

URS

Final Report

47063799

October 2012

Prepared for:
LB Southwark

UNITED
KINGDOM
& IRELAND



Canada Water Area Action Plan update 2012: Harmsworth Quays non-residential uses study



REVISION SCHEDULE					
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1 INTRODUCTION

1.1 Context to the Study

Southwark Council is reviewing parts of the adopted Canada Water Area Action Plan (AAP) – a spatial plan which provides a vision and framework to guide development in the area over the next 15 years. At the heart of the Council’s vision for Canada Water is the aspiration to create a mixed use town centre at the core of the action area.

Since the AAP was prepared, a major new site, Harmsworth Quays, has become available for development. The existing AAP is predicated on the Harmsworth Quays site remaining in employment use as a printworks and many of the surrounding sites include an employment element to provide a buffer around the printworks. The option that the site could be redeveloped during the life of the AAP was not fully considered.

The relocation of the printworks therefore represents a fundamental change for Canada Water which needs to be reflected in the AAP. As such the Council is reviewing the parts of the AAP that are connected to the Harmsworth Quays site. The scope of the update will be limited to Harmsworth Quays and surrounding sites, which are affected by the potential redevelopment.

To support the Council in its review, URS with DTZ were commissioned to carry out a study to explore the potential for non-residential uses that could be accommodated on Harmsworth Quays and the adjacent sites. The output – this report – will inform the AAP review preferred options report, which the Council expects to publish in early 2013.

1.2 Study Objectives

The primary objectives of this study are twofold:

- Make recommendations on a strategy for business use (B1a and B1c) for the study site. The strategy should be informed by an assessment of local and regional demand for business space and advise on the quantum, distribution and type of business space which might be feasible on the study site; and
- Explore the potential for other non-residential use, including educational use such as a university or college of higher education or leisure use.

Evidence base studies relating to retail and hotel demand were commissioned for the AAP. Further evidence on the demand and commercial viability for retail and hotels is therefore not required as part of this work.

1.3 The Study Area

There are a number of geographical areas used in this report. The focussed study area (hereafter known as the ‘study site’) comprises four sites, which are mapped in the Canada Water Area Action Plan (CWAAP) – see **Figure 1.2** overleaf:

- **Harmsworth Quays (CWAAP 12)**
- Harmsworth Quays site is currently the Daily Mail & General Trust (DMGT’s) printworks. Southwark Council owns the freehold of the site. In June, British Land announced that it had agreed a conditional deal to acquire DMGT’s part leasehold part freehold interest in the site¹. The site will become available for development in 2013 following the relocation of the newspaper publisher’s printing operations from Harmsworth Quays to Thurrock

¹ <http://www.britishland.com/index.asp?pageid=42&newsid=378>

- **Site E (CWAAP 8)**

Site E is a triangular shaped parcel of land on the east side of Surrey Quays Road which is currently operating as a small retail outlet, and which Sellar Property Limited is interested in developing as part of more extensive proposals which include the Decathlon site to the south (within CWAAP 7).

- **Mulberry Business Park (CWAAP 9).**

Mulberry Business Park on Quebec Way has been cleared and is ready for development. King's College London is interested in undertaking a redevelopment of this site as part of a larger scheme also involving Harmsworth Quays.

- **Surrey Quays Leisure Park (eastern section of CWAAP 8 south of CWAAP12).**

Aviva own the freehold on the site and Frogmore are their development partner. The site has permission for 500 homes and replacement of the leisure uses on the site (including the cinema and bowling alley).

In addition to the study site, the report describes three levels of Property Market Area (PMA)². These are

- An 'SE1 PMA' (covering postcode SE1 and linked geographically with the City Fringe), characterised by high quality office space and sought by companies with national / international reach which provide support and complementary services to City occupiers and therefore demand proximity to central London locations.
- A 'Local PMA' for office and industrial use classes. The Local PMA of LB Southwark includes the whole of the borough excluding the SE1 postal area and is defined by good access to public transport, and the availability of inexpensive workspace.
- The 'SE16 local property market area' includes the SE16 post code area located north of the London to Kent railway line and east of Tower Bridge - which broadly equates to the administrative wards of Surrey Docks, Rotherhithe and Riverside. It is formed of a more focused section of the wider 'Local PMA' as defined above.

1.4 The Study Site

The Canada Water area was masterplanned by the London Docklands Development Corporation in the 1980s and designed principally for car-borne visitors. As a result the core of the AAP area comprises single use developments with large footprints which, although they surround the Canada Water basin, do not make a feature of the water.

While the Decathlon site and the Shopping Centre (both within the western part of the CWAAP7) are located outside the core study site, options for the study site will need to be cognisant of opportunities on those sites. Current development proposals for these are explored in Section 2.

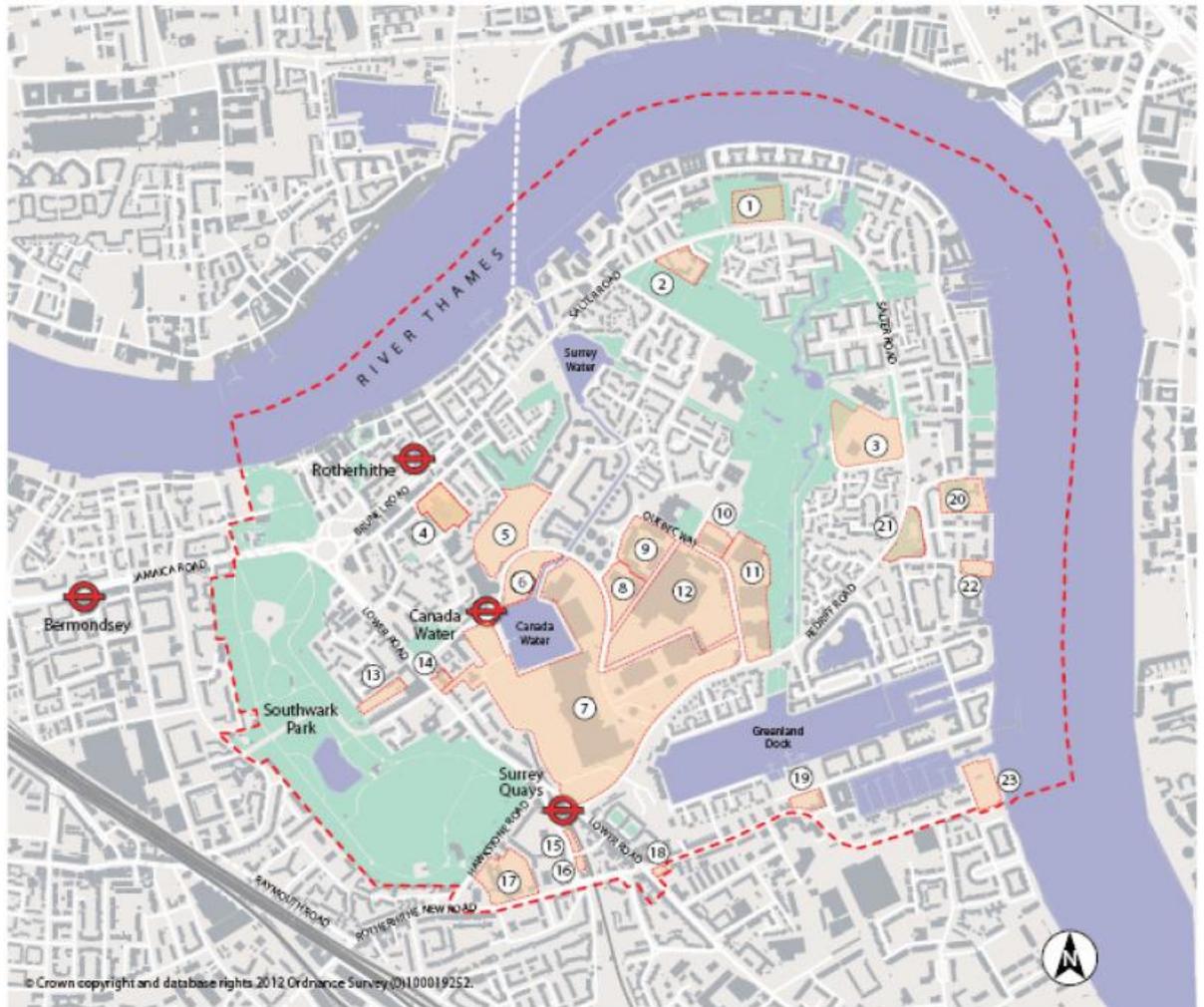
Site 24-28 Quebec Way (CWAAP10) has no planning permission although the owners are exploring options; and Quebec Industrial estate (CWAAP11) has recently received consent for demolition of existing warehousing buildings and construction of 366 homes and commercial floorspace. These sites lie outside the core study area and are not considered in our assessment.

² The first two Property Market Areas (PMA) are taken from the 2010 Southwark Employment Land Review. The third has been constructed for the purposes of this study.

Figure 1.1. Harmsworth Quays Site and Adjacent 'Site E'



Figure 1.2. Key sites of the CW AAP



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- New Proposals Sites
- Wider AAP area

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. St Pauls Sports Ground (CWAAP 1) 2. Land adjacent to Surrey Docks Stadium (CW AAP 2) 3. Downtown (CW AAP 3) 4. Albion Primary School CW AAP 4) 5. Site A CWAAP 5) 6. Site B (CWAAP 6) 7. Decathlon site, Surrey Quay Leisure Park, Surrey Quays Shopping Centre and overflow carpark (CWAAP 7) 8. Site E (CWAAP 8) 9. Mulberry Business Park (CWAAP 9) 10. 24-28 Quebec Way (CWAAP 10) 11. Quebec Industrial Estate (CWAAP 11) | <ol style="list-style-type: none"> 12. Harmsworth Quays (CWAAP 12) 13. Former Nursery (CWAAP1) 14. Rotherhithe Police Station (CWAAP 14) 15. 23 Rotherhithe Old Road (CWAAP15) 16. 41-55 Rotherhithe Old Road (CWAAP 16) 17. Rotherhithe Primary School (CWAAP 17) 18. 247-251 Lower Road (CWAAP 18) 19. Tavern Quay (East and West) (CWAAP 19) 20. Surrey Docks Farm (CWAAP 20) 21. Dockland Settlement (CWAAP 21) 22. Odessa Street Youth Club (CWAAP 22) 23. St George's Wharf (CWAAP 23) |
|---|--|

Source: Canada Water Area Action Plan, (Page 4; LB Southwark, March 2012)

1.5 Planning Policy and Supporting Documents

There are a number of policy documents and supporting studies which provide context to this report, and which we briefly review here.

National

The NPPF describes the Government's vision for building a strong, competitive economy. It sets out a presumption in favour of sustainable development in the absence of a local plan or where the plan is silent or indeterminate. The Local Plan should present robust evidence to support clearly defined allocations of land for employment to avoid applications for alternative use being granted on the basis they are sustainable development. Planning policies should avoid the long term protection of sites allocated for employment use where there is no reasonable prospect of a site being used for that purpose.

Regional

At a regional level Canada Water is identified as an Area for Intensification under Policy 2.13 of the 2011 London Plan. The opportunity for growth is based on good public transport accessibility and the potential for mixed-use regeneration on infill sites and intensification of existing commercial sites. The indicative capacity of the area is for 2,000 jobs. The London Plan also defines Canada Water as a District Centre which has high growth potential and existing capacity which can be utilised to achieve regeneration objectives including physical, environmental and economic renewal. Policy 4.4 also states the need to manage industrial land release and identifies LB Southwark as a 'Limited Transfer' borough.

Local

The borough's Core Strategy provides a long term spatial strategy to deliver sustainable development over the planning period (up to 2026). The vision is based around five themes including social and economic regeneration, such as creating jobs for local people and improving people's life chances.

Theme 5, Developing in growth areas, aims to balance *'as many homes as possible with growth of other activities that create successful places such as places to work, leisure, arts and culture, sports, health centres and tourist activities'* and to make the different areas of the borough distinctive and respect local and historic context. The vision for Canada Water, specifically, involves transformation of the area into a town centre *'which combines shopping, civic and leisure, business and residential uses to create a new heart for Rotherhithe'*... and *'to strengthen Canada Water's role as a shopping destination'*. There are a number of key strengths, which can be built upon including its attraction for families; leisure opportunities; and parks open spaces, the docks and green links.

From a perspective of economic growth, the Economic Development Strategy 2010-16 reiterates some of the themes of the Core Strategy and sets out actions to build a sustainable, inclusive and prosperous community by reducing worklessness and sustaining high quality employment. There is an intention to create a strong sustainable economy, based on a thriving network of town centres and built on an entrepreneurial culture.

Further details of how the Council aims to bring about change in the Canada Water action area is set out in Canada Water Area Action Plan, March 2012. Policy 25, Jobs and Space, states the intention to promote a business cluster around the Harmsworth Quays site and new office and light industrial (B1 use class) in new development on Surrey Quays shopping centre and car park, the Mulberry business park, Site E, the Surrey Quays Leisure Park and Site B. The policy states that any new space should be flexible to meet the demands of the local office market, with the intention of attracting occupiers from the public sector or SMEs providing services to other local businesses, mainly in the information technology, creative

industries, and professional services sectors. The AAP also records estimates the need for up to 30,000 sq m of new office space in Southwark by 2026 to meet local office demand outside the SE1 area, with approximately 12,000 sq m proposed for Canada Water on the proposal sites in AAP. This quantum of growth is based on demand forecasting set out in the Southwark Employment Land Review by URS in 2010.

Other supporting documents which are relevant to this study include the LB Southwark Employment Land Review (2010); the Town Centre Feasibility Study (2010) and the Retail Capacity Study (2009). A more detailed assessment of all these documents referenced is set out in **Appendix A**.

1.6 Structure of Report

Our approach to this study has involved a number of tasks, which have drawn upon primary and secondary information. These tasks form the structure of the report:

- Section 2 sets out the characteristics and supply of non-residential uses (B1 and other non-residential uses) at Harmsworth Quays and the surrounding sites
- Section 3 sets out an overview of the property market for the study site and wider area
- Section 4 sets out the key findings from consultation with potential developers of the Harmsworth Quays sites and the surrounding sites, commercial property agents, potential operators and providers of business space
- Section 5 sets out the key findings from other potential providers, including leisure and education operators;
- Section 6 describes the longer term demand trends and opportunities in the Canada Water area for non-residential uses
- Section 7 concludes by drawing together the findings of the research and providing recommendations on a strategy for business use/s and other non-residential uses for the site and surrounding sites.

2 LOCAL SUPPLY ASSESSMENT: QUALITY AND CHARACTERISTICS OF BUSINESS SPACE

2.1 Introduction

In the past three or four years Canada Water has continued to evolve, largely led by residential development. Regeneration of the area is set to continue with the wider Canada Water / Surrey Quays area included in the 2011 London Plan as an 'area for intensification'.

Most of the recent development in the area has been residential-led and also includes improvements such as the new library and public square overlooking the Canada Water basin. There has been little office based development in recent years, and the existing employment provision, particularly offices, is small and most premises are of older stock.

This section addresses the supply and characteristics of non-residential use, in particular B1 use (a/b/c - office, research / laboratory and light industrial uses) in and around the Canada Water action area to consider how this will affect the study site and its potential for attracting new businesses. It also considers other key schemes and proposals with a B1 element in close proximity to the study site.

As noted in section 1, the 'study site' is defined as Harmsworth Quays (AAP Ref CWAAP12), Mulberry Business Park (AAP Ref CWAAP 9), Land South East of Mulberry Business Park (AAP Ref Site E CWAAP 8) and the Leisure Park (part of AAP Ref CWAAP 7). The assessment of the supply of office space also considers the other Property Market Areas (PMAs) including the SE16 local property market area and parts of Lewisham.

This analysis draws on the 2010 Southwark Employment Land Review, a site survey and other supporting information such as the Core Strategy evidence base and online information.

2.2 Existing B1 supply in the Canada Water / Rotherhithe area

The location is not currently an established office location and has a relatively small supply of office space which is dispersed throughout the peninsula.

The majority of the office stock consists of small self contained office units and a small number of warehouse type units. The market is dominated by a supply of second hand accommodation, mostly on flexible lease terms, which is primarily being driven by a rationalisation of occupancy by previous / current tenants.

However, there is an undersupply of modern good quality office space of a range of sizes. There also appears to be a low level of vacancy in the existing office stock in Canada Water / Rotherhithe and surrounding locations such as Deptford and Lewisham indicating that there is demand for business space within existing premises.

This section provides an analysis of the current supply of B1 uses in the Canada Water / Rotherhithe area, including details of:

- site size, mix and floorspace details
- provider, occupier and management / leasehold / freehold arrangement
- any features that make the space attractive to occupiers (including rent and availability of space)
- implications for potential non residential uses in the study area.

Much of the existing supply in the Canada Water area is managed by City Business Centre, which leases serviced offices offering flexible leases and ‘one off’ incentives such as a period of free rent for new occupiers. The premises are generally well located for public transport, with at least one parking space per unit. The units are in fair condition, but mostly constructed over 15 years ago and therefore appear dated and do not provide the specification that is offered by new or bespoke business space. City Business Centre owns and leases units within four developments in SE16 and SE8 - City Business Centre, St Olav’s Court, Dock Offices, Evelyn Court and Cannon Wharf.

City Business Centre, Lower Road



City Business Centre, Lower Road (Source: URS)

City Business Centre provides low cost, serviced small office units on flexible terms. The premises are well located with good road and public transport access. They are in good condition, but now considered somewhat tired and dated (15+ years old).

Site size

0.5 hectares (combined with St Olav’s Court, located opposite City Business Centre)

Units

The property offers self-contained accommodation from 45 – 110 sq m (495 - 1,200 sq ft) although units can be combined to provide larger areas.

Floorspace

Approx 4,500 sq m (50,000 sq ft) (including parking and Olav’s court)

Provider, occupier and management / leasehold / freehold arrangement

- Owned and managed by City Business Centre. Units leased on flexible terms.

- Service charge (£200-£400 p.c.m.) includes security, 24-hour CCTV, cleaning and maintenance and insurance.
- Tenancy at Will agreement allows immediate occupancy and vacancy as required.
- One parking space per unit.

Occupiers and vacancies

Occupied by a range of service industries, including music, IT, property, travel and health. 7-10 units of approx 25 currently available (28-40% vacancy).

Implications for potential non residential use in the study area.

A higher level of vacancy than similar office space in the area. However, most of the units are let which indicates there is demand for small office units from SMEs from a range of sectors including finance and creative industries. Very low cost and flexible terms which will be an attractive factor for start up businesses.

St Olav's Court, Lower Road



St Olav's court (Source: URS)

St Olav's Court is located opposite City Business Centre and provides similar accommodation - low cost, serviced small office units on flexible terms. The premises are well located with good road and public transport access. They are in good condition but also considered somewhat dated (15 years old).

Site size

0.5 hectares (combined with City Business Centre, located opposite St Olav's Court)

Units

There are 35 units, ranging in size from 36 - 110 sq m (484 - 1,178 sq ft)

Floorspace

Approx 4,500 sq m (50,000 sq ft) including parking and City Business Centre located opposite

Provider, occupier and management / leasehold / freehold arrangement

- Owned and managed by City Business Centre. Units leased on flexible terms.
- Service charge (£200-£400 pcm) includes security, an on site manager and 24 hr access.
- Tenancy at Will agreement allows immediate occupancy and vacancy as required.
- One parking space per unit.

Occupiers and vacancies

Lower level of vacancy (approx 7 units of 35 - 20%). Occupiers include property service providers, recruitment consultants and financial and accounting service providers.

Implications for potential non residential use in the study area.

Most of the units are let which indicates there is stronger demand than within the adjacent City Business Centre for small office units from SMEs from a range of sectors including finance and creative industries.

Dock Offices, Surrey Quays Road



Dock Offices (Source: URS)

Dock Offices is located opposite Canada Water station and offers small and medium sized serviced offices, in a very accessible location within an attractive historic building. The quality of the space is considered better than that on offer at St Olav's Court and City Business Centre.

Site size

0.35 hectares

Units

There are 14 units, ranging in size from 70 - 232 sq m (750 - 2,500sq ft).

Floorspace

Approx 3,530 sq m (38,000 sq ft) including parking.

Provider, occupier and management / leasehold / freehold arrangement

- Owned by City Business Centre, managed by Cluttons. Units leased on flexible terms.
- Rents undisclosed
- Service charge includes insurance, maintenance and cleaning.
- Tenancy at Will agreement allows immediate occupancy and vacancy as required.
- One parking space per unit.

Occupiers and vacancies

Currently one vacancy of 232 sq m ((2,500 sq ft). The majority of the space is occupied by Blake Hall College which offers HE courses in computing and business. There are also a number of legal and accounting service providers as listed below.

Implications for potential non residential use in the study area.

Few vacancies which indicates there is demand for small office units from SMEs from a range of sectors including finance and creative industries.

Evelyn Court, Grinstead Road



Evelyn Court (Source: Geograph <http://www.geograph.org.uk>)

Evelyn Court is located in the SE8 postcode, close to Deptford, Surrey Quays and Canada Water transport links and offers 18 small and medium sized serviced offices. The building is run by City Business Centre and offers similar terms and conditions to the other CBC premises.

Site size

0.3 hectares

Units

Evelyn Court comprises of 18 units ranging in size from 60 – 250 sq m (634 - 2,648 sq ft) although larger units can be created.

Floorspace

Approx 3,000 sq m (30,000 sq ft) including parking.

Provider, occupier and management / leasehold / freehold arrangement

- Owned by City Business Centre
- £12.50 per sq ft.
- Designated centre manager.
- Flexible lease.
- Large car park.

Occupiers and vacancies

Currently one vacancy of 84 sq m ((900 sq ft) at £910 per calendar month with a £235 service charge. Occupiers unknown

Implications for potential non residential use in the study area.

Few vacancies which indicates there is demand for small office units from SMEs.

Cannon Wharf, Surrey Quays (Lower Road / Evelyn Street)



Cannon Wharf (Source: URS)

Cannon Wharf is a mixed use development consisting of residential and commercial uses, situated in Surrey Quays, within LB Lewisham. It is very close to Canada Water and the study area. It includes a 'business centre' which is designed to appeal to a wide range of small businesses. The site has planning permission to be redeveloped for a mixed use scheme, including business space. Proposal details are set out in **section 2.3**.

Site Size

0.36 ha including parking

Units

Units vary in size from 26 - 447 sq m (280 – 4,800 sq ft) plus storage facilities.

Services

Serviced offices, on-site management, meeting rooms, storage facilities, range of unit sizes.

Parking

100 car parking spaces

Occupiers and vacancies

5 of 43 units vacant (12%). Occupiers include a wide range of businesses including equipment supply, printing and publishing.

Implications for potential non residential use in the study area.

Fairly low vacancy which indicates there is some demand for small office units from SMEs from a range of sectors.

Decathlon head office at Surrey Quays (Canada Water basin)

Decathlon, Surrey Quays (Source: URS)

Decathlon UK headquarters is currently located on the Decathlon store site at Canada Water. There are proposals for the redevelopment of this site to include an extensive refurbishment of the existing building and a 9104 sq m (100,000 sq ft) extension including 644 sq m (6932 sq ft) commercial floorspace (Class B1). The commercial floorspace being provided is believed to be specifically for Decathlon's UK business and administrative staff.

24 – 28 Quebec Way



24 – 28 Quebec Way (Source: URS)

The business space at 24 – 28 Quebec Way (Area Action Plan ref CW AAP 10) consists of a two storey building with three units in total, one of which is vacant. The occupied units currently accommodate a printing service and a flooring business.

The site is adjacent to the Quebec industrial estate (CW AAP 11) which has planning consent for demolition of the existing buildings and construction of 366 homes and commercial floorspace.

Rotherhithe village

There is pocket of business and cultural uses around St Mary’s church within Rotherhithe Village. According to the 2010 ELR the employment area (Site C30) is a 4.9 hectare mixed use, predominantly residential area, containing some creative and cultural industries and a business centre. There are a number of small offices and workshops of a good quality.

The Biscuit Factory, Tower Bridge Business Complex, SE16

This business space is part of Tower Bridge Business Complex and consists of a collection of four attractive converted Victorian buildings offering a range of space for light industrial, office, workshop and studio uses.

Site Size

4 hectares (Tower Bridge Business Complex)

Units

Ranging from 7 - 1,003 sq m (76 - 10,796 sq ft)

- The Almond Building 1,244 sq m (13,390 sq ft)
- The Nutmeg Building 598 - 861 sq m (6,437 – 9,268 sq ft)

- The Lincoln Building 458 sq m (4,930 sq ft)
- The Mint Building 122 – 266 sq m (1,313 – 2,863 sq ft)

Services

Services and features include café, security, centre manager, 24hr access and staffed reception, parking, high ceilings and loading bays.

Occupiers and vacancies

Occupiers: Unknown. 8 units vacant

Implications for potential non residential use in the study area.

Targeted at 'media-style businesses' seeking a central London location but at a much lower cost than nearby city, west end or Canary Wharf districts. Marketing strategy designed to bring together businesses into closer, more productive working relationships.

2.3**Proposed B1 development in the Canada Water / SE16 area**

This section provides an analysis of the proposed supply of B1 use on the study site and in the wider area, including details of the application type and a description of the proposals including the scale and mix of development.

There are a number of development proposals for the study site which include a B1 element. These are set out below and indicated in **Figure 1.2**. For most of the schemes, discussions were held with the site developers to understand their vision for the site and ascertain views on demand for uses.

Site CWAAP 7 (Decathlon Site) and Site CWAAP 8

Application Type: Pre-application proposals

Proposal Details: Conrad Phoenix (Canada Water) was granted outline planning permission for redevelopment of the existing Decathlon site for around 9,000sq m (96,900 sq ft) of retail space, including replacement retail and 430 new homes.

Sellar Property Ltd is now exploring other options, including taller buildings across Site CWAAP 8, which will include approximately 14,000 sq m of non residential uses, including a replacement Decathlon Store, other retail, café and restaurant space, business space and an independent cinema.

Site CWAAP 9 and 12

Application Type: Pre-application proposals

Proposal Details: King's College London (KCL) has an option agreement for the conditional purchase of the Mulberry Business Park site in Canada Water. The conditional contract requires the College to achieve planning consent for this by October 2013. The Mulberry site has been optioned by KCL and is currently vacant.

In addition, KCL are considering proposals for a 'campus-led town centre' redevelopment of the Harmsworth Quays site, including a 500 seat flexible-use lecture theatre, smaller teaching spaces, student and post graduate accommodation, leisure and other related facilities such as catering. The proposals also include commercial and market housing.

CWAAP 7 (Surrey Quays Leisure Centre) [Aviva / Frogmore]

Application Type: Hybrid full / outline planning permission

Proposal Details: This scheme is a joint venture between Frogmore and Aviva. Outline permission was submitted and granted for demolition of all existing buildings and erection of buildings ranging from two to ten storeys, comprising:

- 11,105sq m (120,000 sq ft) leisure floorspace, including cinema space (Class D2)
- 2,695sq m (29,000) retail floorspace (Class A1-A3)
- 49,276sq m (530,000 sq ft) of private and affordable residential accommodation (Class C3)
- 495 car parking spaces (142 for residential / 350 for leisure uses / 3 for commercial uses)
- 123 rooms /4,250sq m (45,000 sq ft) of student housing (Sui Generis use)
- associated works including public and private open space
- 2,500sq m (27,000 sq ft) commercial floorspace (Class B1).

Outline planning permission is granted for a design, which takes into account the development constraints that Harmsworth Quays Printworks present; that is the scheme was designed with use class buffer between the printworks and residential. Given the intention for the printworks to relocate, the applicant will revisit proposals in order to maximise the development opportunity of Site CWAAP 7, which could include exploring further the opportunities with those parties interested in developing CWAAP 12 (Harmsworth Quays).

The scheme is based around retention of the existing leisure provision. By retaining existing facilities the scheme continues to provide leisure facilities for the local community and provides an income to support development of other parts of the site for residential. To maximise the development potential of the site, the existing leisure users (cinema, bowling, and restaurant) would need to relocate on site. The mix of uses and composition of the scheme has been driven by public consultation and a viability assessment.

The applicant is currently working with the existing leisure providers to put in place development agreements and is working towards approval of reserved matters by early 2013.

2.4 Other Proposals

There are a number of other proposals within site CWAAP7, which are within the vicinity of the study site. There are also other proposals for business space within the wider area of LB Southwark and LB Lewisham which will increase the amount of business space in the area and have implications for the success of a business strategy at Canada Water.

Surrey Quays Shopping Centre, within site CWAAP 7

Application Type: Full planning permission

Proposal Details: The lease of the shopping centre is held by Surrey Quays Limited (SQL), a joint venture between Tesco Ltd. and British Land. It provides around 29,000sq m (312,000 sq ft) of retail floorspace in a covered shopping mall, together with a significant number of surface parking spaces. SQL received planning permission for an extension of the shopping centre by around 10,000sq m (108,000 sq ft) as the first phase of a site-wide scheme.

Quebec Way Industrial Estate, Canada Water

Application Type: Full planning permission

Proposal details: Demolition of three existing warehouse buildings and construction of 7 blocks between 3 and 6 storeys high (max 21m AOD); containing 366 residential units (142x 1 bed, 113x 2 bed, 98x 3 bed and 13x 4 bed) and commercial floorspace for Class A1 (shops) / A3 (restaurant/cafes) / D1 (non-residential institutions) / D2 (assembly and leisure)uses; with basement car parking, motorcycle and cycle storage, ancillary storage spaces and a new route through the site into Russia Dock Woodlands. New vehicle and pedestrian accesses to be created from Quebec Way

The site is being developed by Woodland Views Ltd

Tavern Quay, Rope Street

Application type: Full planning permission

Proposal details Construction of one 9 storey building (with top 2 floors set back) and one 7 storey building (with top storey set back), for mixed use purposes comprising business use on the ground and first floors, a restaurant on the ground floor, and 71 residential units on the upper floors, with associated access, servicing, car parking and landscaping. (08/AP/0337).

The site is being developed by Quanon Capital

Convoys Wharf, Deptford Riverside

Application Type: Masterplan stage, no planning application submitted

Proposal Details:

Convoys Wharf is a proposed development, which would represent the single largest development site in London Borough of Lewisham. Its development, and the high profile nature of the scheme, could have positive impacts on surrounding areas, including Canada Water.

Like the Harmsworth Quays site, the Convoys Wharf site was acquired following the relocation of a printworks (News International). The current plans include

- 3,500 new homes including 500 affordable homes
- New primary school
- 120,000ft² of shops, restaurants and cafés
- A 360-bedroom hotel
- 550,000ft² of employment and wharf uses
- 100,000ft² of arts and cultural uses

At least 20% of the built floorspace will be for business use. There is a proposed local employment and training programme which will aim to help deliver sustainable economic vitality for residents currently with lacking support and chances.

An estimated 1,000 jobs will be created by the completed development, alongside apprenticeships and further education and skills training.

Cannon Wharf, Deptford

Proposal Type: Planning permission

Proposal Details: The demolition of existing buildings at Cannons Wharf Business Centre, 35 Evelyn Street SE8 and construction of buildings 3 to 8 storeys plus two buildings 20 and 23 storeys in height, comprising 6,588 sq m (71,000 sq ft) commercial units and 679 residential units.

The scheme is being developed by Translloyd Group and London Business Centres.

The site is situated to the east of Evelyn Street, to the south of Greenland Dock and Surrey Quays. It is close to the river frontage and Millwall Football Club.

Millwall FC / Surrey Canal Development, Lewisham

Proposal Type: Outline Planning Permission

Proposal Details: Comprehensive, phased, mixed use development of the Surrey Canal site, for up to 240,000sq m (2.5m sq ft) (GEA) of development to include expanding and improving the setting for Millwall FC, 2400 new homes, up to 15,000 sq m (160,000 sq ft) of B1 space. The scheme would create 1500 permanent new jobs, improved connections and open space and new community facilities. The development specifically would provide:

- Up to 6,300 sq m (68,000 sq ft) Use class A (shops and restaurants)

- up to 15,000 sq m (160,000 sq ft) B1 (business) ;
- up to 10,000 sq m (107,000 sq ft) Class C1 (Hotels);
- up to 2,400 homes
- up to 10,000 sq m (107,000 sq ft) Class D1 (Non-Residential Institutions) ;
- up to 15,800 sq m (170,000 sq ft) Class D2 (Leisure and Assembly) excluding the Stadium which is to be retained and its facade upgraded and / or reclad

Construction is currently expected to start in 2013.

2.5 Availability of business space in the wider south London area

In addition to the supply of business space in Canada Water and surrounding area, the availability and quality of the business space in surrounding boroughs will have implications for the choices made by businesses that may also consider locating in the Harmsworth Quay sites.

LB Southwark shares a boundary with or is very close to seven other London boroughs; Bromley, City, Croydon, Lambeth, Lewisham, Tower Hamlets and Westminster. Most of the business locations in surrounding boroughs share similar advantages to Canada Water, including good strategic road and public transport links, and a range of services to support a business hub.

The City of London and City Fringe is a financial centre of global importance and attracts some of the world's most successful companies. The business cluster extends into Southwark and forms the borough's Central Activities Zone including London Bridge, Borough and Bankside. Canary Wharf is also a close neighbour to the north of the river.

The southern end of Southwark is adjacent to Croydon, an opportunity area in the London Plan and an established outer London office location. Croydon has a large number of multinationals, due to the availability of office space (790,000 sq m / 8.5 million sq ft). Other sectors include wholesale and retail, energy, ICT and Aerospace and Defence.

Waterloo and Vauxhall are two established business and cultural areas of the neighbouring borough of LB Lambeth. The South Bank is a global cultural quarter and also contains a number of international companies, as well as high levels of small businesses.

These areas therefore include very well established office locations, attracting large corporate companies and commanding high rents. They are not considered to be competitor locations for Canada Water due to the type of occupiers and the cost of accommodation.

Lewisham-Catford-New Cross and Deptford Creek/Greenwich Riverside are all part of London Plan opportunity areas and are situated in close proximity to the study area. Growth and investment in these areas could provide a boost for Canada Water as businesses are attracted to South East London as a whole, and may begin to be priced out of these areas as they take off and become more established as business locations.

2.6 Summary

This section has reviewed the supply of office space in the Local Property Market Area and surrounding areas in close proximity such as Deptford. It has also looked at proposed new business space development which may have implications for the study site. The review has shown that while B1 use may be particularly suited to Canada Water because of the excellent public transport links and supporting shops and services, the location is not currently an established office location and has a relatively small supply of office space, the majority of which is second hand small units, let on flexible terms. There is an undersupply of modern good quality space of a range of sizes.

Vacancy levels are low in the existing office stock in the SE16 local property market area and surrounding locations such as Deptford indicating that there is demand for business space for SMEs in the local area.

Existing and planned developments which include space for SMEs in the borough and surrounding areas (e.g. Cannon Wharf and Convoys Wharf) are expected to have implications for the study site and the types of businesses that would be attracted to new premises in this location.

The boost in the supply of business space in close proximity to the Canada Water area is likely to have the effect of increasing the competition in terms of attracting businesses into the area. However, the increased competition may be outweighed by the positive effects of new business hubs in the South East London area. By introducing new, high profile developments, such as Convoys Wharf, this may improve the perception of the South East London area as an office location, encourage clustering of similar businesses, and allow business support networks to be established and shared with neighbouring boroughs, LB Lewisham in particular.

The ELR (2010) notes that there is demand for B1 floorspace in the area from SMEs and there is anecdotal evidence that SMEs report a lack of space for businesses to locate and grow in this part of the borough. SMEs generally require modern flexible space and incubator units capable of possible expansion with premises with good visibility from the road, DDA compliance and good accessibility.

In summary, therefore:

- The current supply of business space in the SE16 local property market area is small, and there is a lack of new space to meet modern business standards. However, the existing stock is well let and seems popular with local SMEs.
- In fringe locations such as Canada Water, there is strong demand for space that is suitable for SMEs and businesses that support the key central London functions. This need for suitable space for SMEs and businesses that support the key central London functions will increase with the planned growth in jobs in e.g. Isle of Dogs and London Bridge. This may provide an opportunity for Canada Water to accommodate new support services for this growth.
- There are a number of key schemes in and adjacent to the study area which will increase the amount of business space as well as bringing new residents to the area. This, as well as the regeneration benefits accruing from the other measures planned for the area, could increase demand by helping to alter perceptions of the area and create more of a critical mass of businesses in the area to raise the profile as a location to do business.

3 PROPERTY MARKET REVIEW

3.1 Introduction

This section includes research carried out by property consultants DTZ. The team has wide ranging experience of work on similar property markets in London and are one of London's leading agents in fields including offices, retail and leisure.

This review considers the property market context for business uses (B1a and B1c use classes) and other non-residential uses within the SE16 local property market area (PMA) and the wider Southwark area. The PMA is shown in **Figure 3.1**. The review includes market intelligence and property analysis of trends in business space, leisure, creative/cultural uses, education and related activities that could be compatible with residential development within Canada Water and the Harmsworth Quay site.

Property agents' perception is that Rotherhithe and Canada Water is an area that occupiers in other parts of London have never fully understood. The area acts as a cushion between the Southwark city fringes and the Canary Warf area of the Docklands across the river. It is not an area that has been attractive for occupiers because of the absence of an existing business presence in the area.

In light of the study area not being a prime commercial location at present, and the demand for residential accommodation being strong, this chapter looks at the ways in which more diverse mixed use schemes could be attracted with a viable balance of business space and other non-residential development.

3.2 Overview of market

(B1a/b/c use classes)

This section of the report presents an overview of the commercial office market within LB Southwark and more specifically the SE16 local property market area (PMA) and provides an analysis of the factors influencing demand for business space. The existing AAP, which was adopted before the relocation of the Daily Mail operation was known, estimates that 12,000 sq m (130,000 sq ft) of new office space could be accommodated, mainly on the sites around Harmsworth Quays and as part of a noise buffer.

A two tier occupier market for office space operates, which is evident in Southwark. The City Fringe (Southbank and London Bridge) attracts large corporate companies looking for prime office space in a Central London Location, while a more local property market operates in the rest of Southwark, including Canada Water, which tends to attract small and medium sized enterprises (SMEs) occupying inexpensive second hand stock.

The secondary market is still very weak, but prime available space is becoming increasingly limited as occupiers trade up against a backdrop of minimal new development completions. Although the recent completion of The Shard at London Bridge Quarter has increased availability levels as the building remains largely un-leased. Looking forward, bank-released secondary stock is likely to increase significantly as buildings become obsolete and landlords look to convert to higher value generating uses.

The slowdown in development activity (except large schemes in prime locations where funding was secured) in recent years has held the vacancy rate down despite the challenging economic context. Occupiers are expected to seek cost savings via flexible lease terms in existing properties and embarking on refurbishment programmes to upgrade space in order to compensate for the freeze on newly developed space entering the market. Landlords have also come under pressure to refurbish their properties against increasing sustainability agenda

and under the Energy Act 2011, landlords will no longer be able to legally let commercial space which has poor energy efficiency ratings the implication being that older office buildings will generally becoming obsolete. This means that open plan, efficient floor plates are now required, although there will be concessions for listed properties.

DTZ forecast specific shortages of large units and large floorplates across Central London. This scarcity of supply, coupled with strengthening demand, will underpin significant rental growth during 2012 and 2013.

Investment Property Databank (IPD) data suggests that the 'conventional land trader development model' (where large complex land parcels are marketed, requiring major upfront infrastructure spend) will no longer be viable due to the lack of debt finance. They point to a 'long-term placemaking approach' where property is held for long periods and retained through co-ownership or released in phases as serviced plots. They suggest the latter approach "will reap the benefits of early investment in place, via high quality layout, infrastructure, mix of uses, and public realm". This is certainly true of those who invested early in the established Southwark commercial locations such as Bankside, and London Bridge.

3.3 Established Southwark Office Market

The core office market in Southwark is concentrated around the Southbank and London Bridge. It contains a range of office accommodation including medium sized purpose built office buildings and converted former industrial premises.

Since the early 1990s the commercial locations around the Southbank and London Bridge have witnessed increasing levels of office led development and the whole area has evolved from a fringe location into a thriving centre for work and leisure that benefits from excellent transport links to Canary Wharf, the City and West End, all of which are within 10 minutes reach. It now competes against those markets for large blue chip occupiers.

This part of Southwark has become an established alternative to traditional locations and has succeeded in attracting major occupiers to the location including Ernst & Young, MI5 and The Financial Times Group. This demonstrates that take up for major occupiers seeking larger floorspaces are becoming more common. Transport for London (TFL) for example moved into Blackfriars Investments Palestra in 2007 which led to a change in the perception of the area, from an overflow area into a business district in its own right. Other major deals in 2007 include PWC taking 46,550 sq m (500,000 sq ft) at 7 More London and Southwark Council taking 46,550 sq m (200,000 sq ft) at 160 Tooley Street. Recently the practical Law Company pre-let 8,600 sq m (92,500 sq ft) at Friars House. This is characteristic of the emerging fringe office market in London which has strengthened in the first half of 2012, mostly because of a number of isolated large unit transactions. Relocations such as these over the past 10 years are largely down to the decreased levels of office supply in the city core which has resulted in a noticeable shift in some offices relocating to emerging markets south of the river in the city fringe, including London Bridge and Shad Thames. As a result, the Southwark office market has experienced increasing demand as a location for support companies to city occupiers.

The attractiveness of Bankside and the Southbank area to occupiers is that it has lower occupational costs offering more generous floor plates, prices and sizes than the traditional City and Canary Wharf market. The size and quality of office accommodation and the varied amenities on offer have proved to be a major draw to prospective occupiers seeking Grade A office space in a currently tight Central London market. The current composition of the office market in Southwark is predominantly Grade B office space (circa 50% of all stock) which is largely due to the demands of occupiers for cheaper accommodation close to the city. However, the recent trend has seen an increase in Grade A office accommodation in the pipeline.

The pipeline of Grade-A office development in the Core City market has recently received a boost with construction starting on the Bishopsgate Tower (148,600 sq m / 1,600,000 sq ft) Leadenhall Building (85,000 sq m / 909,000 sq ft) and 20 Fenchurch Street (64,000 sq m / 690,000 sq ft). A good level of pre-lets have been secured on the latter two sites and we expect this will have a downward effect on demand for new Grade-A space south of the river in SE1 on the back of these buildings being completed.

Total takeup in 2011 for the Southbank market was c.81,000 sq m (872,000 sq ft) and takeup for Q1 2012 was 30% up on Q1 2011. However it is noted that Southbank/Southwark market is relatively small in comparison to other Central London office market, and hence large occupier moves to the area can have a notable income on the overall takeup.

This increasing demand is also particularly apparent in the fringe areas of the SE1 market where office occupancy is characterised by a large number of small to medium sized enterprises of mixed professions, particularly along Borough High Street and Blackfriars Road.

The businesses who choose to locate here cannot afford the overheads of core city rents or they do not need to be located north of the river, but value proximity to the transport network instead. The Southbank and the surrounding areas are becoming a growing cluster for such uses.

As the area becomes more established and rent levels increase these occupiers may potentially be priced out of these locations and will need to be accommodated elsewhere in the borough. This presents an opportunity for the Canada Water area to accommodate businesses priced out of other parts of the borough.

3.4 Office Market of the Study Site and Surrounding Area

The study site and surrounding area lies on the non-core periphery area of the city office market and is considered a separate market to the prime SE1 Southwark city fringe market mentioned above.

Canada Water and Surrey Quays is not an established office location owing to the maturity of neighbouring markets (City, Docklands and Southwark) and its peripheral location. However, Canada Water is a good value-for-money destination for quasi-office uses on the city fringe with cheaper office costs than elsewhere with such a close proximity to major transport hubs. There was a common theme amongst agents however that Canada Water had a very different physical setting to competing locations and would appeal to a different type of tenant; specifically independent companies with high car dependency.

Developers active in the area include British Land, Barratts Development and some local developers taking an interest on the back of these. These developers predominantly have a residential focused interest however.

Figure 3.1 SE16 local property market area (PMA)



In terms of comparison locations, the SE16 local property market area is similar in character to the West Greenwich office market, albeit that Greenwich is more accessible to the South East of London and is more attractive to the suburban working population because it has an established critical mass of creative industries and independent businesses as a result of the fabric of the town centre and the university.

Supply and Demand

A review of the supply of office space in the local property market area is provided in section 2. This reports that the existing stock consists predominantly of small, second-hand units and there is a lack of modern good quality office space.

In terms of demand, the location does not have high levels of demand from office occupiers which has in turn led to little office activity apart from ad-hoc lettings of smaller office suites to local professional firms. Research indicates that the office market is currently ‘static’ with little activity and limited quality stock, which is a further limiting factor contributing to this limited demand. The stock however, meets the needs of the current end users which tend to be local businesses on flexible lease terms.

Although there has only been a handful of activity in the study area, what we can identify is that where there has been transaction activity since the onset of the downturn, take up has amounted to a much smaller volume of office space in comparison to other London centres.

Office occupiers have focussed their enquiries on small office suites of 37- 93 sq m (400 – 1,000 sq ft). The reduced office sizes and the flexible nature of lease terms sought have been increasingly popular and have kept the local office market afloat in recent years since the economic downturn. Local small to medium enterprises which have been hardest hit by the economic recession have subsequently sought to downsize their accommodation and cut overhead costs/liabilities in order to maintain cashflow. Deals above 93 sq m (1,000 sq ft)

have been rare over the past few years and office spaces of greater than 186 sq m (2,000 sq ft) have ended up being split into smaller office suites to different occupiers.

Local agents suggest that the existing office stock has been able to satisfy the reasonably low level of demand, however this was also viewed as an inevitable consequence of a lack of new developments coming onto the market. The market is yet to be tested as to whether SME's would pay a slightly higher premium for better quality modern space, although local agents thought this would be unlikely in the short term, but could change over the longer term as businesses are priced of more established markets, e.g. the SE1 fringe.

Unlike the Docklands or prime Southwark there are no large transactions here of note and there are unlikely to be so in the future unless a large institutional occupier were interested in the area, or a larger corporate negotiated a very low rent with flexible terms.

Local agents reveal that there is no particular target audience for the study area, citing a mixed profile of creative industries, public sector organisations, new media and general professional services. Local firms, SMEs and businesses displaced from more established Southwark locations seeking value are the most likely potential businesses that may be attracted to the area. Traditional occupiers that are seen in the core areas do not seem to be attracted to this location regardless of its transport links, although this is something that may change over time as the profile of the area changes.

The main factor that differentiates this office market from the main city markets is the importance of car parking. Businesses which locate in Rotherhithe or West Greenwich do so primarily for the car parking provision either because of the convenience of driving to work, or because their businesses are dependent upon car travel outside of London. If their business had low car dependency, then the general trend was to locate in and around London Bridge regardless of the rental uplift. Value in comparison to other locations and accessibility in relation to other locations are other attractive features.

Specific user requirements

Based on the feedback received from consultation with business space providers, specific requirements of prospective occupiers in an area like Canada Water as it currently is, would include:

- Keenly priced modern, well designed, fitted out, serviced flexible space
- Start up space available on easy out easy in terms
- Combination of well managed and competitively priced serviced space
- Good levels of data connectivity, potential for fibre optic and high speed broadband
- A range of space to accommodate small and medium sized enterprises and allows them to grow as their business develops
- Incubator space – inclusive, all in space

Rental values

The rental values in the SE16 local PMA are more pronounced at the lower end of the scale and have rarely exceeded £20.00 per sq ft, which is much lower in comparison to elsewhere in the London office markets, most notable in the neighbouring area of Shad Thames and London Bridge. This pricing strategy is common amongst local landlords to avoid lengthy void periods, even if this means letting at below market value.

Agents report that rental values are somewhere in the region of £35.00 – 38.00 per sq ft in the Tower Bridge/ Shad Thames area to the west of the study site. This is the boundary between

the study area and the London Bridge cluster. Rents drop sharply as you go east of Shad Thames towards Bermondsey and Rotherhithe.

Office rents in Canada Water would characteristically be about £15.00 per sq ft. New stock under better market conditions might be able to achieve up to £20.00 per sq ft.

Incentive packages are more important in this market to attract tenants rather than headline rental levels.

We are aware of the following leasehold and freehold transactions below. In order to get an idea of the transition in price:

Recent leasehold and freehold transactions in the Southwark SE1 and north Southwark area markets (last three years)

Table 3.1 Leasehold Transactions

Date	Location	Area (Sq m)	Area (Sq ft)	Rent per sq m	Rent per sq ft	Notes
June 2012	51 Tanner Street	893	9608	£209.90	£19.50	10 Yr Lease to Piasag Ventures
March 2012	1 Bevington Path	893	9608	£193.75	£18.00	10 Yr Lease to Pias
October 2011	India House, 45 Curlew Street	588	6326	£296.01	£27.50	5 Yr Lease to Quick Office
August 2011	44 Curlew Street	557	5993	£269.10	£25.00	undisclosed
July 2011	5 Maguire Street	934	10049	£290.63	£27.00	2 Yr Lease to Markco Media
July 2011	Unit 25, Lower Road, City Business Centre, London, SE16 2XB	116	1248	£132.29	£12.30	undisclosed
April 2011	India House, 45 Curlew Street	214	2302	£269.10	£27.50	5 Yr Lease to MPN UK
January 2011	27a Shad Thames	315	3389	£269.10	£25.00	undisclosed
October 2010	10 Queen Elizabeth Street	657	7069	undisclosed	undisclosed	Let to Greater London Enterprise (GLE)

September 2010	India House, 45 Curlew Street	262	2819	£282.55	£26.25	5 Yr Lease to Event Communications Ltd
August 2010	5 Maguire Street	437	4702	£317.54	£29.50	undisclosed
June 2010	5 Maguire Street	669	7198	undisclosed	undisclosed	undisclosed
October 2009	Mill House, 8 Mill Street	258	2776	£270.82	£25.00	Let to Slightly Mad Studios
August 2008	53 Lafone Street, Tower Bridge Piazza	254	2733	£157.69	£15.00	undisclosed
June 2009	Drummond Road	598	6434	£136.63	£12.70	10 Year Lease to Service Point UK
June 2008	5 Victory Way	650	6994	£215.28	£20.00	Sale and leaseback
April 2008	The Circle, Queen Elizabeth Street	258	2776	undisclosed	undisclosed	Tentazoni

Source: EGI Database

Table 3.2 Freehold Transactions

Date	Location	Area (Sq m)	(Area (Sq ft))	Price	Notes
July 2011	2 Shad Thames	452	4864	£300,000	Purchased by Pretty UK
March 2010	208 Providence Square	244	2625	£650,000	Purchased privately
January 2010	Canada Water, Surrey Quays Road	347	3734	£415,000	
June 2009	Grinstead Road, Deptford park Business Centre	1,486	15989	£1,500,000	Purchased by Hazelville Ltd
April 2009	77 Albion Street	493	5305	undisclosed	

Source: EGI Database

Southwark prime rents remained and incentives remained unchanged at £35 - 45 per sq ft with incentives at 20 months rent free. However these drop to £25.00 per sq ft and below once you travel east of Tower Bridge, and then drop again to below £20.00 per sq ft in Rotherhithe and Canada Water.

3.5 Retail market

The majority of retail floorspace is concentrated in Surrey Quays Shopping Centre. Presence of local independent retailers can be found to a limited extent on the ground floors of new residential developments providing an active frontage and along Lower Road.

The Surrey Quays Shopping Centre is a district centre with good levels of parking anchored by a 24-hour Tesco and a branch of BHS along with representation from the main national multiple retailers. Connectivity is good with several bus routes passing through and Surrey Quays and Canada Water tube stations within walking distance. The centre is now looking tired and requires refurbishment and diversification. The Centre does not aim to compete with the fashion orientated Malls of Westfield London and Stratford City, the centre is aimed at a local catchment and convenience offer with a limited comparison offer given its proximity to the West End.

The adopted Area Action Plan indicated capacity for 35,000 sq m (377,000 sq ft) of new retail space within Canada Water, which is likely to be concentrated around the Shopping Centre and neighbouring sites. This will be formed around new streets with active frontages, retail and a mix of other uses which will create a new town centre

3.6 Leisure

Commercial leisure provision in the area is focussed on the 9-screen Odeon cinema complex and tenpin bowling at the Surrey Quays Leisure Centre in Redriff Road. An Oxford Economics Study in 2010 revealed that the UK Film Industry supported approximately 100,000 jobs in the UK and contributed over £4.5 billion to UK GDP.

The market is currently performing well. The current economic slowdown could also be argued to benefit the cinema industry, which is still a relatively inexpensive form of family entertainment. Many cinemas benefit from co-location with strong mid-market food and beverage operators. The combined critical mass is symbiotic, with the anchor driving footfall (and therefore rents) for the food and beverage operators.

The strength and draw of the existing cinema may offer the opportunity to introduce new uses such as children's activity centres, health and fitness and an enhance food and drink offer.

Sports leisure uses within Canada Water are focussed on The Surrey Docks Watersports Centre offers sailing, windsurfing, kayaking and raft building in Greenland Dock. The nearest council-owned swimming pool is at the Seven Islands Leisure Centre in Lower Road.

In terms of cultural facilities, The Brunel Museum in Railway Avenue and the Pumphouse Museum in Lavender Road chart Rotherhithe's historical and cultural heritage. Whilst such uses can complement the other leisure uses in an area and help to generate footfall, they can also be management intensive and require operating subsidies.

The recent opening of the new Canada Water Plaza, will enhance the community and cultural amenities in the area and provides an area to accommodate outdoor events, markets and entertainment for the local community, complimenting the successful programme Canada Water Library.

3.7 Education

King's College London (KCL) has an option agreement for the conditional purchase of the Mulberry Business Park site in Canada Water. The conditional contract requires the College to achieve planning consent for this by October 2013. The Mulberry site has been optioned by KCL and is currently vacant. KCL is also interested in developing the Harmsworth Quays site as a campus to include teaching space, student accommodation and associated facilities.

Table 3.3 below details recent comparable transactions relating to D1 Education use:

Table 3.3 Education transactions

Location	Area (sq m)	Asking Price per sq m	Notes
		£1,495,000 FH	The Water Gardens is a major 8-storey development constructed by Taylor Wimpey approximately 5 years ago, comprising around 232 flats above a self contained commercial floor benefitting from D1, B1 & A3 use.
Eden House, Water Gardens Square, Surrey Quays Road	818	£215.28 psm LH	The property is underlet to Central Greenwich College on a 10 year FRI lease from June 2010, at a current passing rent of £154,285 (£ 17.53 per sq ft).
		£20.00 per sq ft LH	Offers in excess of £1,495,000, a capital value of £170 per sq ft, reflecting a NIY 9.75%.

The above transaction at Eden House represents a capital value of £1,830 per sq m. Anecdotal evidence suggests that offices in the local area were recently purchased at £2,530 per sq m (£235 per sq ft) and recent lettings at £188.37 per sq m (£17.50 per sq ft) have been achieved for B1 use. This suggests that values for D1 education are broadly in line with office values.

It is noted however that the Department for Education is continually looking for sites to deliver the Government's Free School's programme and there may potentially be a requirement in the location.

3.8 Summary

There is a two tier market for office space in Southwark as a whole, with large corporate companies occupying prime office space in London Bridge and the Southbank, with a local SME market occupying smaller, cheaper second hand stock in the rest of Southwark including Canada Water. The market for business space in the Canada Water area is currently limited and there is currently not a critical mass of readily available floorspace.

Anecdotally, local agents have also indicated that there is latent demand for space from Small and Medium sized Enterprises within the area who are seeking space in other locations such as Lewisham.

As the City Fringe area becomes more established and rent levels increase these occupiers may potentially be priced out of these locations. This presents an opportunity for the Canada Water area, which has the benefit of a number of development sites, good public transport

access and ongoing regeneration, to accommodate businesses priced out of these areas and other parts of the borough.

There is also potential for the established retail and leisure offer at Canada Water to be increased, and the location would benefit from King's College London realising their aspirations for a campus on the Harmsworth Quays site.

4 CONSULTATION TO ASSESS DEMAND FOR B-USE CLASS BUSINESS SPACE

4.1 Introduction

Consultation was undertaken with a number of operators of commercial space (operators) and developers active within LB Southwark or Greater London, to ascertain views on the demand for B-use class development at the study site. Where possible discussion centred on the study site, but where consultees had less knowledge of specific sites, perspectives on demand and supply issues relating to the SE16 local property market area and the wider Local Property Market Area (parts of Southwark outside the City Fringe) was sought.

A summary of key findings from consultation are set out below.

4.2 Demand for Business Premises at the Study Site

Operators active in the Canada Water area and across the borough provided a more positive perspective of demand for business premises in the study area³ than those operators located in other areas of London with less knowledge of the local area. On average, operators of B-use class were, in principle⁴, interested in B-use class provision opportunities (in particular B1a use class and to a lesser extent B1c and B2 use classes) at the study site, though the scale of demand for B-use class floorspace in the area was considered to be relatively low. Operators mentioned the potential for provision of 1,000 sq m⁵ plus (10,000 sq ft). Consultees were not forthcoming in providing an indication of the likely scale of demand for employment floorspace over the longer term and instead highlighted that demand was low compared to other locations within LB Southwark, which would see incremental growth over the longer term (i.e. no short-medium term step change in provision). None of the operators contacted said that they had been approached by developers.

Developers with a stated interest in providing residential or retail led proposals at the study site were also consulted. Developers (with residential/retail ambitions) consider there to be very limited demand for commercial business space. Developers consulted were generally more sceptical than operators of the demand for employment uses and stated that there would need to be an identified owner occupier requirement. Developers did not consider the study site to be a suitable location for significant office location or industrial floorspace as they were not considered as a financially profitable use classes compared with residential. Only through higher density residential development could employment uses be accommodated into proposals. One developer proposing B-use class floorspace as part of a residential and retail led scheme was using the viability for residential to offset low viability for B1 use class.

The key driver of demand for business space is accessibility. Those areas highly accessible (e.g. a high PTAL rating) such as Canada Water and Surrey Quays, which are located on the Jubilee Line and East London Line respectively, typically experience higher levels of demand by businesses. Operators gave some evidence of businesses moving out from the SE1 postcode to SE16 (Rotherhithe peninsula) and other locations which offer premises of lower rental values but which are still highly accessible, particularly by rail. There was strong agreement that the location has opportunities to capture movement of businesses out of SE1 and more expensive rental locations in central / fringe London.

³ A number of operators referred to their involvement in locations in other areas of Southwark when reflecting on their interest in managing commercial floorspace at the study site, and mentioned high demand and low vacancy for their products.

⁴ A number of operators currently active in the borough were interested in principle but were currently focused on expanding their accommodation portfolio in other areas across London

⁵ Considered to be the minimum floorspace required to be financially viable by one operator

The wider area of Canada Water has seen strong demand for residential development. A minority of operators believe growth in residential density and occupancy (leading to an increase in working age population) would drive demand for associated space e.g. retail, food and drink and potentially, but to a more limited extent, business space. There was no strong evidence coming forward however of demand for live-work units.

Operators active within the vicinity of the study site and the borough stated that business space was operating at good levels of occupancy and that there was a good level of business turnover, which is attributed to a business environment which allows businesses set up, grow/contract and move on. More generally, operators held the view that there is sufficient frictional vacant land and floorspace within the borough's local PMA (parts of Southwark outside the City Fringe) to allow businesses to move within the borough. Indicative vacancy rates were said to be below 10% (of total floorspace). High occupancy levels at established business premises are thought to reflect the low volume of suitable business space rather than high levels of demand.

More broadly, there is evidence from previous consultation findings which indicates that the borough has a comparatively low volume of modern, higher quality office stock outside SE1 postcode and an oversupply of poor-quality second-hand stock. This shortage of good quality premises throughout the market, can push businesses to locate within the SE1 market if affordable, which means other areas such as the Rotherhithe Peninsula misses out on opportunities to grow their business bases. There is currently a mismatch between supply and demand in the local office market, whereby the relatively low quality / older supply is not suited to the characteristics of demand i.e. good-quality modern units. This mismatch is set to continue owing to the lack of suitable developments in the pipeline and problems converting existing stock to higher grade provision.⁶

The provision of new space is deterred by low rental values achieved which suppresses interest by developers and operators to build out and operate business space in the area, and deters speculative demand. Other factors identified by consultees as constraints to B-use class demand included: the awareness of the study site as a business location (consultees did not identify any negative perception issues); the older poorer quality of stock; the economy suppressing growth of businesses and demand and associated with the economic downturn has been an increase in the supply of B-use classes floorspace in the central and fringe London locations.

Types of businesses and sectors that might be attracted to the area

All business space operators stated that demand for business space was non-sector specific, and there was no indication by developers that the study site could develop particular sector strengths. Operators active in the area have a range of business sectors operating from their premises.

The study site has key locational advantages that attract businesses reliant on accessibility as part of their business model. Operators believe that the study site could develop further its position as a location for SMEs which provide support functions and services to central London businesses (e.g. London Bridge and Canary Wharf).

Of those operators active in the area borough and surrounding areas demand for the study site area stemmed from local business activity. These businesses tend to be of small or medium size (under 250 employees) and with smaller geographies of operation (i.e. markets, in terms of customers and client base, and business supply chain relationships). These local businesses tend to run at lower margins of profitability and have more sporadic and lower

⁶ Evidence from consultation informing the London Borough of Southwark Employment Land Review (URS, Jan 2010)

levels of cashflow, which impacts on availability and access to credit. These businesses often seek premises of lower rental values and relaxed leasing arrangements. Comparatively there was evidence to suggest too that there is demand for high quality flexible office space. The local businesses base is diverse with no dominant sector apparent.

Subject to further consultations, there may be opportunities to bring in creative and cultural industries to occupy the space on short term lets within the redeveloped Harmsworth Quay site or within temporary structures during redevelopment. Developments such as the Box Park 'pop up mall' in Shoreditch could be a suitable model and could be tailored towards creative industries to begin to create an identity for the area⁷. This also supports the vision of the AAP.

Type of space that would be feasible for the types of businesses that could be attracted to the study area

There was consensus among operators that there was demand for higher quality flexible space designed primarily for SMEs. A number of operators stated that central London was the best location to provide SME business space given the active population of new and growing businesses, and the high rate of business start up.

In terms of use class, operators believe that demand is strongest for office accommodation. To maximise interest for the widest business community, operators believe that business space provision should be flexible in accommodating different sectors and uses. By size, demand is considered to be for units that are generally smaller than 500 sq m (5,000 sq ft) in size.

In terms of the characteristics of space, demand is strongest for space suitable for SMEs, with flexible leasing conditions (easy in and out leasing) and low rental values. Operators recognise the operational challenges faced by SMEs and therefore seek to provide space which allows expansion and contraction easily on short-term leases with rolling contracts, and set up at minimum cost and clarity and control over operational commitments.

Such agreements are very attractive to small or young businesses which are looking to develop but are unsure of their expansion plans and/or are testing a new market. It reduces the need for large capital investment and thus associated risks are reduced. Flexible terms mean that growth or decline can be accommodated through increasing or decreasing the amount of space required by the company.

Demand is strongest for serviced or managed office space. This space often includes a package of services within a monthly rental fee enabling occupiers to have a clear understanding of costs. Facilities provided typically include high office furniture; stationary and office support services; maintenance management; secretarial services and staffed reception; insurance and utilities; and speed internet. Tower Bridge Business Complex⁸ was identified as an example of flexible office space which has been successful, providing good quality, attractively priced floorspace, including services office space.

A number of operators highlighted the simple needs of the SME community including low energy floorspace options (e.g. no air-conditioning); light; airy; with a corridor format and offices; and flexibility of space enabling different unit sizes to be easily provided. Good cabling infrastructure for broadband etc. is considered essential and is no longer typically a differentiator of demand. There are a number other models of provision including the virtual office model, for which operators consider there is demand for but which is not necessarily growing. It just enables operators to diversify its product base and reach a wider market.

⁷ <http://www.boxpark.co.uk/>

⁸ The Tower Bridge Business Complex includes the Biscuit Factory as a creative centre. This is included in Section 7 as a case study.

Operators and developers were clear that commercial space would only work as part of mixed use scheme if provided in certain ways. For mixed-use development to work there needs to be a clear separation of spaces: residential and tenants all have different aspirations and requirements which clash if not managed properly. This format includes separate entrances. Successful workspaces have a centre, or hub which lends itself to a community feel and sense of place.

Rental Values

Operators indicated that rental levels would be in the region of £15 to £20 per sq ft and could be higher once the regeneration impacts take effect, though developers felt that levels of £10-£15 sq ft were more achievable at the current time.

Leasehold/freehold specifications

Operators would prefer to own the freehold but would consider operating leased space from developers.

Key strengths for the site and wider area as a business location

A number of key strengths were identified:

Transport and Local Connections: The study site centre has strong transport connections to Canary Wharf and access to the West End and Central London. In addition the area is in relatively close to London City Airport, which is approximately 7 miles by road or 20 minutes by underground via the Jubilee Line and the Docklands Light Railway (DLR) at Canada Water. Canada Water also has a major bus station providing good local transport connections and opportunities Surrey Quay's provide London overground connectivity. Operators were optimistic about the recent conversion of the East London Line to the overground network which will help improve links between North and East London, Croydon and Clapham Junction increasing accessibility and linkages between businesses and the labour market. The implementation of Crossrail will improve accessibility further.

Whilst public transport connections remain as one of Canada Water's primary strengths, personal car use is one of the major threats to the successful redevelopment of the area. Much of Canada Water was master-planned by the LDDC and was poorly designed with car users in mind. This has impacted upon local connectivity and wayfinding, with roads creating barriers to movement in the area and significant amounts of congestion during peak hours.

Public Realm and Townscape: The area has a high quality stock of parks and gardens which also provide a valuable ecological resource. The area's historic links with the docks and the River Thames contribute to a sense of identity and as an attractive place to live and work. The Thames Path, St Mary's conservation area and other tourism facilities provide a valuable resource for local people, employers and their workforce.

The area is undergoing a significant regeneration in particular through redevelopment of sites for residential development and associated uses. The redevelopment process provides opportunities for improving the public realm within Canada Water and the wider area, which could improve perceptions of place. Certain sites such as large surface car parks and shed style developments within the area offer opportunities for redevelopment.

In its current form however the architecture of the town centre is bland and the public realm particularly poor in encouraging people to remain within the area. Investment must be made to halt the decline of the town centre particularly when placed within the context of significant growth in neighbouring centres such as Stratford, Canary Wharf, Elephant and Castle and Lewisham.

Office, Retail and Leisure Space: Within the study site area there is a varied mix of leisure facilities such as the cinema, bowling and a bingo centre. The demand for leisure and retail space could increase due to business growth in neighbouring areas such as the Isle and Dogs and London Bridge.

Perception of the area, and how it could be improved to attract potential businesses

Canada Water is currently perceived by many to fulfil the role of an out of town shopping centre despite its close proximity to some of London's most vibrant centres such as Canary Wharf and London Bridge.

The public realm is generally of quite a poor standard, particularly around the original retail development (Surrey Quays Retail Park) and Canada Water Basin. There is a general sense of poor wayfinding and the large retail blocks hinder movement throughout the Canada Water and Surrey Quays area.

With a large number of new developments in various stages of progress, such as the completed Canada Water Library, this is expected to improve.

4.3

Summary

The predominant interest in the study site from developers is for residential uses, as expected. However, there is small scale demand for business use amongst workspace providers consulted. This is for smaller units, typically up to 100 sq m (1000 sq ft) and tends to be non sector specific. The level of demand and type of space sought is likely to change as the area gradually becomes more high profile as a result of regeneration measures and increase in supply of new business space and businesses being priced out of more expensive central locations such as the SE1 City Fringe.

Anecdotal evidence from occupiers and agents has backed up the findings from the research. For example, demand is strongest for space suitable for SMEs, with flexible leasing conditions and low rents, which would attract small or young businesses who are unable and unwilling to commit to a large capital outlay. Current rental levels are likely to be up to £15 or £20 per sq ft.

It is recognised that with the ongoing regeneration of Canada Water, the profile and identity of the area will improve and demand will increase as well as interest from a wider range of end users. However, in the current market, securing pre-let space or identifying an anchor occupier is the best way of 'future proofing' the space as a business location.

5 CONSULTATION TO ASSESS DEMAND FOR OTHER NON RESIDENTIAL USES

5.1 Introduction

One of the objectives of the study is to explore the potential for other non residential uses on the study site, as well as B1 uses, to support a new town centre and the increase of new homes in the area. Some of the uses which are considered to be suitable for the area and compatible with business use are leisure and cultural activities, higher education and health.

This section explores the potential for leisure and education uses in the study area, drawing on consultation with leisure providers and higher education institutes. A range of areas was explored with consultees, including:

- demand for space from leisure providers in the Canada Water area;
- demand for additional space beyond what is already there;
- the types of space that could be feasible for the types of providers that may be attracted to the area; and
- the perception of the area and how this could be improved.

5.2 Leisure Use

The area is known for its range of leisure uses, including a cinema, bingo and bowling alley. There is an iconic new library containing exhibition and performance space and a council owned leisure centre.

Consultation findings

A number of leisure providers were contacted, in order to ascertain whether there is a demand for space from leisure providers within the area and what the characteristics of this demand may be. The findings are set out under the headings below. Responses have not been attributed to specific providers for reasons of confidentiality.

Demand for space from leisure providers in this location

The providers that were consulted with did report demand for leisure in the Canada Water area. A summary of the key responses is included below.

Community Leisure providers

There is reported demand for community leisure in the Rotherhithe area. It was felt that provision on Rotherhithe peninsula is sub-standard and something needs to be done to improve the quantity and quality of leisure provision. Canada Water would be a good place to meet this demand, being accessible and central to the peninsula. However there is an impression that the barriers (mainly physical but also perhaps psychological) would mean that a facility here would serve the peninsula but not very far beyond.

Models of provision for community leisure could include:

- Facility provided by LB Southwark and managed by leisure provider
- Facility provided as part of wider redevelopment scheme (as with Surrey Canal below)

- A new model which is beginning to be implemented is for the leisure provider to build a facility and enter into a 50- year lease with the local authority. The long lease gives access to capital in order to construct the leisure centre in the first place.

The basis of all of these models is that the leisure centre should make an operating profit once built.

In terms of neighbours, the leisure provider reported that a facility would be fairly footloose but it would be important to know who the neighbours would be. The idea of a university or halls of residence could be attractive. A shared facility between students and public may also be a workable option.

The Surrey Canal redevelopment scheme, promoted by Renewal Group around Millwall FC's New Den stadium will include a sports focus and some community leisure. This will increase the sports offer in the wider area which could have positive implications for Canada Water in terms of identity and increased visitor numbers.

Private Leisure providers (Private Gym)

The consultees reported that the development model has been to grow by buying existing health clubs rather than building new facilities because of the expense involved in building from scratch. Their specifications would be:

- Cost of acquisition: under £10 / sq ft
- Size: 4180 – 4645 sq m (45-50,000 sq ft)
- Fit out costs: £5-6m
- Membership needed: 7-8,000

The response from the private gym operator was that they would not be interested in Canada Water due to:

- Demographic and spending power
- The fact that it is a peninsular cuts the catchment in half meaning that it would be impossible to attract the numbers of members needed.

However they did report that there is a very active budget market. Operators in the market will run facilities of less than 930 sq m (10,000 sq ft), without a pool. These are national operators such as Pure Gym – there are about 10 such operators in total. They are likely to be interested and would not be put off by the presence of a local council sports centre as they would be able to under-cut them.

Cinema

The cinema industry in general in the UK is strong and growing. There may be demand from an independent cinema provider in this location, however a specific potential user was not identified through the consultation process. An independent provider typically requires the following:

- 930 – 1860 sq m (10-20,000 sq ft) to accommodate 3-5 screens.
- Minimum ground floor of c 186 sq m (2,000 sq ft).

- Remaining space can be basement or upper floors.
- Floor to ceiling span of c 4m - 8m.
- Town centre locations and London neighbourhoods with catchments of more than 50,000.
- Leasehold or freehold.

Workspace and exhibition space for fashion designers

A representative of a collective of fashion designers, manufacturers, retailers, educators and other partners was interviewed. This operator was shortlisted in the last two to take control of the Olympic Media Centre, eventually planning to take up all of its 83,600 sq m (900,000 sq ft).

Canada Water is a site this operator would be interested in considering. They are partnered by a manufacturer based in N4, a well known fashion college (for post-graduate studies) and SMEs working in inadequate facilities in central London locations. A business space provider is also involved.

Requirements include:

- New build or conversion
- About 46450 sq m (500,000 sq ft)
- London location
- Connectivity to West End essential, City Airport desirable
- Land
- High end communications
- Significant parking⁹

The operator reported that the funding is available, the challenge is the availability of the opportunity at the right price in relation to other uses.

5.3 Education

There are two universities based in Southwark and others within easy access by public transport. There are also universities which have campuses in Southwark such as King's College. King's College currently have an interest in developing part of the proposed Canada Water area potentially as a town centre campus with a mix of uses. These plans are described in more detail below.

King's college London (KCL)

King's College London is a leading research and teaching university based in central London. King's currently has four Thames-side campuses located within a square mile, and a further Denmark Hill Campus in South London.

⁹ Similar facilities in Europe include Almere (600 spaces), Hannover (650 spaces) Dusseldorf (1200), Vienna (700 spaces) although some facilities have less than this

The campuses are located within the built environment, and the students have the opportunity to both live and study within the City itself.

KCL is currently considering the Harmsworth Quays site for expansion space to accommodate extra teaching facilities and student accommodation in the form of a new campus. The college has a deficit of student accommodation so new housing at Canada Water would serve the other campuses, even without additional teaching space in the area.

KCL also currently has an option on the Mulberry Business Park site (AAP Site Reference CWAPP 9) which is adjacent to the Harmsworth Quay site. This site already has planning permission for mixed use. However, since the Harmsworth Quay site has become available KCL is also interested in acquiring the site to develop as a new campus. They would not require the whole of the Harmsworth Quay site which means other uses such as market housing and business use could be accommodated.

One of the key advantages of this option is that it would animate an area that is not currently busy during the day. A student population would be visible day and night and would provide spending power for local shops and services.

A 'campus-led' town centre masterplan for the site has been prepared. This would accommodate growth in student and staff numbers by 2,000 and 150 respectively. This includes

- KCL Teaching Catering hub (9,934 sq m)
- KCL Academic Admin offices (15,639 sq m)
- Retail / B1 Flexible workspace / KCL expansion space (7,090 sq m)
- Leisure facilities (3,686 sq m)
- Student and key worker accommodation (63,538 sq m)

The masterplan, which is at this stage a high level concept plan, envisages space for approximately 1,300 units of market housing (131,400 sq m), cycle / parking space of approximately 12,500 sq m. However, there is flexibility on the non KCL uses and other uses could be accommodated.

The total floorspace requirement for the uses listed above would therefore be 243,809 sq m. The new academic and professional services will offer support for up to 700 jobs. There would be further employment creation in the non KCL floorspace. The construction phase would provide up to 1,700 FTE jobs.

A number of other higher education institutes were contacted to gauge interest in the site, but the response from all institutions contacted was that there was no interest in space specifically in the Canada Water location and therefore the consultees felt they could not add any further value. The lack of interest was because the HE institutions contacted either had plans to expand elsewhere or were not currently expanding. There was no indication that the site was not considered an appropriate location for higher education per se.

5.4 Other / Health

A number of private health providers were contacted as part of the consultation. Unfortunately none of these have been able to provide feedback to date. However, this is a growing sector in the UK and potentially an industry that may have interest in the site, due to the space available, the large London population catchment and good transport links.

5.5 Improving perceptions of the area

The current perception of the Canada Water area is as a predominantly residential area with a range of leisure uses and good transport links. In order for businesses and other non residential uses to be attracted to the area, there will need to be a change in how potential users perceive the location. This will be a cumulative process: as the business base expands and diversifies, this in itself will act as a catalyst for further growth and new demands for space.

In terms of the perception of Rotherhithe peninsula for creative industries consulted with, there is not much visibility of creative industries at present, but respondents have been positive about the area as a hub for creative industries. Deptford was cited as an example of where this already exists and has been successful. It is a good opportunity for creative enterprises who want a London location but find themselves constrained by the West End.

Some of the ways in which the perception of the area could be improved to attract new occupiers include:

- Increased business support service and facilities
- Publicity of new facilities and access to business support
- Focussed marketing campaign
- Increased promotion and co-ordination of business events, networking and business support groups
- Availability of space at low cost
- An improvement in the business activity and variety of businesses in the area. A way of achieving this would be encourage an 'anchor' activity into the area, which is representative of the kind of activity that would be desirable for the area. This strategy is being pursued by Imperial College with their plans for a new technology campus delivering research, commercial and collaboration with industry, side by side with postgraduate education.
- Other outcomes from the AAP will also improve the perception of the area and help to create a vibrant environment in which businesses can flourish. These include an overall improvement in the appearance of the area and an increase in supporting activities.

5.6 Summary

There is an established leisure and cultural market within the Canada Water area, including retail, bowling, cinema and water sports, strengthened by the visible presence of the Decathlon outdoor sports store.

There is potential for an expansion in this market, including a leisure centre and private gym / health club, though there is no firm interest in the study site from those consulted. The Surrey Canal redevelopment scheme includes a sports focus and some community leisure which if it goes ahead would increase the sports offer in the wider area.

In terms of the perception of Rotherhithe peninsula for cultural and arts use, there is not much visibility of creative industries at present, but respondents have been generally positive about the area as a hub for creative industries. Deptford was cited as an example of where this already exists and has been successful. It is a good opportunity for creative enterprises

seeking a London location but which are constrained by the amount of space and cost of the West End.

6 DEMAND FORECASTING FOR NON RESIDENTIAL USES

6.1 Introduction

This section considers the potential long-term demand for B-use class floorspace, focusing in particular on B1, and other non-residential uses such as education, leisure and health facilities over the AAP period.

6.2 B-Use Classes

This analysis draws on a range of datasets including the Southwark Employment Land Review (URS, 2010), the Council's Annual Monitoring Report (AMR) and EGi deal data (as of August 2012) to evidence commercial market activity and information on longer-term demand conditions.

Demand for the study site is considered in the context of its property market area. Businesses searching for sites or premises will typically consider a number of similar locations across an area. These locations will often have similar characteristics such as connectivity and transport reliability, access to labour markets, clients, the supply chain and property (rental values, size and grade), which are factors which determine a business' locational preference. The area of search for property is known as the property market area (PMA).

As reported in earlier sections, the geographical property market areas referred to in this report are the two Southwark Employment Land Review PMA definitions (the first two as follows), supplemented with a third more localised property market area within SE16. These definitions are repeated below:

- An 'SE1 PMA' (covering postcode SE1 and linked geographically with the City Fringe), characterised by high quality office space and sought by companies with national / international reach which provide support and complementary services to City occupiers and therefore demand proximity to central London locations. This location has seen several large completions recently including Bankside 1, 2 and 3, More London, The Shard London Bridge and associated development sites. New high specification premises being developed are typically fully pre-let before completion.
- A 'Local PMA' for office and industrial use classes. The Local PMA of LB Southwark (which includes the whole of the borough excluding the SE1 postal area) is defined by good access to public transport, and the availability of inexpensive workspace. As a result the market is dispersed and focused primarily within the town centres of Elephant & Castle, Camberwell and Peckham, and other peripheral locations of the borough. This PMA typically caters for demand from incubator and Small and Medium Sized Enterprise (SMEs).
- The 'SE16 local property market area' (which in this case includes the SE16 post code area located north of the London to Kent railway line and east of Tower Bridge - which broadly equates to the administrative wards of Surrey Docks, Rotherhithe and Riverside) is formed of a more focused section of the wider 'Local PMA' as defined above.

In assessing the demand for business space in the study site we consider the market activity of the Local PMA (shown in **Figure 3.1**) plus where relevant and possible the SE16 local property market (which includes the AAP area and study site).

Southwark Employment Land Review, Historic Growth and Future Growth

The 2010 Southwark Employment Land Review (ELR) provides a long term demand assessment across the borough’s property market. The ELR assessed the quantity, quality and viability of employment land throughout the borough and evaluated the viability of existing borough level plans. The review focused on B-use class orders, that is B1 (Business), B2 (General Industrial) and B8 (Storage or Distribution). Without the SE1 market figures, (i.e. the Local PMA), the ELR estimates that the stock of B1 floorspace is around 125,000 sq m, with an estimated 3,750 sq m of this stock being vacant (3%).

Analysis of the historic trends for B1 uses (B1a, B1b and B1c) for the Local PMA (Southwark outside the City Fringe) shows the compound annual rate of growth (CAGR) in floorspace space was around 1.7%. B1 related employment growth was around 1.4% annually. The CAGR for B2 floorspace presented an annual decline of around -2.2%, although the employment rate declined slower at -1.6%. The provision of B8 floorspace grew at around 1.2% CAGR, although conversely the employment rate declined by 1.2% annually, which implies an inverse relationship and falling job densities (potentially driven by the move to larger floorplates and increased automation/mechanisation). These figures indicate that B1 use class could provide the greatest demand.

Factored into the assessment were local factors which could impact upon the future rate of change in floorspace or employment growth. These factors included policy interventions, recession, the potential growth of certain sectors (cultural, creative and tourism), and the migration of business from central London locations to fringe locations including LB Southwark.

The ELR set out the projected levels of demand from 2009 to 2026, giving a low growth and high growth scenario to account for variations in demand over the long term. For employment land use classes B2 and B8 (which tend to have the same locational requirements), the ELR estimated that there would be a net reduction overall of between -23.7 ha and -16.7 ha (low to high growth scenario, respectively). For B1 uses the ELR projected a moderate net increase of approximately 25,100 sq m and 30,200 sq m across the borough’s Local PMA (i.e. excluding SE1 PMA). A proportion of this demand is expected to be accommodated in the SE16 local property market area and specifically within the study site.

AMR Data, Completions and Pipeline

LB Southwark’s AMR data provides a breakdown of the quantum of completions for commercial floorspace in the borough dating back to 2003. The AMR records net annual change (i.e. new floorspace less existing floorspace) of space by use class according to individual developments. Through a review of the data for the Local PMA it is evident that there have been relatively few completions annually, averaging around one per year for B1 uses and one completion every two to three years for B2 and B8 uses. As **Table 6.1** presents, though there is a total net loss in floorspace across all B-use classes there does not seem to be a consistent trend in the scale of gain/loss over the years. Between 2003 and 2010 the Local PMA had a net reduction in all B-use classes floorspace of over 11,000 sq m.

Table 6.1 Floorspace Completed, Local PMA

Year	Net Gain in B1	Net Gain in B2	Net Gain in B8
2003	-2,050	0	0
2004	-1,400	0	0
2005	-3,300	-4,459	0
2006	0	0	0

2007	806	0	-677
2008	425	0	0
2009	-184	0	0
2010	-97	0	-149
Total	-5,800	-4,459	-826

Source: LB Southwark, AMR Data

Table 6.2 below gives an indication of the relative scarcity of development completions and approvals with B-use classes, in the Local PMA. Only one of these developments was located in the SE16 local property market area. This was for redevelopment of a site to mixed use, with a small net gain of B1 floorspace (less than 100 sq m). AMR data tells us that between 2003 and 2010 only four developments have reached completion, which in total have provided approximately 1,700 sq m of B1 use floorspace. However, other developments (residential) have meant that there is a large net loss of B1 (and B2 and B8) floorspace over this period. In the pipeline there is a total 29 development approvals granted of which nine involved proposed B-use class floorspace. The pattern has therefore been of relatively weak demand for land for B-use class development in the Local PMA in recent years and a loss of employment B-use floorspace to non-B use class development. This is at least partially because high land values are making residential uses more profitable and therefore more attractive to developers.

Table 6.2 B-Use Class Completions in the Local PMA, 2003-2010

Use Class	Number of B-Use Class Completions	Gross Floorspace (m ²)	Total Net Floorspace (m ²)	Average Floorspace pa (m ²)
B1	4	1,696	-5,800	-725
B2	0	0	-4,459	-557
B8	0	0	-826	-103

Source: Southwark AMR Data

Note, some completions may have more than one use class or may include no B use class floorspace

Table 6.3 summarises existing development approvals (the pipeline), 2007 to 2010. Seven approvals have been given in the Local PMA over the period, one of which includes provision of 2,500 sq m B1 use class as part of a mixed use commercial, leisure and residential development.

However across the Local PMA there is a net loss of -65,300 sq m of B-use class floorspace over the period. Much of this loss is to residential development. Approvals in the SE16 local property market area also show a similar picture of B-use class loss. It is not certain that those developments will reach completion, however the data gives a picture of the direction of demand. The period 2007 to 2010 coincides with the start of the economic downturn, when access to finance became significantly tighter and developer confidence fell. As such this should be seen as a low point of economic activity.

Table 6.3 Planning Approvals with B-Use Class in the Local PMA and SE16, 2007-2010

Use Class	Number of Approvals	Gross Floorspace (m ²)	Total Net Floorspace (m ²)	Average Floorspace pa (m ²)
Approvals in the Local PMA				
B1	6	6,997	-9,312	-2,328

B2	1	35	-1,580	-395
B8	0	0	-54,437	-13,609
Approvals within SE16				
B1	3	3,451	-505	-126
B2	0	0	0	0
B8	0	0	-45,834	-11,459

Source: Southwark AMR Data

Note, some completions may have more than one use class or may include no B use class floorspace average annual floorspace calculation based on four year period.

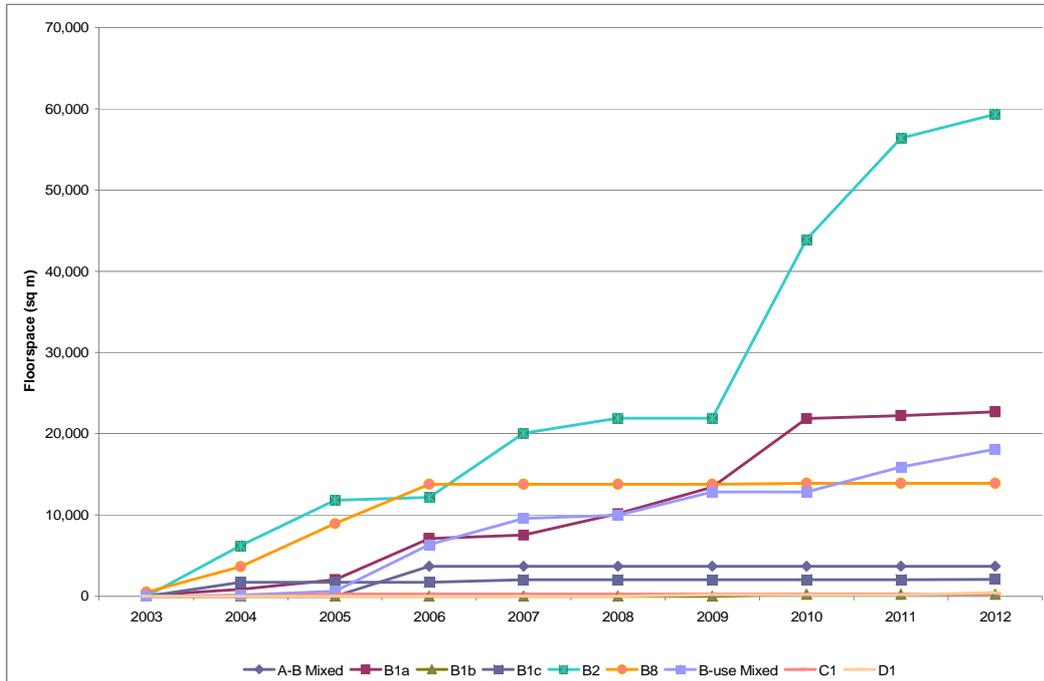
Deals (EGi Data)

EGi data provides information on deals done in the Local PMA, including the SE16 local property market area, for properties defines for B1, B2, B8, C1 (hotel) and D1 (leisure/community) uses for the years 2003 to 2012 to July. Deals record a change of ownership and therefore can be considered as an expression of market activity and interest, but not necessarily demand by use-class.

EGi data was analysed in relation to use class, year, floorspace sizeband and location (4-digit postcode). **Figure 6.1** shows the deals by use class over time. The Harmsworth Quays site deal, which totalled 59,000 sq m of B-use class floorspace, is excluded from **Figure 6.1**. The interest in B2 floorspace has been particularly active over the past three years (most probably as developers make purchases with the intension of changing use class to more profitable uses, e.g. residential). B1a and B-mixed uses (B1, B2 and B8) use floorspace show a steady rate of transactions over time. The market for B8, B1c, D1, C1 floorspace show few deals done during 2006 to 2012.

Figure 6.2 shows the number of deals per year by floorspace sizeband. The figure shows that the majority of market activity is for smaller units, with fewer deals for floorspace above 1,000 sq m.

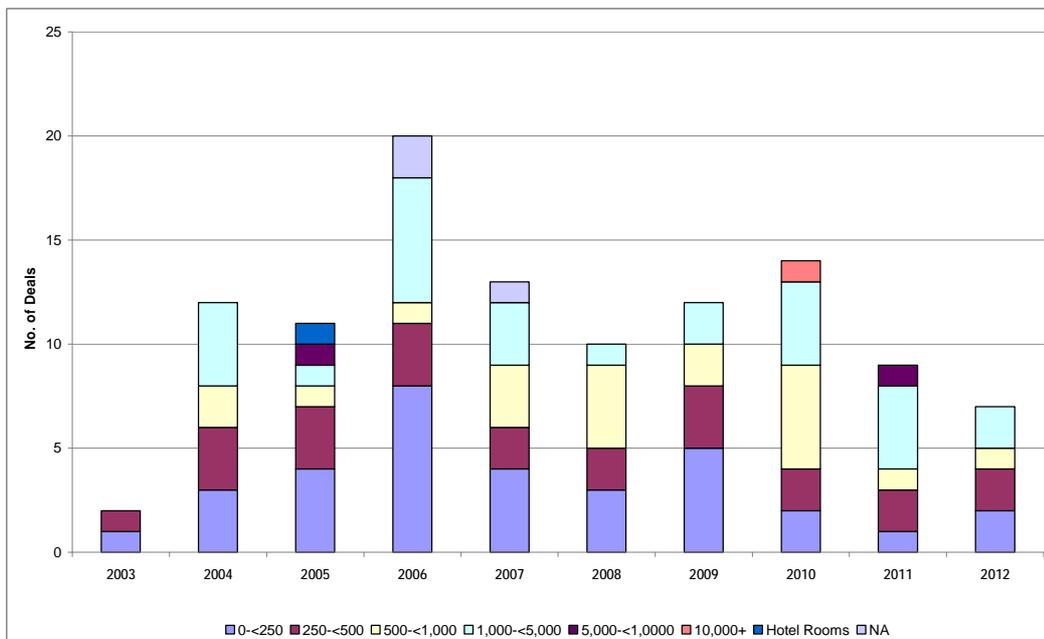
Figure 6.1 Cumulative Floorspace for Deals by Year and Use Class, Local PMA



Source: URS 2012, EGi Property Market Data

Note: The Harmsworth Quays site deal, which measured 59,000 sq m of B-use class floorspace, is excluded from the analysis

Figure 6.2 Deals Per Year by Floorspace Sizeband, Local PMA

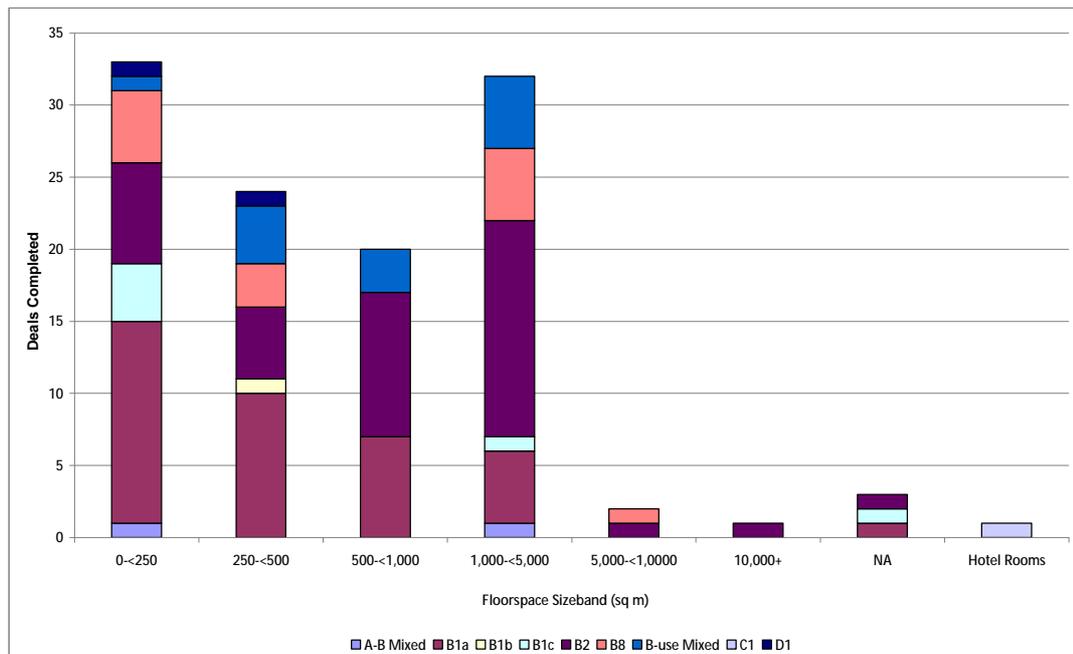


Source: URS 2012, EGi Property Market Data

Note: The Harmsworth Quays site deal, which measured 59,000 sq m of B-use class floorspace, is excluded from the analysis

Figure 6.3 gives further perspective on this analysis, showing that demand is for smaller floorspaces and few deals done for units over 5,000 sq m. B1a uses are shown to make up the majority of deals done for 0-250 sq m.

Figure 6.3 Total Deals by Floorspace Sizeband and Use Class, Local PMA



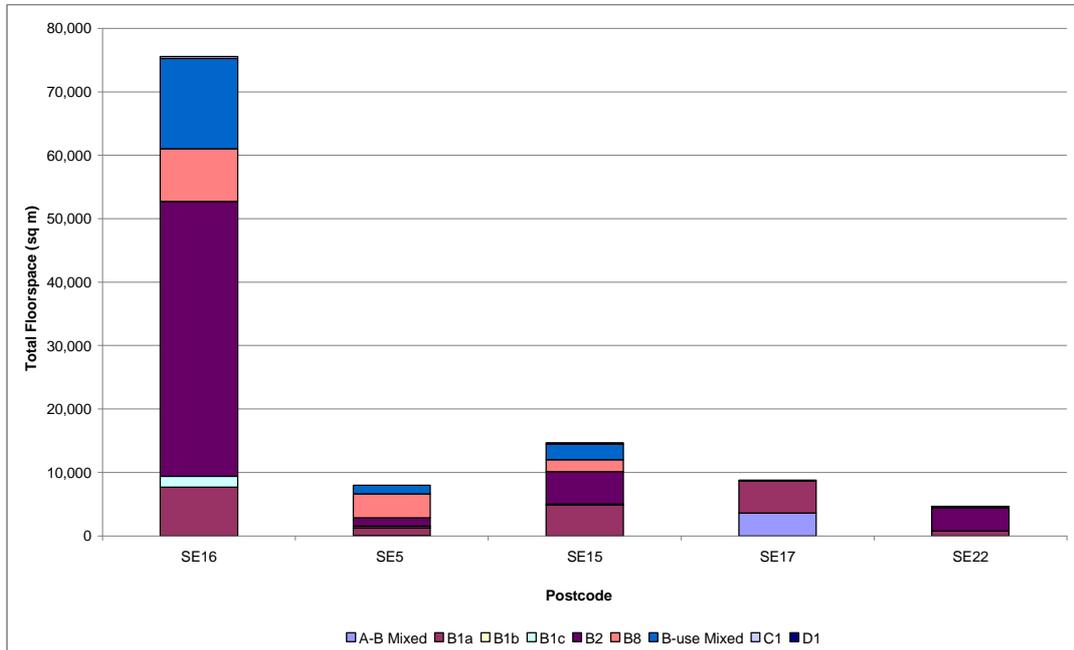
Source: URS 2012, EGi Property Market Data

Note: The Harmsworth Quays site deal, which measured 59,000 sq m of B-use class floorspace, is excluded from the analysis

Figure 6.4 presents market activity by postcode within the local market area (the Local PMA). The Harmsworth Quays site deal is excluded from the analysis. The majority of activity in the period 2003 to 2012 related to deals in SE16. The data shows that completions in SE16 from 2003 to 2012 totalled 75,600 sq m of floorspace. However, 59,000 sq m of the SE16 total is the Harmsworth Quays site. When this deal is taken out of the analysis the floorspace changed hands in SE16 is approximately the same size as other postcode areas of the Local PMA, and the composition of deals by use-class in the SE16 postcode area is similar to SE5 and SE15 areas (in that B1a, B2, B8 and B-use mixed development deals are apparent). For the B1 market this reflects the loss of smaller units (including those above shops) that are outdated and not attractive to the market, for higher value uses such as residential.

When the Harmsworth Quays site was removed from analysis of deals done by postcode area, the scale of floorspace and deals by use class is in line with other postcode areas of the Local PMA (especially SE5 and SE15). This would imply that market activity in SE16 as a place for investment has been perceived similar to other locations in the wider Local PMA.

Figure 6.4 Total Floorspace by Post Code and Use Class, Local PMA



Source: URS 2012, EGi Property Market Data

Table 6.4 shows the total and average deals completed and the floorspace of these for all post codes across the period from 2003 to 2012. The data shows that the majority of the deals completed were for B1a and B2 use classes. Comparatively there was only one deal done for C1 and B1b use class floorspace. Across all use classes, there was an average of 1.6 deals per year, indicating a fairly stagnant market for this type of space generally. Given the trends evident from AMR data it is likely that a number of deals will have been made for investment or with the intention to seek planning permission of a change of use from B-use class to more profitable uses such as residential.

Table 6.4 Total and Average Deals Per Annum

Use Class	Total Deals	Average Deals Per Annum	Total m ²	Average deal size (m ²) pa
B1a	37	4	19,499	2,294
B1b	1	0	255	30
B1c	6	1	2,093	246
B2	40	5	53,414	6,284
B8	14	2	13,910	1,636
B-use mixed	13	2	18,125	2,132
A and B-use (Mixed)	2	0	3,680	433
C1	1	0	270	32
D1	2	0	442	52

Source: EGi Property Market Data

Note, some completions may have more than one use class or may include no B use class floorspace

To summarise, this section reviewed key indicators of demand for B-use classes across the Local PMA, namely historic and projected rates of floorspace and employment growth; historic completions and planning consent granted; and market activity in terms of deals made since 2003.

The ELR projects a moderate increase in B1 use class floorspace and a contraction in land required for B2/B8 use classes. Completions data from the council's AMR shows a net loss in the B-use class floorspace with few new projects being built out over the period 2003 to 2010. The current economic downturn has affected demand for business space generally in the past few years though the ELR projections are based on several business cycles including periods where economic activity is expected to pick up.

Though there are a number of proposals with planning consent which would result in some B1 floorspace being built, the pipeline suggests that there will be a loss in B-use class floorspace in the Local PMA overall. Deal activity however is relatively strong, and indicates that there is market interest in the Local PMA for land ownership. The majority of interest lies in smaller units of under 1,000 sq m reflecting developer interest in older more outdated business units located away from areas of perceived commerce which might be developed for more profitable uses (such as residential). Canada Water, as one of the best connected locations in the borough with an available of development sites and opportunities and clear development framework can in our judgement expect to capture at least a proportion of long term demand for business space. This is explored in further detail below.

6.3 B-Use Class Long Term Projections

The Southwark ELR forecasts demand for floorspace for B1 use classes and land for B2/B8 use classes over the long term to 2026. For B1 floorspace, demand is estimated to be between 25,100 sq m and 30,200 sq m over the LDF period; for B2 and B8 use classes demand is forecast to be negative. Due to data limitations it is not appropriate to apply the same forecasting techniques of the ELR to smaller geographies, such as Canada Water area, and instead we use the ELR forecast as a basis to approximate the potential demand for the study site.

To apportion the Local PMA floorspace growth to the study site area we calculate based on Valuation Office Agency data supplied by the Council (for the wards of Riverside, Rotherhithe

and Surrey Docks) the proportion of employment in businesses which typically use B1-use classes, and which are located in the 'SE16 local property market area' (within which the study site lies). We estimate that businesses located within the 'SE16 local property market area' provide 21% of all of the Local PMAs B1 related employment space¹⁰. Applying this proportion of employment to the ELR forecasted demand for floorspace, we estimate that the SE16 local property market area could see demand for between 5,271 sq m and 6,342 sq m of B1 use-class floorspace.

The floorspace estimate for the SE16 local property market area is then adjusted for the study site to an estimated range of between 5,337 sq m and 9,514 sq m based on the following factors:

- The proportion of demand for the study site will be smaller than the SE16 local property market area. However, the study site and its immediate surrounding area/ the AAP area are judged to hold a significant proportion of all general business activity in the SE16 local property market area. The study site is where the majority of employment sites in the SE16 local property market area are available for development and intensification. The study site can therefore be expected to generate and provide for a large proportion of the demand apportioned to the SE16 local property market area. Data limitations do not allow us to estimate the actual proportion of employment or sites available for development located within the study site. For the purposes of the study we estimate that 75% of all demand within the SE16 local property market area could fall within the study site. The contextual and trend based analysis set out in section 6.2 above has shown that there has been a contraction in the total number of older, smaller B1 units (including units above shops) within the Local PMA as these are often no longer attractive to commercial occupiers. The contraction has been both in terms of change of use losses/ redevelopments and consented permissions - normally for other higher value uses. The detailed consultations undertaken as part of this work and characteristics of the occupied stock of office floorspace demonstrates that a wider choice of modern serviced office space is required close to well connected and accessible areas with good choices of amenities. The study site, as a key redevelopment opportunity in the Local PMA presents an ideal opportunity as it fulfils many of these locational requirements.
- Canada Water action area is identified as an Area of Intensification under Policy 2.13 of the 2011 London Plan. The London Plan identifies Canada Water as an area for intensification and there is known to be substantial interest by developers to provide homes and associated retail and leisure provision. This implies that demand for business floorspace could be much higher.
- Canada Water is considered to be a key location for regeneration and economic development. Relative to other locations with the Local PMA, there is strong development interest in Canada Water and the area surrounding the study site is currently undergoing significant development with associated improvements to supporting infrastructure and the public realm. These improvements will help to raise the profile of the locality as a place to live and work. Through such improvements and marketing, the study site also has the potential to capture demand arising in the surrounding area. Physical renewal can lead to an improved perception of place and attractiveness for development, and are expected to increase over time. New development, involving physical renewal and regeneration of the study site and surrounding area, is therefore expected to create an augmented environment for regeneration, growth and investment, and trigger commercial development. As a

¹⁰ Based on an assessment of the Valuation Office Agency ward specific data on commercial and industrial floorspace and rateable value statistics; ABI data, 2010 and broad industry classes: Financial and insurance activities; Professional, scientific and technical activities; and Administrative and support service activities.

result of regeneration, there could be a step change in demand for business space in Canada Water. For the purposes of this research we assume potential for between 50% - 100% increase in floorspace in the study area.

- Over the short term, the economic downturn will continue to impact negatively on access to credit and developers' appetite to begin development. The ELR forecast is based on data over more than one business cycle and therefore captures high and low points in the demand cycle. The current economic downturn can therefore be seen as the low point of the economic cycle, and that over the longer term demand conditions are expected to improve. The duration and severity of the economic downturn is more pronounced than other recessionary periods, and therefore the demand forecast could be revised downwards. For the purposes of this research assume a 10% reduction in floorspace demand.

Based on these points, and our professional judgement, we estimate that the indicative range of demand for B1 floorspace could be in the region of 5,337 sq m and 9,514 sq m, as set out in **Table 6.5**.

Table 6.5 B1-Use Floorspace Demand, Study Site

Demand Driver	Factor	Lower Range (sq m)	Upper Range (sq m)
Southwark ELR Demand Range		25,100	30,200
Apportion Demand for modern serviced B1 space to SE16 local property market area	21%	5,271	6,342
Proportion of Demand within Study Site as Key Development Opportunity	75%	3,953	4,757
Impact of Economic Downturn	-10% to lower range	3,558	4,757
Area of Intensification and Catalytic Impacts	+ 50% to lower range and 100% to upper range	5,337	9,514

Source: URS

Note: May not sum due to rounding.

If the rebound from the economic downturn is protracted, and key sites suitable for accommodating B1-uses are lost to residential development, this range could be lower. Likewise, certain conditions may result in demand for B use classes being much higher than 9,514 sq m, particularly given firm interest from

at least one workspace provider as evidenced in our consultations. Our consultations also found potential interest for workspace and exhibition space for fashion designers, which could require a large amount of space upwards of 50,000 sq m. Given such interest in the study site it is therefore reasonable to assume a higher maximum range of office space provision in setting a development brief.

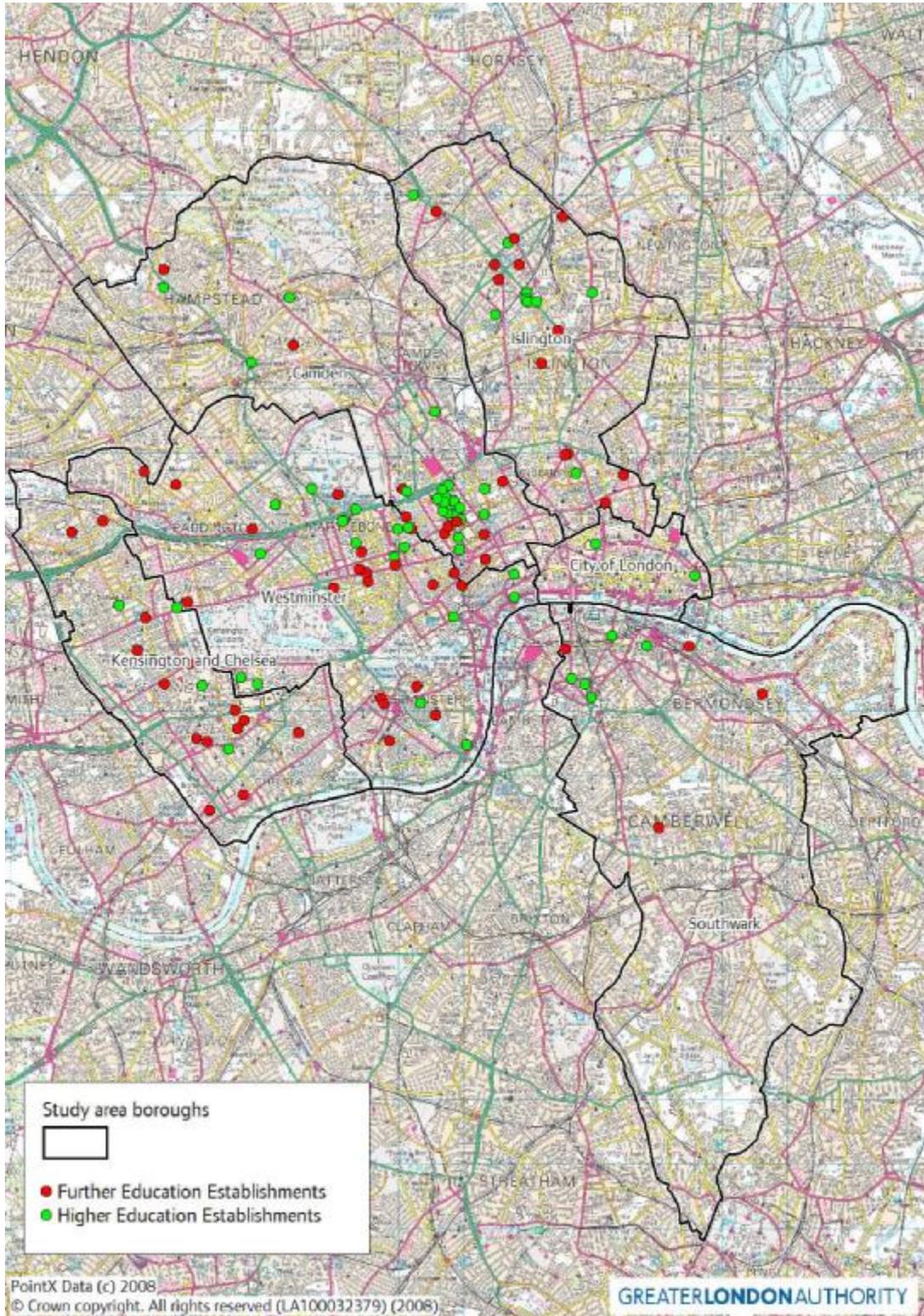
6.4 Education

The demand for Further Education (FE) and Higher Education (HE) facilities is assessed by considering the current provision and sector drivers, and key opportunities of the study site.

Provision

There is one Further Education (FE) college in Southwark, Southwark College, but within the Central London area there are a further 14 providers. As shown in **Figure 6.5** there is a relatively low provision of FE and HE institutions within the Southwark area compared to other areas of Central London. King's College London (KCL) and London South Bank University both have large campuses within Southwark; however these are closer to the central zones of the borough away from Canada Water and Surrey Quays.

Figure 6.5: Distribution of FE and HE Facilities in Central London



Source: *Central London Infrastructure Study (URS, July 2009)*

Drivers of Education Demand

The London Skills Council (LSC) projects that the London Central Area (of which Southwark is a part) has the highest estimated population growth in the 16-18 age group as indicated in **Table 6.6**. Furthermore Central London has the potential to see the most significant growth in 16-18year olds, up to 2021, at an increase of 9.4% over 2006 levels.

Table 6.6: 16-18 Age Group Population Growth, LSC Estimates up to 2021

<i>London Sub-Region</i>	<i>2006</i>	<i>2006-2012</i>	<i>Total number of learners by 2021</i>	<i>Percentage change 2006-2021</i>
London Central	40,362	3,828	44,190	9.4%
London East	77,507	333	77,840	0.4%
London North	38,255	300	38,555	0.8%
London South	48,810	-2,065	46,745	-4.2%
London West	51,276	676	51,952	1.3%
Greater London	256,211	3,072	259,283	1.2%

Source: LSC based on GLA Population Projections

In addition to the anticipated population increase in 16-18 year olds within the Central London area, the participation rates of 16-18 years olds in FE as well as in increase in Adult Learners (AL) (19-65) are expected to rise. This anticipated rise can be attributed both to the Government's target to encourage more people to stay in education until the age of 18, as well as an expectation that by 2014 almost 50% of jobs will require degree level qualifications¹¹.

URS Central London Infrastructure Study for Central London Forward (July 2009) modelled demand for FE and Adult Learning within the Central London area. The results indicated that a significant increase in demand where projected population growth was highest, such as Southwark, as shown below in **Table 4.7** below.

Table 6.7 Demand for FE and AL from New Development, 2006-2026

<i>Local Authority</i>	<i>16-18 Years Olds Requiring Further Education</i>	<i>19+ Year Olds Requiring Adult Learning</i>	<i>Total Demand</i>
Southwark	1,466	5,349	6,815
City of London	81	295	376
Camden	673	2,458	3,131
Islington	975	2,514	3,488
Kensington & Chelsea	315	1,149	1,463
Westminster	564	1,679	2,243
Hackney	976	3,560	4,536

¹¹ LSC London Strategic Analysis 2007/08 (LSC 2007)

Tower Hamlets	2,833	10,337	13,169
Lambeth	989	3,610	4,599

Source: Central London Infrastructure Study (URS, July 2009)

Studies examining the demand for HE show similar findings to that of FE and AL with a projected increase in demand in England between 2006 and 2029 as shown below in **Table 6.8**.

Table 6.8 Change in Student Numbers at English HE Institutions up to 2029

	Student Numbers 2007/08	Change 2007/08 to 2020/21	Student Numbers 2020/21	Change 2007/08 to 2028/29	Student Numbers 2028/29
Total	857,448	-59,224	798,224	24,958	882,406

Source: HEPI Demand for Higher Education to 2029

A number of FE and HE providers in London have recently expanded their estates. Imperial College London has recently been granted planning permission for the construction of a new technology campus in White City on the former site of the BBC studios. The seven acre site will include a 34 storey private sale residential block, approximately 600 beds for student accommodation as well as new research and educational facilities. The new campus will allow Imperial to meet growing demand for university places, particularly in regard to the rising demand for postgraduate study. Furthermore the provision of additional student accommodation will enable Imperial to achieve its ambition of providing accommodation to a quarter of all postgraduate students.

There have been examples within East London too, such as Stratford Island, which have seen collaboration and linkages between FE and HE institutions. In the case of Stratford Island the University of East London and Birkbeck, University of London collaborated to develop a new shared teaching facility which included provision for Newham 6th Form College. This will increase levels of FE and HE provision within the area and foster a greater level of participation and attainment.

Key Issues and Opportunities

One of the key issues affecting HE institutions are the funding cuts from Central Government which have seen wide ranging implications for the ways in which provision of HE is met. Government will no longer fund universities directly - except to a very limited extent - and instead universities will be funded primarily through fees paid by students as introduced in the Department for Business and Innovation and Skills (BIS) White Paper 2011 (Higher Education: Students at the heart of the system¹²). In the 2011/2012 academic year a total of £940 million was cut from the budget for teaching, research and buildings, a reduction of 12.6% on the previous funding round (HEFCE 2011¹³).

Whilst demand for HE provision is increasing, a key constraint to meeting anticipated levels of demand is the funding required to provide additional HE academic places and associated support functions / facilities such as additional student housing, and funds required for refurbishment and maintenance.

¹² BIS, Higher Education: Students at the Heart of the System (White Paper), June 2011

¹³ HEFCE (2011) March 2011 /07 Core Funding/Operations: Allocation of Funds. HEFCE, Bristol.

The study site could provide a location for FE/HE provision including teaching facilities as well as student accommodation, though this is dependent on specific and firm interest from institutions themselves and how it can market itself as a better location to more traditional education clusters in central London north of the river.

KCL (which has an option agreement for the conditional purchase of the Mulberry Business Park site in Canada Water to build a new teaching campus as well as associated student accommodation, affordable housing and research facilities) is one of the largest universities in London. Similar to other major universities in London is expected to experience a significant increase in demand for HE provision over the long term. KCL has strong links to inner South East London with large campuses and research facilities in both Waterloo and London Bridge.

Southwark has a relatively poor provision of FE and HE educational facilities and therefore any proposals to increase the supply of such institutions would bring wider benefits to the Borough as well as the rest of the wider South East London area.

In summary, demand for FE/HE is growing but constrained. There may be one off opportunities for FE/HE expansion in the area, such as the proposed expansion of King's College London.

6.5 Health and healthcare sector long term projections

Introduction

The Private Healthcare (PH) market consists of a range of medical treatments which are privately funded, either directly by patients or through private medical insurance (PMI) policies. Treatment and care is provided to patients by consultants, medical and clinical professionals in private hospitals, clinics or units (PH facilities).

The PH market can generally be separated into various market sectors, notably:

- Long-term care (for the elderly and physically disabled);
- Acute Care;
- Psychiatric care;
- Private medical insurance; and
- Primary care.

Demand Trends

In 2010 the UK market for the PH sector was worth approximately £30.39 billion in the UK which is an increase of 2.9% in 2009. In recent years growth of the PH market has slowed considerably in light of the global economic climate, with growth falling from within excess of 5% between 2006 and 2008 to 3.8% in 2009. The market is anticipated to grow over the next 5 years although at the current pace which has been experienced post 2006. A recent study estimates that by 2015 the total UK private healthcare market will reach £35.9 billion¹⁴.

The majority (80%) of PH purchases are made through PMI policies. It is currently estimated that 16% of the UK population have private health insurance, of which the majority are held by those members in the higher income groups.

¹⁴ Keynote (2011) *Private Healthcare Market Report*. Available from: <http://www.keynote.co.uk/market-intelligence/view/product/10476/private-healthcare>. [Last accessed: 29/08/2012].

Drivers of Growth

The demand for PH in the UK is expected to grow significantly in line with an increasingly aging demographic. Additionally, there are increasing linkages between PH and NHS services particularly as a result of recent reforms in NHS service provision aimed at enabling PH providers to play a larger role in delivering NHS treatment.

Locational Preferences and Opportunities for Provision

Due to the increasingly strong relationship between the private healthcare sector and the NHS it can be reasonably expected that PH facilities will locate close to supporting services such as clinics and hospitals

Harmsworth Quay is not located close to any substantial clinics or hospitals so the scope for clustering of healthcare businesses appears limited. The consultancy team have also made numerous attempts to consult with six major health care operators covering the central London market to gauge interest in the site and there has been no response to date.

On the public sector side there may be an opportunities for NHS Southwark to create polysystems which provide easy access to high quality, responsive community based services which cover a broader range of services than at present. With a quarter of the borough predicted to undergo redevelopment within the next 15 years there are opportunities to deliver health services within new high quality, modern, multi-purpose buildings.

As an example of a move towards more community-based, larger integrated health care is in Newham, where the PCT is proposing to create four healthcare 'PolySystems'. These PolySystems are to comprise a number of hubs located within the community each providing additional GPs practices and specialist services, which would typically be provided at hospitals.

6.6 Leisure

Leisure infrastructure requirements can be estimated based on the expected growth in population. The Canada Water area has capacity to grow by 2,500 homes, with a population of 5,650. Applying the Sport England standard for provision of sports halls is 0.29 per 1,000 population and for swimming pools is 10.23 sq m of water per 1,000 population, we estimate that the additional population of the action area will generate a requirement for 1.6 sports halls and 58 sq m of swimming pool space. These are national standards, however, and a more local assessment of need would take into account factors such as quality and accessibility.

Consultation with leisure providers indicated that may be some scope for further developing the provision within the study site, in part to meet the increase in demand arising from residential development, though there is no specific interest in the site from the private gym operator that was interviewed (see consultation Section 6).

6.7 Summary

The Southwark Employment Land Review (2010) estimates a moderate net increase of approximately 25,000 – 30,000 sq m of B1 use across the borough's Local Property Market Area (PMA). Some of this demand is expected to be met in the SE16 local property market area and within the study site.

The analysis set out in section 6.2 has shown there have been relatively few B1 development completions and approvals in the SE16 local property market area since 2007 and a net loss in B1 floorspace between 2003 and 2010 to residential. The majority of deals have been for smaller units generally under 5,000 sq m. As explained under Section 6.3, the loss of B1 floorspace is characterised by a contraction in the total number of older, smaller B1 units

(including units above shops) within the Local PMA as these units are often no longer attractive to commercial occupiers and are more profitable as residential. The detailed consultations undertaken as part of this work and characteristics of the occupied office stock demonstrates that a wider choice of modern serviced office space is required close to well connected and accessible areas with a good choice of amenities such as the study site.

We estimate that the indicative range of demand for B1 floorspace could be in the region of 5,337 sq m - 9,514 sq. Certain factors may result in demand for B1 uses being higher, particularly given firm interest from at least one workspace provider and for exhibition and office space from a fashion brand (which could require a large amount of space upwards of 50,000 sq m). Given the transformative nature of the regeneration plans for the area and the possibility of attracting a large provider on the study site, it is reasonable for the Council to assume a higher upper range than that estimated in setting the development brief for the study site.

In terms of demand for other non residential uses, there is expected general demand from the leisure market due to population growth and gaps in existing provision. Demand for higher education is currently constrained, but there could be a one-off opportunity to accommodate demand for expansion space from a higher education institution such as King's College. There is also the potential for some demand for space from the Private Health market.

7 LONDON 'BUSINESS HUB' CASE STUDIES

7.1 Introduction

This section presents four case studies of areas of London that have similarities with LB Southwark's ambitions for the Harmsworth Quay and Canada Water area.

The case studies cover examples of new and refurbished business 'hubs' that have been created through regeneration initiatives or plans that are in progress. They include:

- Barking Enterprise Centre – LB Barking and Dagenham
- Barking Cultural Industries Quarter – LB Barking and Dagenham
- Fish Island – LB Hackney
- Imperial West – LB Hammersmith
- Greenwich Peninsula – Royal Borough of Greenwich

7.2 Case Studies

Barking Enterprise Centre- London Borough of Barking and Dagenham

Introduction

The purpose of the Barking Enterprise centre is to provide small and young businesses with flexible office space in which to develop as well as providing opportunities for synergetic relationships with other businesses occupying the space. The centre provides tenants with a range of facilities, services and support to enable their continued growth and development.

Project Details

The Barking Enterprise Centre is located within close proximity (200m) to Barking train station and thus is well served by transport connections to East and Central London. The four storey building offers just under 1500 sq. m. of office space and is one of two centres built in the borough of Barking and Dagenham as part of the Local Enterprise Growth Initiative (LEGI) programme.

Within the centre there is a training room, two one-to-one counselling rooms, a double height lobby and reception area, the Chamber of Commerce office and business start-up/ business support services. The remaining three floors comprise of just under 50 small office units with a kitchen unit on each floor.

Office space is offered fully furnished with units for either two, three or four or more people and charged on a flat rate monthly rental fee inclusive of running costs, reception services and internet facilities. In addition all leases are on 'easy in, easy out' terms based on one month notice periods which give flexibility to start-ups and reduce the risks associated with longer term rates.

The centre also offers free on-site business support to tenants offering workshops, networking events, business counselling and training.

Current Progress

Barking and Dagenham council preferred not to stipulate a designated use for the centre which has resulted in a large variety of businesses and enterprises occupying the space.

Since its opening in November 2011, the provision of two person office space has been in the greatest demand and currently the centre is fully occupied.



Barking Enterprise Centre (Source Maclaren Group: <http://www.mclarengroup.com/wp-content/uploads/2012/04/BarkingLarge.jpg>)

Key lessons for Canada Water

The Barking Enterprise Centre is specifically aimed at small start up businesses as a way of nurturing new enterprises in a supportive environment. The key lessons that could help to boost the success of office space in Canada Water include:

- providing flexible space for a range of businesses rather than targeting specific sectors
- Leases on flexible terms to reduce risk for the occupiers
- Providing a range of easily accessible business support for start ups, including training, workshops and networking events

Barking Cultural Industries Quarter- London Borough of Barking and Dagenham

Introduction

A Cultural Industries Quarter (CIQ) is being developed alongside the River Roding in Barking, stretching across from the Barking Abbey grounds to the Broadway theatre. The site has excellent transport links being near the A13 and A406 North Circular junction, and Barking Station (mainline rail and District and Hammersmith & City underground lines) and is a 15-minute walk from the town centre.

Project Details

The focus of the three acre CIQ was on the regeneration of the Malthouse and the Granary building into space for creative and cultural businesses in conjunction with new housing. The aim was to regenerate this under-utilised former industrial site with space for workshops, offices, small shops, a café and a crèche, acting as a catalyst for wider regeneration aims. The

scheme has so far created approximately 27,000 sq. ft. of work space for local artists and other creative industry uses.

The Granary building, a former Victorian granary warehouse on the east bank of the river Roding, was refurbished and extended by Roof Ltd into a combination of a new head office and lettable space for commercial and creative industries including new café space.

The Malthouse is run by an arts educational charity called SPACE studios which have a remit of only allocating units to creative and cultural industries. All leases are flexible with one month's written notice required to terminate the tenancy.

Current Progress

Unlike the Barking Enterprise Centre, the Barking CIQ is not at full occupancy and as a result Dagenham and Barking Council are currently undertaking a marketing strategy to promote the spaces to potential users. The CIQ is already home to a number of creative businesses and arts organisations such as ARC Theatre, SPACE, Studio 3 Arts and Film, as well as various individual visual artists and photographers all of which have located within the Malthouse.

One particular concern is the presence of a large green space in close proximity to the creative quarter which forms a natural barrier between the town centre and the creative quarter impeding linkages and way-finding between the two. The Council are attempting to tackle this issue through effective marketing and promotion of the quarter.



The Granary Building (Source: World Architecture News 2011: http://www.worldarchitecturenews.com/index.php?fuseaction=wanappln.showprojectbigimages&img=6&pro_id=17867)

Key lessons for Canada Water

Unlike the Barking Enterprise Centre, which was deliberately non sector specific, the CIQ has attempted to attract a particular sector, creative and cultural industries. Although the space is offered on flexible terms, the conditions of the lease stipulates that it is let to creative and cultural uses only, which is likely to be why the space is only part-occupied.

Key lessons for Canada Water include:

- § Provide flexible space. This is easier for Canada Water than Barking as the office space is limited to converted historic buildings which may be a constraint for some businesses.
- § Adopt a non-sector specific focus

- § Secure as much pre-let space as possible
- § Ensure that the physical conditions are right for businesses, for example good public realm and access to local services and facilities.
- § Have a marketing strategy that includes a 'plan B' to be implemented if the demand for space is lower than expected.

Fish Island- London Borough of Tower Hamlets

Introduction

Fish Island is located next to a large swathe of previously industrial land much of which is earmarked for redevelopment (London Thames Gateway) and the London Olympic site.

Fish Island has recently seen an increase in the number of creative and cultural industries which have begun to take advantage of the conversion of older buildings which are no longer suitable for modern requirements into low cost, studio and workshop space. Research undertaken by the London Development Agency (LDA) identified 610 studios across the Hackney Wick and Fish Island area which were occupied by creative practitioners as well as a variety of supporting businesses such as printers and financial consultants.

There is a significant cluster of creative and cultural industries within Fish Island and with the spread of the creative economy east there are now opportunities to consolidate and promote this cluster to contribute to a diverse local economy.

Project Details

Fish Island is promoted within the Core Strategy to *“prosper through conservation and heritage led renewal that will promote a mix of uses including new residential, workshops, creative and cultural industries, studios and light industry”*.

The approach of the AAP has primarily focused upon the release of previously designated Strategic Industrial Land (SIL) to other uses as well as helping to protect the existing character of the area and returning employment space through designating areas as Local Industrial Locations (LIL).

The AAP identifies the opportunities for synergies between the historic industrial character of Fish Island Conservation Area and the re-use of older buildings for flexible and affordable workspace through heritage led regeneration. The Fish Island Area Action Plan (AAP) outlines several mechanisms through which employment space within Fish Island could be realised, namely:

Promoting flexible work space for small and medium enterprises including creative industries, media and information technology;

Focussing on employment floor space that is compatible with residential use and a high quality environment- offices, studios, small scale light industrial (use classes B1(a), (b) and (c).

Current Progress

The London Legacy Development Corporation (LLDC) recently (July 2012) opened the Hackney Wick, Fish Island Cultural Centre, or the White Building in what was previously a former print works. The building will provide 7000 sq. ft. of space comprised of 5 studios, a large project studio, an event space for community use and a café. It is envisaged that the centre will help promote the island's role as a centre of innovation, industry and creativity.

There have already been examples of high employment led regeneration such as H Forman and Sons smoked salmon factory which includes gallery space and restaurant uses.



Forman and Sons Factory (Source: http://www.bigvenuebook.com/venue-images/main_image781.jpg) and The White Building, Fish Island (Source: <http://www.dezeen.com/2012/07/21/the-white-building-by-david-kohn-architects/>)

Key lessons for Canada Water

The mechanisms outlined in the AAP for Fish Island are also appropriate for the Harmsworth Quays sites, namely

- Promoting flexible work space for small and medium enterprises including creative industries, media and information technology;
- Focussing on employment floor space that is compatible with residential use and a high quality environment- offices, studios, small scale light industrial (use classes B1(a), (b) and (c).

Imperial West- London Borough of Hammersmith and Fulham***Introduction***

Imperial West is mixed use development on the former BBC Wood Land site in White City, West London. Submitted by Imperial College London the proposal is centred upon the provision of a new technology campus delivering research, commercial application, translation and collaboration with industry, side by side with postgraduate education. The development also includes student accommodation, research and teaching facilities, management offices, a new 34 storey residential tower as well as a new landscaped square.

Project Details

It is hoped that Imperial West will help create 3,200 direct permanent jobs on site. A new business incubator will be established within the research centre acting as a space to progress new and young companies within the knowledge intensive business sectors through every stage of their development. The low rental profile of the incubator space will enable companies to develop from very early stages whilst still allowing stages of growth as the companies mature. It is anticipated that when fully established companies will be looking to expand into the employment areas around White City.

The 20,000 sq. m. business incubator represents the largest supply of affordable and flexible laboratory and office space with specialised commercialisation services in London. There will be a mixture of offices for lease on the open market and incubator floor space to encourage innovation, knowledge transfer and collaboration between established and newly emerging organisations. The space will be managed by Imperial's technology transfer company- Imperial Innovations Plc.

Current Progress

The scheme has recently (July 2012) been given planning permission by Hammersmith and Fulham Council.



Imperial West (Source: Imperial College London- Public Exhibition)

Imperial West (Source: Architects Journal, 2012-
[http://www.architectsjournal.co.uk/pictures/576x432fitpad\[0\]/6/5/6/1275656_01139_AFR_view1_dusk_2011-12-12_a_fullsize.jpg](http://www.architectsjournal.co.uk/pictures/576x432fitpad[0]/6/5/6/1275656_01139_AFR_view1_dusk_2011-12-12_a_fullsize.jpg))

Key lessons for Canada Water

This case study has been included because of the parallels with the King’s College proposals for the Harmsworth Quays / Canada Water site. There are some particularly good aspects of the development including:

The regeneration of the site is focused around a single London based Higher Education institute (Imperial College) with a good reputation for science and technology. This gives certainty as to the use of the space. Key factors which LB Southwark could learn from include:

- The presence of a student population and associated workforce during the day and at night will animate the area and support local shops and services
- The inclusion of a business incubator acting as a space to progress new and young companies within the knowledge intensive business sectors
- Space within the incubator offered at a low rent
- A company responsible for the letting of the space has been set up to manage the leases to ensure that both types of employment space is maximised: offices for lease on the open market and incubator floor space for newly emerging organisations.

Greenwich Peninsula Royal Borough of Greenwich

Introduction

The Greenwich Peninsula project is a very large, high profile mixed use scheme, covering 140 hectares and with a proposed floorspace of 325,000 sq m (3.5 million sq ft). The developer is a consortium called Greenwich Peninsula Regeneration Limited (GPRL) which is made up of Quintain Estates and Development, Lend Lease and investment vehicle Knight Dragon.

The Peninsula plays two key strategic roles, as an internationally significant leisure attraction and as a major contributor to meeting London's need for additional housing. The main focus of commercial development is at the north of the peninsula around the O2 Centre and the Jubilee Line station. This involves release of industrial land, recognising the roles of safeguarded wharves and the potential for a cruise liner terminal. River paths, parks and squares on the peninsula will become part of the wider East London Green Grid with potential to improve pedestrian and cycle linkages from the O2 to Greenwich town centre.

The increased demand for office space on the Greenwich peninsula, indicates the benefits accrued to the town centre by recent transport enhancements such as the Jubilee Line extension and the cross river cable car. Sites near the O2 Arena are attracting significant office spaces such as Pier Walk and Mitre Passage which have committed occupiers such as Transport for London and Ravensbourne Art College and the Meridian Delta scheme, which includes up to 38, 024 sq m (409,000 sq ft) of business as well as retail and residential.

Project Details

As well as retaining the leisure area (known as the O2), the development will provide

- over 3,800 affordable dwellings
- over 10,000 new homes, including student and special-needs housing
- over 3,000 square metres of office space
- a new business park, including 6 new office blocks
- community uses including new schools and health provision
- 194,200 square metres (48 acres) of open space
- 300- and 500-bedroom hotels
- 25,000 jobs in commercial and retail enterprises.

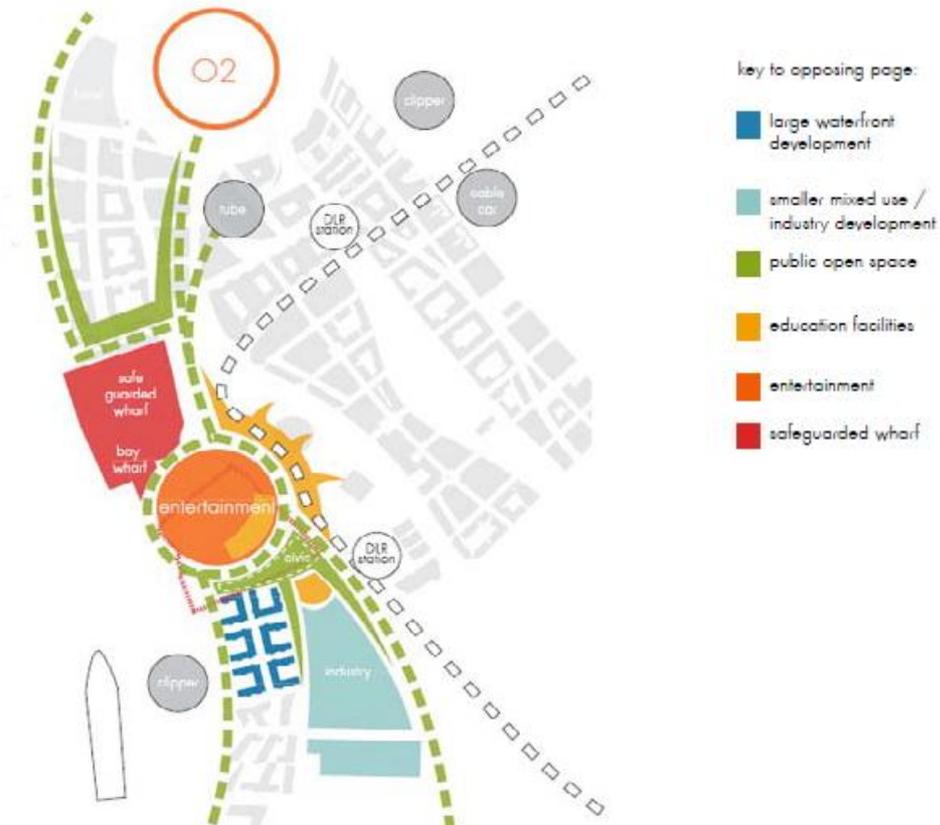
The development of the area will also include schools and health facilities, transport improvements, and arrangements for local labour and employment.

Current Progress

The development was granted outline planning permission in 2004, but development not yet underway on the site due to the current economic conditions.

The Greenwich Peninsula West Masterplan Supplementary Planning Document was adopted by Royal Borough of Greenwich in April 2012.

A deal has recently been struck with the Government for Greenwich Peninsula Regeneration Limited (GPRL) to defer payment for a section of land owned by HCA, thereby reducing GPRL's upfront costs. However, GPRL is not supported by Greenwich Council, who would prefer the consortium to hand the land to partners willing to match the Council's ambition for development.



Greenwich peninsula masterplan (Source: Royal Borough of Greenwich, Greenwich Peninsula West Masterplan SPD, 2012)

Key lessons for Canada Water

There are a number of similarities between the Greenwich Peninsula area and proposals and the aspirations of LB Southwark for Canada Water.

- A peninsula geography which could present connectivity issues (or psychological barriers) and potentially restricts the attraction of the location for potential occupiers.
- Good public transport connectivity, significant amounts of open space and development land due to their industrial legacies, as well as an attractive waterside location.
- Relatively low cost space compared with a central London / West End location
- The opportunity for businesses to build to their own design, size and specification

This example provides lessons that can be learned for LB Southwark, for example:

- The potential to provide a significant amount of non-residential space made up of a range of uses including business, leisure and higher education. This plays to the strengths of the location in both cases for example the riverside location, space and good transport connections.
- The importance of securing pre-let office space or having an ‘anchor’ occupier to allow developers the certainty that the space will be occupied. Greenwich Peninsula has

secured office space from Transport for London and has Ravensbourne Art College as a committed occupier.

- The developers are also including speculative office space on the back of expected demand drawn in from other markets.
- Ensuring flexibility: the Greenwich Peninsula plans include a range of office space for start up businesses as well as those seeking up to 46,500 sq m (500,000 sq ft).
- The importance of a good relationship between the Council and the developers so that both parties are working towards shared objectives and aspirations.

7.3 Summary

This section presents four case studies of areas of London that have similarities with LB Southwark's ambitions for the Harmsworth Quay and Canada Water area.

The case studies presented in this section include examples of new and refurbished business 'hubs' that have been created through regeneration initiatives or plans that are progress. They demonstrate ways in which other local authorities have tackled a similar task of creating a new business hub, enhancing the attractiveness and identify of the area and attracting high quality end users.

Common themes across the case studies, which can provide key lessons for the Harmsworth Quays sites include:

- provide flexible space for a range of businesses rather than targeting specific sectors;
- provide leases on flexible terms to reduce risk for the occupiers;
- provide a range of easily accessible business support for start ups, including training, workshops and networking events;
- ensure that the physical conditions are right for businesses, for example good public realm and access to local services and facilities;
- focus on employment floor space that is compatible with residential use and a high quality environment- offices, studios, small scale light industrial; and
- the importance of securing pre-let office space or having an 'anchor' occupier to allow developers the certainty that the space will be occupied.

8 CONCLUSIONS AND RECOMMENDATIONS

8.1 Introduction

The purpose of the study was to explore the demand for and supply of business / employment uses in the Canada Water area to inform a strategy for the redevelopment of the Harmsworth Quay site and surrounding sites.

This section sets out the conclusions of the study and recommendations for a strategy for non-residential use, informed by an assessment of local and regional demand for business space, leisure, higher education and other uses which might be feasible on the site.

The conclusions are set out below under a series of questions reflecting the study objectives and requirements.

8.2 Recommended strategy for non-residential uses

The recently published London Office Policy Review (GLA, 2012) recognises the role that small businesses play in providing support services and products to major businesses, often in the central area of London, occupying a range of premises types. The report refers to these activities as ‘servicing the services’.

The report notes that there is a great deal of scope for exploring new workplace forms and configurations, especially in Opportunity Areas and focuses on hybrid office-industrial activities as one such area of demand which support London’s global role and for supporting a broad base of job opportunities that it would be undesirable to allow to leach out of the London economy. It recommends that residential-led mixed use development is promoted at Surrey Quays¹⁵.

The Harmsworth Quays sites present an opportunity to take advantage of this need, in particular the planned growth in the Isle of Dogs and London Bridge, and to explore how appropriately priced land and buildings can be secured to allow these kinds of services to grow. There is also an opportunity for other activities on the study site, for example sports, leisure, higher education or health, which would complement and contribute to the vision of Canada Water as a new destination which combines shopping, civic and leisure, business and residential uses to create a new heart for Rotherhithe.

What is the level of demand for business premises on the study site, and which businesses and sectors might be attracted to the area?

Quantum of demand and market outlook

From a long term demand perspective (covering the entire AAP timeframe), we estimate that the demand for B-use classes (predominantly B1a) in the study site could be 5,337 sq m – 9,514 sq m. If the rebound from the economic downturn is protracted and key sites, which have the opportunity to accommodate B-use classes, are lost to residential development, demand will be at the lower end of this range, in which case it would be displaced elsewhere to other locations within the local property market. This figure is within the context of the ELR figure where estimated growth in B-use classes in the borough wide Local PMA is between 25,100 sq m and 30,200 sq m (for B2/8 demand is forecast to be negative) and the adopted AAP which predicts that around 12,000 sq m of B1 floor space being accommodated within the AAP study area.

¹⁵ London Office Policy Review 2012, GLA. Figure 4.14.

However, if certain factors (as discussed in this report) do materialise they may result in demand for B1 uses being higher than the circa 5,337 – 9,514 sq m estimated range, particularly given the transformational nature of the plans for the area and interest from at least one workspace provider and a fashion production / exhibition space provider (which could require upwards of 50,000 sq m). This option could be explored further through consultation on the emerging AAP. Establishing an end user to provide an 'anchor' has the potential to help establish an identity for the area and attract new growth in the market.

Research indicates that the current office market is 'static' with little activity primarily owing to limited quality stock. Office occupiers have focussed their enquiries on small office suites of 37- 93 sq m (400 – 1,000 sq ft). The reduced office sizes and the flexible nature of lease terms sought have been increasingly popular and have kept the local office market afloat in recent years since the economic downturn.

Local agents suggest that the existing office stock has been able to satisfy the reasonably low level of demand. However this was also viewed as an inevitable consequence of a lack of new developments coming onto the market, which gives optimism for the take up of new space to be provided on the study site.

Canada Water and the area surrounding the study site are undergoing significant intensification and growth with improvements to supporting infrastructure such as the public realm. The character of the area is already beginning to be improved with the introduction of a cultural offer with the new library and possibility of uses such as hotels. It will eventually lose its out-of-centre destination feel and will be transformed to a street-based town centre environment. There will also be improvements to the shopping, restaurant and café offer. These improvements will help to raise the profile of the locality as a place to live and work. This transformation in turn, together with a marketing campaign, will make the area more attractive to business occupiers and help to provide an identity which is currently lacking.

The success of the improvements to Canada Water can also be enhanced by a concerted effort to capitalise on other improvements taking place in surrounding areas such as Deptford and Lewisham. In addition to the provision of a substantial amount of space at Convoy's Wharf, the Millwall Football Club application will also create a sport and leisure hub. These individual additions to the business and leisure offer of surrounding locations can be built on to raise the profile of the wider area and of Canada Water itself as an attractive, exciting location for leisure and business occupiers to locate.

Development industry feedback

Developers (with residential/retail ambitions) reported limited demand for commercial business space in the area and felt that there would need to be an identified owner occupier requirement. The study site was not thought to be a suitable location for significant office or industrial development because of the lower profitability compared with residential. A preferred model for developers would be higher density residential development with an element of employment. However, there is a danger with the typical model of residential blocks with commercial space at ground floor level of ending up with underused space because it is inflexible and unsuited to particular sectors or types of SMEs.

It has been noted above that there is an evidenced undersupply of modern, higher quality office stock within the local property market area and this is what the provision of new space should focus on. However, the business space that does exist is reported to be operating at relatively good levels of occupancy with a good level of business turnover, which indicates a healthy business environment as businesses set up, grow/contract and mature and move on.

There is an apparent disparity in the findings between what is being reported by developers / property agents and what is seen on the ground. Developers and agents are of the view that that the study site is not a commercial location and more likely to attract residential

development than commercial. However, the supply side of the picture shows that there is an undersupply of modern, good quality office space in the local area and that existing business premises are well used with low vacancy levels. This is not necessarily a contradiction, rather an inevitable result of different points of view and different interests. In reality, both are true: Canada Water is currently not an established commercial location and the lack of modern high quality business premises and other issues such as poor legibility and public realm are a factor constraining demand – but with the catalytic effects of the regeneration of the area, the commercial attractiveness of the location will be enhanced, and the demand for office space for SMEs and businesses looking to grow will be met.

Workspace provider interest

A key provider of B-use class space in London expressed firm interest in operating office provision on the study site (in particular B1a use class and to a much lesser extent B1c use class) and a number of other providers confirmed they would be interested in principle. All providers' interest would be in non-sector specific flexible workspace.

Providers acknowledged that the scale of demand for B-use class floorspace in the area was considered to be relatively low (when compared with nearby areas such as Canary Wharf or the SE1 area for example) but each saw the potential for demand to increase with the intensification and regeneration of the area. Operators quoted a minimum of 1,000 sq m (10,000 sq ft) of business space was considered feasible, which is thought to be the minimum amount of floorspace required to be financially viable for one operator.

Depending on the physical arrangement of space and level of operator interest, the 3,500 – 7,200 sq m (or upwards) of space could be run by one or more operators.

It would be important to balance the desire for the space to be occupied, with the types of occupiers that may take up the space. For example, the research has pointed to demand for the space from low value occupiers; however, in terms of building a positive identity for the area, the Council may wish to consider targeting a specific sector or stipulating a particular type of end user.

Sectors

As noted above both the detailed consultations and feedback from property market agents has suggested that occupiers of office space and enquiries for the provision of new space are from a wide range of sectors ranging from insurance, finance and property to cleaning services and general administration. As such the type of space provided should be as flexible as possible and not designed to be specific to any particular user or sector.

However, there is merit in encouraging sector specific uses, on the back of the transformed character and identity of the area that will result from the planned improvements. A specialism in a particular sector can be beneficial, to enable fledgling enterprises to benefit from a number of economies, including

- the flexibility for small enterprises to grow within the same accommodation;
- shared management and administration costs of communal facilities; and
- the clustering of activities in the same sector can provide a number of economic benefits such as economies of scale with shared supplies, access to an enlarged labour pool and knowledge spill over that can be particularly important for new enterprises.

What type of space would be feasible?

There is consensus among operators that demand exists for higher quality flexible space designed primarily for SMEs who currently operate already in the South East London area including the SE1 fringes. A number of operators stated that central London was the best location to provide SME business space given the active population of new and growing businesses, and the high rate of business start up.

In terms of use class, operators believe that demand within the B1 class uses is strongest for office accommodation. To maximise interest for the widest business community, operators believe that business space provision should be flexible in accommodating different sectors and uses. By size, demand is considered to be for a range of office space sizes from 37- 93 sq m (400 – 1,000 sq ft).

In terms of the characteristics of space, demand is strongest for serviced or managed space suitable for SMEs, with flexible leasing conditions (easy in and out leasing), low rental values and incentives to attract start ups. Operators recognise the operational challenges faced by SMEs and therefore seek to provide space which allows expansion and contraction easily on short-term leases with rolling contracts, and set up at minimum cost and clarity and control over operational commitments.

The research has shown that business space should ideally be provided in stand alone buildings and should be clustered to create a business community which can connect and share services. This model is attractive to small start up businesses and its success is demonstrated in the case study examples, such as the Barking Cultural Quarter or Enterprise Centre.

Ground floor B1 accommodation in residential buildings is often the preferred configuration for developers, provided as tokenism to achieve planning consent for the residential value of the site, and is more appropriate for particular types of users such as estate agents, accountants and solicitors but could be flexible for conversion to retail, restaurant, cafes and bars if market conditions dictate. A self contained separate building is often a more attractive option for a cluster of similar business which can benefit from shared knowledge and services, and create a business community with a strong brand and identity.

The minimum size of a cluster of employment spaces accommodating a range of start-up and small enterprises and providing a degree of flexibility for on-site growth, would be approximately 2,000 sq m (20,000 sq ft) although the scale of massing varies across sectors. Typically such clusters provide fairly high density employment.

Operators and developers were clear that commercial space would only work as part of mixed use scheme if provided in certain ways. Of those operators active in the area borough and surrounding areas demand for the study site area stemmed from local business activity. These businesses tend to be of small or medium size (under 250 employees) and with smaller geographies of operation (i.e. markets, in terms of customers and client base, and business supply chain relationships). Comparatively there was evidence to suggest too that there is demand for high quality flexible office space. The local businesses base is diverse with no dominant sector apparent.

Specific user requirements include:

- Keenly priced modern, well designed, serviced flexible space
- Start up space available on easy out easy in terms
- Combination of well managed and competitively priced serviced space
- Good levels of data connectivity, potential for fibre optic and high speed broadband

- A range of space to accommodate small and medium sized enterprises and allows them to grow as their business develops
- Incubator space – inclusive, all in space
- Car parking if possible

How can the perception of the area be improved to attract businesses? Can a market for business space be created in the area?

A factor constraining demand for premises at the study site (and expanding the base commercial interest) was said to be the quality of business premises currently present, much of which is of refurbished older stock, and to a lesser extent a public realm considered to be out-of-date. The provision of new space is deterred by low rental values achieved which suppresses interest by developers and operators to build out and operate business space in the area, and deters speculative demand. Other factors identified by consultees as constraints to B-use class demand included: the awareness of the study site as a business location; the older poorer quality of stock; the economy suppressing growth of businesses and demand and associated with the economic downturn has been an increase in the supply of B-use classes floorspace in the central and fringe London locations (but it has been noted that rising rental values may price some SMEs out of the SE1 and its fringe market representing an opportunity for Canada Water to capture some of that demand.)

Many of the factors cited above are related to the fact the area is not currently thought of as a business location. The regeneration and intensification of the area as a result of the current redevelopment proposals and subsequent AAP actions (which will both improve the appearance and amenity of the area but also bring about an increase in supporting activities) will animate and revive the area, improving the perception of the location and creating a vibrant business environment in which enterprises can flourish.

There are a number of specific ways in which the perception of the area could be improved to attract new occupiers, including:

- Increased business support service and facilities
- Publicity of new facilities and access to business support
- Focussed marketing campaign (highlighting good amenity and leisure opportunities in Canada Water)
- Increased promotion and co-ordination of business events, networking and business support groups
- Availability of space at low cost
- An improvement in the business activity and variety of businesses in the area. A way of achieving this would be encourage an ‘anchor’ activity into the area, which is representative of the kind of activity that would be desirable for the area. This strategy is being pursued by Imperial College at White City who have proposals for a new technology campus delivering research, commercial and collaboration with industry, side by side with postgraduate education.

The findings from our consultation with workspace providers supports the view that a market for business space could be created in the area based on a focused campaign.

How much space might be realistic and how would it be phased?

Scale

Our consultation findings have gauged a relatively good level of interest from business space providers. We would estimate approximately 5,340 – 9,500 sq m (or upwards) of B1 use class floorspace. This is lower than the AAP estimate (which included some B1 space on the Surrey Quays Leisure Park site for buffering requirements had the printworks remained on site). This takes account of changes in perception and catalytic effects as a result of an enhanced environment leading to an augmented environment for economic growth and could potentially be significantly higher if a large provider is secured.

Configuration and location

Our recommendation is that the majority of the space should be provided on the reconfigured Surrey Quays Road frontage which has the potential to have a more mixed use or commercial character and has good access to public transport services. Business space located in this area would help to create activity and animate the public realm. Should residential use also be proposed in this area, it is recommended that careful consideration is given to masterplanning to ensure there are no conflicts between the uses in terms of respective access, servicing and demarcation of public / private space.

Timing

Market agents confirm that in the short term there is likely to be lower demand for space and that demand is likely to pick up in the medium to long term period of the AAP (2017-2026) once Canada Water has become more intensively developed for retail and residential uses and therefore considered a more desirable location.

What are the current rental / lease values of new premises in the area?

Operators and property agents consistently indicated that rental levels for office space could be the region of £15 to £20 per sq ft though existing lower grade space is at the bottom end and below this range. There is an indication that £20per sq ft could be achievable if the space was attractive enough to a range of occupiers.

What is the supply of business space in the wider area and how will this affect the study site and suitability of business uses?

The supply of business space in the local area is relatively small and Canada Water is not an established commercial location. However, the existing stock is well let and seems popular with local SMEs. There are small pockets of business space, predominantly run by City Business Centre, at Quebec Way, St Olav's Court, Dock Offices, City Business Centre, Evelyn Court and Cannons Wharf and a planned new development including business space at Convoys Wharf, Deptford.

There are established office locations in surrounding boroughs with a good supply of office space such as at Lewisham and Greenwich, and the SE1 market at Bankside and London Bridge. There is a good opportunity for Canada Water to provide space for SMEs to service these growing markets.

The supply of business space in the wider area is likely to have the effect of increasing the competition in terms of attracting businesses into the area. However, the increased competition may be outweighed by the positive effects of new business hubs in the South East London area. High profile developments, such as Convoys Wharf, this may improve the

perception of the South East London area as an office location, encourage clustering of similar businesses, and allow business support networks, access to an enlarged labour pool and knowledge sharing with neighbouring boroughs, LB Lewisham in particular.

What is the potential for other non-residential use, including higher education and leisure?

Education

There is evidence of demand for higher education space in London, driven by a projected increase in student numbers. A number of higher education institutions have recently expanded or are in the process of expanding their campuses, for example Imperial College at the Imperial West site in Hammersmith and Birkbeck at Stratford. There is a demand, particularly among HE institutions operating in London, for campuses to be integrated into the built environment to attract students wishing to live and study in London, rather than in a separate 'student only' campus.

There is an interest in the site from King's College London who have commissioned architects to develop a 'campus led' town centre masterplan for the Harmsworth Quays site. Initial proposals include teaching space, student accommodation and auxiliary uses such as flexible B1 units, retail, catering and leisure, some of which could be accessible to the wider public.

The KCL proposals are at a very early stage and would entail approximately 243,809 sq m of floorspace, which includes over 1,300 market residential units, and would generate in the region of 700 jobs.

Although indicators show there is demand for HE space in London, there was no other specific interest from HE institutions consulted with as part of this work, either because they already had expansion plans in place elsewhere in London or because they were not planning to expand in the near future.

Health

There is no specific estimate of scale of demand, however the private healthcare market is growing in line with an ageing population and private health providers playing a larger role in delivering NHS treatment. Canada Water is a potentially attractive location for a private health clinic.

What is the attraction of the site for leisure, entertainment, arts, cultural uses, including the quantum and type of development which could be provided?

Leisure

There is an established leisure market within the Canada Water area, including bowling, cinema and water sports, strengthened by the visible presence of the Decathlon outdoor sports store.

There is potential for an expansion in this market, including a leisure centre and private gym / health club.

In terms of the perception of Rotherhithe peninsula for cultural and arts use, there is not much visibility of creative industries at present, but respondents have been generally positive about the area as a hub for creative industries. Deptford was cited as an example of where this already exists and has been successful. It is a good opportunity for creative enterprises seeking a London location but which are constrained by the amount of space and cost of the West End.

In the longer term, there is potential for a network of cultural or leisure uses being established along the river, tied up with the Deptford cultural offer and other planned improvements proposals such as the Millwall FC Surrey Canal plans.

8.3 Summary and Recommendations

- Small businesses play an important role in providing support services and products to major businesses, often in Central London. There is a great deal of scope for exploring new workplace forms and configurations, especially in identified regeneration areas such as Canada Water. The study site presents an opportunity to take advantage of this need, and to explore how appropriately priced land and buildings can be secured to allow these kinds of services to grow.
- Continuing strong demand levels for residential land in this part of London ensure that land values throughout much of the study area act as a deterrent to the development of small offices for the local market. There is a potential market for office suites on flexible lease terms of up to £20 per sq ft – or higher given the transformative nature of the plans for the area. In order to realise this potential, competitive pricing and incentive packages, well managed serviced space, business support services and good levels of data connectivity are essential.
- Our research shows that there is potentially demand on the study site for between 5,340 and 9,500 sq m of B1 floorspace. However, the research has demonstrated that there is a realistic prospect of demand from one or two end users who would require a significant amount of space which would increase the B1 floorspace demand. This option could be explored further by Southwark.
- LB Southwark can play a role in encouraging clusters of small workspace units through negotiations with development partners on mixed use schemes. This could be in the form of conditions attached to the development of the space to ensure pro-active measures are taken to market the space provided, or through innovative ownership and management arrangements, as at the Creative Industries Quarter in Barking, led by the LTGDC.
- In addition, a focused drive by the Council to identify potential end users, and bring in new occupiers and space providers, as well as a marketing campaign to set out the Council's vision and aspirations for the area, the locational benefits and incentives for occupiers.
- Potential sectors or occupiers that may be interested in the site could be followed up, through approaching identified potential end users directly or through consultation on the emerging AAP. For example:
 - workspace providers have expressed an interest in the site for non sector specific flexible space to accommodate start up enterprises and small businesses. A facility of this type could work well in this location but will be dependent on affordable property / site being found in order to keep the rents and rates low.
 - King's College London is interested in developing the site for a new campus which would include teaching space and associated uses.
 - there is a potential gap in the market for a fitness provider, likely to attract a floorplate of 930 – 1400 sq m (10-15,000 sq ft). However, this is likely to be in the budget range as a larger provider may not be interested in new build and could be put off by the location and physical barriers which may limit the catchment population.

- there is potential interest in the site from community leisure providers as a longer term proposal. There are a range of models of provision that could be considered.
- there is also some general interest in the site from a workspace and exhibition space for fashion designers linked to a North London fashion college. They would require 50,000 sq m of space for exhibition, workspace and logistics.
- there may be interest in this area from the private health sector, due to a growing market and the locational advantages, although this is as unsubstantiated as consultation has not been possible.
- Agents have indicated that although the retail offer in the area is satisfactory, this could be improved and is a feasible use for the site, although retail use is a significant part of the other site proposals in the AAP area.
- Because of the former employment use of the site, and the aspirations of the Area Action Plan, there is a desire to create employment generating uses in order to meet the needs of the local workforce. However, building business units speculatively is seen as a high risk activity to those focused on residential developments. Securing pre-let space or an anchor occupier is the best way of 'future-proofing' the space.
- The way in which these findings are used to inform policy will need careful consideration. It is recommended that policies for the study site are applied in a sufficiently flexible way to allow a range of activities and employment generating uses, which will meet the overall vision and objectives of the AAP. This could be done through indicating a range of B use class space rather than specifying a quantum of each type of use. The policies should allow for different business needs and models and be flexible to changing economic and business requirements.

APPENDIX A. PLANNING POLICY

This section draws out key aspects of the National Planning Policy Framework, the London Plan 2011 and local planning policy which are of relevance to the study site and study's objectives.

National Policy

National Planning Policy Framework (NPPF)

The NPPF condenses all planning policy statements into a single all encompassing planning framework with the intention of making the planning system less complex and more accessible. The National Planning Policy Framework was published and came into effect in March 2012.

The NPPF describes the Government's vision for building a strong, competitive economy. It sets out a presumption in favour of sustainable development in the absence of a local plan or where the plan is silent or indeterminate. This means that the Local Plan (and supporting documents such as the Employment Land Review) should present robust evidence to support clearly defined allocations of land for employment to avoid applications for alternative use being granted on the basis they are sustainable development. In relation to economic growth and employment land it states the following:

The Government is committed to ensuring that the planning system does everything it can to support sustainable economic growth. Planning should operate to encourage and not act as an impediment to sustainable growth.

Therefore significant weight should be placed on the need to support economic growth through the planning system.

To help achieve economic growth, local planning authorities should plan proactively to meet the development needs of business and support an economy fit for the 21st century.

Investment in business should not be over-burdened by the combined requirements of planning policy expectations. Planning policies should recognise and seek to address potential barriers to investment, including a poor environment or any lack of infrastructure, services or housing. In drawing up Local Plans, local planning authorities should:

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

Planning policies should avoid the long term protection of sites allocated for employment use where there is no reasonable prospect of a site being used for that purpose. Land allocations should be regularly reviewed. Where there is no reasonable prospect of a site being used for the allocated employment use, applications for alternative uses of land or buildings should be treated on their merits having regard to market signals and the relative need for different land uses to support sustainable local communities. (NPPF, page 6-7).

Regional Planning Policy

The Coalition Government of 2010 announced that national Planning Policy Statement 11: Regional Spatial Strategies will be abolished under the Localism Bill (introduced to Parliament in Dec 2010). However, the guidance letter¹⁶ states that the London Plan will continue to provide the planning framework for the London boroughs. The letter also states that the Government is also considering whether powers and discretion can be shifted downwards from central Government to the Mayor and the assembly, to the London boroughs and to local neighbourhoods. This will include devolving power from the Greater London Authority down to the boroughs and below.

Two key documents which provide a framework for spatial policy planning are the London Plan 2011 and the Draft Supplementary Planning Guidance (SPG) Land for Industry and Transport 2012 which we give consideration to below.

London Plan 2011

The London Plan (July 2011) is the spatial strategy for Greater London spanning the next twenty years to 2031. It replaces the previous London Plan (2004). It sets out an integrated social, economic and environmental framework for the future development of London. The relevant policies are stated below.

Canada Water is identified as an Area for Intensification under Policy 2.13. At a strategic level, the policy states that '*development proposals within... intensification areas should:*

- *Support the strategic policy directions for the opportunity areas an intensification areas... and where relevant, in adopted opportunity area planning frameworks*
- *Seek to optimise residential and non-residential output and densities, provide necessary social and other infrastructure to sustain growth, and, where appropriate, contain a mix of uses*
- *Contribute towards meeting (or where appropriate, exceeding) the minimum guidelines for housing and/or indicative estimates for employment capacity set out in Annex 1, tested as appropriate through opportunity area planning frameworks and/or local development frameworks*
- *Realise scope for intensification associated with existing or proposed improvements in public transport accessibility,... making better use of existing infrastructure and promote inclusive access including cycling and walking*
- *support wider regeneration'*

Supporting Policy 2.13 is Annex 1, which outlines how broad principles of the London Plan should be applied to specific Opportunity and Intensification Areas including indicative estimates of employment capacity and minimum guidelines for new homes to 2031. For Canada Water the indicative capacity is 2,000 jobs 2,000. The justification for this is: '*With*

¹⁶ Chief Planning Officers Letter: Revocation of Regional Strategies, DCLG, 6 July 2010

good public transport accessibility including stations on the Jubilee and East London Line, the Area has significant potential for mixed-use regeneration on infill sites and intensification of existing commercial sites focussed on the transport interchanges and the District shopping centre' (Table A1.2).

Policy 2.15 refers to Town Centres and states that they should be; *'the main foci beyond the Central Activities Zone for commercial development and intensification...'*. The London Plan defines Canada Water as a District Centre which has high growth potential and existing capacity which can be utilized to achieve regeneration objectives including physical, environmental and economic renewal.

Policy 4.2 identifies the need to support the management and mixed use development and redevelopment of office provision; and Policy 4.4, Managing Industrial Land and Premises, refers to the need to adopt a rigorous approach to industrial land management and plan, monitor and manage release of surplus industrial land to contribute to strategic and local planning objectives. Point 'c' of Policy 4.4. refers to LB Southwark as a 'Limited Transfer' borough, which is an intermediate category of employment land release/protection between Managed and Restrictive Transfer categories.

Supplementary Planning Guidance (SPG) Land for Industry and Transport 2012

The SPG was published in September 2012 and adds to the 2008 SPG's two key objectives with the aim of ensuring the provision of sufficient land, suitably located, for the development of an expanded transport system. Two key policies from the London Plan that form the basis for the SPG are Policies 2.17 Strategic Industrial Locations and 4.4 Managing Industrial Land and Premises.

Figure 3.2 of the SPG confirms that Southwark in the 'Limited Transfer' category for employment land. Annex 1 of the SPG sets out the indicative industrial land release benchmarks for 2011-2031. This indicates that for Southwark there is a net demand of -25ha, equating to a release of -1.3ha per annum (pa)..

Borough Planning Policy and Supporting Documents

LB Southwark Core Strategy, April 2011

The Core Strategy provides a long term vision, spatial strategy to deliver sustainable development over the planning period (up to 2026). The vision is based around five themes:

- Theme 1: Improving individual life chances.
- Theme 2: Making the borough a better place for people.
- Theme 3: Delivering quality public services.
- Theme 4: Making sure positive change happens.
- Theme 5: Developing in growth areas.

Within these themes are a number of Strategic Objectives, which provide relevant context to planning policy. Under Theme 1, Strategic Objective 1A aims to *'[c]reate employment and link local people to jobs'*, and envisages *'[l]ocal centres [that] will provide retail, services and local employment... because there is good access to jobs and residents will have the training and skills needed by businesses'* (para 3.5).

Theme 2, Strategic Objective 2D, envisages *'[t]he town centres will offer a range of shops and services, along with offices, tourism and cultural facilities. The Central Activities Zone,*

opportunity areas and action areas will have lots of different activities as well as housing' (para 3.13).

Theme 4, Strategic Objective 4A, 'Provide enough funding for regeneration to positively transform the image of Southwark', envisages 'work[ing] with landowners, local stakeholders and developers to achieve regeneration' so that there is 'a clear and flexible plan to make sure the right investment decisions are made and that regeneration happens on time' (para 3.17).

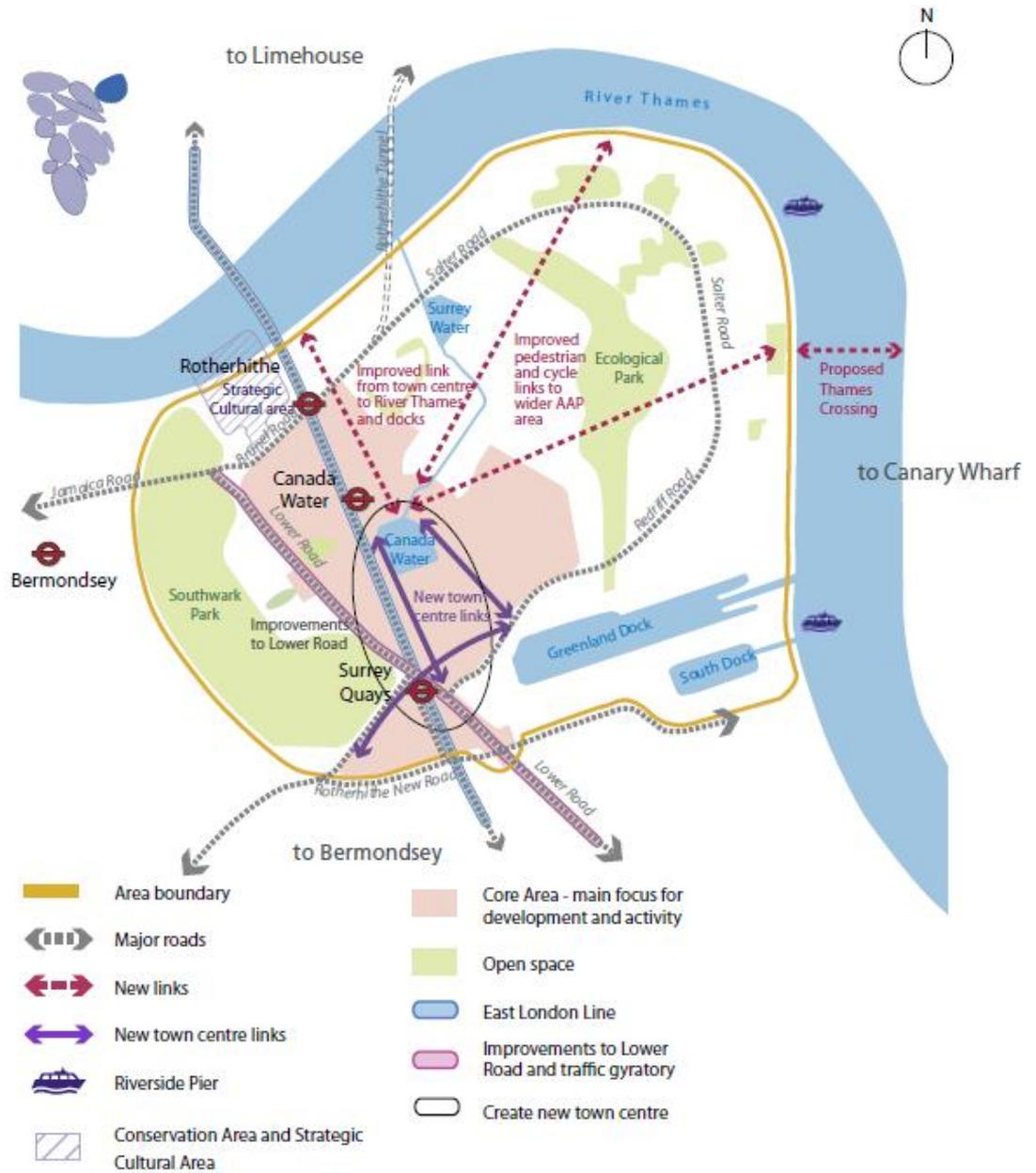
Under Theme 5, Objective 5A identifies Canada Water action area as an area key to delivering growth. New development at these growth area will involve a balance of '*as many homes as possible with growth of other activities that create successful places such as places to work, leisure, arts and culture, sports, health centres and tourist activities.... [D]evelopments [will] focus on the strengths of places that make the different areas of the borough distinctive and respect local and historic context.*' (para 4.3).

The vision for Canada Water involves the transformation of the area into a town centre '*which combines shopping, civic and leisure, business and residential uses to create a new heart for Rotherhithe*'... and '*to strengthen Canada Water's role as a shopping destination, expanding the amount of retail space by around 35,000sq m and providing a much more diverse range of shops than at present, including a new department store and independent shops. The action area's core will provide at least 2,500 high quality new homes, which will be accommodated in generally mixed use development*' (Para 4.31).

It is recognised that '*existing facilities in the town centre are currently separated and poorly linked, being built originally to serve car-borne visitors. Development in the town centre will contribute towards creating an open environment with a high street feel, and high quality public realm and open spaces*' (4.33).

The vision for Canada Water and Rotherhithe is expressed spatially in the Canada Water AAP Key Diagram (Figure 4) reproduced below.

Canada Water AAP Key Diagram (Figure 4)



Source: Southwark's Core Strategy, April 2011; Figure 4: Canada Water (and Rotherhithe)

The vision provides the basis for the Canada Water Area Action Plan, which is reviewed below.

Canada Water Area Action Plan, March 2012

Buildings on the Core Strategy, the Canada Water Area Action Plan (AAP) sets out in more detail how the action area will change over the period leading up to 2026, with a supporting strategy and policies detailed. The overarching aim is the AAP is for a new town centre with mixed-use development providing significant commercial uses, employment opportunities, and delivering social infrastructure to support the regeneration for a new residential community. It is a requirement of the plan making process that the council can demonstrate that any proposals and policies within the APP can delivered within the timescale of the plan.

During the development of the AAP it became known that the Harmsworth Quays Printworks site could become vacated by its present occupants in around 2014. In recognition of this the AAP acknowledges upfront the requirement for a review of those aspects of the AAP, which may be affected. The text set out below does not therefore take account of the Printworks vacating the site.

The strategy for Canada Water is set out in the Core Strategy, and seeks to strengthen Canada Water's role as a shopping destination, expanding the amount of retail space and providing a much more diverse range of shops than at present, including a new department store and independent shops. The action area's core will also provide new homes.

The Canada Water area is considered suitable for change due to its character, public transport accessibility, and its opportunities and capacity for growth. There are a number of key strengths, which can be built upon including its attraction for families; leisure opportunities; and parks open spaces, the docks and green links. The challenges and opportunities, which are to be taken into consideration in order to achieve the vision include:

- The intention to enhance the offer and retain leisure and expand the retail, café and restaurant offer to create a genuine town centre with neighbourhood facilities. By increasing the quantity and quality of retail the area will 'claw back' expenditure from elsewhere, and to protect its position from increased competition from other centres.
- A need to improve access to public transport, including pedestrian and cycle routes, and enhance permeability. This includes improving the road network
- Improvements to sports facilities in the docks, South Park and the Seven Islands Leisure Centre to ensure the area develops as a great place to visit, to relax in and enjoy leisure.
- To create better and safer streets, squares and parks
- To provide more and better homes; and
- Enhanced social and economic opportunities.

There is also an intention to create a higher quality, finer grained area with varied architecture, and minimise impact of parking.

The AAP recognises that it is important that the social and community infrastructure such as new jobs, schools, health and other community facilities are in place to benefit local people and support the growing population.

Policy 25, Jobs and Space, sets out the intention to promote a business cluster around the Harmsworth Quays site and new office and light industrial (B1 use class) in new development on Surrey Quays shopping centre and car park, the Mulberry business park, Site E, the Surrey Quays Leisure Park and Site B. (These sites are identified previously in **Figure 3.1**).

Policy 25 also states that new space should be flexible to meet the demands of the local office market. Future occupiers would be likely to be public sector organisations or SMEs providing services to other local businesses, mainly in the information technology, creative industries, and professional services sectors. The provision of live-work units is not supported however.

There is some business space in the core area which has not been designated on proposals sites. This includes the Dock Offices on Surrey Quays Road and the City Business Park on Albion Street. Business space on these sites is protected by Policy 10 in the core strategy and should be retained.

In justifying Policy 25 evidence is drawn from the 2009 employment land forecasts, which estimates the need for up to 30,000 sq m of new office space in Southwark by 2026 to meet local office demand outside the SE1 area of the borough. Approximately 12,000 sq m is proposed for Canada Water on the proposal sites in AAP, mainly on sites around Harmsworth Quays and as part of a noise buffer (Harmsworth Quays itself was excluded from this capacity assessment). This justification relates to conditions prior to the knowledge that the leaseholder of the Harmsworth Quay site, Daily Mail & General Trust (DMGT), intended to relocate its present printing operation to Thurrock. Should the printworks be redeveloped, a non-residential noise buffer would no longer be required.

Other Relevant Documents

There are a number of other key documents which are relevant for review.

Economic Development Strategy, 2010 to 2016

The strategy has been developed as a response to the challenges and opportunities to Southwark's economy. The overarching vision for the Council is two-fold: 1) To build sustainable, inclusive and prosperous communities by reducing worklessness and sustaining high quality employment for all Southwark's residents; and 2) To create a strong sustainable economy, with a thriving network of town centres, built on an entrepreneurial culture.

Following this Southwark's strategic economic development priorities are to:

- Tackle the barriers to work faced by priority groups
- Increase business and employer engagement
- Raise skills for sustained employment
- Support existing businesses
- Develop key business districts and town centres; and
- Increase business start ups.

As a preferred location for residential and commercial growth, Canada Water and Rotherhithe action area is referenced in the EDS as preferred locations for growth, which could help to deliver the regeneration of the borough.

LB Southwark Employment Land Review, January 2010

URS were commissioned by the London Borough of Southwark (LB Southwark) to undertake an employment land review to assess the quantity, quality and viability of employment land throughout the borough and evaluate the viability of existing Unitary Development Plan (UDP) employment policies as well as inform the Council's emerging Local Development Framework (LDF) evidence base and associated policies.

The review considered different property markets for employment land and floorspace in the LB Southwark including; the regional office market i.e. the distinct 'City Fringe' commercial (B1) office market in the northwest of the borough (the 'SE1 Market'); the separately considered local office market, the South East London Property Market Area (SEPMA) and local industrial market for B2/B8 land-use.

Regarding offices, the SE1 market differentiates itself from the traditional financial centre of the City of London by offering high-specification offices at comparatively lower rents; and localised demand for B1 floorspace, typically by SMEs. Forecasting estimated an additional demand up to 2026 for between 419,865 and 507,590 square metres of floorspace for B1 uses; the majority of which was forecast for the SE1 market. Around 25,000 to 30,000 sq m additional B1 office floorspace was forecast in the local office market up to 2026. Start-up and SME companies were found to require small flexible spaces, space for possible expansion with premises which are visible from the road.

In terms of the growth in industry and warehousing across the property market area, B2 uses were expect to continue their contraction which was shrink by between 23.7 and 16.7 hectares by 2026, though demand was still evident at key, suitable locations. The demand for B8 land is expected to remain stable up to 2026. The continued overall demand stems from a continued preference of logistics businesses to be located close to central London markets. The estates located close to the A2 in LB Southwark mostly satisfy this need, which could be redeveloped or intensified to accommodate demand.

At Canada Water, the area showed strong suitability for B1 land-use largely in virtue of its access to public transport and quality of environment. Recommendation R2 applies to the sites within Canada Water, which states the need to *'[p]rotect and facilitate the growth of office space in all Town and Local Centres for existing and new businesses. This will be in order to accommodate the forecast demand for smaller B1 office units that will accommodate for the needs of SMEs. New units should provide flexible workspace with suitable design characteristics'*. And that *'Existing B1 floorspace should only be lost to non-employment uses where it can be demonstrated that continued provision of B class space or reprovision of B class space within a mixed use scheme is not economically viable.'*

The justification for this points to the forecasting exercise which suggested that *'there is demand for around 25,000 to 30,000 sq m additional B1 office floorspace in the local office market up to 2026'* and that *'[a]lthough there is a supply of premises that could accommodate some of this demand, the quality of these premises does not meet the needs of potential occupiers. This demand could be equally distributed amongst the town centre area clusters and others listed, given that they all demonstrate strong suitability for B1 uses.'*

Town Centre Feasibility Study, February 2010

To inform the preparation of the draft AAP, this study tested four design options. The design options were based around a vision to transform Canada Water into a town centre for the local community *'to work with landowners to create a much needed diverse range of shops including new department stores & a range of independent shops. These will be accommodated with a mixed use development including new homes above. As well as shops & homes, the centre will have leisure & civic facilities, offices, restaurants & cafes'* (Page 25).

Retail Capacity Study, 2009

In 2008, Southwark Council appointed GVA Grimley to carry out a Retail Study to inform the evidence base for emerging retail planning policy and to enable the Council to make informed choices about the nature and extent of retail growth to be accommodated within the borough in the future. The study will influence and guide the Council's spatial vision and strategic objectives in the context of anticipated population growth over the next ten years.

The Study identifies that current national trends in retailing are; continued polarisation towards a smaller number of larger centres; greater household mobility broadening choice of shopping centres to visit and; increase in internet shopping. It notes that Southwark is likely to be affected by these trends which reinforces the need for Southwark to expand its retail offer appropriately and resist out-of-centre developments.

The conclusions of the study are mainly specific to the individual major and district town centre areas, but in general the Study advocates that more capacity should be provided in the existing centres and that the existing town centre hierarchy, established in the Southwark Plan (2007), provides a sufficiently robust framework within which retail growth can be appropriately accommodated.

Canada Water Leisure Facilities: Options Review, January 2008

The report sets out an outline Options Review for the provision of potential leisure facilities through assessing the viability and deliverability of a range of alternative public and commercial proposals.

The principal public sports and leisure facilities which serve the Rotherhithe area are generally in need of significant investment in order to better meet the needs and aspirations of twenty first century customers. New developments in Rotherhithe will address the Council's Leisure Vision of a network of facilities that meets local need, services which include projects and activities as well as built facilities, fully accessible facilities and new facilities which support co-operative working. The Council's minimum requirements for community leisure provision in the area includes a 25m 8-lane swimming pool, leaner pool, 4-court sports hall (not presently available at the Council's existing facility 'Seven Islands'), 100-station fitness suite, exercise studios and crèche.

In total ten options were assessed. The options were scored against a series of criteria including reliance on delivery of enabling scheme, delivery of requirements, accessibility, site assembly/planning issues, capital/revenue input from the Council, continuity of service and contribution towards transforming leisure provision.

The assessment found that a number of leisure investors/operators are still considering their position but several key companies have declined the opportunity of investing in the area. An initial valuation of the Seven Islands Leisure Centre site determined that it could deliver upwards of £9 million as a capital receipt, which could be used to part fund development of a new facility.

The key conclusion from the Options Review were that *'while there is interest in the site from some operators, the Council will have to provide ongoing revenue funding for any traditional community facilities which might be provided – the extent of the capital contribution will vary but, in all cases, is likely to include the value of the Seven Islands site.'*



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