from Southwark council	permanent
Peckham & Camberwell						
3		ACME - Galleria	50 self contained studio spaces at basement, ground, first, second and third floor levels, ranging from 260ft <sup>2</sup> to 500ft <sup>2</sup> (24m <sup>2</sup> to 46m <sup>2</sup> ).	'Tannery Arts is a small, independent charity concerned with making contemporary art accessible to a wide public through its programme of exhibitions and learning projects. It supports the professional development of emerging and established artists and curators, promoting their practice through opportunities to exhibit work, develop projects, to engage in learning activities and through the provision of affordable studios.' <a href="https://acme.org.uk/studios/#filter/all-spaces/details/galleria/">https://acme.org.uk/studios/#filter/all-spaces/details/galleria/</a>	Affordable for fine artists who cannot afford at market rate	permanent
15		Vanguard Court Studios	Workspaces range in size from 200sqft to 4,500sqft.	'Vanguard Court is home to a thriving community of artists, artisans and creative small businesses in South East London, a stone's throw from Camberwell College of Arts. Vanguard's bright and airy studios are located on either side of a quiet, cobbled cul-de-sac on the site of an old suitcase factory in the heart of Camberwell, London SE5; <a href="http://www.vanguardcourt.org">http://www.vanguardcourt.org</a>	n/a	permanent
28		Clockwork studios	n/a	<a href="https://clockworkstudios.co.uk">https://clockworkstudios.co.uk</a> ; Clockwork Studios was established by Noel and Margy Perkins in 1995 with the art community in mind. The building accommodates a range of independent artists and its doors open to the public for appointments, workshops and biannual open days	n/a	permanent
29		The Remakery	facilities for makers, designers, artists, upcyclers, 1,200 sqm	<a href="http://remakery.org">http://remakery.org</a> ; Across over 1,200m <sup>2</sup> of space we offer a range of facilities for makers, designers, artists, upcyclers, and anyone else who wants the space and tools to simply create. 'Our communal work spaces are readily available for The Remakery's members, among the resident makers and their full-time workshops from whom our members are invited to seek advice and support. The storage area houses a plethora of reclaimed material. Within our front space and visitors' area is our reception desk, exhibition floor, communal kitchen, and co-working spaces.'	Not for profit makerspace	permanent
37		Artichoke Print Workshop	n/a	Print Workshop; 'All of the artists who work here are studio members. The studio is self supporting, with all costs borne by its members. We have a charitable trust status which relates to teaching printmaking.' <a href="https://www.artichokeprintworkshop.co.uk">https://www.artichokeprintworkshop.co.uk</a>	Student discount available, £46/day, £230/month	permanent
41		Coldharbour London Studios	15,000 sqft	Coldharbour London Studios is a 15,000 sq ft former print factory which has been converted into a variety of exceptional artist studios. <a href="https://www.coldharbourlondon.com">https://www.coldharbourlondon.com</a>	n/a	permanent
43		Arebyte Studios	Sizes start from 9 square metres all the way up to 35 square metres	London-based art organisation which supports the development of artists working across digital and emerging artforms; 14 self contained units, 14 open spaces and 6 desk spaces <a href="https://www.arebyte.com/available-studios">https://www.arebyte.com/available-studios</a>	485sqft - £590/ month; 646sqft - £900/ month (5-10 months occupancy)	permanent
Old Kent Road						
11		Southwark Studios	n/a	'Southwark Studios provides affordable places to work for individual artists and small businesses in the creative industries. We are currently designing our new permanent home on a site near Tower Bridge Road, due to be opened in 2021'. <a href="http://www.southwarkstudios.com">http://www.southwarkstudios.com</a>	Affordable places to works for individual artists'	permanent yet to come
22		London Sculpture Workshop	2,500 sq ft	Sculpture Workshop; installation artists, fashion designers, photographers, hat makers, video makers and much more <a href="http://londonsculptureworkshop.org">http://londonsculptureworkshop.org</a>	Not-for-profit, community interest based company £26/ session	permanent
23		THRDS STUDIO	n/a	'THRDS STUDIO is a creative space and workspace connecting work and leisure for the community of creative professionals and entrepreneurs under one roof, shaping contemporary culture'; <a href="http://www.thrdsstudio.co.uk">http://www.thrdsstudio.co.uk</a>	n/a	permanent
38		The Toaster Factory	10,000 sqft	JUST OPENED artist studio space, re-imagined under-used parts of the building as workspace for artists, creative businesses and manufacturers. The space is flexible which ensures a good mix of uses; from single desk-spaces to small studio rooms of 300 sq ft to light industrial units of 2,000 sq ft. <a href="https://www.toasterfactory.co.uk">https://www.toasterfactory.co.uk</a>	desks: £145/month	permanent
39		Hatcham Studios	Containing a variety of studios ranging in size from 90 sq ft to 190 sq ft. over just under 1,400 sq ft	'Hatcham Studios is a vibrant creative community in Bermondsey located on Hatcham Road, SE15. Containing a variety of Studios ranging in size from 90 sq ft to 190 sq ft.' <a href="http://www.capital-studios.co.uk/properties/hatcham-studios">http://www.capital-studios.co.uk/properties/hatcham-studios</a>	n/a	permanent
40		Newton House Studios	2,047 sq ft	'bright, airy and newly refurbished studio space on flexible lease terms, including offering the option to share space'; <a href="https://www.capital-studios.co.uk/properties/newton-house-studios">https://www.capital-studios.co.uk/properties/newton-house-studios</a>	Special rates for fine artists	permanent

Opportunity Area & Map Location	Operator	Size	Notes	Price/ affordability	Permanency of space
Outside boundaries					
1	3Space - Keeton's Collett	2400 sqm	A former college in Bermondsey London awaiting redevelopment is now a 2,400sqm affordable workspace with 'Green Lab'. <a href="http://www.3space.org/#/keetonsandcollett/">http://www.3space.org/#/keetonsandcollett/</a>	desk: £215/month	temporary
6	Cell Projects Space and Studios		We offer an array of individual or shared, well-insulated studios, all with free high-speed Wifi.	independent/affordable	permanent
12	Sustainable Bankside 2	33,000 sqft	<a href="https://static1.squarespace.com/static/58500d20440243c9d76962cd/t/5cd1de89e87f0001bc87f5/1557257881892/SUSTAINABLE_WORKSPACES_PROSPECTUS_2019_04.pdf">https://static1.squarespace.com/static/58500d20440243c9d76962cd/t/5cd1de89e87f0001bc87f5/1557257881892/SUSTAINABLE_WORKSPACES_PROSPECTUS_2019_04.pdf</a>  plus 3 other locations nearby 'opened in 2015, Sustainable Bridges is a creative build comprised of converted railway arches. It was designed to suit the need for small scale manufacture, storage, and coworking and also features sealed, private lab space.'	n/a	permanent
13	Sustainable Bankside	23,000 sqft	<a href="https://static1.squarespace.com/static/58500d20440243c9d76962cd/t/5cd1de89e87f0001bc87f5/1557257881892/SUSTAINABLE_WORKSPACES_PROSPECTUS_2019_04.pdf">https://static1.squarespace.com/static/58500d20440243c9d76962cd/t/5cd1de89e87f0001bc87f5/1557257881892/SUSTAINABLE_WORKSPACES_PROSPECTUS_2019_04.pdf</a>  plus 3 other locations nearby 'opened in 2018 to serve the rapid growth of the Sustainable Ventures ecosystem. The brick and steel converted warehouse is home to 30+ corporates and SMEs.'	n/a	permanent
13a	Sustainable Bridges	10,000 sqft	<a href="https://static1.squarespace.com/static/58500d20440243c9d76962cd/t/5cd1de89e87f0001bc87f5/1557257881892/SUSTAINABLE_WORKSPACES_PROSPECTUS_2019_04.pdf">https://static1.squarespace.com/static/58500d20440243c9d76962cd/t/5cd1de89e87f0001bc87f5/1557257881892/SUSTAINABLE_WORKSPACES_PROSPECTUS_2019_04.pdf</a>  plus 3 other locations nearby 'Opened in 2019 - Featuring spacious private offices and communal areas spread over four levels. It offers a sustainably unique design; professional without feeling corporate, and community designed at its core.'	n/a	permanent
17	The Office Group - Borough High St	n/a	'A mix of individual offices, meeting rooms, events spaces, lounge spaces and co-working spaces' <a href="https://www.theofficegroup.co.uk/office/201-borough-high-street/">https://www.theofficegroup.co.uk/office/201-borough-high-street/</a>	Hot desk: £375/month, dedicated desk: £550/month	permanent
18	Babel Studios	n/a	'Babel Studios Ltd is a not for profit enterprise providing space for people wishing to work in a relaxed, creative environment'. <a href="http://www.babelstudios.org/">http://www.babelstudios.org/</a>	Not for profit enterprise, desks from £280/month	permanent
19	Creekside Artists	n/a	Artist studios <a href="https://www.creeksideartists.co.uk/Studios">https://www.creeksideartists.co.uk/Studios</a>	n/a	permanent
21	The Goodlife Centre	n/a	The Goodlife Centre is an independent learning space situated near Tate Modern, Central London. We offer practical boutique workshops in DIY, Home Maintenance, Decorating, Upholstery, Woodwork & Carpentry, Furniture Upcycling & Restoration and various traditional hand Crafts. <a href="https://www.thegoodlifecentre.co.uk">https://www.thegoodlifecentre.co.uk</a>	Independent learning space; Room: 3.5metres x 10metres full day: £600	permanent
24	Co-Work Borough	n/a	Shared workspace for entrepreneurs, start-ups, and small businesses. Dedicated desk space with fast broadband, wifi, high spec meetings rooms and full 'Big Office' facilities with small office costs. <a href="https://co-work.co">https://co-work.co</a>	Aimed at businesses: £649/month	permanent
25	Universal Workspace	n/a	co-working <a href="https://cargocollective.com/universalworkspace">https://cargocollective.com/universalworkspace</a>	£180-£250/month; £30/day	permanent
26	Club Workspace	n/a	co-working; <a href="https://www.workspace.co.uk">https://www.workspace.co.uk</a>	Aimed at businesses: £40/day; £130-£2000/month	permanent
27	WeWork Southbank	n/a	co-working; <a href="https://www.wework.com/en-GB/buildings/new-kings-beam-house-london">https://www.wework.com/en-GB/buildings/new-kings-beam-house-london</a>	Aimed at businesses: £550-£990/month	permanent
31	South London Makerspace	n/a	<a href="https://southlondonmakerspace.org">https://southlondonmakerspace.org</a> South London Makerspace is a social community workshop in the heart of Herne Hill. It's owned, run and maintained by the members; there are no paid staff so everything is done on a volunteer basis.	Social community workshop, everything done on a voluntary basis	permanent
32	Sugarhouse Studios and Workshop East	20 studios	TEMPORARY (while new housing scheme is being developed) space for artists, designers and fabricators; <a href="https://assemblestudio.co.uk/studios">https://assemblestudio.co.uk/studios</a>	n/a	interim/temporary
33	The Arches Studios	10 Artist studios	<a href="http://www.the-arches-studios.com">http://www.the-arches-studios.com</a>	n/a	n/a
34	Copeland Park and Bussey Building	Co-working, studios	<a href="https://www.copelandpark.com">https://www.copelandpark.com</a> Copeland Park serves the area's social and cultural heart by offering studios, workshops and space that enables creative businesses to flourish. From traditional, industrial spaces to derelict terraced houses, there is desk space for architecture, graphic design and photography practices, and studios and exhibit space for painters, carpenters, textile and ceramic makers.	For freelancers and startups, £132-£199/month for desks	permanent
35	Sonsoles Print Studio	Space for printmakers	<a href="http://sonsolesprintstudio.co.uk">http://sonsolesprintstudio.co.uk</a> Sonsoles Print Studio is a fully equipped Open Access screen print studio situated in a friendly warehouse	£15/session + 1 year membership £60	permanent
36	Peckham Levels	Co-working (The Ramp), studios, incubator, workspace	TEMPORARY <a href="https://www.peckhamlevels.org">https://www.peckhamlevels.org</a>	£150-£199/month for co-working desks	temporary