

OPDC AND LB EALING AFFORDABLE WORKSPACE STUDY



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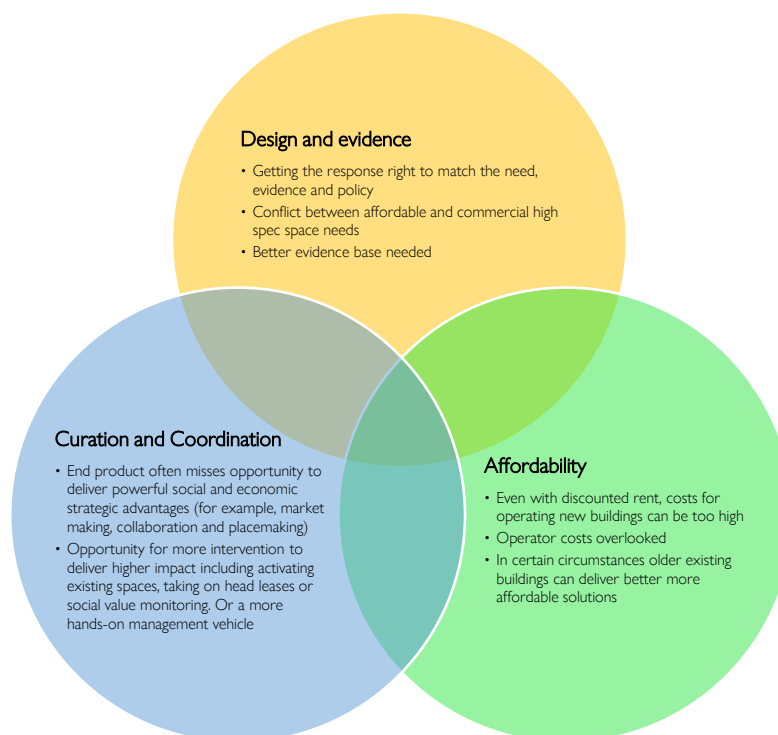
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1 EXECUTIVE SUMMARY

Aim of the study

- 1.1 Workspace is vital for the growth of the economy, but it has become increasingly unaffordable for many businesses, particularly small businesses, creatives and charities, which are a key driver of growth, innovation, resilience and social value. Workspace has also become increasingly unaffordable for a range of different businesses, limiting the growth of a diverse and resilient economy.
- 1.2 Affordable Workspace policy aims to generate a wider range of economic and other opportunities. The London Plan (2021) notes that Affordable Workspace is required to accommodate economic, social and cultural uses that cannot afford to operate at open market rents and to support start-up or early-stage businesses. The London Plan leaves it to local planning authorities to produce the evidence base for what the specific Affordable Workspace needs are in different parts of London.
- 1.3 This report aims to address three key challenges for the delivery of Affordable Workspace: design and evidence, affordability, and the curation opportunity. The report responds to these challenges throughout.



- 1.4 Affordable Workspace planning policy at the borough level is relatively new, with many central London boroughs adopting it within the last few years. Most of these require new developments to deliver 10% of space as affordable, with varying definitions of priority sectors, gross or net space, level of fit out, and discount etc. Our experience and engagement with developers and operators has demonstrated that many of these policies are either as yet fairly untested (with schemes committing to delivery in the s106 but with no strong vision for how it will be delivered) or struggling to deliver (with developers finding viability stretched or operators

stating that the space won't be truly affordable). The authors of this study, REDO and Volterra Partners, have found that the best outcomes are typically delivered where pre-planning discussions occur, consideration for implementation and operation are considered early, and there is the option for a flexible response to policy.

- 1.5 There are many different opportunities to deliver Affordable Workspace, whether allocating affordable space in new developments or working with existing buildings. Many of the best examples of existing Affordable Workspace have historically been delivered by operators who have secured ownership of existing buildings and are able to operate outside of the market rent system. In recent years many councils have recognised the potential to intervene directly and to use their assets to shape the high street and support post covid economic recovery. Through funding opportunities and repurposing of existing buildings in the right locations, local authorities are actively delivering more affordable space. This presents not only an opportunity to fast track a councils' shift to net zero, to use assets either owned or leased to deliver increased public value, but also to use development contributions to unlock more of the right type of space at the right price.
- 1.6 This study brings together the evidence, recommendations and tools required to inform planning policy, guidance and s106 negotiations in Old Oak and Park Royal Development Corporation (OPDC) and the London Borough of Ealing (LBE). The authors recommend that Affordable Workspace should be defined quite broadly to recognise all the factors that influence the affordability of space, ensuring it is suitable for the target end user. These factors include discount to market rent but also the total cost paid by the end user (business rates, operator costs, service charge), the fit out and size of the space, and the support/facilities offered. This recognises that all end users and developments are unique so does not prescribe a specific definition – the approach can be flexible so long as the workspace can be shown to achieve its intended purpose.

Area review

- 1.7 The OPDC and LBE are diverse areas. LBE currently supports more jobs than the OPDC¹ but the latter is a key opportunity area and is expected to grow considerably over the next 20 years.² Both areas support a mix of commercial activity but industrial is relatively more important in the OPDC area. LBE has a considerably greater amount of office space. Businesses tend to be larger in the OPDC area – 5% of total businesses employ 50 or more people compared to 2% in the rest of LBE, which is more in line with national trends. There has also been strong growth in the number of micro (0-9 employees) and small (10-49) businesses in the OPDC area, but the number of small businesses has fallen over the past five years in LBE.
- 1.8 This study pulls together several sources to understand demand and supply for workspace. There is evidence of affordability issues across the study areas caused by a reduction in supply and increasing demand. The industrial stock in LBE (excl OPDC) has fallen over the past 20 years (OPDC has remained more steady). There is also evidence of strong demand and

1 LBE (excl OPDC) supports 130,000 jobs compared to 55,000 in the OPDC. References for these sources are summarised in the main report and area review appendix.

2 OPDC is one of the UK's key regeneration areas and has the capacity to deliver 36,350 new jobs over the next 20 years.

suppressed need across the two areas: average industrial rents in LBE increased from £9.50 per sqft in 2012 to £17.50 in 2021. Prime industrial rents in Park Royal are as high as £28 per sqft, having increased by 40% over the last year alone. Average land values in the area have surged to over £10m per acre (compared to the London average of £7.1m per acre), driven by demand for industrial space but also other uses like data centres. Industrial vacancy rates of 2% to 3% are common across both areas. And businesses are starting to move out – the number of small businesses in LBE has fallen.

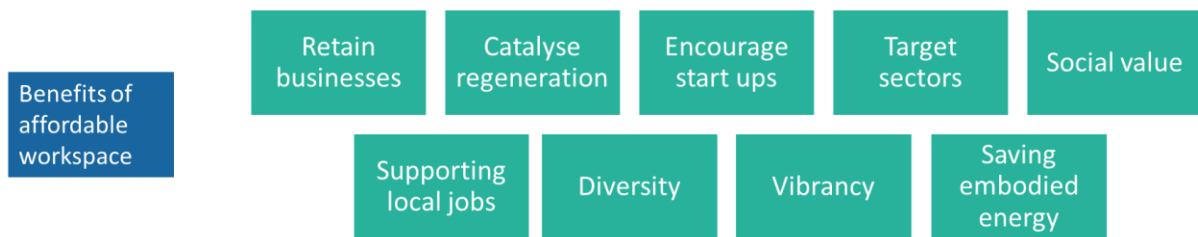
Implications for Affordable Workspace planning policy and guidance

- 1.9 *OPDC:* business activity is important in the OPDC. The majority of the businesses and the jobs in the area are industrial focused and there is a high proportion of larger businesses. It is an important area for micro and small businesses, which have grown a lot in recent years. It is one of the UK's key regeneration areas and has the capacity to support 65,000 new jobs over the next 30 years. However, the business growth has translated into strong demand and evidence of suppressed need for workspace in terms of high rents and low vacancy rates. The growth will continue to increase demand for workspace, making it unaffordable for many key businesses.
- 1.10 *LBE:* LBE is diverse in terms of uses and commercial activity. It has more residential uses but is also an important business location, both in terms of industrial and office space. LBE has a strong focus on micro businesses. The growth of micro businesses has implications for the type of Affordable Workspace required. For example, micro businesses may prefer shared spaces to promote collaboration with other businesses. Alternatively, small businesses may prefer their own independent space. The office and industrial stock in LBE has fallen over the past 20 years. There has been a particular reduction in office space in LBE which has fallen at a considerably greater rate than both the London and national averages. Losses of industrial in LBE have been driven by the loss of stock in non-designated sites. This loss and growth in the area has led to strong demand for workspace and evidence of suppressed need evidenced by low vacancy rates, particularly in key office and industrial locations.

The business case for Affordable Workspace

- 1.11 A variety of economic, social and environmental benefits are associated with the provision of Affordable Workspace, which are summarised below. However, it is important to recognise that provision of the space in isolation is not enough. These benefits will not be realised unless the rents and associated costs to the end user are low enough, the space is designed for the end user, and the businesses have the environment and support they need to enable them to grow and prosper.
- 1.12 Affordable Workspace can support significant social and economic benefits. International House, London's largest Affordable Workspace, run by 3Space, supports social value of £413psqm compared to £27psqm for a standard new development in the borough.³

³ PRD, 2020, Assessing the Impact of International House: Options for 3Space in Brixton and Lambeth



- 1.13 This study has identified a range of priority sectors for Affordable Workspace. These are important because they allow limited resources and opportunities to be directed where they can have the most significant impact. The priority sectors include current sector specialisms, such as food manufacturing and scientific research, and also future opportunity sectors, like life sciences and computer programming. Another important area of focus for Affordable Workspace will be creative and cultural activities as these are often the ones that operate at the margins and are most at risk from the dynamics of the property market. These artistic and third sector businesses can often support significant placemaking benefits and are one of the key target groups for Affordable Workspace in the London Plan.

Best practice implementation and local government intervention

- 1.14 The two main planning policy measures that are typically used are: a percentage discount to market rent and a percentage of development floorspace that this would be applied to. However, there are many implementation challenges including operator viability and true affordability to the end user that are not always being adequately considered at planning application stage as part of this approach.
- 1.15 REDO has modelled the total cost of operating space to provide a benchmark to better inform assessment of total costs involved and the rental expectations for developers. This will help to ensure that on-site provision is able to provide genuine affordability for the end user and more schemes are delivered that are viable and attractive to a larger pool of Affordable Workspace operators. The assessment has also considered the key elements of successful operation including typology, management, fixed costs and deliverability.
- 1.16 Our research shows that Affordable Workspace being secured under existing planning policies is often too small and located in parts of the building which are unattractive to Affordable Workspace operators, such as a basement. New development examples which meet the definition provided by the GLA and identified in this report often aren't a product of Affordable Workspace policy. The majority that do are often delivered directly by council, and in existing council owned buildings with lower operating costs.
- 1.17 Operator costs impact on operator viability and ultimately the price able to be offered to the end user. Our modelling shows the difference between a standard cost of operation and a streamlined cost of operation. These hypothetical scenarios act as benchmarks to better understand what rents operators can be charged and the impact on affordability to the end user. The streamlined version includes additional support tools which can apply to all development but the best results are likely to include the reuse of an existing building. The additional support provided in the streamlined scenario is from tools currently being

implemented by other local authorities. It shows the difference in costs and suggests that development contributions allocated to this purpose could be a better solution in some cases.

- 1.18 This study provides a summary of how other local authorities are intervening outside of the planning system and provides case studies of the range of tools available.

Viability

- 1.19 A viability assessment has been completed as part of this study. The assessment considers the viability under many different examples, testing a range of different uses, size of development and Affordable Workspace scenarios. Some key assumptions, such as rent and residential market sale value, are key to the results. The viability assessment presents ranges for these key assumptions to understand how sensitive the results are to changes in key assumptions and tipping points in viability.
- 1.20 The conclusions of the viability work vary depending on these underlying assumptions but generally many office schemes are viable at rents achieved in the area of around £45 per sqft (for net uplift in workspace). Some office schemes are pushing the limits of viability at lower rents. Similarly, many of the industrial schemes are viable under achieved rent levels of around £24-£27 per sqft (also net uplift). The mixed use residential and industrial schemes (and by extension mixed use residential and office) generally show strong viability.
- 1.21 The report provides six key recommendations for OPDC and LBE to consider.

Recommendation 1: Establishing principles for typology, operator viability and implementation

- 1.22 For typology and design of Affordable Workspace, it is recommended that there are a set of principles which all schemes are assessed against including:
- Adequate provision of natural light.
 - Individual lockable units to be provided.
 - Minimum size suitable for an operator. The modelling and consultation show that this is important for operator viability as costs decrease the larger the total size, while impact and output for local authorities increases. It is recommended for on-site provision that minimum sizes are increased depending on the use type: 1,000 sqm for mixed use, 2,000 sqm for office and 3,000 sqm for industrial or data centres. A lower proportion of floorspace may be considered appropriate for on site provision in certain circumstances (see some examples in paragraph 10.20) and where it can be demonstrated that this would meet the objectives and definition for affordable workspace. Vice-versa, an in lieu off site financial contribution may be more appropriate for certain schemes above the thresholds. This would need be considered on a case-by-case basis.
 - Affordable Workspace operators are given priority (this is another recommendation, but all schemes should be designed to ensure space works for operators).
 - That the design, specification and fit out are aligned to the West London Alliance (WLA) Affordable Workspace study⁴ and the GLA industrial Intensification Study.⁵

4 Avison Young 00 Architecture, 2021, West London Alliance Affordable Workspace Study

5 We Made That, 2018, Industrial Intensification and Co-Location Study: Design and Delivery Testing

These studies provide detail for designers on specification and fit out, including detail on access, ceiling height and unit sizes and what is appropriate for the target sector.

- 1.23 For operator viability, it is recommended that the cost of operating space is given consideration:
- Operator costs impact on operator viability and ultimately the price able to be offered to the end user. Our modelling shows the difference between a standard cost of operation at £31 per sq ft and a streamlined cost of operation at £17 per sq ft. These hypothetical scenarios act as benchmarks to better understand what rents operators can be charged by the landlord and the impact on affordability to the end user. The streamlined version includes additional support tools which can apply to all development but the best results are likely to include the reuse of an existing building. The additional support provided in the streamlined scenario is from tools currently being implemented by other local authorities. Costs go down the larger the total size and impact goes up. There is also potential for landlord rent per sqft to increase the larger the size of space.
- 1.24 For better implementation and alignment with the streamlined benchmark, it is recommended that changes in design or approach to reduce operator costs and deliver better outcomes are considered, including:
- reduce rates and service charges through support and design .
 - provide access to fit out funding grants and loans.
 - payment in lieu to repurpose existing buildings could be better alternative in many situations.
 - consider further intervention for coordination and monitoring such as social value leases and delivery vehicles.

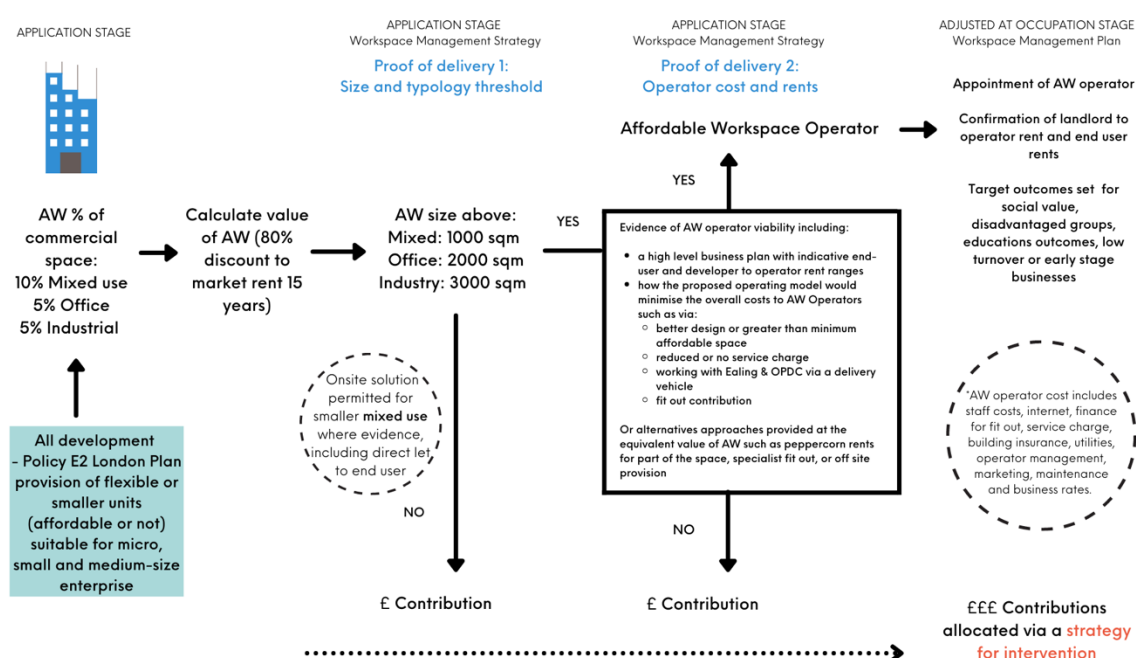
Recommendation 2: Definition for Affordable Workspace and Affordable Workspace Operator

- 1.25 The report recommends the following definitions for Affordable Workspace and Affordable Workspace operator:
- **Affordable Workspace** – workspace which overcomes a market failure for a specific social, cultural or economic development purpose. Any specific proposal should consider all the elements needed to provide a workspace that meets the requirements of the target end user. This will include the discount to market rent but also wider factors including total costs paid by the end user (business rates, service charge, operator costs), the fit out and size of the space, and support/facilities offered.
 - **Affordable Workspace operator** – an operator who can demonstrate via its constitution, accreditation or previous rents offered that its purpose is to provide space which is affordable to end users. The operator should also be able to provide evidence and targets for how it provides affordable space for one or more of the following: specific sectors that have social or cultural value; disadvantaged groups of any sector; delivery of education outcomes; and low turnover and early-stage businesses.

Recommendation 3: Implementation-first, flexible approach to Affordable Workspace delivery

- 1.26 This report has found that there are issues with existing Affordable Workspace policies. They have been limited in their capacity to deliver genuinely affordable space, with many of the best outcomes being delivered outside the planning system.

- 1.27 The evidence highlights the limitations of a policy requirement based on a fixed percentage discount to market rents. The standard approach does not tend to take account of other important costs – operator costs, business rates, service charges.
- 1.28 The evidence, our experience (from an operators perspective on the operation of the policy), and engagement with developers, end users, operators and the public sector all points towards the need for a new approach. The key recommendation from this report is that Affordable Workspace policy/guidance should be flexible, enabling space to be best adapted to the needs of end users, whilst ensuring Affordable Workspace commitments can be secured and calculated in a consistent way.
- 1.29 This is outlined in a series of steps from application stage to occupation stage and summarised in the diagram below.



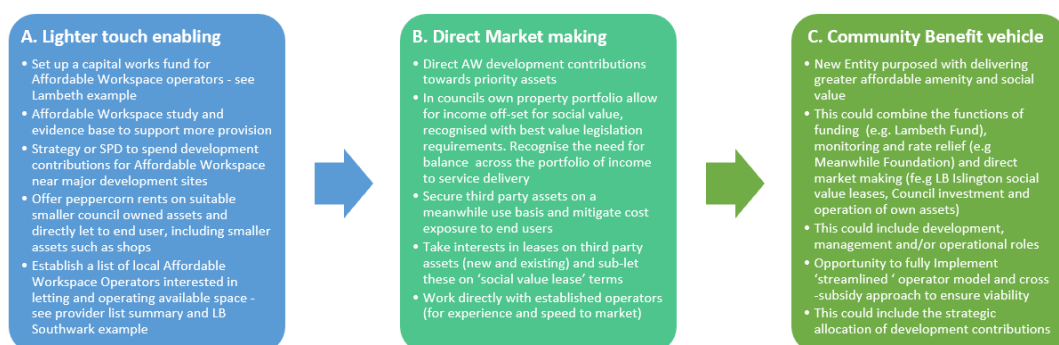
- 1.30 The following table shows how the value of the Affordable Workspace should be calculated. This approach recognises that an offsite financial contribution is preferable to space that does not meet the needs of end users.

Value of Affordable Workspace discount	Unit	Label / calc	Notes
Total floorspace	NIA (sqft)	(1)	Gross uplift for mixed use properties. Net uplift for office and industrial.
Proportion of floorspace which is affordable	(%)	(2)	Office: 5% Industrial: 5% Mixed use: 10% NB: the percentage floorspace should be only applied to the employment floorspace.
Total affordable floorspace	NIA (sqft)	(3) = (1)*(2)	

Value of Affordable Workspace discount	Unit	Label / calc	Notes
Market rent	£ per sqft	(4)	Market rent that would have been achieved for the discounted space. The applicant should include evidence. ⁶
Length of Affordable Workspace term	years	(5)	15
Affordable discount	(%)	(6)	Office: 80% Industrial: 80% Mixed use: 80%
Value of Affordable Workspace	£m	(7) = (3)*(4)*(5)*(6)	

Recommendation 4: To consider other potential intervention options

- 1.31 The study has outlined what other local authorities are doing outside of the planning process to secure and support affordable space. It is recommended that the OPDC and LBE consider all the options available to them and that further work is undertaken, working across departments, to decide which is the most suitable approach for their organisation.



- 1.32 This diagram above shows some but not all of options available which LBE and OPDC could implement. The development of measures of success and robust impact measurement becomes more significant with movement up the tiers from A to C. Any intervention should be shown to deliver social value and measured using standard social value monetisation frameworks such as the Social Value Bank or National TOMs framework. Ensuring there is space for a diverse range of local businesses should be the key driver of any social value.

Recommendation 5: Where to spend development contributions

⁶ Current market rents should be used to calculate the financial contribution for the purposes of the s106. A review mechanism could be applied prior to payment. Where provision is on site the applicant will be required to submit a workspace management strategy (WMS) as part of the application which will confirm current market rents. Then a workspace management plan (WMP) would need to be submitted prior to occupation. The WMP would be where any adjustment would be presented to LB Ealing / OPDC, and more importantly it would need to include confirmation of the rents to end users and the targets in terms of outputs (e.g. local jobs, local / small business, tenant allocation strategy, business support, other social value) outlined in the WMS and agreement on how it will be reported and monitored.

1.33 The OPDC has a development pipeline of 5.5m sq ft of industrial and 3.8m sqft of commercial between 2018 and 2038. **Assuming that a proportion of this has already been delivered, this policy could be worth between £125m and £155m in total financial terms from 2023 onwards.** A similar or greater amount would be available to LBE. A portion of this value would likely be delivered as on site contributions, however consideration should be given to how any off-site contributions could be allocated including:

- Coordinated approach or strategy that considers how best to spend any off-site development contributions. This could look at how to implement some of the mechanisms identified in tiers of intervention outlined in recommendation 4. This study identified scenarios when securing financial contributions could be a better solution. Given this, it is recommended that OPDC and LBE prepare a strategy which outlines a coordinated way to maximise the opportunity, including any potential for ‘market making’ and an audit of suitable property assets.
- Spatial considerations. Consideration should also be given within the strategy to priorities from wider policy and locations that are of strategic importance, for example:
 - Placemaking and economic growth. Consideration of how affordable space could deliver placemaking and regeneration initiatives i.e. ‘In the Making’ in the OPDC area or in LBE how the outcomes of the Industrious Ealing Study could be taken forward, for example investment in high streets properties and taking on third-party leases to support bottom-up enterprise and growth.
 - Low Threshold Enterprise Locations (LTEL). There is not one clear definition of LTELs as many factors are used to define these types of space. This study uses data to identify likely LTELs locations but these are by no means certain, LTEL locations identified in the study show where there are clusters of existing buildings throughout LBE and OPDC which could provide affordable space and could be protected. After further analysis to identify suitable buildings funding could be allocated for capital improvements to support landlords to continue to provide these buildings for the same purpose or delivery of more affordable space rather than redevelopment. This could also support London wide commitments to be net zero and respond to opportunities to reuse and repurpose over redevelopment. Embodied carbon makes up to 75% of the carbon impact from buildings over its lifecycle. Changes to the MEES legislation by 2030 mean landlords will be likely to need support to avoid under-investment or leaving their buildings empty. Daryl Perry, head of UK insight at Avison Young estimated that the “Total cost for achieving the 2030 MEES requirement for industrial stock (existing) comes to £30.5bn at an average cost of £344,000 per building⁷.”

Recommendation 6: The modelling and analysis in this report should be reviewed periodically

1.34 This will ensure that the recommendations of this report are up to date. The review process could take the form of an informal advisory panel of operators working within LBE and OPDC area. The panel would be able to provide updates on Affordable Workspace operator’s issues, costs and feedback on target sectors and demand. OPDC and LBE should also consider how this function could be incorporated into the other intervention options mentioned in earlier recommendations.

⁷ Building Zero: the road to zero carbon logistics report – Avison Young 2022

2 INTRODUCTION: WHY ARE WE DOING THIS STUDY?

Context

- 2.1 Workspace is vital for supporting economic growth, but it has become increasingly unaffordable for many businesses across London. Affordable Workspace policy aims to address market failures that have stopped businesses (including social and cultural uses) from locating in important centres in London. SMEs make up over 99% all businesses in London and they are accepted to be a driver of innovation, entrepreneurship and prosperity. However, increasing rents in London has made the conventional office and industrial market unviable for many businesses, causing them to be priced out of these areas or to fail.
- 2.2 London Plan policies E1 to E3 relate to business floorspace and use classes. It commits to improving the quality and flexibility of office floorspace and the need to protect business space to meet the needs of different sized enterprises. Policies E4 to E7 refer to the importance of providing and maintaining land for industrial and related functions and additional floorspace capacity. Policy E3 concerns the need to secure Affordable Workspace at below market rents, in light of local evidence of need and viability.
- 2.3 REDO and Volterra have been commissioned by the Old Oak and Park Royal Development Corporation (OPDC) and Ealing Council to produce an Affordable Workspace Study. The study provides evidence to inform Affordable Workspace planning policy or guidance in the OPDC and London Borough of Ealing (LBE) area. This study brings together the evidence, recommendations and tools required to inform planning policy, guidance and section 106 (s106) negotiations. The analysis aims to share insight into the challenges of existing Affordable Workspace policies reflecting on local authority examples, as well as operator and developers' points of view and to provide solutions that will work in practice.

The authors

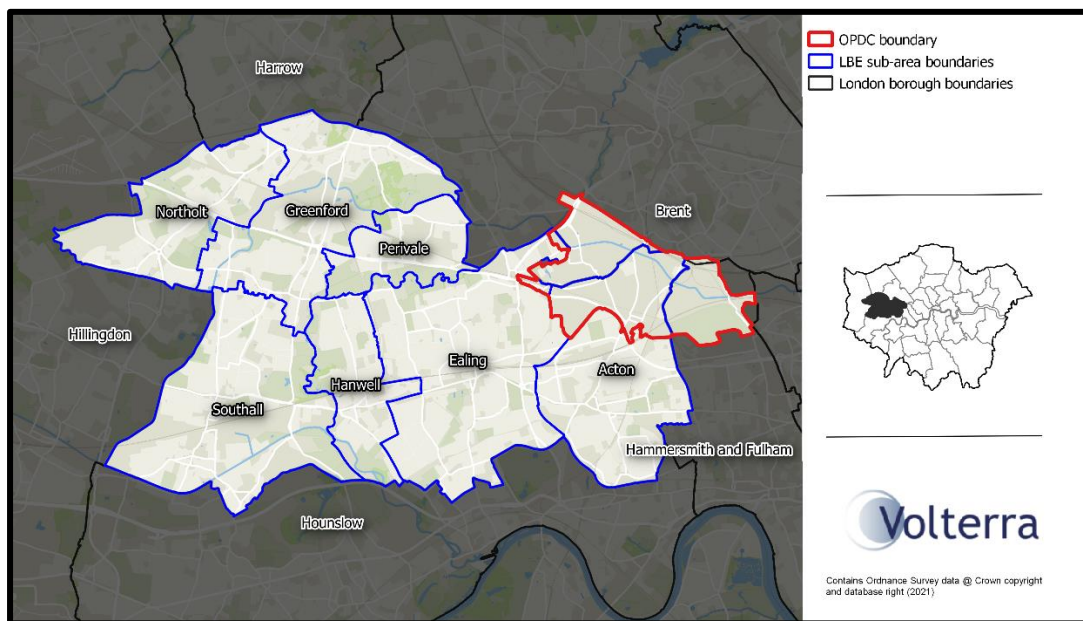
- 2.4 REDO was set up by the founders of 3Space to advise on how real estate can be used as a tool for delivering social impact. At 3Space the team have operated 45 buildings across the UK over the last 12 years with a focus in recent years on Affordable Workspace, the most notable example of which is International House in Brixton. REDO is an outlet through which they are able to apply their experience and help others shape their strategy and approach to real estate either through the use of existing assets or through the planning process. They advise local authorities, developers, housing associations and corporations on how to redo their approach to real estate to meet these needs – of local people, successful cities and modern businesses. This study reflects over 12 years of experience operating buildings and research and feasibility studies.
- 2.5 Volterra is an economic consultancy that specialises in supporting developers with economic, social and health advice through the planning process. The team helps to understand the impact of development upon people and places, with an increasing focus on equality, wellbeing and social value. Volterra is proud to be at the forefront of new development approaches to Affordable Workspace and responses to policy. They have worked with developers on their Affordable Workspace strategies across London and they have undertaken a large research

project into how Affordable Workspace is delivered across the capital and the effectiveness of different approaches.

The study area

- 2.6 The OPDC and LBE are located in West London. OPDC is a Mayoral Development Corporation established in April 2015. The corporation is responsible for planning and regeneration of 650 hectares including Old Oak Common and the industrial Park Royal site – London's largest strategic industrial location. This area is one of the largest regeneration projects in Europe and is expected to experience significant growth in the coming years, with 25,000 new homes and 65,000 new jobs due to be delivered over the next 30 years and the advent of new Crossrail and High Speed 2 station.
- 2.7 The OPDC intersects three boroughs: the London Borough of Brent (LBB), LBE and the London Borough of Hammersmith and Fulham (LBHF). LBE is split into eight 'sub-areas' or 'towns' in policy. One of these, Park Royal, lies within the OPDC.
- 2.8 The figure below shows the OPDC and surrounding borough boundaries, along with the LBE sub-areas.

Figure 1 Study area including LBE sub-areas

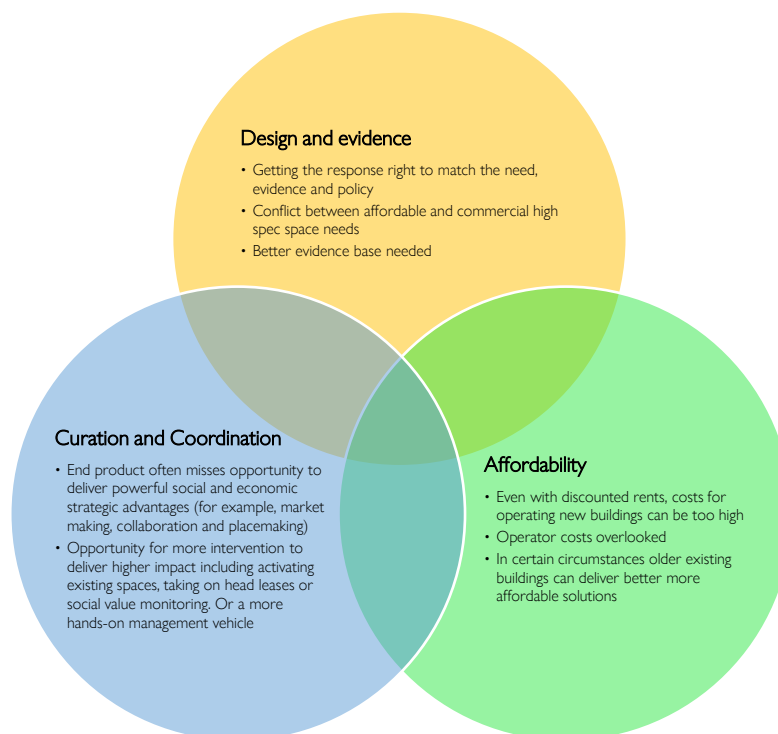


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3 WHAT ARE THE CHALLENGES FACING AFFORDABLE WORKSPACE

- 3.1 Based on the consultation and evidence in this report, and the author's experience, there are several key issues with how Affordable Workspace is being secured via the planning system. These issues centre around design and evidence, curation and coordination, and affordability, and they are used as reference points throughout the study informing the final recommendations.

Figure 2 Key issues with how Affordable Workspace is being secured



Affordability and affordability gap

- 3.2 The most common response by London boroughs to the London Plan Affordable Workspace Policy E3 is to require new development to allocate a percentage of the overall commercial space at a percentage discount to market rent. However, even after the proposed level of discounts, our experience suggests that the vast majority of Affordable Workspace operators cannot afford to take on space in new buildings. Costs for new buildings are often too high, particularly when accounting for business rates, service charge and fit out costs. There is then a large gap between the rent a development pays to maintain viability and what an operator can afford. Often the trade-off is the size of affordable space or typology secured becomes too small or the wrong type to make it viable for an Affordable Workspace operator.

“Rents that artists can afford haven’t changed. They don’t change based on the commercial market rent. It is only what they can afford”

Jack Fortescue, ACME

- 3.3 Old or existing buildings can be better, more affordable, solutions for Affordable Workspace operators. There are also very different affordability pressures depending on your end target operator (for example, grassroots charities are typically more location specific and cost sensitive whereas start-ups can sometimes afford higher rents, but value flexibility to enable quick growth and are more footloose when it comes to location).

Curation and coordination

- 3.4 It is well established economically that Affordable Workspace is important for the retention of small businesses and social value organisations within an area when property values are increasing. This is explained in detail in the section on the business case for Affordable Workspace. However, one of additional benefits of affordable space which deserves further attention is its ability to attract new business investment and to create social value or bottom-up community wealth building. The product allocated as affordable space in new development often misses the opportunity to deliver on the powerful social and economic strategic advantages that affordable space can bring if delivered correctly, for example, market-making, collaboration and placemaking.

“Registered providers are an excellent example of a well-established model that facilitates the delivery of affordable housing through processes, structure, grant support etc... But, unfortunately, there is not something similar for workspace policies”

John Anderson, Imperial, Scale Space

- 3.5 Local authorities can play a more proactive role in delivery of affordable space in a strategic way, in conjunction with planning policy levers. This could range from activating existing vacant spaces, to taking on head leases and a social value monitoring role, or LBE could use its own portfolio to lead the market. Alternatively, a more hands-on management vehicle could be established which sub-lets and provides cross-subsidies for strategic and social value aims. Thinking about some of the options available to the OPDC and LBE as part of this study has the potential to identify solutions that can complement the planning process.

Design and evidence

- 3.6 From our own analysis of new build schemes coming forward with affordable workspace we have identified where there are often conflicts in design. The outcome is too often that Affordable Workspace is shoehorned into an unsuitable part of the development. The vast

majority of affordable workspace is found in existing buildings. The table below provides a high-level summary of where the conflict occurs and identifies the challenges of trying to replicate the elements of existing buildings within new buildings. The study provides more evidence in the section on best practice.

Table 1 Conflict in design when trying to replicate in new buildings what is provided for users of affordable space in existing buildings

Conflict element	New build developments	Existing budling
Service charge	High	Low
Business rates	High	Low
Larger space per business	Medium	High
Established connection to the community	Low	High
Opportunity for experimental, creative or innovative uses, and to do so without impact on the amenity of other users	Low	High
Embodied carbon	High	Low
Overall operator costs	High	Low

- 3.7 There has typically been a lack of evidence to support Affordable Workspace which makes it difficult for local authorities to assess what is affordable and for developers to understand what options they have to meet the policy. The more information that there is available can help to support solutions that can be implemented and provide the social, cultural and economic benefits of the policy intention. Better evidence is required surrounding what the market failure is and therefore what interventions are most appropriate to meet the varying needs of workspace users.

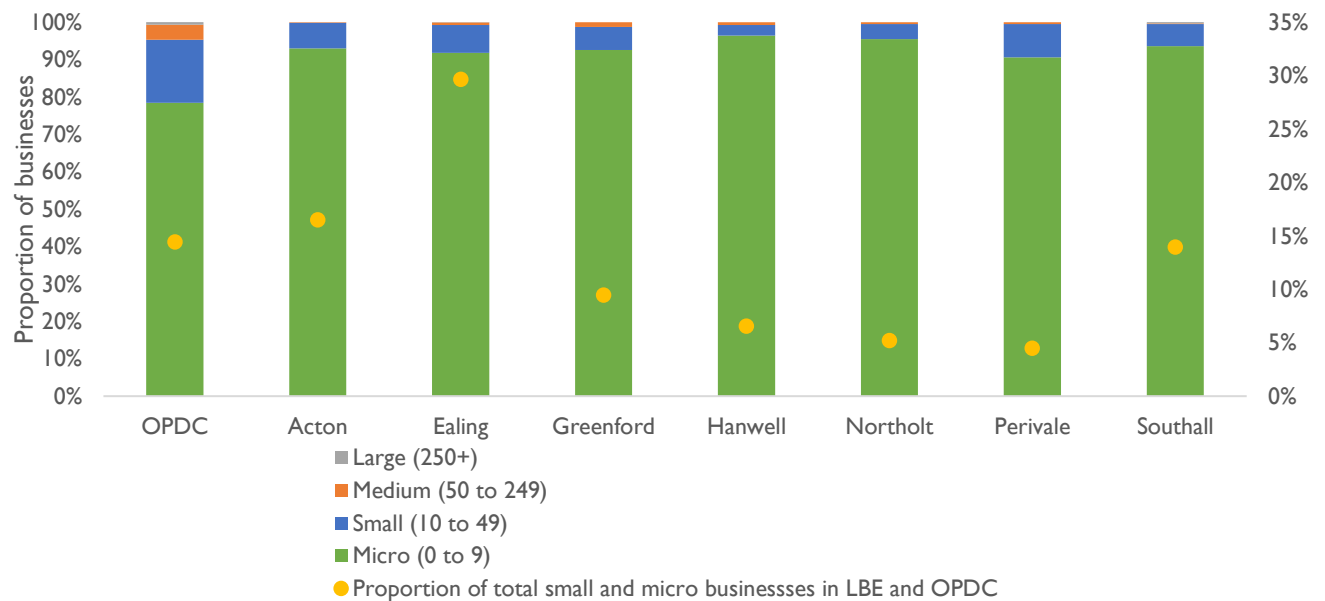
4 AREA REVIEW – WHAT IS THIS AREA ALL ABOUT?

- 4.1 A detailed area review is provided in Appendix 1. This section summarises the key points from that analysis.
- 4.2 LBE currently supports more jobs than the OPDC, but the latter expected to see a lot of growth. LBE currently supports more economic activity than the OPDC. LBE (excl OPDC) supports 130,000 jobs compared to 55,000 in the OPDC. The OPDC is however one of the UK's key regeneration areas and has the capacity to deliver 36,350 new jobs over the next 20 years. The GLA expect growth of 16,000 jobs in LBE between 2015 and 2036, equivalent to growth of 10.4%.
- 4.3 Industrial is relatively more important in the OPDC. LBE supports more office space. OPDC has a total of around 11.8m sqft of industrial space, slightly higher than LBE (excl OPDC) (11.6m sqft) despite having 300 fewer industrial businesses. In contrast, LBE (excl OPDC) has a considerably greater amount of office space, with around 2.9m sqft compared to 1.0m sqft across the OPDC.

The OPDC has a higher proportion of larger businesses

- 4.4 The OPDC has a relatively higher proportion of larger businesses: 5% of the total businesses in the area employ 50 or more people compared to 2% in LBE (excl OPDC), and 88% of the industrial floorspace within OPDC is larger than 5,000 sqft (NIA) compared to 84% in LBE (excl OPDC).
- 4.5 In contrast, LBE (excl OPDC) has a stronger focus in micro businesses (9 employees or fewer) with 91% of total businesses compared to 78% in the OPDC. The OPDC has a much higher proportion of small businesses (between 10 and 49 employees) than LBE: 17% compared to 7%. As a result of the larger businesses, the OPDC supports a third of the combined study area's employment but only 14% of its small and micro businesses.

Figure 3 Distribution of business sizes (2021)



Source: ONS, 2022, Business Counts local units by industry and employment size band

Strong growth in small businesses in the OPDC

4.6 Both areas have seen strong growth in the number of micro businesses between 2016 and 2021 with OPDC at 16% and LBE (excl OPDC) at 7%. Small business growth is also strong in the OPDC and Ealing town sub-area, the number of small businesses has fallen in most other parts of LBE.

Figure 4 Small and micro business growth (2016-2021)



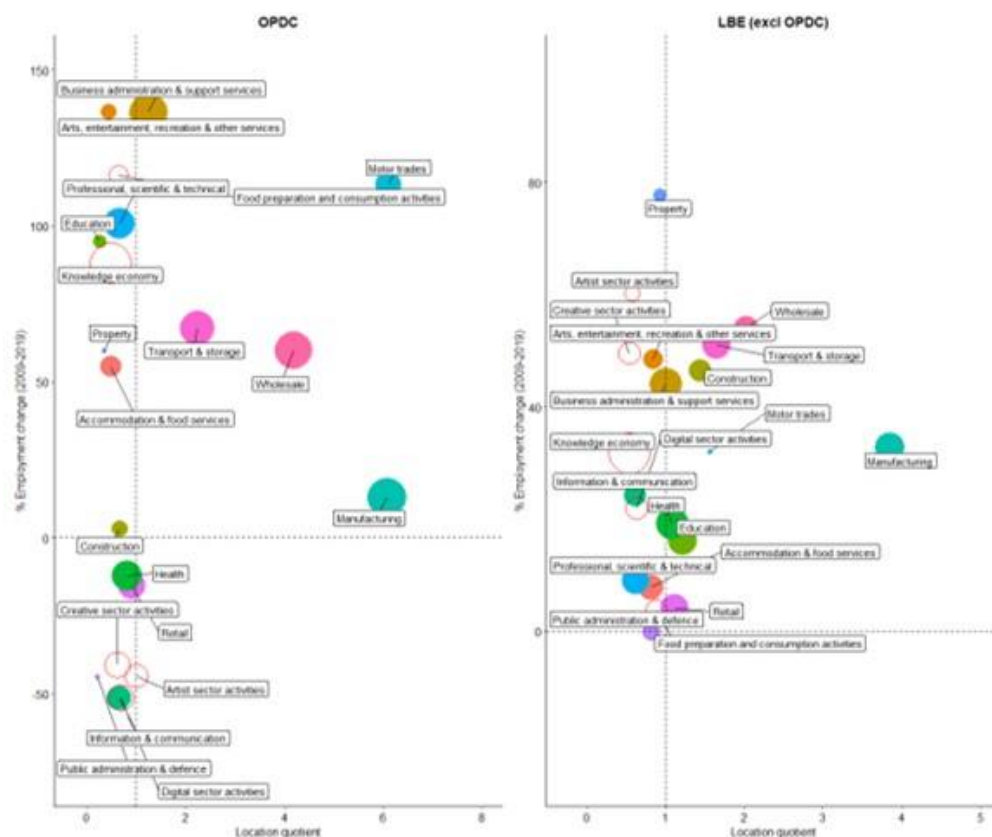
Source: ONS, 2022, Business Counts local units by industry and employment size band.

- 4.7 The growth of micro businesses has implications for the type of Affordable Workspace required. For example, micro businesses may prefer shared spaces to promote collaboration with other businesses. Alternatively, small businesses may prefer their own independent space.

Industrial sectors are important in both areas

- 4.8 There is strong current specialism in industrial sectors such as food manufacturing, motor trades and transport, logistics & wholesale in OPDC. The priority sectors identified in OPDC in 2015 still perform well. LBE also has strong industrial specialisms, specifically in food manufacturing, wholesale trade (except of motor vehicles) and transport & storage.

FIGURE 1: FIGURE 5 SIZE, SPECIALITY AND GROWTH OF BROAD AND CROSS-CUTTING SECTORS



4.9

Source: ONS, 2022. Business Register and Employment Survey 2020.

Small business priorities

- 4.10 Computer programming activities account for 3% of employment in LBE (excl OPDC) but has the second highest proportion of small and micro businesses (7%). The manufacture of food products within OPDC accounts for 9% of total employment but only 2% of total small and micro businesses. The small business focus of these sectors (or not) is important for Affordable Workspace.

Future growth sectors

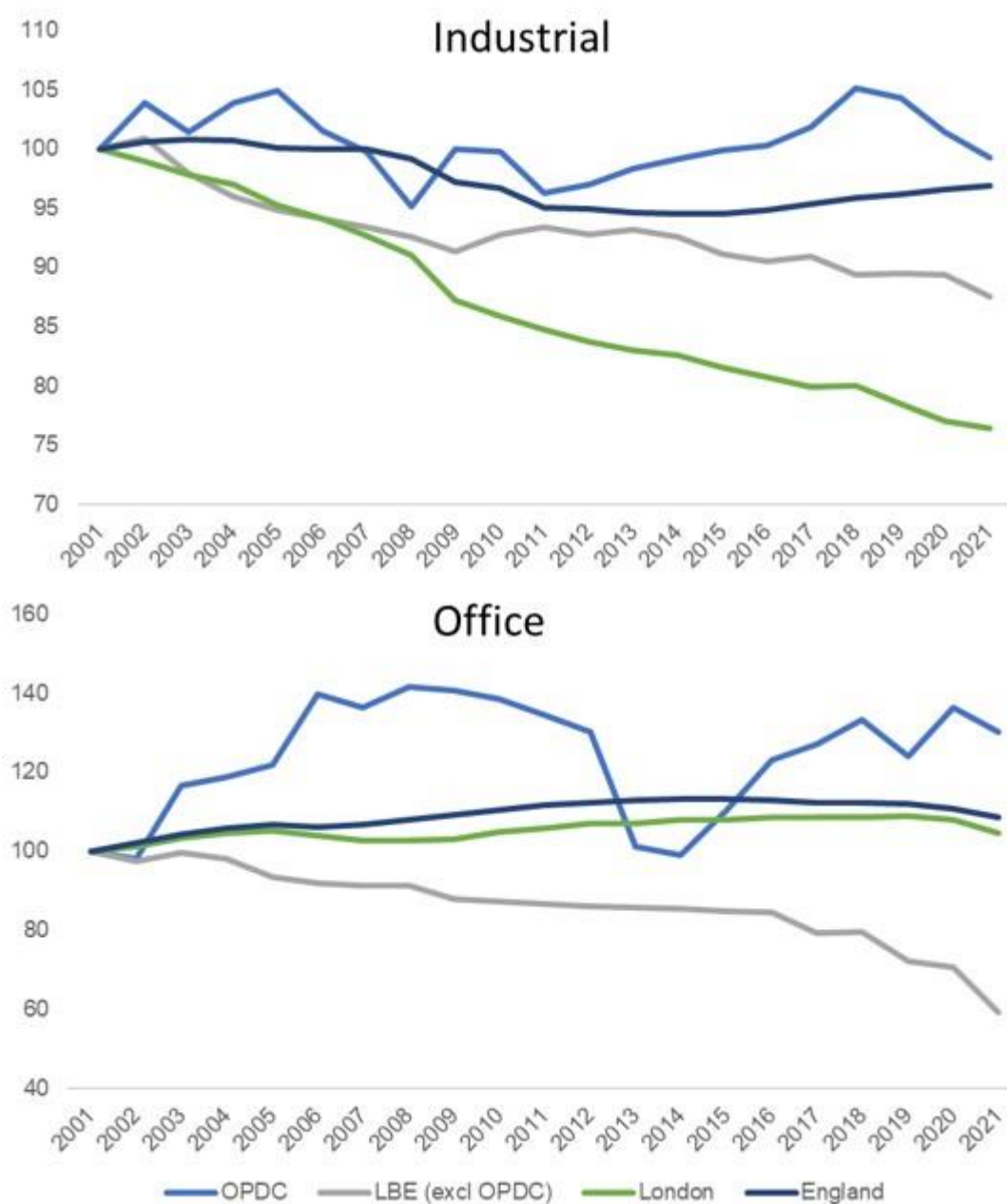
- 4.11 LBE growth sectors are office-based such as advertising and market research as well as computer programming, consultancy and related activities. Sectors with growth potential in

OPDC include office administration, scientific research and development and creative manufacturing. Both areas have the potential to develop sectors such as the green economy and creative and cultural sectors, but the importance of these sectors is harder to quantify.

Reductions in commercial floorspace in LBE, particularly office space

- 4.12 The industrial and office floorspace stock in LBE (excl OPDC) has fallen over the past 20 years, whereas the OPDC totals have remained more steady. There has been a particular reduction in office space in LBE which has fallen at a considerably greater rate than both the London and national averages. Losses of industrial in LBE have been driven by the loss of stock in non-designated sites.

Figure 6 Index of office and industrial floorspace changes (2001 = 100)



1.

Source: VOA, 2021, Non-domestic rating: stock of properties including business floorspace.

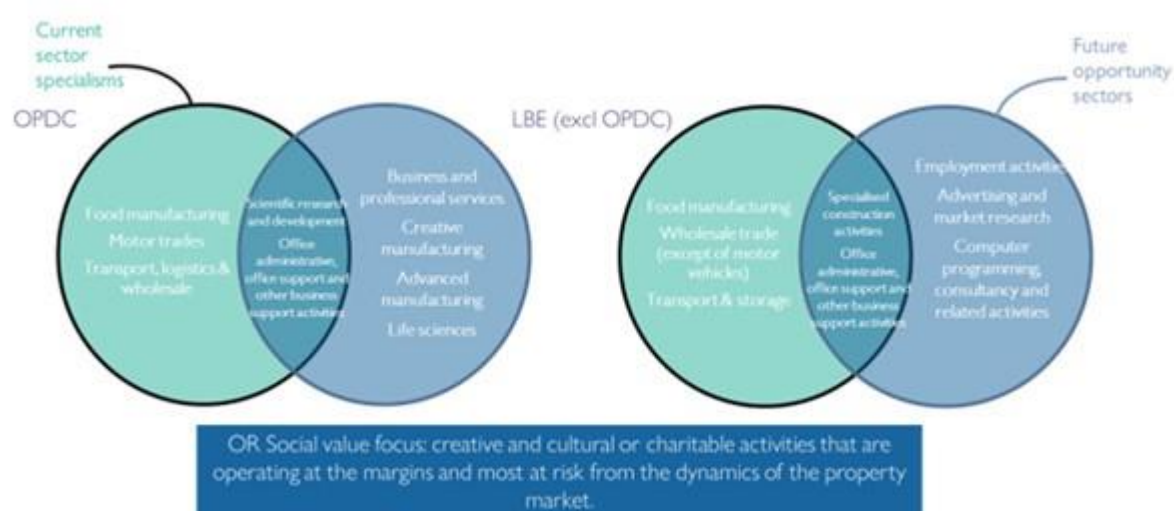
Importance of focusing on the smallest businesses

- 4.13 Businesses with turnovers below £250,000 are more constrained by size of premises and will find it harder to afford space in the study areas. It is important for any policy to focus on micro businesses and start-ups as they will typically have low turnovers and require small spaces.

Priority sectors for Affordable Workspace

- 4.14 Priority sectors have been identified because it allows limited resources and opportunities to be directed to where they can have the most significant impact and contribute to wider strategic objectives. It also ensures that support is provided where need is the highest.

- 4.15 The list of priority sectors is shown below (more information is contained in Appendix 1). This has been compiled based on the detailed data exercise summarised in the technical appendix. But it is important to recognise that there is not one perfect way of identifying key and growth sectors. The way data is categorised means that it is not always up to understanding sectors in the modern economy, so data may not be effective at identifying new sectors that are not captured by existing categories or if they cut across and underpin different industries. As such, any understanding of key sectors has also been pieced together from other sources, including through consultation, the workshops and case studies. Through these exercises, other new sectors that do not fit well into industrial classifications, such as creative and green industries, are highlighted.



- 4.16
- 4.17 This is not intended to be a complete list of priority sectors. Some areas, workspaces or operators may be perfectly suited for other sectors or businesses not on this list. It should be the applicant's responsibility to identify the target end user and why they are suitable for this location, addressing market failures and providing social value.

Supply and demand for workspace

- 4.18 The area review considers evidence on workspace supply and demand. There are affordability issues across the study areas caused by increasing rents and a reduction in supply. The industrial and office floorspace stock in LBE (excl OPDC) has fallen over the past 20 years whereas the OPDC totals have remained more steady.
- 4.19 There is also evidence of strong demand and suppressed need across the two areas. The West London Employment Land Review finds that average industrial rents in LBE have increased from approximately £9.50 per sqft in 2012 to £17.50 per sqft in 2021.⁸ This is an increase of 94% - on par with that seen in London (96%) and far higher than the UK average (55%). According to Lambert Smith Hampton, prime rents in Park Royal are as high as £28, having increased by 40% over the last year.⁹ They explain that:

⁸ Icen, West London Employment land Review, update.

⁹ <https://www.lsh.co.uk/industrial-and-logistics-market/metrics>

Park Royal continues to suffer from a lack of supply, due to the limited availability of sites and high land values. Average land values have surged to over £10m per acre [compared to the average of £7.1m across London¹⁰], driven not only by industrial demand but also alternative uses such as data centres. This is having a knock-on effect on the rental tone, as quoting rents for new build properties need to be in the early-to-mid £30s per sqft to justify these values. Over the next year, it is likely that more occupiers will move out to more cost effective locations, but there are still occupiers with a business need to be in Park Royal who are forced to pay high rents.

- 4.20 There is also evidence of industrial vacancy rates of 2% - 3% in both areas, well below the frictional vacancy rate of 8%.¹¹ Losses in industrial floorspace in LBE have been 'driven by the loss of stock in non-designated sites [not classified as strategic or significant industrial land] across B1c, B2 and B8 classes'.
- 4.21 The extent to which COVID-19 will have long lasting effects on the commercial market is uncertain. There has been a forced move to more flexible working patterns which seems likely to persist in some form. There is evidence of different tiers in the market, with strong demand for newer, low-emission space trading at a premium,¹² but lower demand for older stock. The evidence suggests that there is strong demand for workspace in OPDC and LBE, particularly for industrial space which has benefitted from the change in the market. Ultimately, it is a fast-changing situation but at present there is limited evidence either way to fundamentally change the conclusions of this report.
- 4.22 The technical appendix outlines the limitations associated with the analysis. The key one relates to the breakdown and level of detail available for some data sources. For example, data on rents and vacancy rates is very varied. The evidence combines several different sources to understand the balance between supply and demand but, as a result, data on vacancy rates is not consistent nor is it available for all study areas. Low sample sizes mean it is not possible to break down the data by different types of property (such as by size, age or category). In these instances, partial evidence is combined to provide an understanding of the local property dynamics.

Implications for Affordable Workspace planning policy and guidance

- 4.23 *OPDC*: business activity is important in the OPDC. The majority of the businesses and the jobs in the area are industrial focused and there is a high proportion of larger businesses. It is an important area for micro and small businesses, which have grown a lot in recent years. It is one of the UK's key regeneration areas and has the capacity to support a significant number of jobs over the next 20 years. However, the growth has translated into strong demand and evidence of suppressed need for workspace in terms of high rents and low vacancy rates. The growth will continue to increase demand for workspace, making it unaffordable for many key businesses.

¹⁰ <https://www.colliers.com/en-gb/news/25-03-22-industrial-land-values-are-reaching-record-levels-in-london-and-south-east#:~:text=The%20report%20details%20how%20land,per%20acre%20in%20January%202022.>

¹¹ Frictional vacancy is the excess supply or slack that allows the market to operate smoothly and allow easy movement between space. The 8% rate is defined by the GLA (2012), Land for Industry and Transport, SPG.

¹² <https://www.ft.com/content/d6b8d468-e339-497d-b165-0de10bcddcae> Financial Times, 'The property developers still betting on London offices'

4.24 *LBE*: LBE is diverse in terms of uses and commercial activity. It has more residential uses but is also an important business location, both in terms of industrial and office space. LBE has a strong focus on micro businesses. The growth of micro businesses has implications for the type of Affordable Workspace required. For example, micro businesses may prefer shared spaces to promote collaboration with other businesses. Alternatively, small businesses may prefer their own independent space. The office and industrial stock in LBE has fallen over the past 20 years. There has been a particular reduction in office space in LBE which has fallen at a considerably greater rate than both the London and national averages. Losses of industrial in LBE have been driven by the loss of stock in non-designated sites. This loss and growth in the area has led to strong demand for workspace and evidence of suppressed need evidenced by low vacancy rates, particularly in key office and industrial locations.

5 WHAT IS AFFORDABLE WORKSPACE?

- 5.1 What 'affordable' means is place and sector specific. As a starting point, the London Plan defines Affordable Workspace as:¹³

Workspace that is provided at rents maintained below the market rate for that space for a specific social, cultural, or economic development purpose. It can be provided and/or managed directly by a dedicated workspace provider, a public, private, charitable or other supporting body; through grant and management arrangements (for example through land trusts); and/or secured in perpetuity or for a period of at least 15 years by planning or other agreements.

- 5.2 That specific social, cultural or economic development could include:
- specific sectors that have social value such as charities, voluntary and community organisations or social enterprises
 - specific sectors that have cultural value such as creative and artists' workspace, rehearsal and performance space and makerspace
 - disadvantaged groups starting up in any sector
 - supporting educational outcomes through connections to schools, colleges or higher education
 - supporting start-up and early-stage businesses or regeneration.
- 5.3 The definition of Affordable Workspace should not just be financial but include considerations of sustainability and longevity. Workspace should include all types of space, including office, industrial, mixed use and anything in between.
- 5.4 The recommendation of this study is that Affordable Workspace should be considered holistically. Any policy should recognise all the factors that influence the affordability of space, ensuring it is suitable for target businesses. This will depend on the local context and the specific businesses in question. Businesses will need different types of support depending on the sector and their stage of growth. In line with the GLA definition, affordable workspace should be provided for a period of at least 15 years, unless there is good reasons otherwise.

¹³ Mayor of London (March 2021), The London Plan. The spatial development strategy for Greater London.

Proposed definition for Affordable Workspace: workspace which overcomes a market failure for a specific social, cultural or economic development purpose. Any specific proposal should consider all the elements needed to provide a workspace that meets the requirements of the target end user. This will include the discount to market rent but also wider factors including total costs paid by the end user (business rates, service charge, operator costs), the fit out and size of the space, and support/facilities offered.

The definition recognises that all proposals are unique so does not prescribe a specific definition of Affordable Workspace – the approach can be flexible, but it must be shown that the workspace achieves its intended purpose.

What is an Affordable Workspace operator and why are they important?

- 5.5 The London Plan definition mentions the purpose of affordable space ‘for a specific social, cultural or economic development purpose’ and that the first choice for implementation should be an operator ‘provided directly by a public, charitable or other supporting body through grant and management arrangements (for example through land trust)’
- 5.6 An Affordable Workspace operator will bring both experience and an existing network to help deliver a curated approach that responds to local needs. LBE and OPDC do not function and are not set up as affordable workspace operators but it is something that they could consider doing in the future. For now, working with affordable workspace operator(s) will transfer the responsibility of providing space to the target businesses or community initiatives whilst still receiving monitoring updates and retaining the ability to influence.
- 5.7 The section in this study on intervention options explains how councils such as LB Islington are increasing influence and potential for cross-space networking and cross-subsidy by building a portfolio of spaces that they either own or lease and procuring operators on a social value lease.

Proposed definition for Affordable Workspace Operator – An operator who can demonstrate via its constitution, accreditation or previous rents offered that its purpose is to provide space which is affordable to end users. The operator should also be able to provide evidence and targets for how it provides affordable space for one or more of the following: specific sectors that have social or cultural value; disadvantaged groups of any sector; delivery of education outcomes; and low turnover and early-stage businesses.

What is the case for Affordable Workspace?

- 5.8 A variety of economic, social and environmental benefits are associated with provision of Affordable Workspace, which are listed below. However, it is important to recognise that provision of the space is not enough. These benefits will not be realised unless the rents and associated costs to the operator/end user are low enough and other forms of support are provided.

- **Retain businesses** – there has been a reduction in the number of small businesses in LBE. Overheated property markets can result in businesses being pushed out because of an increase in rents or a lack of new space for them to grow. Affordable Workspace can be beneficial for retaining businesses, where there are these market failures.
- **Catalyse regeneration** – Supporting firms such as creatives and SMEs can add dynamism to the area, providing areas for idea generation.
- **Curation and 'market-making'** – affordable rents offer an opportunity to shape places by selecting tenants and outputs which could be: social, such as free event space for local charities; or for innovation, such as local circular economy, making, or experimental scientific or green initiatives; or for clustering, such as like businesses within the creative industry sector.
- **Encourage start-ups** – SMES, start-ups and scale-ups may not be able to afford to locate in the area. This is particularly important in clusters of innovation as these are shown to be a key driver of growth and new ideas.
- **Target sectors** – specific sectors require support. That could include businesses in the third sector or creative/cultural businesses who cannot afford the area and need support.
- **Supporting diversity, local jobs and businesses** – there are benefits to supporting local jobs, disadvantaged groups and businesses who would not usually be able to afford the space.
- **Diversity of offer** – the sustained decline of our high streets and town centres is well documented and it is widely accepted that greater diversity must be supported within the mix of economic, civic and social uses in order to make successful places that are destinations of choice.
- **Vibrancy** – ensuring a range of businesses can locate in an area can add different types of businesses and add vibrancy to an area. For example, creative and third sector businesses, who many not usually be able to afford the area, may add diversity and vibrancy to an area.
- **Savings in embodied energy** – where Affordable Workspace is provided in existing or underutilised buildings, it can have a positive environmental impact in terms of reusing existing assets.
- **Social value** – through all these routes, Affordable Workspace can provide social value to residents, businesses and workers. The International House Case Study provides a summary of social value it has delivered.

Case Study: International House, Brixton

International House is a 70k sqft former Lambeth council office. The 3Space BuyGiveWork cross-subsidy model provides free of charge and at-cost space across 5 floors for community uses, youth enterprise and a fashion and textiles hub, which is supported by 5 floors of space let to start-ups and high growth creative and digital businesses. A recent study showed that 3Space International House project delivered similar job numbers, but £413 per sqm of social value vs £27 per sqm from an equivalent proposed new development

Brixton Economic Action Plan:

- Identified potential for growth in creative and digital industries
- Consolidation of Council corporate office portfolio
- Market led option wouldn't work in diverse and unique location
- Social value through local bottom up approach needed
- Case for Lambeth intervention

Procurement:

- 60k sqft Council owned building
- Feasibility report
- Soft market testing
- Draft Lease and plans
- EOI
- Operator selection

3Space appointment and social value lease:

- Tenant Allocation and marketing strategy
- Community Engagement Plan
- BuyGiveWork response – market maker for CDI to town centre, safeguard activity at risk of displacement
- 6 monthly monitoring to Council

COUNCIL RENT, CAPITAL INVESTMENT & ECONOMIC VALUE	SOCIAL VALUE KEY OUTPUTS IN 2019 INCLUDE	BUYGIVEWORK	AWARDS & ACCREDITATIONS
<p>£900,000 - INVESTMENT Has been invested by 3Space and partners on improvements to the asset. Both on plant and services and a full scale refurbishment.</p> <p>£1.1 MILLION - RENT 3Space has a full repairing lease with the Council, taking care of all maintenance of the building and pays a fixed rent to the Council with a total commitment to £1.1 mill over 5 years.</p> <p>£12m - TURNOVER Turnover of International House tenants per annum</p> <p>c£800,000 - EFFECTIVE DONATION Rent foregone to civil society per year – effective donation to these activities</p> <p>£2.7M - SOCIAL VALUE Social value generated per year through the use of International House</p> <p>£15.9M - GVA GVA for the local economy (c. £5m per year once additionality is accounted for)</p>	<p>230 - NEW JOBS</p> <p>337 - PEOPLE EMPLOYED</p> <p>130 - BUSINESSES HAD ACCESS TO SPACE</p> <p>22 - NEW YOUTH LED BUSINESSES STARTED</p> <p>300 - EVENTS PER QUARTER</p> <p>65 - NONPROFITS HAVE A HOME FREE OF CHARGE</p> <p>30 - MEET YOUNG PEOPLE INTO EMPLOYMENT</p> <p>36 - APPRENTICES</p> <p>64 - WORK EXPERIENCE PLACEMENTS</p> <p>2800 - PEOPLE ATTENDED TRAINING</p> <p>4916 - VOLUNTEERS</p>	<p>Our BuyGiveWork initiative has unlocked free space and mentoring opportunities for experimentation, diversity of uses and those at risk of exclusion from Brixton including:</p> <p>20 000 sq ft Over 5 Floors are provided rent free including Community Initiatives, Youth Innovation, Fabric Floor, Photofusion and Ground Floor events and project space</p> <p>1 HOUR All tenants are required to give an hour of their time a month to an initiative in the building or the Borough.</p> <p>4 WAYS TO HELP Tenants are asked to contribute to four main activities - volunteering, skill sharing, work experience and employment</p> <p>Examples of BUY activities include:</p> <ul style="list-style-type: none"> - KYND and Resi providing work experience placements - Copy by Claire provides pro bono support to Compliments of the House - Local supply chain support including Migrateful and Brixton People Kitchen used to cater internal events - Young Creators and Drew London working together on paid marketing campaigns 	<p>NEW LONDON AWARDS 2020 WINNER</p> <p>Living Wage Building</p> <p>WORKSPACE Accreditation PROVIDER</p> <p>LAMBETH Made</p> <p>WORLD FASHION IDEAS 2019</p>

Is there existing affordable and/or flexible space in the area?

5.9 This section provides a baseline of existing Affordable Workspace in OPDC and LBE. It distinguishes between Affordable Workspace – which is space that meets the definition above and is provided at a discount to market rent and/or provides other flexibility to businesses (i.e. 'open workspaces') – and low threshold enterprise space (LTES) – which is lower value, typically older workspace found in out-of-town centre, 'non-prime' locations. There can be

some overlap between the two definitions but typically there is some intervention in the market to deliver Affordable Workspace whereas LTES is delivered by the market.

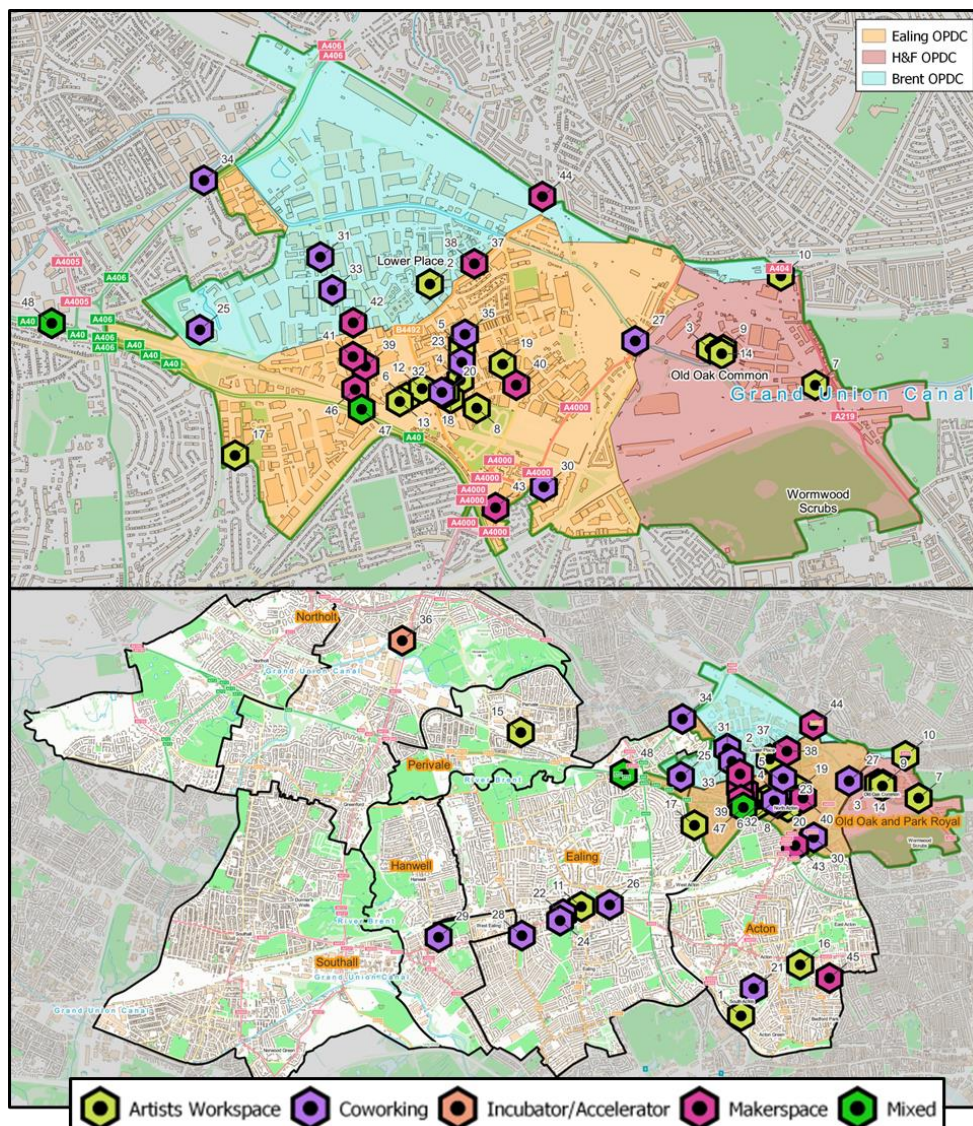
Existing provision of Affordable Workspace

- 5.10 A baseline of existing workspaces in LBE and OPDC has been collected. There is no perfect record of Affordable Workspace, so this information has been collected from a combination of different sources such as the Greater London Authority (GLA) open workspaces map,¹⁴ the GLA cultural infrastructure map¹⁵ and desk top research.
- 5.11 Appendix 2 provides more detail on these workspaces, including industry of focus and pricing and capacity information (where available).
- 5.12 Overall, there are 48 identified Affordable Workspaces in the study area. Of these, 34 are located in the OPDC. The workspaces serve a fairly large variety of different industries, but there is a particular focus on artists workspaces and makerspaces.

¹⁴ Retrieved from <https://apps.london.gov.uk/workspaces/>. Accessed 2022.

¹⁵ GLA, 2019. Cultural infrastructure map.

Figure 7 Existing Affordable Workspaces in LBE and OPDC



- 5.13 The Affordable Workspaces are less concentrated in LBE. There are four spaces in the Acton sub-area, near two of the borough's locally significant industrial sites (South Acton Industrial Estate to the west and the Vale to the east). There are five Affordable Workspaces in the Ealing sub-area, most of which are coworking, which is consistent with the office dominance of the location.
- 5.14 There are five identified Affordable Workspaces that are expected to come forwards in the study area in the future. Three of these are due to be delivered by the Catalyst Housing Association. All are located outside the OPDC. Four are coworking spaces: Ealing Works, Open Havelock, Friary Park and Southall town hall.

Case Study: Open Havelock, Southall



Catalyst Housing are partners with Ealing Council in the regeneration of the Havelock Estate and have built 289 new homes in the first phase. Parts of the estate designated to be part of the final phase of the masterplan were worst affected by issues such as fly-tipping, antisocial behaviour and rough sleeping and during early engagement it was identified that meanwhile uses could bring benefits to the community in advance of the future regeneration. The homes in this part of the estate back onto the Grand Union Canal and there was also an opportunity to improve connectivity to this valuable neighbourhood feature and create opportunities for play, sport, community use and recreation. In total, 36 garages and a total of 2000 sqm of space were identified as underutilised and having the potential to provide facilities and amenity to support the community. This has formed the Open Havelock project area.

The Open Havelock project secured funding from multiple sources and has been brought forward by the sustained partnership between Catalyst and Ealing Council. The works started on-site in January 2022 and the transformation is nearly complete to animate and activate the spaces and create a thriving community hub which will deliver a range of leisure, play, workspace and community activities

Low threshold enterprise space

5.15 Low threshold enterprise space is commonly defined as lower value, non-residential space that is typically found in out-of-town centre, 'non prime' locations. LTES is more affordable and flexible space and provides an important workspace capacity for start-ups and small businesses. The key uses of LTES include the following:¹⁶

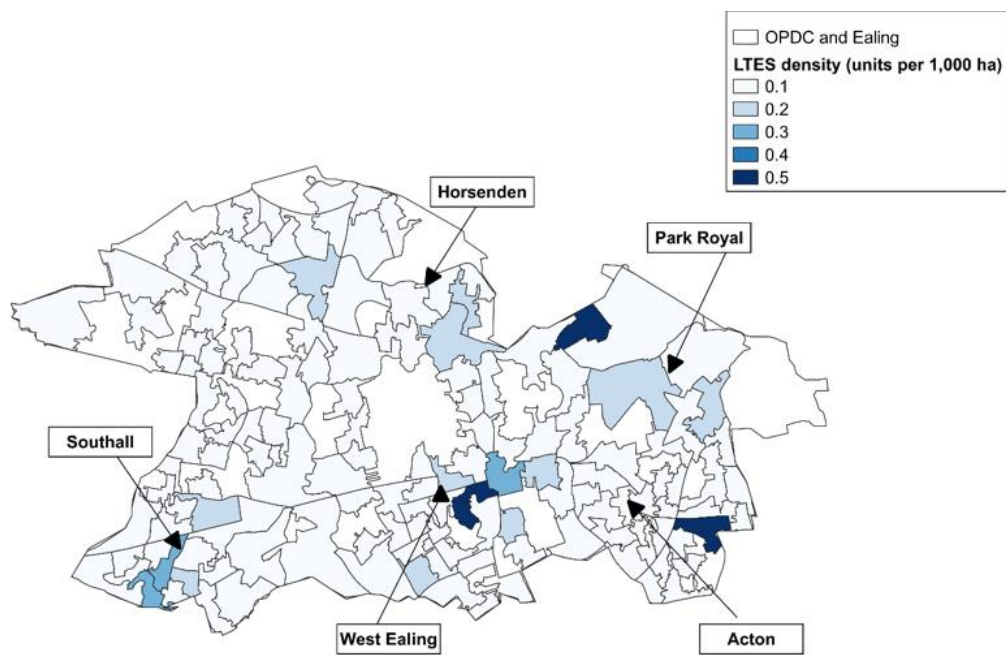
- Provides opportunities for growth through supporting start-ups
- Supports the servicing of the wider economy as larger, more productive enterprises are dependent on a supply chain of businesses to service them

16 GLA, 2014. Accommodating Growth in Town Centres

- Servicing the local economy through LTES occupiers and associated local multiplier effects
- Adding local value and regenerative benefits providing employment and income into otherwise deprived areas.

- 5.16 There are concerns that LTES is particularly vulnerable to redevelopment to higher value uses. However, it plays a critical role in London's economy – providing important capacity for start-ups and small businesses that is financially viable for them to access. There is therefore an argument for intervention to prevent its loss.
- 5.17 Approximately 2,100 LTES premises have been identified in OPDC and LBE. It is difficult to define LTES because many of the characteristics that loosely define LTES (quality, location, age) require an element of subjectivity and are relative to other nearby space. The methodology for defining LTES can be found in Appendix 3.
- 5.18 The figure below presents a density map of units of LTES per 1,000ha by small area across LBE and OPDC. The darker areas represent where there is a relatively high density of LTES in a small area. There are particular LTES 'hotspots' in the south-east of Acton, around west LBE, the north of Park Royal and the Southall area. There is also a high density in the Vale Locally Significant Industrial Site (LSIS).
- 5.19 The identified LTES hotspots indicate existing workspace locations that could be providing affordable space.
- 5.20 Park Royal is in a SIL designated area. There is also a high density in the Vale Locally Significant Industrial Site (LSIS). These designations protect against higher-value non-industrial uses in any case. Even if land is redeveloped for other industrial uses compliant with these designations, ways to mitigate impacts that may affect the provision of affordable workspace could be explored.

Figure 8 LTES density map by LSOA



6 BEST PRACTICE TYPOLOGY, DESIGN AND IMPLEMENTATION

- 6.1 This section provides a practical summary of best practice and implementation. It considers what can be done to achieve greater affordability by reducing costs. The findings show typology, management, fixed costs and implementation are key variables which have an impact on affordability.

Importance of reducing cost

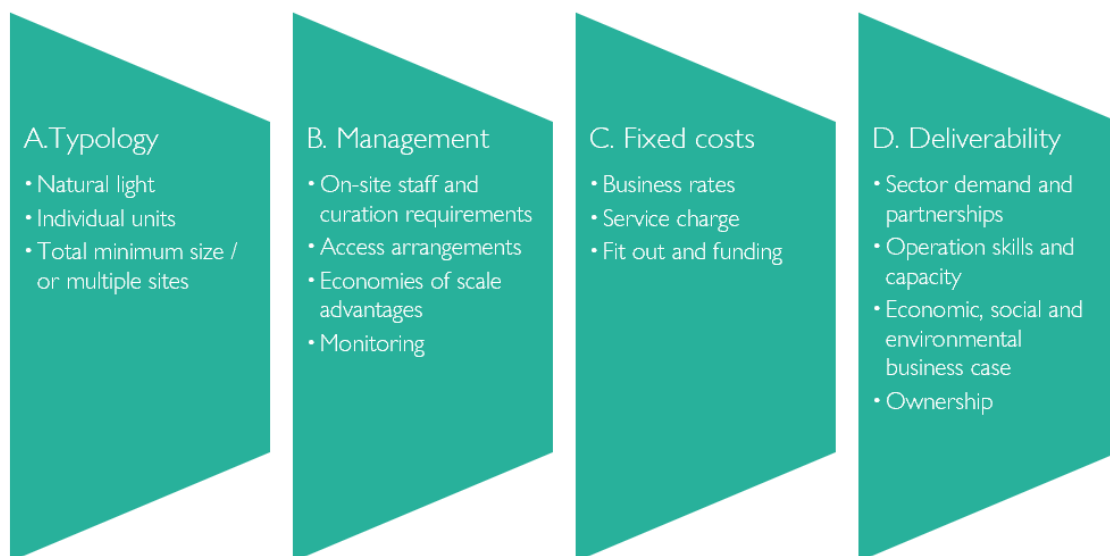
- 6.2 The focus for this study is to provide guidance on how to increase affordability of space by analysing ways to assess and decrease cost of operating or managing affordable space.
- 6.3 With the breadth of existing evidence out there on typology and design, including the two studies relevant to LBE and OPDC mentioned below, this doesn't need to be revisited in depth in this study. However, there are some key fundamentals this study will emphasise, providing practical insight into what is being delivered.

Design reference: West London Alliance Affordable Workspace Study

West London Alliance Affordable Workspace Study 2021 is a useful reference tool for examples of design. Chapter three of the West London Alliance report provides a guide to design and typology for affordable space within development schemes. It shows hypothetical workspace typologies in a range of site conditions, site locations and context settings. It recommends suitable locations, plot sizes, unit sizes, use classes, design components, access and servicing and spatial requirements. Examples are shown via diagrams. This study and the GLA Industrial Intensification Study are useful tools for developers and designers to ensure they consider Affordable Workspace in the early stages of design of schemes.

- 6.4 For example, affordable space should not be allocated to space that isn't attractive to the commercial market, such as the basement. The exception here is that Affordable Workspace should consist of multiple and diverse unit sizes to match small business or creative needs, and that it needs to be designed to decrease overall running costs.
- 6.5 One of the major criticisms and challenges for current Affordable Workspace policies is that the discount market rent mechanism alone does not ensure that the targeted end user of space is able to access space at an affordable rate. It is for this reason that this section of the report on best practice for typology and design is focused on how to reduce costs, including operating costs and best practice for cost reduction. This section also takes into consideration the elements that must be improved or provided to reduce the costs of space for operation and access for targeted end users. Keeping costs low through design is important for operator viability, which ultimately impacts on the size of the pool of operators who will come forward to use any affordable space. There are an increasing number of examples across London where spaces secured for affordable space remain vacant or applications are submitted for variations to the original planning agreement .
- 6.6 These elements are broken down into the following headings:
- A. Typology

- B. Management
- C. Fixed costs
- D. Deliverability (this is covered in a later section on government intervention and support.)



A. Typology

- 6.7 Typology for most Affordable Workspace policies is directly related to size and type of the commercial full market development. Appendix 4 provides a summary of Affordable Workspace policies in London. Most policies require a percentage provision of affordable space based on the total size of the commercial development.



Size requirements from other London boroughs:

- 10% of GIA for developments above 1000 sqm – Hackney, Lambeth, Islington, Southwark, Tower Hamlets, Richmond (500 sqm for Southwark)
- 10% of developments above 3000 sqm – Brent Council
- 20% over 1000 sqm – Camden, LBHF
- 10% of industrial developments – LBHF for Townsmead and Imperial

Time commitments vary typically between 15 years and the life of the development (often considered to be 30 years). LB Islington requires that the development must remain affordable for lifetime of development.

Some boroughs include variations depending on geography. For example, LB Lambeth requires 25 years for Brixton Enterprise Zone and 10 years for other areas.

Figure 9 New build development examples of Affordable Workspace

Quick & Tower House, Shoreditch	Caxton Works, Canning Town
 <ul style="list-style-type: none"> • Small basement space unattractive to most Affordable Workspace operators • No smaller units 	 <ul style="list-style-type: none"> • Large total space with natural light 35,000 sqft • Individual lockable units

6.8 Regardless of sector, from a review of many affordable workspaces across London there are several fundamental principles for success, including:

- **Natural light.** For example, many office development schemes have allocated Affordable Workspace space in the basement. This space is traditionally unattractive to the full paying market and as a result sold at a discount or used as ancillary space or storage for larger occupiers. This is also unattractive to the affordable operator and difficult to make it viable on its own, which will limit the pool of interested operators. Affordable space should instead be given prominence in new development and allocated in similar specification of space as the full market space and have similar provisions and amenities including daylight and ceiling heights.
- **Individual lockable units.** The demand from the majority of businesses and end users of affordable space is individual spaces, studios or private offices rather than shared spaces. Lockable spaces of varying sizes should be provided as a minimum for Affordable Workspace. A large open floorplate without individual unit partitions is suited to a headquarter type office or large industrial tenant. These companies want to configure space to specific needs of their company. There is a much smaller demand for shared office-only co-working spaces which provide what are called fixed desks and hot desks. There is limited market failure for this type of space. Many commercial serviced office or co-working providers use fixed desks or hot desks as a loss-leader to ensure there is adequate activity in the overall space and therefore offer these at a lower more affordable price. An exception to this, which should be encouraged, is shared spaces with access to facilities where the cost of providing this are prohibitive for a small business, such as shared workshop or maker space.
- **Total minimum size.** Most council policies require a minimum percentage of affordable space based on the total size of the development as shown in the text box above. Any minimum size requirement should consider what is required by an Affordable Workspace Operator to make space viable, and the wider agglomeration benefits that

come from providing space at a suitable scale. Viability for an operator is examined in the analysis of management and fixed costs in the following section, but a key finding is that due to economies of scale the larger the affordable space provided the more affordable the space can be for the end user, and in some circumstances the higher the rent that can be paid to the landlord. The WLA Affordable Workspace Study¹⁷ recommends that a minimum of 10,000 -20,000 sqft is required for most workspace operators.

- **Difference in total minimum size for different uses.** Experience shows that a minimum threshold for Affordable Workspace operators is 10,000 sqft. Based on analysis of schemes coming forward, many spaces provided onsite in a suitable part of the development are too small, which will limit the pool of operators and the impact. This should be given higher priority in assessment of on-site provision. Further consideration should also be given to increasing the minimum threshold required depending on the proposed use type, including:
 - **Mixed use.** Mixed use schemes are often well located near to public transport making them attractive for meeting, event and single desk co-working uses. They also require an active ground floor frontage and play an important role in the high street. There is an opportunity for affordable space to contribute to placemaking and the 20-minute neighbourhood agenda with working near home co-working models, or for community use or event space uses if these have a social, cultural or economic purpose. The minimum typically required by affordable workspace operators is 10,000 sq ft. The Affordable Workspace operator viability will still need to be tested with greater evidence provided by the applicant to demonstrate operator interest and the size is sufficient.
 - **Office use.** The minimum needs to be much higher starting at 20,000 sqft to make it viable for an Affordable Workspace operator. This is because office schemes are typically built to grade A standard, and the typologies required by Affordable Workspace operators are often in conflict with the elements in office schemes as explained in Table 1 in the challenges section. The operator cost section below shows that economies of scale is improved the larger the space which will increase viability for more Affordable Workspace operators. Furthermore, from review of schemes such as Quick & Tower in Shoreditch, what often happens is that the Affordable Workspace is relegated to the basement or an inferior location in the building. By increasing the minimum, it will ensure that if the Affordable Workspace will need to be located in a more prominent position.
 - **Industrial use.** Typically B class uses are located in more isolated locations without amenities in demand by affordable workspace end users and not close to public transport. They often require more space than other uses. Industrial typologies may be in conflict with affordable operator requirements i.e. affordable space will require more space for shared equipment and there would be limited opportunity for sharing of building systems or communal areas. For these reasons it is important to increase the minimum to over 30,000 sqft. This will then have sufficient size to create a destination in its own right, reach viability for Affordable Workspace Operators, and include other placemaking or activation attributes that would be in demand by Affordable Workspace end

users. The 32,000 sq ft Building BLOQS in Enfield is a shared maker space with woodworking, metal working and other resources. It also has an on-site café. This provides a good example of a scale of provision.

In certain circumstances a smaller size may be appropriate (see examples in paragraph 10.20). A lower proportion of floorspace may be considered appropriate for on site provision in certain circumstances (see examples in paragraph 10.20) and where it can be demonstrated that this would meet the objectives and definition for affordable workspace. Vice-versa, an in lieu off site financial contribution may be more appropriate for certain schemes above the thresholds. This would need to be considered on a case-by-case basis.

- **Typology where possible should match sector demand.** An earlier section of this report has provided evidence on sectors of importance for LBE and OPDC which are manufacturing, office and creative. The table below matches these sectors with examples of the typologies and general requirements that should be considered in new schemes. These are just a general list of typologies and requirements but what is most important is that the space meets the need of the operator and end user.
- **Design detail** for these sectors and for different workspace typologies are also examined in detail in the WLA Affordable Workspace Study.

Table 2 Sector examples

Sector	Typologies/design	General requirements
Manufacturing, wholesale and transport	<ul style="list-style-type: none"> • Retention of existing space • Light industrial space • Workshops • Industrial park • Yard space • Ability to take deliveries • Flexible lease terms • Kitchens 	<ul style="list-style-type: none"> • Edge of town centre locations • Within or adjacent to industrial areas • Access to main roads • Proximity to suppliers • Access to customers
Office activities, scientific, R&D	<ul style="list-style-type: none"> • Offices • High spec • Flexible workspaces • Lab space facilities • Business parks 	<ul style="list-style-type: none"> • Town centre locations • Access to staff • Public transport links • Proximity to institutions • Stronger amenity offer
Creative and cultural	<ul style="list-style-type: none"> • Small individual units • Flexible workspaces including studios • Low spec • Retention of existing space • Flexible lease terms • Adaptable space 	<ul style="list-style-type: none"> • Town centre locations • Proximity to suppliers and similar businesses • Access to culture • Propensity to cluster • Strong amenity offer













B and C. Management and Fixed Costs

6.9 Evidence from REDO's operational experience and conversations with operators show that the full cost of operating spaces needs to be taken into consideration to provide an accurate overall picture of affordability. Small businesses renting space and Affordable Workspace Operators will always want to understand the costs of rates, utilities and service charges, and it is the total price which is used to compare sites that are available. In a similar way, the affordable market end user's capacity to pay are not as flexible as those who purchase full market commercial

space. In most instances, this capacity does not increase over time at the same rate as full market rents do. These rents are driven higher by new grade A space, which isn't a good benchmark for what affordable space end users can pay. Rather than pay more, the end user is often forced to move to another location within London, often further away from transport and amenities, which has a more affordable price.

- 6.10 In fact, evidence shows that affordable rents or the capacity to pay have remained relatively constant for many years. For example, artists rents across London have consistently remained at around £13-17 per sqft (for example ACME average studio is £13.60 p sq ft inclusive¹⁸) and this does not change based on proximity to central London. By contrast, start-ups – who are more mobile – have seen some change based on proximity to central London.
- 6.11 A comprehensive summary of London borough policies on affordable space is provided in Appendix 4. A summary of some of the discounted rents is provided in the figure below.

Figure 10 London planning percentage discount on market rents for Affordable Workspace

Borough	% discount on market rent, location		
Hackney	 60% Shoreditch	 40% POA, CAZ, Town Centres	
H&F	 20% Olympia / W. Brompton, Fulham	 40% Townsmead, Hammersmith, Shepherd's Bush	
Islington	 100% in CAZ, all employment areas		 Council leases 10 -20 years. Sub-lets to an operator at £0
Lambeth	 50% in Waterloo,	 20% in Oval, Clapham	 20-50% out of Brixton CEZ. 35% -50% in centre CEZ.
Southwark	 100% in Peckham, Southbank, Camberwell, Canada Water	 25% Elephant & Castle	
Tower Hamlets	 10% all areas		

- 6.12 Market rents are useful to establish development viability and loss of income or profit due to policy for a developer, but for Affordable Workspace policies to work as intended there should also be consideration of total costs including all operational costs and capacity of affordable end users to pay.
- 6.13 By working back to what it costs for an affordable operator to operate a space (without rent), we can establish benchmark operator costs for operator viability and, from this, the rent that is payable to the landlord. Using this evidence on operating costs could be a better way to determine what a developer is able to rent space for to meet policy and could be a better tool than relying only on percentage reduction in market rates. There is evidence to show that, even with peppercorn rents, service charges, business rates and fit out costs in new buildings can be too high to make space affordable to end users or to be attractive to affordable operators.

18 UCL The Bartlett School of Planning and ACME, 2022, Understanding the Value of Artists' Studios

- 6.14 This limits the potential for Affordable Workspace to deliver on policy intention. If these costs come down, there is potential for end user affordability to improve and in some instances where, for example total size is increased, for rent to landlords to increase.
- 6.15 Operator costs are dependent on the key elements of management arrangements and fixed costs. There is scope for this cost to be reduced with better design, reproposing existing buildings which are cheaper to run, support from intermediaries and other local level support interventions . The management and fixed costs which have the most impact are explained **Table 3**. The full cost of operating is shown in Table 4 which compares two different scenarios.

Table 3 What are the management and fixed costs of Affordable Workspace operation?

Management Costs	Fixed Costs
<ul style="list-style-type: none"> On-site staff and curation requirements. Staff costs represent a high percentage of costs. More staff can increase networking, business support and curation benefits. This is a key benefit of an Affordable Workspace operator. Whilst operators include an operating margin which can increase costs, they make up for this with the delivery of higher social value, networking and growth, placemaking and monitoring. They are also able to better respond to certain sectors. Economies of scale advantages. Staff costs could be reduced through sharing across Affordable Workspace portfolios of, for example, facilities managers, cleaners, curators. The same impact could be achieved from increasing the size of the space to a scale where staff are fully utilised. Monitoring. Social value leasing and delivery of affordable end user commitments requires regular monitoring. It is important that this the operator has the capability to do this removing the burden from the local authority. 	<ul style="list-style-type: none"> Business rates. These are often very high in new buildings, to the point where they can only be affordable via rate reliefs. There are rates reliefs available including small business rate relief (rateable value below £15k), charity relief (where the operator is a charity) and discretionary relief (which councils can apply at their discretion) Service charge. Modern service charges can be as high as £10-12 a sqft which combined with rent at a percentage below market rates can be prohibitive to end users. Fit out and funding. This cost can be prohibitive to many operators who are unable to secure finance. They either require much higher rent-free periods or grant funding to complete fit outs. Majority of current Affordable Workspace policies for councils are limited to 15 years. This limits the borrowing potential of most operators.

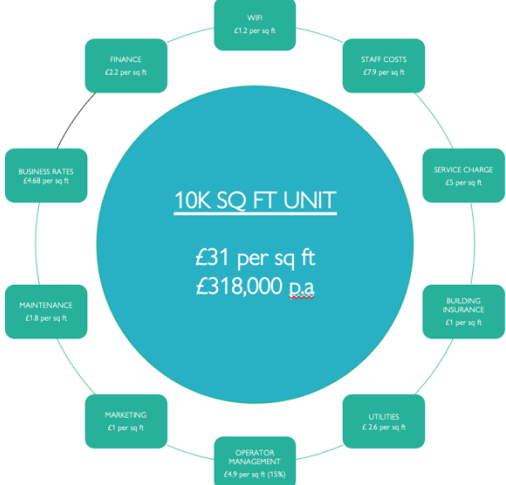
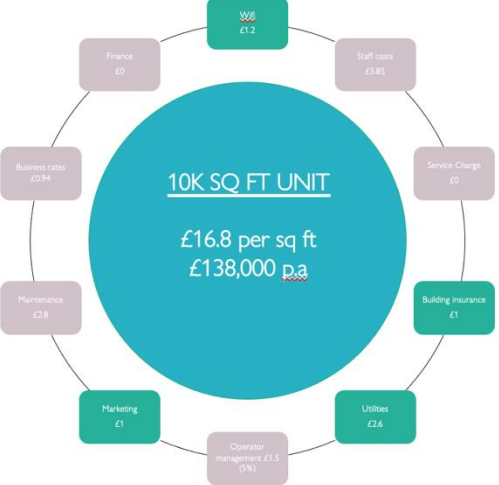
Modelling Affordable Workspace operator costs:

- 6.16 An analysis of operator costs is important to understand the actual cost of providing affordable space. The example used is the most common response to Affordable Workspace policies, where space is secured at below market rent and developer is required to let to an affordable operator with a management plan and approach approved by the local authority.
- 6.17 The following scenarios provide an example of a typical operation model for baseline scenarios for 10k sqft, 20k sqft, 40k sqft, 80k sqft space. The examples are based on office and light industrial uses with a mixture of small to medium units. Several assumptions made include finance, rates and staffing for the two different scenarios.
- 6.18 These are examples to be used as a guide to assist when assessing proposals for affordable space. Developers and operators will have different approaches and different costs, but these are to serve as a benchmark to demonstrate costs involved and what needs to be considered when operating space. This has a direct implication on what rents landlord can charge to meet affordability expectations of policy.

6.19 Two scenarios were modelled including:

- **Scenario 1 Standard Approach.** This shows the expected total costs of operating (excluding rent to developer) a new development without government or other local level support intervention (described in section 8) and within a new build typical grade A development.
- **Scenario 2 Streamlined Approach.** This shows the expected costs of operating (excluding rent to the developer) an existing building (or new build with government or other local level support intervention) where certain headline costs have been reduced.

Table 4 Standard and streamlined approaches

Scenario 1: Standard	Scenario 2: Streamlined – reuse and repurpose
	
<p>This shows the total costs involved per year in operating a hypothetical 10,000 sqft space. The costs are broken down by item and per sqft. The following assumptions have been made:</p> <ul style="list-style-type: none"> • Layout: This hypothetical space is high specification with high amenity and facilities, what you would typically find on the ground floor of a new A grade office development, a mixed use development or light industry space. It includes flexible space but not exclusively Individual units, and there are shared communal spaces. • Staff: The workspace has 100% on-site management who provide medium to high level management on-site business support. They also provide an on-site events and collaboration opportunities. • Operator fee: This has been calculated at 15% of an assumed £30 per sqft all in income. • Business Rates and service charge: Full business rates with no rate relief • New building Service Charge: This is assumed to be a traditional landlord to tenant letting where landlord maintains the external and communal areas of the building at £5 per sqft. This is considered to be on the low side but would be much higher for A grade office. 	<p>This shows the expected costs of same hypothetical space as scenario 1 except it is an existing building (or new build with government or other local level support intervention) where certain headline costs have been reduced. This scenario is an example of where all possible cost savings have been made. The following assumptions have been made:</p> <ul style="list-style-type: none"> • Layout: All units / studios / offices are standalone units with unmanaged communal areas. There is shared access to equipment across a portfolio of spaces, not exclusively on each –site. • Staff: Assumed 50% less on-site management staff than Scenario 1 including reduced cleaning costs and use of external curation, coordination & monitoring potential via government intervention. • Operator margin: Reduced to 5% applying the assumption that government or other local level support intermediary would be undertaking an operational role across a portfolio of multiple spaces to reach a reasonable income. This would otherwise be 10-15%. • Business rates: Reduced business rates due to existing building. It was assumed that relief has been applied including charity relief, small business or discretionary relief. Assumed 80% reduction. • Full repairing and insuring lease. Operator provides in-house facilities management and pays

Scenario 1: Standard	Scenario 2: Streamlined – reuse and repurpose
<ul style="list-style-type: none"> Finance and Fit out. It has been assumed that the space was provide at CAT A and a conservative £200k loan was required to fit out the space 	<p>no service charge. The operator would take on an inhouse facilities manager at lower cost than if it was to be an equivalent new build service charge.</p> <ul style="list-style-type: none"> Finance and fit out: It is assumed that a grant was received for fit out, or managed occupation with ability to unlock more space over time as cash flow allows.

6.20 The figure below shows the change in cost as the size of the space increases and difference economies of scale makes to operator costs.

Figure 11 Impact of increasing size on operator cost and rent able to pay landlords



6.21 Section 8 on government or local level support interventions provides some examples of how councils are using property assets to deliver affordable space and where they have applied the different cost reduction methods used in the streamlined option.

Affordable end user rents

6.22 The affordable rent to end user used to determine operator margin and rent to landlord for each scenario was £30 per sqft. This is all-inclusive including rent, rates, utilities and service charge. The figure is based on REDO's experience with affordable operations and the price which qualifying businesses fitting the GLA definition could be expected to pay whilst taking into consideration the proximity of LBE and OPDC to central London. However, whilst this figure is useful to show viability of operation, it should be considered in context of what is affordable for the end user and each sector varies. As shown in the in the text box below, this depends on the social, cultural and economic development objectives. For example, engagement with artist studios providers and external research shows that the maximum all in figure across London for artist studios is much lower, at £13-17 sqft.¹⁹

¹⁹ The source for the below ACME and UCL case study is: <https://acme.org.uk/assets/originals/Understanding-the-Value-of-Artists-Studios-UCL-partnership-report.pdf>

UCL and ACME report: Understanding the Value of Artist Studios

Affordable artist space ACME has been operating space in London for over 50 years and provide space at an inclusive rent of £13.60 per sqft. In the recent report from UCL they estimate this compares with exclusive rents of between £38-£50 sqft for commercial market rate studios in London. In policy terms, workspace can be defined as affordable as long as it is a certain percentage below market rate, this is beyond the means of most artists. ACME commits to ensuring that its workspaces are affordable in relation to artists' means, rather than measuring affordability in relation to market rentals. This means that their business model relies on securing long-term leases on rental agreements that are substantially below what the market would command. However, developers report that this rarely affects the financial viability of the whole development, due to the value uplift on residential that the presence of artists brings.

- 6.23 Notwithstanding, in setting a price for what end users can afford the aim of this analysis is to provide a benchmark for operator costs so that rent that can be paid to a landlord can be better calculated and given earlier consideration in the planning process.
- 6.24 In responding to the London Plan at draft stage in 2018, the GLA Workspace Providers Board undertook consultation which called for a similar approach to establish the rent that operators can afford. The board provided analysis and consultation on the rents across London which operators needed to be able to offer it at an affordable price to start-ups, social organisations and artists.

GLA workspace board consultation findings

GLA Workspace Board consultation with workspace operators identified the differences in the 'wholesale rental price' figure is between £8-20sqft lower than the average end user figure. This can change depending on: the size of the space (where scales of efficiency can be achieved in larger spaces); the flexibility offered to end users (which requires more management); and other support programme. Emphasis needs to be on including the operational costs of workspace providers into planning agreements which set the value of new Affordable Workspace'

GLA Workspace board proposed rent payable to landlords to deliver social, culture and economic development objectives

Artists across London	Start-ups Zone 3	Start-ups Zone 2	Start-ups Zone 1
£6.50 per sqft	£6.50 per sqft	£15 per sqft	£ 25 per sqft

- 6.25 City of Westminster's Draft guidance note on Affordable Workspace²⁰ makes reference to differences between end user and Affordable Workspace operator costs including, 'developers

²⁰ <https://www.westminster.gov.uk/media/document/draft-informal-guidance-note-on-affordable-workspace-wcc-march-2022#:~:text=Westminster's%20City%20Plan%202019%2D40&text=working%20patterns%20on%20likely%20future,as%20a%20City%20for%20All.>

may need to lease Affordable Workspace to a managed workspace provider at a peppercorn or low rent, to ensure the managed workspace provider has sufficient resources to operate the Affordable Workspace in line with the Operation Management Plan'.

7 HOW LOCAL GOVERNMENT IS INTERVENING TO SUPPORT AFFORDABLE WORKSPACE OUTSIDE OF THE PLANNING SYSTEM

- 7.1 Many London boroughs have recognised that they cannot rely solely on new development to deliver more Affordable Workspace. Furthermore, faced with limited funds, many want to make better use of the resources and assets they have in their control, including their property portfolio. Led by regeneration and economic development teams, councils have identified the opportunity to use affordable workspace to improve their high streets, supporting economic recovery post covid and unlock community wealth building initiatives that support their residents.
- 7.2 The previous section identified that a streamlined option could reduce operator costs and make space more affordable for end users. One or more of the following government interventions were considered as being essential to make the streamlined option workable.

LB Lambeth Future Workspace fund

- 7.3 The engagement with operators in this study showed that a major barrier is the cost of fit out and this was an important variable to get to the streamlined option proposed in the section on operator costs above. Lambeth Council have created a fund to support capital improvements of Affordable Workspace.
- 7.4 The Future Workspace Fund is Lambeth Council's by-application loan and grant fund for Affordable Workspace providers across the borough. The £8m fund's purpose is to grow innovation-led sectors in Lambeth and deliver outstanding economic return and social value for residents. The fund has three key objectives:
- to stimulate high value cluster growth and inward investment in innovation-led sectors
 - to support Covid-19 recovery by helping existing businesses to survive, adapt and thrive in the new economy
 - to attract and generate business growth, jobs, employment pathways, (with a focus on black, young and disabled residents) and training and apprenticeship opportunities for residents.
- 7.5 The Future Workspace Fund requires match funding for investments it makes and is now on its second round. It provides funding for capital expenditure to workspace providers that are developing new or enhancing existing Affordable Workspaces, including for feasibility. The types of workspaces that are funded:
- specialist incubators focused on innovation-led sectors such as med tech, life sciences, green tech and services, creative and digital
 - cultural workspaces such as creative studios
 - Affordable Workspaces for charities and social enterprises supporting priority groups
 - enterprise space projects within more residential areas.
- 7.6 The first round investments unlocked £6.9 million of match funding and are forecast to benefit 258 businesses each year and support 960 jobs across 69,000 sqft of new or improved workspace. The first round funded projects are:

- Sustainable Workspaces – who are bringing forward new sustainable dedicated workspace at the iconic County Hall to create Europe's largest low carbon cluster
- Ten87 Studios – a music studio provider creating 30 studio spaces for producers and artists in the basement of the new Brixton House Theatre development
- 198 Contemporary Arts and Learning – supporting the extension and fit out of 198 CAL's historic space at 198 Railton Road, creating two new floors to provide larger gallery space, workspace, and an education floor supporting young people and adult learning programmes
- Artists Studio Company – enabling Artist Studio Company to acquire and improve their property at 47c Streatham Hill, meaning that studio space for 59 artists is safeguarded at truly affordable rents.



LB Brent Meanwhile Foundation

- 7.7 Section 6 of this study shows that business rates are a cost to operators which limit affordability, particularly in new build. The streamlined approach for an operator identified that saving in business rates would reduce operator costs. Brent Council recognised this was an issue and helped establish the Meanwhile Foundation.
- 7.8 The Meanwhile Foundation was established in 2012 by Meanwhile Space with funding from Brent Council. It has charitable status and is able to take on leases on behalf of operators to provide consistency with rate relief. Registered charities are able to qualify for rate relief of 80% business rates.
- 7.9 The Meanwhile Foundation also acts as a vetting tool for those it provides rate relief to by ensuring operators or end users are aligned with their charitable objectives and undertakes regular monitoring. A similar entity could be considered which is independent but funded by them with a controlling stake on the board of trustees.


Council property assets used to directly deliver affordable space

- 7.10 The table below provides examples of how local authorities are intervening to 'make markets' and harness opportunities to enable spaces and amenities that are better aligned with local social and economic priorities for communities and enterprise.


Table 5 Councils are investing and making significant interventions beyond the planning system to 'make markets'

COUNCIL	PROJECT NAME, TYPE AND SIZE	LEASE LENGTH	ROUTE TO MARKET	STRATEGY NOTES
Lambeth	<p>International House, Brixton</p> <ul style="list-style-type: none"> Office to Affordable Workspace and civil society uses 70,000 sqft 	5 years	<p>Council owned</p> <ul style="list-style-type: none"> Part of rationalisation of corporate office and future development site. Social value lease with an operator. 	 <p>Introduce CDI businesses, and support existing community growth, as identified in Brixton Central Masterplan</p>
Lambeth	<p>Recreation Centre, Brixton</p> <ul style="list-style-type: none"> Retail to workspace with STEM facilities 11,000 sqft 	20 year lease	<p>Council owned</p> <ul style="list-style-type: none"> Under-utilised vacant shell and core space. Secured GLA funding. Social value lease with an operator 	<p>Introduce STEM businesses and support town centre vision. Part of public realm and shop front improvements to Brixton Station Road</p>
Brent	<p>Picture Palace, Harlesden</p> <ul style="list-style-type: none"> Former cinema and pub to youth hub / workspace / production studio / cinema 6000 sqft 	10 year lease	<p>Strategic purchase</p> <ul style="list-style-type: none"> Council funded To deliver town centre objectives. Social value lease with an operator 	<p>Hawkins Brown study for Harlesden Town centre identified this location and the need for greater supported space for local people, particularly young people. Currently out to tender</p>
Greenwich	<p>Plumstead Power Station, Plumstead</p> <ul style="list-style-type: none"> Former power station to light industry, green tech and 'making' 30,000 sqft 	Long lease	<p>Council owned</p> <ul style="list-style-type: none"> Secured GLA funding. Operator, low rents for target industry 	

COUNCIL	PROJECT NAME, TYPE AND SIZE	LEASE LENGTH	ROUTE TO MARKET	STRATEGY NOTES
				<p>To introduce new modern industry and 'making' including Green Tech, autonomous vehicles to Plumstead</p> <p>Image credit: Architecture 00</p>
Sutton	<p>Sutton Works, Sutton Town Centre</p> <ul style="list-style-type: none"> Former BHS Retail store to Affordable Workspace 35 000 sqft 	Long lease	<p>Strategic purchase</p> <ul style="list-style-type: none"> Vacant former BHS store. To deliver town centre objectives, which are to introduce alternative uses to the town centre. Social value lease with operator 	<p>To act as 'market-maker' for workspace uses in town centre and shift centre away from predominately retail. Provide connection with proposed London Cancer Hub development.</p> <p>This is one of six large scale interventions into town centre</p>
Barking & Dagenham	<p>Roycraft House, Barking Town Centre</p> <ul style="list-style-type: none"> Office to Affordable Workspace for start-ups, 'making' and civil society 35,000 sqft 	Long lease	<p>Council owned</p> <ul style="list-style-type: none"> Corporate office Social value lease with operator 	 <p>To provide space for start-ups, creatives, maker space as well as non-profits and local initiatives.</p>
Southwark	<p>Peckham Levels, Peckham</p> <ul style="list-style-type: none"> Car park to workspace, F&B and events 90,000 sqft 	Long lease	<p>Council owned</p> <ul style="list-style-type: none"> Lease with operator, with enterprise targets 	 <p>Mixed use including workspace and small business bar and restaurant space</p>

COUNCIL	PROJECT NAME, TYPE AND SIZE	LEASE LENGTH	ROUTE TO MARKET	STRATEGY NOTES
Southwark	Peckham Palms, Peckham <ul style="list-style-type: none"> Former garages to Afrocentric hair and beauty space 3000 sqft 	Long lease	Council owned <ul style="list-style-type: none"> Former garages Organisation set up to run space now majority black owned. All businesses and stylists using space are 100% owned by black women 	Afrocentric retail space providing hairstyling and beauty services, events and good and drink. Providing space for black women owned business and safeguarding salon space at risk from development in Peckham town centre
Haringey	Blue House Yard, Wood Green <ul style="list-style-type: none"> Three sites including car park and former Council office – to studio space and market stall space 10,000 sqft 	5 years	Council owned <ul style="list-style-type: none"> 3 sites on 'Meanwhile Use campus' across the town centre Lease with operator. 	 Introducing new uses to the town centre including workshop space, studio space, markets and F&B
Haringey	40 Cumberland Road, Wood Green 35,000 sqft	10 years	Council owned Former council corporate office Lease with an operator	Providing an enterprise hub at scale that connects with the adjacent cultural quarter and supports the local growth of enterprises and delivers social value
Royal Docks Team	Brunel Street, Canning Town <ul style="list-style-type: none"> Ground floor of a new build residential development. Use to be determined but opportunity for mixture of education, workspace, retail and F&B 10-15,000 sqft 	25 year lease	GLA strategic purchase <ul style="list-style-type: none"> Strategic purchase by Royal Docks team from the developer as part of residential redevelopment Lease with operator 	Currently searching for operator

COUNCIL	PROJECT NAME, TYPE AND SIZE	LEASE LENGTH	ROUTE TO MARKET	STRATEGY NOTES
Waltham Forest	Central Parade, Walthamstow <ul style="list-style-type: none"> Former council direct centre to creative and cultural hub with workspace and retail space 	5 years +, likely to be made permanent	Council owned <ul style="list-style-type: none"> Lease with operator with enterprise targets 	Creative and cultural hub, an anchor for Walthamstow town centre growth.
Westminster	Ebury Edge <ul style="list-style-type: none"> Land on Housing estate awaiting redevelopment. Newly built hub providing workspace, retail units, a café, a community hall and a community garden 	Interim Use	Council owned <ul style="list-style-type: none"> Lease with operator with enterprise targets 	 <p>Development on land as interim solution as part of housing estate redevelopment for 750 homes.</p>
Southwark	Thorowgoods Furniture Store, Bermondsey <ul style="list-style-type: none"> Former retail to cinema and F&B 6000 sqft 	Long lease	Strategic purchase <ul style="list-style-type: none"> Lease with operator with enterprise targets 	Part of wider strategic intervention by BID into high street improvements and the adjacent street market and market square.
Ealing	Southall Manor House, Southall <ul style="list-style-type: none"> Manor House to well-designed kitchen and cooking school. Available for community events 5000 sqft 	Permanent	Council owned <ul style="list-style-type: none"> GLA funded Social value lease with operator 	 <p>To provide wedding and catering venue for the local community as well as catering training opportunities for local people.</p>
RBKC	Canalside House, Kensal <ul style="list-style-type: none"> Canalside in North Kensington 15,000 sqft 	7 years	Council owned <ul style="list-style-type: none"> Future development site 	Currently space for civil society tenants who are important to the Borough. Project will increase space, providing additional 7000 sqft for creative industries. Ongoing research identified the strategic importance of creatives and civil society uses to

COUNCIL	PROJECT NAME, TYPE AND SIZE	LEASE LENGTH	ROUTE TO MARKET	STRATEGY NOTES
			<ul style="list-style-type: none"> GLA Good growth funding and part of Mayor's Opportunity Area Social value lease or Council managed 	the area, and which are at risk of being displaced due to rising prices.
Waltham Forest	Blackhorse Workshop <ul style="list-style-type: none"> Former industrial building to public access wood and metal workshop 6000 sqft 	Ongoing	Council owned <ul style="list-style-type: none"> GLA and Council funded Leased to an operator 	 <p>Public access wood and metal workshop. Part of wider Council economic development strategic plans for Blackhorse Lane. Additional Council owned buildings are being brought forward for operators.</p>
Islington	250 City Road <ul style="list-style-type: none"> 4000 sqft affordable space in new office development 	10 years	Council owned <ul style="list-style-type: none"> Part of Section 106 agreement. Islington requires developer to provide space at peppercorn rent to Islington Islington secures a social value lease with an operator 	Affordable Workspace in new office development
Islington	Old Street Yard & 160 Old Street <ul style="list-style-type: none"> OSY is 3,671 sqft of affordable space within the White Collar Factory Development 160 Old Street is 1,269 sqft of affordable space in new development 	10 years	Council owned <ul style="list-style-type: none"> Part of Section 106 agreement. Islington requires developer to provide space at peppercorn rent to Islington Islington secures a social value lease with an operator 	Islington have appointed and are working with Town Square Partners to deliver the 2 sites together. Town Square provide co-working for freelancers, start-ups and social enterprise.
Transport for London	Lockton Street Arches	Ongoing	TfL owned <ul style="list-style-type: none"> TfL funded Leasing arrangements TBC 	TfL are currently in the process of designating 5 'affordability zones' across their London portfolio. These will be offered at discounts to tenants and operators. Their aim is for this to

COUNCIL	PROJECT NAME, TYPE AND SIZE	LEASE LENGTH	ROUTE TO MARKET	STRATEGY NOTES
	<ul style="list-style-type: none"> · Railway Arches, which were former light industry, uses to F&B and workspace · 15,000 sqft 			build a pipeline of new businesses who will grow across the TfL portfolio.
Peterborough	<p>The Vine</p> <ul style="list-style-type: none"> · Former TK Maxx to be converted to workspace, library, creche, café, learning centre and community space · 89,000 sqft 	Long lease	<p>Strategic purchase</p> <ul style="list-style-type: none"> · Funding from Government Towns fund · Social value lease with operator, possibly separate leases 	<p>A new city centre library, culture and community hub in Bridge Street, which will be a must-visit venue for residents, business and visitors alike.</p> <p>The building's aim is to drive visitor footfall that will be of wider benefit to retail and other businesses in Bridge Street and will be ideally positioned in a key route from the city centre, towards the new University and the refreshed Embankment/River Front and Fletton Quays.</p>
Hackney	<p>Multiple Sites</p> <ul style="list-style-type: none"> • A number of buildings in disrepair have been offered to VCS tenants on below market rents 	7 year leases	<p>Council owned</p> <ul style="list-style-type: none"> · Council owned properties offered directly to VCS tenants for £4 per sqft · Pilot projects in Hackney Wick and Woodberry Down with rents at £8 per sqft to Affordable Workspace providers from approved providers list. 	Council is able to bring back into active use buildings that had fallen into disrepair, providing improved footfall and opportunities for organisations that would otherwise be at risk of displacement. Social value operators are also attracted by the price-pint and are able to deliver a programme that supports better public value outcomes.
Hackney	<p>Stone Studios</p> <ul style="list-style-type: none"> • 33,000 sqft of lower and ground floor space • 1st acquisition of the Creative Land Trust 		<p>Creative Land Trust owned</p> <ul style="list-style-type: none"> • Part of a new development • Rents to end user not to exceed £14.50 per sqft • Creation of up to 180 artists' studios 	Stone Studios is part of Hackney Council's Master Regeneration Plan and is within a CEZ. At a time when artists are being displace from the borough this provides a long term provision for the creative sector.

LB Islington head lease, sub-let and operator procurement

- 7.11 This study shows the importance of operating costs and that rents need to be as low as possible to make it viable for an operator to deliver social and economic value required by policy. Councils also have limited resources to monitor operators' delivery of social outputs. To overcome this, LB Islington secures new Affordable Workspaces for peppercorn rent through the planning process and the developer is required to lease it directly to LB Islington. LB Islington then appoints and sub-lets to operators to run these spaces, who in lieu of paying rent deliver a range of social value initiatives for the benefit of local people, businesses and communities. LB Islington are building up a portfolio of these spaces combined with buildings already in their ownership and have successfully procured operators in this way.

Case Study: LB Islington - 10-14 Garrett Street



10-14 Garrett street is a grade II listed 10,000 sqft former horse stables near old street. This will be secured as part of off-site contribution from a developer who also owns another site where they have planning permission to provide grade A office, and this is in lieu of providing affordable space in that location.

The developer has committed to supply the space for a peppercorn rent and is undertaking CAT A fit out works. On completion of the fit out, the developer will lease it to LB Islington who will sub-let to an Affordable Workspace operator. 12 months prior to this, LB Islington will hold a public procurement process to find an operator who will work with the developer on the fit out and LB Islington will lease the building to the operator for a peppercorn rent in return for social value outputs, including the requirement to provide space for local residents and offering space at below market rent.

Promoting Affordable Workspace operators

7.12 Affordable Workspace operator Lists are used by most boroughs that have an Affordable Workspace policy. These lists can be excellent marketing tools to promote and grow the pool of suitable operators. However, with each individual borough implementing a list there are some important points to note on Affordable Workspace provider lists:

- Vetting tools are useful to provide controlled access to something where there is adequate supply and a barrier to entry. However, most Affordable Workspace policies do not yet require the need to be an accredited Affordable Workspace operator to secure affordable space. This is likely to be because this would limit the number of operators that come forward to respond to opportunities. Directly related to this are the problems outlined in this report that the supply of space being secured via planning isn't attractive to many Affordable Workspace Operators.
- Furthermore, the vetting is difficult for local authorities, and they often focus on financial security rather than social value. Developers have their own mechanisms for vetting operators financial standing so this may be unnecessary.
- The best way to prove social value commitments is on case-by-case basis, which is why boroughs such as LB Islington have taken the approach to secure the head lease and take on responsibility for procurement of suitable operators and manage commitments via a social value lease. In a similar way, many local authorities are securing an operator for their own building assets through procurement with social value commitments confirmed in a lease. If councils do have their own assets, and similar to these examples, direct intervention such as this or other intermediary vehicle could be the best way to ensure operators are offering genuinely affordable space, are credible and held accountable via adequate monitoring.
- With limited suitable supply coming forward, these lists are too often used by developers as a tool to show why they can't get an operator to pay the rent, or to extinguish a condition, rather than the collaboration tool that was intended.
- A London wide vetting tool would make more sense and would limit the application requirements to each borough for many of the operators who work across London. The GLA have invested in a pilot workspace accreditation scheme. OPDC and LBE could join if this was taken forward.
- Workspace provider lists can be useful where used as a marketing tool for operators and local authorities. For this to work effectively Workspace Operators would be required to provide evidence to show how they meet the Affordable Workspace Operator definition, which would need to be assessed by the local authority before being marketed as Affordable Workspace Operators. This list will provide a useful resource to sign-post and promote Affordable Workspace providers to developers, tenants and the council. For example, the Southwark Council Workspace Provider List.

8 ENGAGEMENT

- 8.1 This report will help inform planning policy and/or guidance for OPDC and LBE. These will require formal public consultation where a wider audience will be able to respond to the recommendations in the report. However, as part of this study we have undertaken engagement with key stakeholders including operators, developers, end users, OPDC and LBE and representatives from other boroughs within the OPDC area. This included:
- A survey of developers, operators and end users working within LBE and OPDC which received 12 responses. This included 3 developers, 6 operators and 3 end-users.
 - One to one interviews with operators and developers.
 - Workshops to present draft approach to representatives from OPDC, LBE, LB Brent, LB Hammersmith & Fulham, GLA, WLB, Imperial, Ealing Community Network, Park Royal Business Group and workspace operators.
- 8.2 A summary of key points is provided here:
- **Rents for affordable space end users remain constant and do not change with the market but reflect what can afford.** Operator of artist studios offer rents at roughly a third of commercial which is the same as affordable housing rent which is a third. The salaries that they are on are also a third. This is £13.50-17 a sqft inclusive. Often explain to Council that it is same as affordable housing and provision of social housing. Social housing is means testing to live there based on what can afford, the same logic should apply to people working and their needs. For example, we don't ask a nurse why they need affordable housing it to stay in London? This is the same logic for retaining artists in London.
 - **New build is very different to existing buildings.** Operators mentioned how this comes with managing agents, lifts and other expensive service costs
 - **Establish priorities for developer commitments.** From a developer viability perspective Affordable Workspace should be considered in total with all commitments made via S106. Several consultees highlighted that there are several other costs (affordable housing, public realm etc) which can be more important in the study areas. It is important for the LPA to not just think about Affordable Workspace in a vacuum but consider it alongside other obligations and barriers to growing employment in the LPA.
 - **Operators are having more success with housing associations.** Housing Associations that responded and several operators working with them said that they understand social value. Particularly in mixed use schemes where they are seeing the placemaking, footfall, economic growth and diversity benefits of Affordable Workspace. However, this is less understood by the private sector.
 - **Ownership is important.** Many operators said they would prefer to own their buildings but are often not able to purchase or secure the finance. One established operator successful approach has been to pay for the build cost of the workspace element of a mixed-use development in return for ownership. The developer does not make a financial return but increases value from placemaking and job creation impact.
 - **Timeframe for Affordable Workspace provision.** Short term requirements for Affordable Workspace in new development limits operators being able to invest in buildings and secure finance for fit out. However, there was also feedback from developers that putting a defined time period on the Affordable Workspace requirement is preferable to one required for perpetuity. They mentioned that Indefinite

Affordable Workspace requirements make financial planning difficult and gives rise to uncertainty when it is time for redevelopment.

- **Financial contributions need to be allocated strategically.** There was agreement with the idea of promoting financial contributions in principle, but a view from developers that it needs to be made clear how these will be spent and ensure they used timely and efficiently.
- **Minimum size is important.** Several consultees supported the approach to a minimum size threshold but noted that this varies by development. There are some examples of smaller space delivering positive outcomes, but it depends on the space and the target end user. 83% of operators who responded to the survey supporting this study said they would be interested in buildings between 10,000 sqft – 20,000 sqft. Some London boroughs have undertaken surveys which show smaller spaces are attractive to some operators.²¹
- **Affordable Workspace policy should account for fit outs.** There was feedback that it is important that the fit out is accounted for in the affordable workspace policy. Lab fit out requirements can vary a lot depending on the end user but it generally expensive, both in terms of the initial fit out and ongoing maintenance, and end users have high expectations for the commercial fit out. One consultee mentioned that they provide early stage, all-inclusive (rents, rates, service charge) lab space for £90 per square foot. Despite the 'high sticker price', that space is loss-making for the operator, as the fit out costs of complex lab space can be extremely expensive in comparison to office and there are high servicing costs, utility costs and equipment needs. By contrast, a market price for all-inclusive, fully serviced and fitted lab can be in the region of £150 per square foot. Given this, the consultee supported a more flexible approach to affordable workspace which allows for the fit out to contribute towards the policy as it needs to be paid for. Policies which require a specific fit out (e.g. a minimum of Cat A) could be inappropriate for certain space uses, like commercial lab space, where there are benefits in the space being flexible so the fit out can be tailored to the end user. A blanket fit out requirement to Cat A would result in waste as end users can require a different fit out to what has been provided.
- **Typology and community important for end users.** One end user responded that most of the spaces in LBE and OPDC are all serviced and co working and super expensive. As a print maker they need a minimum of 400 sqft to house the print equipment. They also mentioned that it would be amazing to be part of a community however finding affordable space seems to mean you have to be in spaces where you are much more isolated.
- **Placemaking benefits.** Several of the consultees focused on the placemaking benefits of affordable workspace. They said that Affordable Workspace can activate ground floors and increase the footfall and the buzz around new development. One developer already provides space for free to creatives and the local community as they recognise the benefits of this in terms of placemaking at their developments, and the long term benefits in terms of making the development a success.
- **Developer viability.** Affordable workspace is viewed as another cost to developers. There is no specific issue with this per se but several consultees highlighted that there are several other costs (affordable housing, public realm etc) which can be more important in the study areas. It is important for the LPA to not just think about

²¹ Hatch Regeneris, We Made That and PRD (September 2020), LB Brent Affordable Workspace Strategy

affordable workspace in a vacuum but consider it alongside other obligations and barriers to growing employment in the LPA. The important question for the LPA is to consider what their priorities are for the area, recognising that there will sometimes be trade offs.

- For similar reasons, several consultees mentioned that the parameters shouldn't be pitched too high to max out viability. It may be possible to deliver this on some developments but it is important for LPA to note that there are trade offs with other obligations. If the policy is set at too high a level, schemes might reduce other important considerations to meet the affordable workspace requirement.
- There was also feedback that putting a defined time period on the affordable workspace requirement is preferable to one required for perpetuity. Indefinite affordable workspace requirements make financial planning difficult and gives rise to uncertainty when it is time for redevelopment.

9 IS AFFORDABLE WORKSPACE VIABLE?

- 9.1 Regardless of business and economic needs, Affordable Workspace will not be delivered if it is not viable for a developer to do so. A viability assessment has been conducted to determine the feasibility for developers to deliver Affordable Workspace in the OPDC and LBE. The results of the viability assessment inform the final recommendations of this study. The full details of the viability assessment and all of the assumptions are in Appendix 6.
- 9.2 The standard approach to viability is utilised, where the residual land value (RLV) of a scheme is compared to benchmark land value (BLV). RLV is the gross development value (GDV) of the scheme minus any costs associated with delivering the scheme (including profit) and BLV is the existing land value plus a premium to reflect the incentives for the landowner to release the land. If the RLV is larger than the BLV, the scheme is considered viable, and it is expected that a developer would bring the scheme forward.
- 9.3 The assessment makes a number of assumptions to present the viability of hypothetical scenarios for development. Such scenarios are intended to be indicative of a typical scenario, acting as a guide for what might be expected in general. However, they cannot be considered reflective of all schemes that will come forwards in the area. In reality, schemes should be assessed on a case by case basis.
- 9.4 The following appraisals are not in accordance with the RICS red book and should not be relied on for future valuations.

Viability assessment summary

- 9.5 The viability assessment tests the viability of several typical schemes (across office, industrial, and residential-led mixed use typologies) providing a range of Affordable Workspace requirements. Initially, tests on gross uplift in space was run for all typologies. For mixed use, these were found to be viable. However, for commercial only schemes, many of the gross tests were unviable, so a further test on net uplift was undertaken, where the commercial space was compared to a hypothetical existing site.
- 9.6 The assessment identifies the rents / sale values which schemes would need to achieve in order to be viable, for each of the variations of Affordable Workspace. If these rents / sale values align with market evidence for the typical rents / sale values that can be achieved, the scheme is considered likely viable. The results of this inform the recommendations.
- 9.7 In summary, the assessment found that:
- A policy based on the net uplift in floorspace is more viable than one based on the gross uplift. The gross uplift variations were highly viable for the mixed use schemes. However, for commercial only schemes, these were less viable. Therefore, a net uplift approach is sought for these schemes in order to improve viability.
 - For office schemes, two floorspace uplifts were tested: one with a three-fold increase in existing floorspace and one with a four-fold increase. The most generous variations of Affordable Workspace provision that can be achieved at central case rents of £45 per sqft are 10% of floorspace at 50% of discount to market and 5% of floorspace at 80% discount to market for both a three-fold and four-fold increases in existing floorspace.

The 5% of floorspace at 95% discount to market rent variation is not viable at central case rents in the four-fold uplift scenario. The 5% of floorspace at 80% discount to market rent is the variation with the highest discount which was viable in both floorspace uplift scenarios tested.

- For industrial schemes, nearly all Affordable Workspace variations are viable at rents below the central case (£28 per sqft for small, £26 for medium, £24 for large industrial schemes). However, industrial rents are highly varied, and it is not at all certain that central case rents will be achieved. A buffer around these figures has therefore been considered when arriving at the recommendations later in the report.
- For mixed use, the high residential values make the schemes viable. All variations in the gross uplift in floorspace assessment are viable below the central case of £750 per sqft.

10 RECOMMENDATIONS

Recommendation 1: Establishing principles for typology, operator viability and implementation

- 10.1 For typology and design of Affordable Workspace, it is recommended that there are a set of principles which all schemes are assessed against including:
- Adequate provision of natural light.
 - Individual lockable units to be provided.
 - Minimum size suitable for an operator. The modelling and consultation show that this is very important for operator viability as costs decrease the larger the total size, while impact and output for local government increases. **It is recommended for on-site provision that minimum sizes are increased depending on the use type – 10,000 sqft for mixed use, 20,000 sqft for office and 30,000 sqft for industrial uses, including data centres. However,** a lower proportion of floorspace may be considered appropriate for on site provision in certain circumstances (see examples in paragraph 10.20) and where it can be demonstrated that this would meet the objectives and definition for affordable workspace (see paragraph 10.20). Vice-versa, an in lieu off site financial contribution may be more appropriate for certain schemes above the thresholds. This would need be considered on a case-by-case basis.
 - Affordable Workspace operators are given priority (this is another recommendation, but all schemes should be designed to ensure space works for operators)
 - The design, specification and fit out align with requirements in the West London Alliance (WLA) Affordable Workspace study²² and the GLA industrial Intensification Study²³. These studies provide detail for designers on specification and fit out, including information on access, ceiling height and unit sizes and what is appropriate for the intended sector.
- 10.2 For operator viability, it is recommended that the cost of operating space is given consideration:
- Operator costs impact on operator viability and ultimately the price able to be offered to the end user. Our modelling shows the difference between a standard cost of operation at £31 per sq ft and a streamlined cost of operation at £17 per sq ft. These hypothetical scenarios act as benchmarks for the local authority to better understand what rents operators can be charged by the landlord and the impact on affordability to the end user. The streamlined version uses additional support tools which can apply to all development but the best results are likely to include the reuse of an existing building. The additional support provided in the streamlined scenario is from tools currently being implemented by other local authorities. Costs go down the larger the total size and impact goes up. There is also potential for landlord rent per sqft to increase the larger the size of space.
- 10.3 For better implementation and alignment with the streamlined benchmark, it is recommended that changes in design or approach to reduce operator costs and deliver better outcomes are considered, including:
- reduce rates and service charges through support and design
 - provide access to fit out funding grants and loans

22 Avison Young 00 Architecture, 2021, West London Alliance Affordable Workspace Study

23 We Made That, 2018, Industrial Intensification and Co-Location Study: Design and Delivery Testing

- payment in lieu to repurpose existing buildings could be better alternative in many situations
- consider further intervention for coordination and monitoring such as social value leases and delivery vehicles

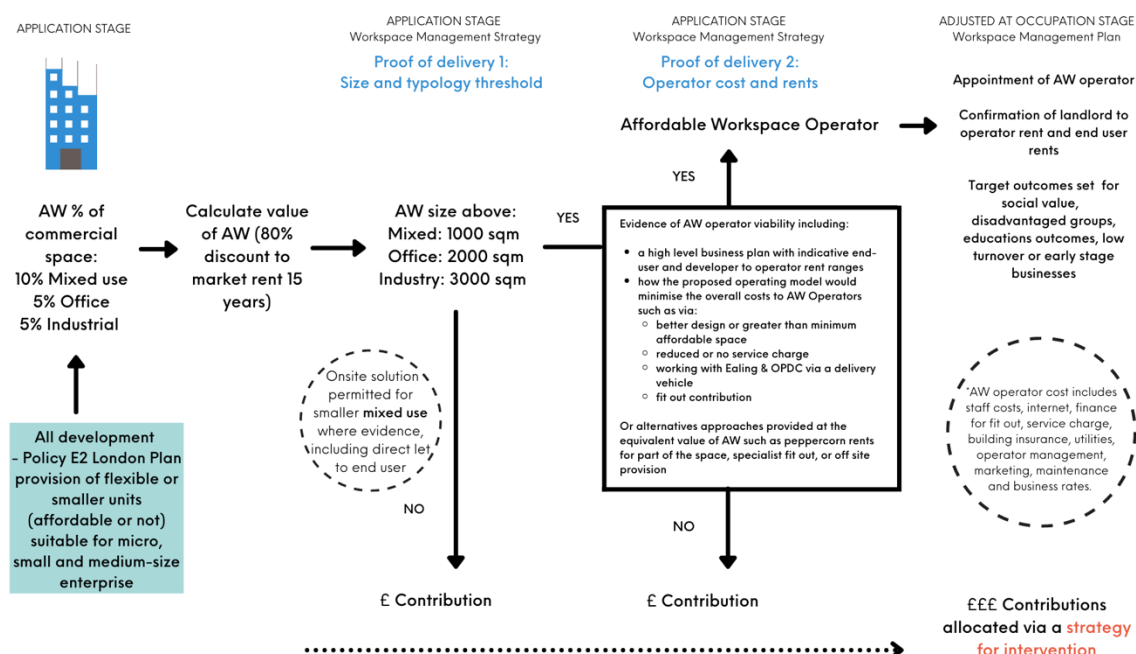
Recommendation 2: Definition for Affordable Workspace and Affordable Workspace Operator

- 10.4 It is recommended that the following definition are adopted for Affordable Workspace and Affordable Workspace operator.
- 10.5 ***Proposed definition for Affordable Workspace*** – workspace which overcomes a market failure for a specific social, cultural or economic development purpose. Any specific proposal should consider all the elements needed to provide a workspace that meets the requirements of the target end user. This will include the discount to market rent but also wider factors including total costs paid by the end user (business rates, service charge, operator costs), the fit out and size of the space, and support/facilities offered.
- 10.6 ***Proposed definition for Affordable Workspace operator*** – An operator who can demonstrate via its constitution, accreditation or previous rents offered that its purpose is to provide space which is affordable to end users. The operator should also be able to provide evidence and targets for how it provides affordable space for one or more of the following: specific sectors that have social or cultural value; disadvantaged groups of any sector; delivery of education outcomes; and low turnover and early-stage businesses.

Recommendation 3: Implementation-first, flexible approach for planning

- 10.7 This report has found that there are issues with existing Affordable Workspace policies. The evidence base shows these policies are limited in their capacity to deliver genuinely affordable space, with the best outcomes being delivered outside the planning system. The evidence highlights the limitations of a policy requirement based on a fixed percentage discount to market rents, as other important costs – business rates, service charges, operator margins – are not accounted for. The evidence also tells us that affordability is not the only factor; businesses need different types of support depending on the sector and their stage of growth.
- 10.8 The findings point us in one direction: towards a flexible approach that enables space to be best adapted to the needs of end users, and for Affordable Workspace commitments to be calculated in a consistent way.

Figure 12 Summary of the proposed steps for Affordable Workspace through the planning process



Flexible implementation approach to Affordable Workspace policy

- 10.9 **First step:** calculate the value of the Affordable Workspace contribution:
- The value of the Affordable Workspace contribution is the rent foregone by providing the Affordable Workspace compared to what could have been achieved at market rents.
 - A standard formula will be based on recommended fixed parameters. All developments will use the same formula, for consistency of contribution.
- 10.10 The value of rent foregone is based on some parameters of percentage of Affordable Workspace, discount to market rent, length of Affordable Workspace term, minimum size thresholds and whether this is applied to the gross or net uplift in space on-site. The parameters are viability tested and informed by the evidence outlined in this report so provide a robust basis for calculating the value of Affordable Workspace. It is important to note that these parameters are just used as a starting point to inform planning policy, guidance and s106 negotiations. They are used to establish the value of the Affordable Workspace contribution. Step three outlines how this can be achieved in many different ways (for example, by providing a deeper discount or additional fit out), provided it meets the needs of the intended end user.
- 10.11 Each Affordable Workspace solution is unique so there is not one answer for how to deliver the space. The parameters are the starting point to consider how much space or what discounted should be provided onsite and to establish a value for this. As explained below, the onus will then be on the applicant to demonstrate how their proposals meet the needs of target end users and achieves an equivalent value in financial terms.
- 10.12 That said, it is important that the parameters are deliverable and based on the evidence. The assessment considered whether there was a basis for disaggregating the policy by geography and use – i.e., whether to have different parameters for different sub-areas or different uses.

There was not sufficient evidence on rents and affordability to breakdown the recommendations by geography. For example, there is data on rents in some prime areas such as Park Royal or Ealing town, but it is not robust enough to split the recommendations by area. The data is not detailed enough at the sub area level to set different targets.

- 10.13 There is evidence that there is a basis for disaggregating the policy by use however, as described below. Given the diversity of uses across the study areas, this was viewed as a more sensible way to disaggregate the policy. Certain uses tend to cluster – for example industrial uses in Park Royal or office in Ealing town centre – so a policy based on use will have a geographic element in any event.
- 10.14 The recommendations for the parameters are based on several factors:
- **Viability** – there is significant variation in viability across the uses. Mixed use industrial/office and residential schemes are more viable than office and industrial, and the results are sensitive to key assumptions such as rent
 - **The evidence** – this tells us that Affordable Workspaces are often not affordable after accounting for operator costs, business rates and service charges. The evidence indicates that a deeper discount is often required to provide a space that is actually affordable for the intended users
 - **Best practice** – what has been done and what works elsewhere.

Table 6 Calculation for Affordable Workspace value

Value of Affordable Workspace discount	Unit	Step calculation	Notes
Total floorspace	NIA (sqft)	(1)	Gross uplift for mixed use properties. Net uplift for office and industrial.
Proportion of floorspace which is affordable	(%)	(2)	Office: 5% Industrial: 5% Mixed use: 10% NB: the percentage floorspace should only be applied to the employment floorspace.
Total affordable floorspace	NIA (sqft)	(3) = (1)*(2)	
Market rent	£ per sqft	(4)	Market rent that would have been achieved for the discounted space. The applicant should include evidence. ²⁴
Length of Affordable Workspace term	years	(5)	15

²⁴ Current market rents should be used to calculate the financial contribution for the purposes of the s106. A review mechanism could be applied prior to payment. Where provision is on site the applicant will be required to submit a workspace management strategy (WMS) as part of the application which will confirm current market rents. Then a workspace management plan (WMP) would need to be submitted prior to occupation. The WMP would be where any adjustment would be presented to LB Ealing / OPDC, and more importantly it would need to include confirmation of the rents to end users and the targets in terms of outputs (e.g. local jobs, local / small business, tenant allocation strategy, business support, other social value) outlined in the WMS and agreement on how it will be reported and monitored.

Value of Affordable Workspace discount	Unit	Step calculation	Notes
Affordable discount	(%)	(6)	Office: 80% Industrial: 80% Mixed use: 80%
Value of Affordable Workspace	£m	(7) = (3)*(4)*(5)*(6)	

- 10.15 **Second step:** assess size and typology to understand whether on-site provision, offsite provision or a financial contribution would be more appropriate way to deliver the Affordable Workspace.
- 10.16 The concept of proof of delivery is introduced at this stage to ensure that the affordable space secured is deliverable. At this stage, a minimum size for any on-site provision is set.
- 10.17 The evidence shows that new build space needs to be a certain size to be viable for an operator. The minimum size varies by use as described above, but 10,000 sqft is considered to be the minimum threshold for viable Affordable Workspace operation. Proposals for 10,000sqft – 100,000 sqft, at 10% affordable would deliver below 10,000 sqft affordable space. For these developments, a contribution (or off-site provision) should be preferred, However, a lower proportion of floorspace may be considered appropriate for on site provision in certain circumstances (see examples in paragraph 10.20) and where it can be demonstrated that this would still meet the objectives and definition for affordable workspace. Vice-versa, an in lieu off site financial contribution may be more appropriate for certain schemes above the thresholds. This would need be considered on a case-by-case basis.
- 10.18 **Recommendation:** offsite provision or a financial contribution is preferable to space that does not meet the needs of the end users or viability of an affordable workspace operator and there may be other situations when it would deliver better outcomes. For example, a financial contribution may be sought if there is a clear plan to pool resources for a certain project, or the applicant may be able to demonstrate another approach that would better suit the needs of the end user and/or deliver social value.
- 10.19 **Recommendation:** for Affordable Workspace provision over 10,000 sqft it is recommended that a workspace operator is required. This is to ensure that suitable end user rents are achieved, affordable workspace objectives are maximised and the performance of the space is monitored. There may be scenarios where space may not be managed by an operator (for example, developers may set up arm's length affordable operators), but the applicant will need to demonstrate that this will achieve good outcomes.
- 10.20 Similarly, on-site provision could be accepted at developments under the minimum size threshold where Affordable Workspace objectives can be still be delivered and there is evidence to show it is viable for an Affordable Workspace Operator or end user. The onus will be on the applicant to prove this. Some examples could include:
- An LBE or OPDC vehicle is in operation that will facilitate the viable use of smaller properties.
 - The space will be let directly to the end user with a requirement for social, cultural value or public benefit.

- An operator that manages a nearby building has provided written agreement to operate as part of a portfolio.
- Proposed letting model is able to facilitate an Affordable Workspace Operator and demonstrate this is at a low operator cost (for example by having no service charge, unit sizes that qualify for small business rate relief, lower staff costs through sharing with existing operations, Category B fit out contribution).
- Where a smaller space was viable for an affordable workspace operator and has other important benefits in this location. For example, on the high street as an alternative to retail to provide overlooking and safety benefits, help to drive footfall and improve the vitality and vibrancy of the area.

Vice-versa, an in lieu off site financial contribution may be more appropriate for certain schemes above the thresholds. This would need be considered on a case-by-case basis.

- 10.21 The outcome of step 2 will be to understand whether it is delivered on-site, offsite or through a financial contribution. As explained above, the approach will depend on 1) whether the development meets minimum size threshold and 2) the applicant's evidence base. The onus is on the applicant to demonstrate that their preferred approach would meet the needs of the target end user and deliver social value. Applicants should be strongly encouraged to discuss this information with the local planning authority (LPA) at the preapplication stage.
- 10.22 If a financial contribution is agreed, then the applicant can pay a contribution in line with the above calculation and agree any payment plans/structures with the LPA. Follow to the next step if on-site or offsite provision is the agreed option.
- 10.23 **Third step:** outline how the Affordable Workspace provision would address a need and be at least equivalent to the financial value outlined above.
- 10.24 As outlined in the evidence base, a fixed discount may not be affordable for many businesses as it does not take into account the full costs of operation, including service charge, rates and any operator costs (if relevant). Therefore a flexible approach to implementation is needed as there may be reasons to deviate from this in order to ensure the space best meets the needs of the target end users.
- 10.25 The rent foregone figure represents the economic value that the solution must achieve. There is then some flexibility regarding how that value is achieved, provided the evidence base outlines the need for it.
- 10.26 **Recommendation:** the onus is placed on the applicant to demonstrate the need. The standard of this proof needs to be greater the further the proposal moves away from the recommendations of this report. The applicant should engage with the LPA during the preapplication stage to develop the solution.
- 10.27 Appendix 7 shows examples of how the proposed solution could contribute to the value that must be achieved. This should be considered in the context of the evidence base. For example, reducing size is not an ideal compromise but can work in larger developments.

Benefits of the proposed approach: flexibility

- Framework allows for space to be provided onsite, offsite in existing buildings or a financial contribution to be made, if either make better sense, depending on the opportunity.
- Affordable Workspace space will meet need in terms of affordability (accounting for operator costs if managed) and fit out and ensure operator receives fair value.
- Flexibility allows the type and affordability to change dependent on local demand. It is important that the solution is flexible to adapt to potential changes to sectoral demand and working patterns.
- Opportunities can be taken as they are presented. For example, if existing buildings become available, they could then contribute to the Affordable Workspace value.
- The value of the contribution is transparent and clear for both the LPA and applicant from the start, enables better planning on both sides.

Section 106

The s106 will set out the principles, Affordable Workspace value and some parameters on how it might be achieved. The precise details will be outlined nearer occupation and reviewed periodically.

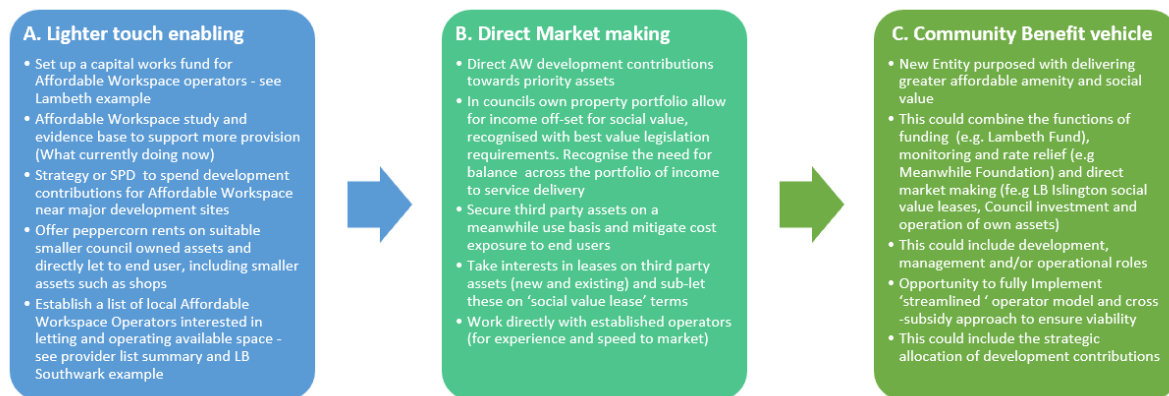
Lessons

from our experience elsewhere:

- The level of detail required at the s106 stage is total Affordable Workspace value and how it might be spent, as well as plan for how this will be reviewed going forward.
- It could include a worked example but specifics on market rents and operator costs not fixed at this stage. Importance of an appropriate review mechanism like an annual monitoring report like the annual monitoring report. Onus can be placed on the applicant to do that work and demonstrate equivalence with value.
- This annual monitoring process can also address fluctuations in values and costs over time.
- Longer term, outline schemes may provide less detail in the s106 and more monitoring steps. Detailed schemes might be able to go into more detail. The agreement to the value and principle of how it will be spent is agreed, details can follow.

Recommendation 4: OPDC or LBE intervention options

- 10.28 The study has outlined what local governments are doing outside of the planning process to secure and support affordable space. It is recommended that the OPDC and LBE consider all the options available to them and further work is undertaken, working across departments, to decide which is the most suitable approach for their organisation.

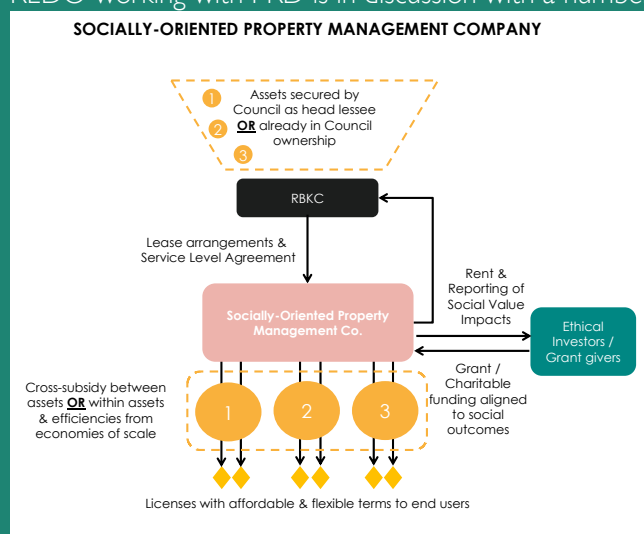


10.29 This diagram above shows several options (but not all options) available to LBE and OPDC. The development of measures of success and robust impact measurement becomes more significant as you move up the tiers. Example of these options which LBE and OPDC could undertake include:

- ***Lighter touch enabling***, such as a capital works fund similar to Lambeth Future Workspace Fund
- ***Direct 'market making'*** by securing buildings via process similar to LB Islington or using the council portfolio. This could also include an entity that undertakes monitoring and provides rate relief, similar to Meanwhile Foundation.
- Alternatively, it could be a ***Community Benefit Vehicle*** which does all of the above with the option of taking on an operational role to further streamline operator costs. It would mean establishing a new corporate or charitable entity with the sole purpose of managing assets in an economically sustainable way, but with overarching social value principles. A summary of how this vehicle could work is provided in the example below.

Example: Community Benefit Vehicle - Social-Orientated Property Management Company (Soc-PMC)

REDO working with PRD is in discussion with a number of boroughs about a Community Benefit Vehicle.



The Soc-PMC could take a portfolio approach to managing assets (for example a portfolio comprising corporate and commercial assets and ground floor spaces delivered or negotiated by local authorities) against a suite of clearly defined, social and commercial aims, objectives and deliverables that address affordability and target local sectors and groups.

Under this scenario, the local authority (and potentially its partners) would agree a basket of leases with the Soc-PMC, alongside a Service Level Agreement or Management Agreement, which would guarantee a required level of income back to the head lessee and would define the expectations regarding the social and economic impacts to be achieved and reported; through tenant management and by end user tenants.

The objects of the Soc-PMC, together with the evidenced social impacts would also make the venture attractive to charitable funding and impact investors. Having multiple assets under one ownership structure would allow the operation to benefit from economies of scale and the portfolio can be a mix of purely social and more commercial activity similar to 3Space's BuyGiveWork model at International House in Brixton: by taking on multiple sites, or sites with mixed tenants (for example, for profits and not for profits) a cross-subsidy model is enabled, whereby surpluses from commercially-oriented assets and activities could be reinvested to subsidise not for profit activities, to support other Affordable Workspace within the borough or to secure and mobilise further buildings.

The socially-oriented objectives of the Soc-PMC may also enable it to sources of grant funding and depending on its corporate structure attract a level of Business Rates Relief. Opportunities for stakeholder and community representation within the stewardship and governance arrangements for the Soc-PMC can also be developed, with the venture sitting alongside other models such as Community Land Trusts and Community Led Building that seek to deliver inclusive economic benefits and improved, long-term community stewardship within our cities, towns and neighbourhoods.

Recommendation 5: Where to spend development contributions

10.30 The OPDC has a development pipeline of 5.5m sq ft of industrial and 3.8m sqft of commercial between 2018 and 2038. Assuming that a proportion of this has already been delivered, this

policy could be worth between £125m and £155m in total financial terms from 2023 onwards.

A similar or greater amount would be available to LBE. A portion of this value would be delivered as on site contributions, however consideration should be given to how any off-site contributions could be allocated including:

- ***Coordinated approach or strategy*** that considers how best to spend any off-site development contributions. This could look at how to implement some of the mechanisms identified in tiers of intervention outlined in recommendation 4. This study identified scenarios when securing financial contributions could be a better solution. Given this, it is recommended that OPDC and LBE prepare a strategy which outlines a coordinated way to maximise the opportunity, including any potential for 'market making' and an audit of suitable property assets.
- ***Spatial considerations.*** Consideration should also be given within the strategy to priorities for wider policy and locations of strategic importance, for example:
 - Placemaking and economic growth. Consideration how affordable space could deliver placemaking and regeneration initiatives i.e. 'In the Making' vision in the OPDC or in LBE how the outcomes of the Industrious Ealing Study could be taken forward, for example investment in high streets properties and taking on third-party leases to support bottom-up enterprise and growth.
 - Low Threshold Enterprise Locations (LTEL). There is not one clear definition of LTELs as many factors are used to define these types of space. This study uses data to identify likely LTELs locations but these are by no means certain, LTEL locations identified in the study show where there are clusters of existing buildings throughout LBE and OPDC which could provide affordable space and could be protected. After further analysis to identify suitable buildings funding could be allocated for capital improvements to support landlords to continue to provide these buildings for the same purpose or delivery of more affordable space rather than redevelopment. This could also support London-wide commitments to be net zero and respond to opportunities to reuse and repurpose over redevelopment. Embodied carbon makes up to 75% of the carbon impact from buildings over its lifecycle. Changes to the MEES legislation by 2030 mean landlords will be likely to need support to avoid under-investment or leaving their buildings empty. Daryl Perry, head of UK insight at Avison Young estimated that the "Total cost for achieving the 2030 MEES requirement for industrial stock (existing) comes to £30.5bn at an average cost of £344,000 per building²⁵."

Recommendation 6: The modelling and analysis in this report should be reviewed periodically

- 10.31 This will ensure that the recommendations of this report are up to date. The review process could take the form of an informal advisory panel of operators working within LBE and OPDC area. The panel would be able to provide updates on Affordable Workspace operator's issues, costs and feedback on sectors and demand. OPDC or LBE should also consider how this function could be incorporated into the other intervention options mentioned in earlier recommendations.

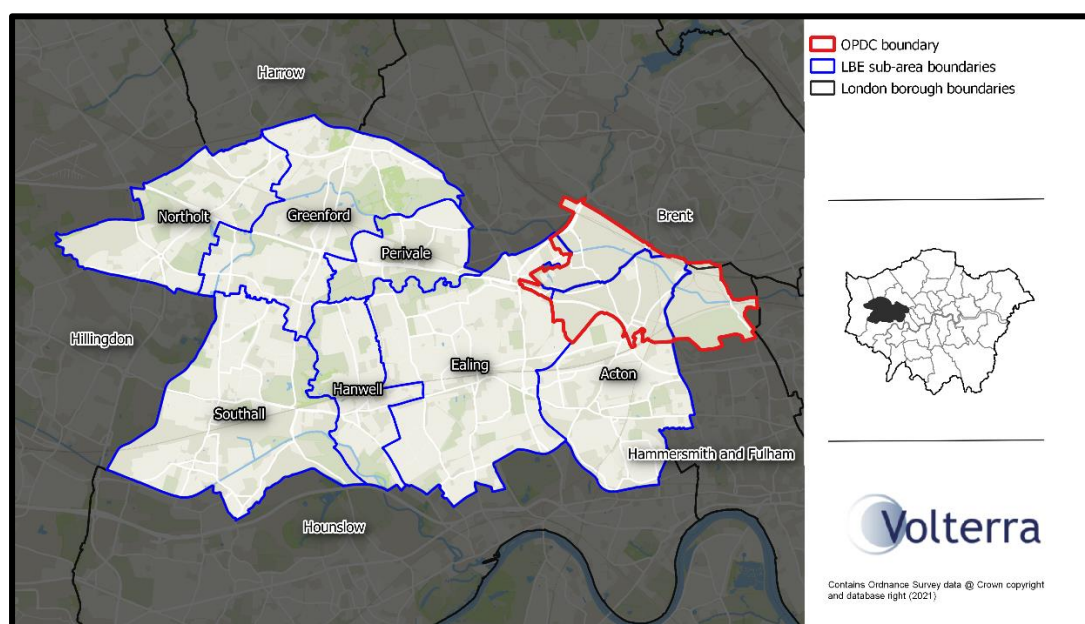
Appendices

1. Area review
2. Existing Affordable Workspaces in LBE and OPDC
3. Methodology for defining LTES
4. Summary of London council Affordable Workspace policies
5. Viability assessment
6. Examples contributing to the value of Affordable Workspace

Area context

- 11.1 The OPDC and LBE are located in West London. OPDC is a Mayoral Development Corporation established in April 2015. The Corporation is responsible for planning and regeneration of 650 hectares including the common land area of Old Oak Common and the industrial Park Royal site. This area is one of the largest regeneration projects in Europe and is expected to experience high growth in the coming years with high housing and jobs targets and the advent of new Crossrail and High Speed 2 stations.
- 11.2 The OPDC intersects three boroughs: the London Borough of Brent (LBB), LBE and the London Borough of Hammersmith and Fulham (LBHF). LBE is split into eight 'sub-areas' or 'towns' in policy.²⁶ One of these, Park Royal, lies within the OPDC.
- 11.3 The figure below shows the OPDC and surrounding borough boundaries, along with the LBE sub-areas.

Figure 13 Study area including LBE sub-areas



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- 11.4 The study aims to focus on geographical areas which are most relevant to policy makers. These are as follows:
- OPDC: the whole area.
 - LBE (excl OPDC): since the OPDC is the local planning authority for the LBE part of the OPDC, the data has been presented for the area of LBE outside the OPDC (referred to as 'LBE (excl OPDC)') wherever possible. Analysis is also broken down by LBE sub-area where relevant and robust.

²⁶ Ealing Council, 2012, Development Strategy DPD.

- 11.5 This technical note clearly labels the data throughout to ensure the geographies used are understood.

Geographical approximation of the data

- 11.6 Data is not always available for each of the statistical boundaries. In some scenarios areas have to be approximated based on available datasets.
- 11.7 For some data used, such as the Sqwyre dataset²⁷ (including estimates based on data from the Valuation Office Agency (VOA)), datapoints include a specific point-location (latitude and longitude coordinates). These can be intersected with geographical boundaries using GIS mapping tools. This allows the data to be split into any geography required including the key geographies of interest.
- 11.8 Other data sources are available at statistical boundaries. As discussed below, these are aligned to best fit the study areas where possible but there is some misalignment. This is an unavoidable limitation of the analysis.

The OPDC

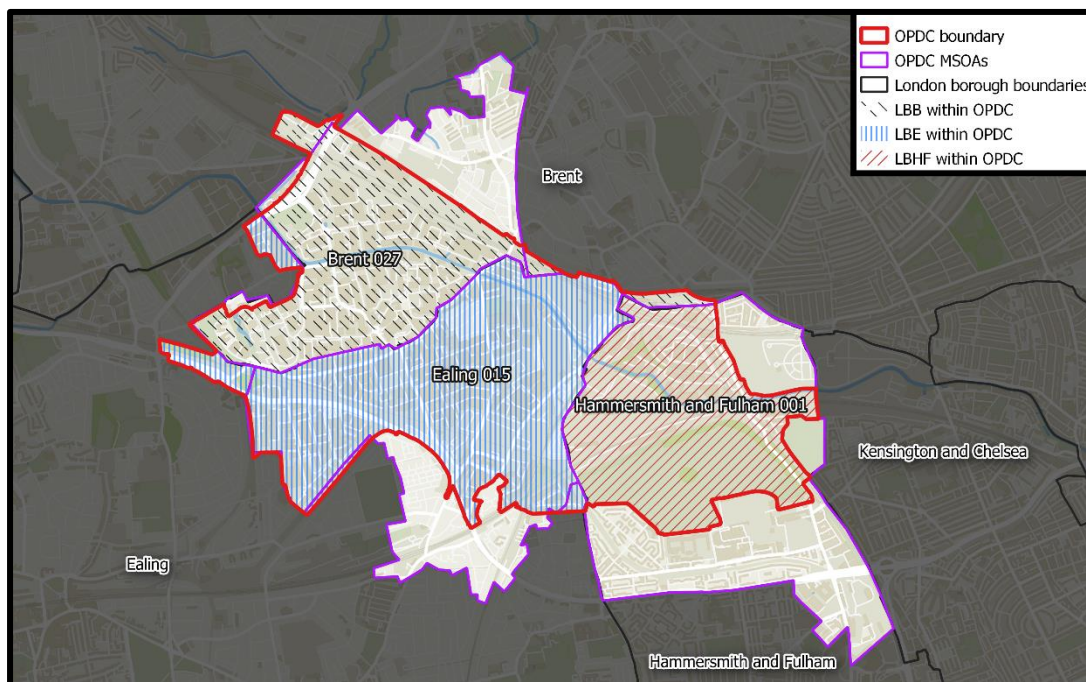
- 11.9 In line with previous studies of the OPDC area, the three middle super output areas (MSOAs²⁸) of Brent 027, Ealing 015, and Hammersmith and Fulham 001 have been used to collect data for the OPDC.²⁹ The figure below shows that these align well with the OPDC area. Only fairly small parts, such as the northern element of Brent 027 and the eastern element of Hammersmith and Fulham 001, lie outside the OPDC boundary.
- 11.10 Any conclusions which might be affected by this are explained in this report. An example of this is the Hammersmith and Queen Charlotte's and Chelsea Hospitals, which are in the eastern part of Hammersmith and Fulham 001 but outside of the OPDC (i.e., inside the purple area below but outside the red boundary). Collecting data for this area can therefore be misleading as it suggests that there is a large number of hospital jobs, which are outside the OPDC boundary. This and other findings are explained throughout.

²⁷ This dataset provides a collection of data on divided business units including broad industrial categories and estimations of floor areas, rental values, rateable values and employee counts. The exact sources of the data are unknown but some of the estimations are based on VOA data.

²⁸ MSOAs are a geographic hierarchy designed to improve the reporting of small area statistics in England and Wales. The minimum population of an MSOA is 5,000 and the mean is 7,200.

²⁹ OPDC, 2018, Socio Economic Baseline Study.

Figure 14 Geographical approximation of the data

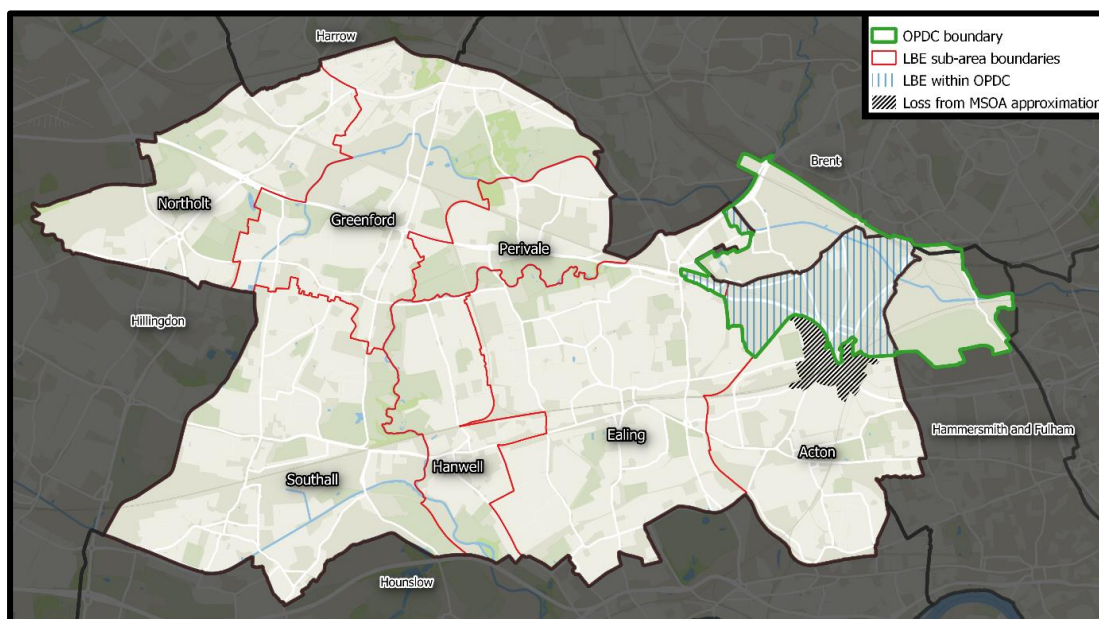


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LBE (excl OPDC)

11.11 LBE (excl OPDC) is defined as LBE excluding the MSOA Ealing 015. As can be seen in the figure below, this proxy excludes a small area in North Acton, highlighted by the hashed black lines.

Figure 15 Geographical approximation of LBE (excl OPDC) by subtracting MSOA from LBE



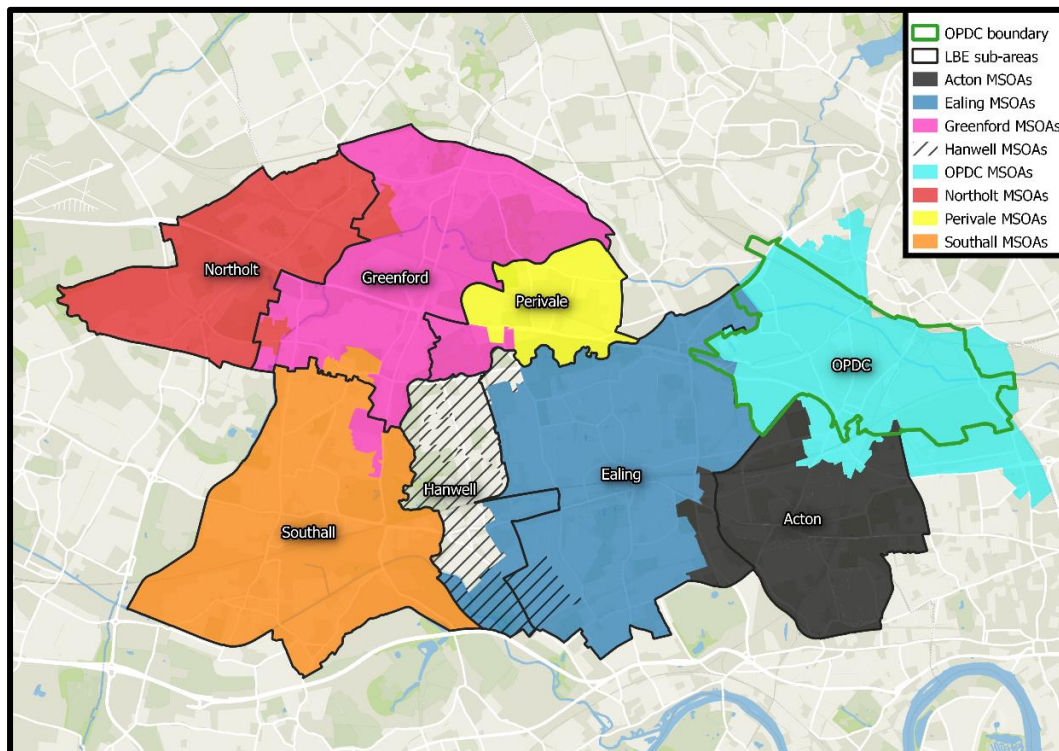
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Note: There are eight sub-areas in total but only seven are displayed as the Park Royal sub-area has been excluded due to it being within the OPDC area

LBE sub-areas

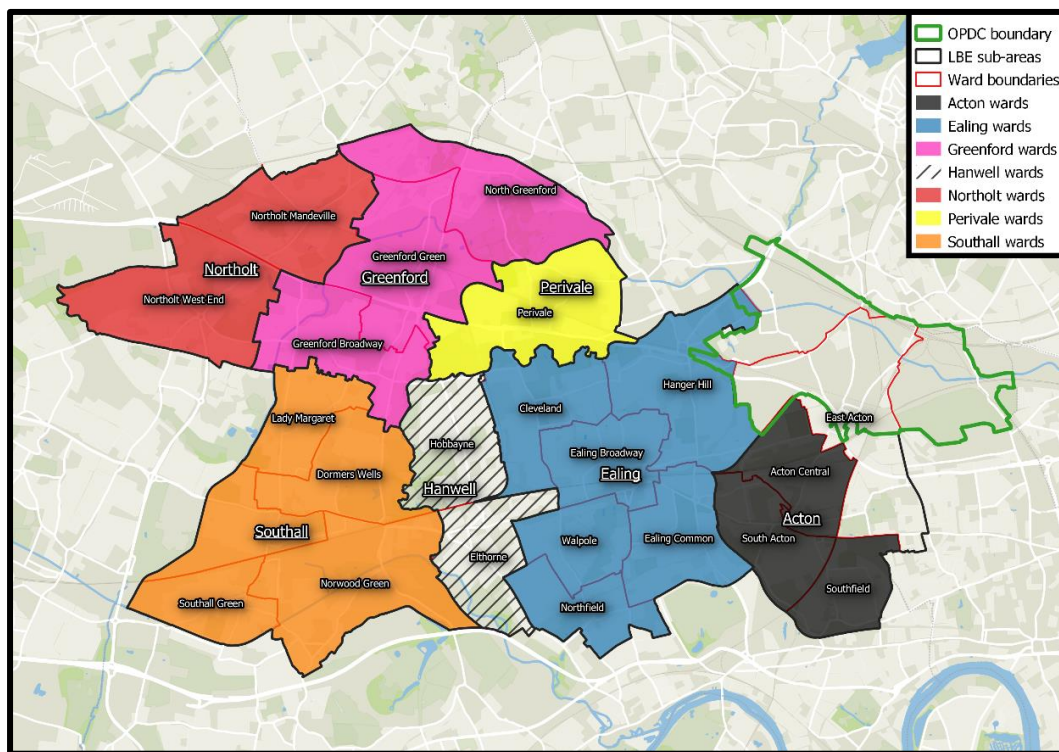
11.12 The LBE sub-areas have been approximated using either the census wards or MSOAs, depending on the data source.

Figure 16 Geographical approximation using MSOAs



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Figure 17 Geographical approximation for LBE sub-areas using wards



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11.13 The figures above show the fit between the ward and MSOA areas and the sub-area boundaries. As these do not align exactly with the sub-area boundaries the data may either be over or underestimated.

11.14

- 11.15 **Figure 17**Error! Reference source not found. shows the ward approximation of the study areas. To approximate the Acton sub-area, the ward of East Acton has been excluded as the majority of it lies in the OPDC. However, it also contains a bit of area within Acton on the Ealing side, which is excluded using the ward analysis. The Acton area, like other sub areas presented below, is therefore an approximation of the area.

Summary

- 11.16 The table below summarises the data sources and geographical approximations used in the analysis.

Table 7 Summary of sources and geographical approximations used

Dataset	Source	Geography required	Geographical approximation (if necessary)
Sqwyre	Whythawk.com	All	None required – data includes point-locations
Commercial rents	Desktop research on commercial property websites	All	None required – data includes point-locations
Non-domestic rating: summary valuations, epoch 30	VOA, 2017	OPDC	None required – data includes point-locations
Non-domestic rating: summary valuations, epoch 30	VOA, 2017	LBE (excl OPDC)	None required – data includes point-locations
Business Register and Employment Survey (BRES)	ONS, 2009-2020	OPDC	MSOA approximation
Business Register and Employment Survey (BRES)	ONS, 2009-2020	LBE (excl OPDC)	LBE minus Ealing 015 MSOA
Business Register and Employment Survey (BRES)	ONS, 2009-2020	LBE and OPDC	LBE plus two MSOAs (Brent 027 and Hammersmith and Fulham 001)
Business Register and Employment Survey (BRES)	ONS, 2009-2020	LBE sub-areas	Ward approximation
Business Counts local units by industry and employment size band	ONS, 2020	OPDC	MSOA approximation
Business Counts local units by industry and employment size band	ONS, 2020	LBE (excl OPDC)	LBE minus MSOA
Business Counts local units by industry and employment size band	ONS, 2020	LBE and OPDC	LBE plus two MSOAs
Business Counts local units by industry and employment size band	ONS, 2020	LBE sub-areas	MSOA approximation
UK Business Counts	ONS, 2022	LBE sub-areas	MSOA approximation
Business Demography UK	ONS, 2015-2020	LBE	None required – available by local authority district.
Non-domestic rating: stock of properties including business floorspace 2021	VOA, 2021	OPDC	MSOA approximation
Non-domestic rating: stock of properties including business floorspace 2021	VOA, 2021	LBE (excl OPDC)	LBE minus MSOA

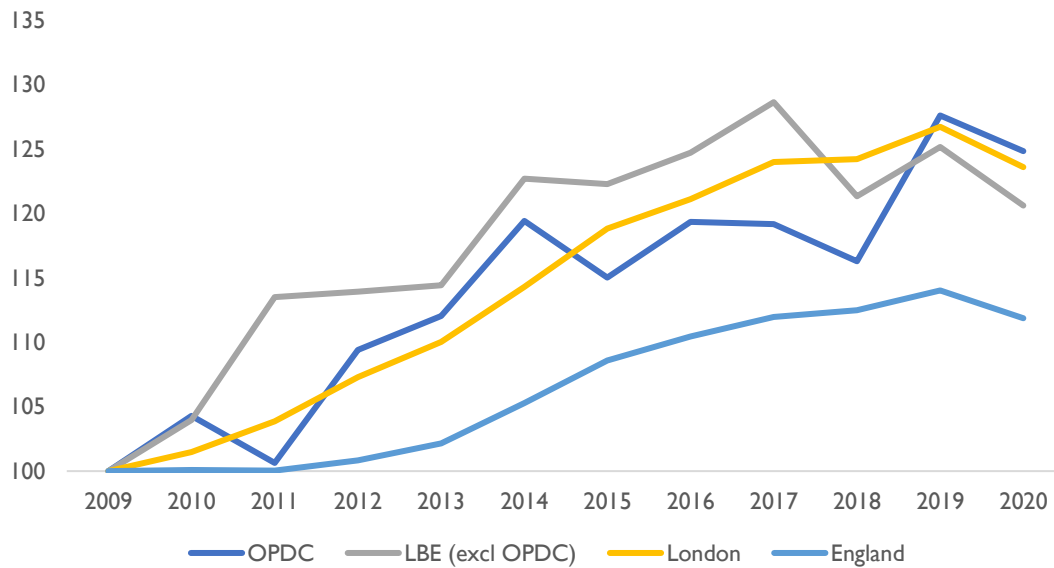
COVID-19

- 11.17 COVID-19 has impacted a variety of health, social, economic and demographic indicators. Much of the baseline data collected in this report have been affected, at least indirectly, by COVID-19 and the associated restrictions in place to stop the spread of the virus. Many of these restrictions – such as lockdowns and the furlough scheme – were short term changes which had significant impacts on some baseline indicators, such as the unemployment rate.
- 11.18 As COVID-19 had a large impact on some indicators and it is too early to understand the extent to which these changes will be long term, this report presents pre-pandemic data. The data is presented over the period to 2019 (or the next best alternative).
- 11.19 Where relevant, however, the report does provide commentary to reflect the current position – for example, where COVID-19 has potentially changed the underlying dynamics relating to the data. This commentary is not trying to predict what is going to happen, but simply to reflect the current position and discuss it.
- 11.20 COVID-19 may have lasting effects, which are uncertain and will depend on several factors, not least how long the pandemic persists. This report does not attempt to forecast what is going to happen but presents historic data to understand the baseline.

Economic context

- 11.21 As of 2019, the OPDC supported around 55,000 jobs and 3,000 businesses and LBE (excl OPDC) was home to around 130,000 jobs and 18,000 businesses. Although more recent (2020) data is available, this data will have been impacted by COVID-19.
- 11.22 Employment growth in the study areas between 2009 and 2019 has been largely in line with the London average and above the national average. As shown in the figure below, employment growth in OPDC has been strong but variable between 2009 and 2019, with an overall increase of 28%. Despite OPDC employment growth being below the London average between 2015 and 2018, it has marginally surpassed London growth since 2018. Between 2009 and 2019, employment in LBE (excl OPDC) grew by 25%, marginally below the London average of 27%. The figure below shows that growth in LBE (excl OPDC) was consistently above the London average up to 2017 but has since declined.

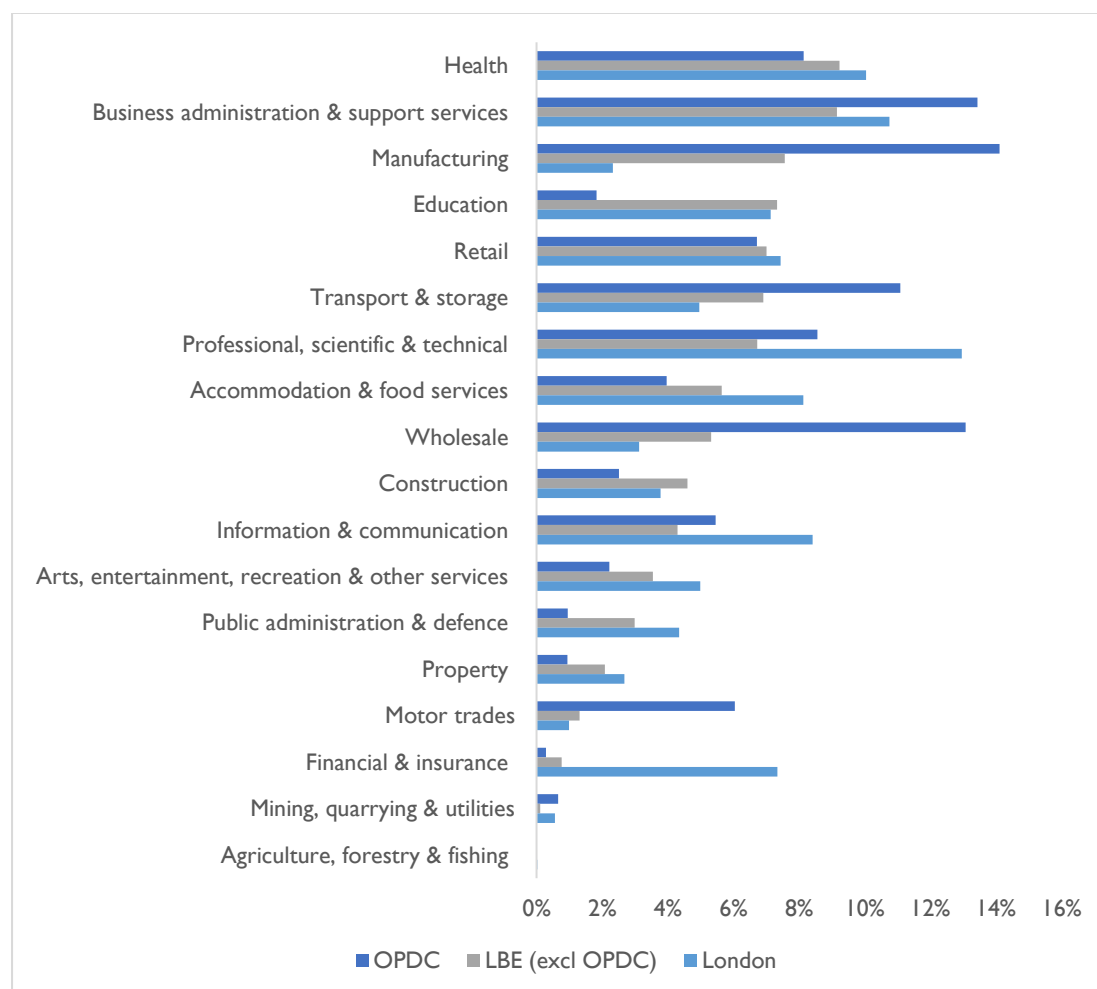
Figure 18 Indexed employment growth, 2009-2020 (2009=100)



Source: ONS, 2022. Business Register and Employment Survey 2020.

- 11.23 The figure below shows the prominence of manufacturing, wholesale and transport & storage across the two areas. These three sectors alone account for nearly 40% of total OPDC employment. Whilst industrial sectors such as manufacturing and transport & storage, are important to the LBE (excl OPDC) economy, they are a smaller proportion of total jobs relative to the OPDC.
- 11.24 Indeed, the LBE (excl OPDC) economy appears more balanced in terms of its sector composition, with relatively higher levels of employment in the education, accommodation & food services, and health sectors.

Figure 19 Proportion of total employment by broad sector (2019)



Source: ONS, 2022. Business Register and Employment Survey 2020.

Growth

- 11.25 The LBE (excl OPDC) economy is currently much larger than the OPDC economy. But the OPDC is one of the largest future growth areas in London. The area is estimated to have the capacity to deliver 36,350 new jobs over the next 20 years.³⁰ The Greater London Authority (GLA) expect growth of 16,000 jobs between 2015 and 2036 across the whole of LBE. This is equivalent to growth of 10.4%, below the London average of 20.8%.³¹

Robustness and limitations

- 11.26 The source used for the employment analysis is BRES,³² a robust ONS dataset. This dataset requires MSOA approximations for the study areas. For the OPDC, the use of the Hammersmith and Fulham 001 MSOA means that Queen Charlotte's and Chelsea Hospitals are included in the economic context baseline despite falling outside the administrative area of the OPDC. This positively skews the representation of the health sector at the OPDC level. The

³⁰ Mayor of London, 2021, OPDC Post Submission Modified Draft Local Plan.

³¹ GLA, 2017, London Long Term Market Projections.

³² ONS, 2019. Business Register and Employment Survey.

use of the MSOAs approximations, which cover a larger area than the OPDC, means that the total employment figure reported is likely higher than the true OPDC figure.

11.27 For LBE (excl OPDC), the approximation means that an area of north Acton is excluded from the OPDC.

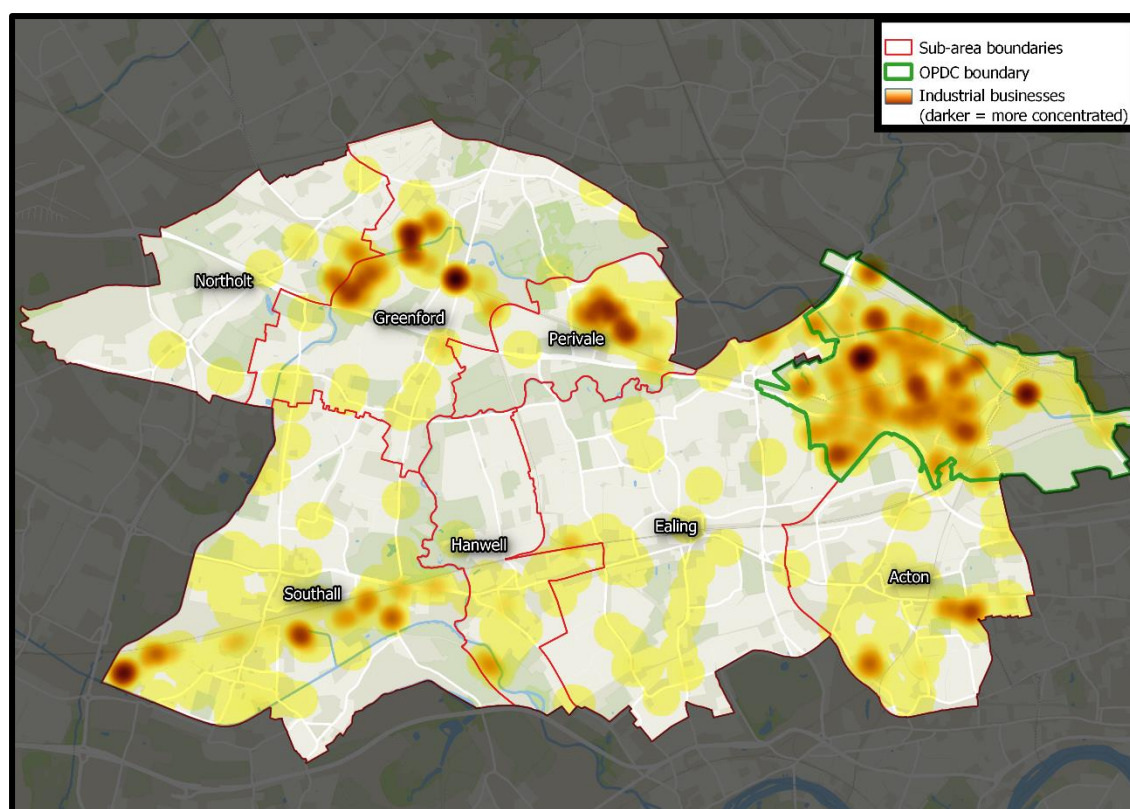
11.28 These limitations are not expected to be material for this analysis.

Business workspace audit

Floorspace distributions

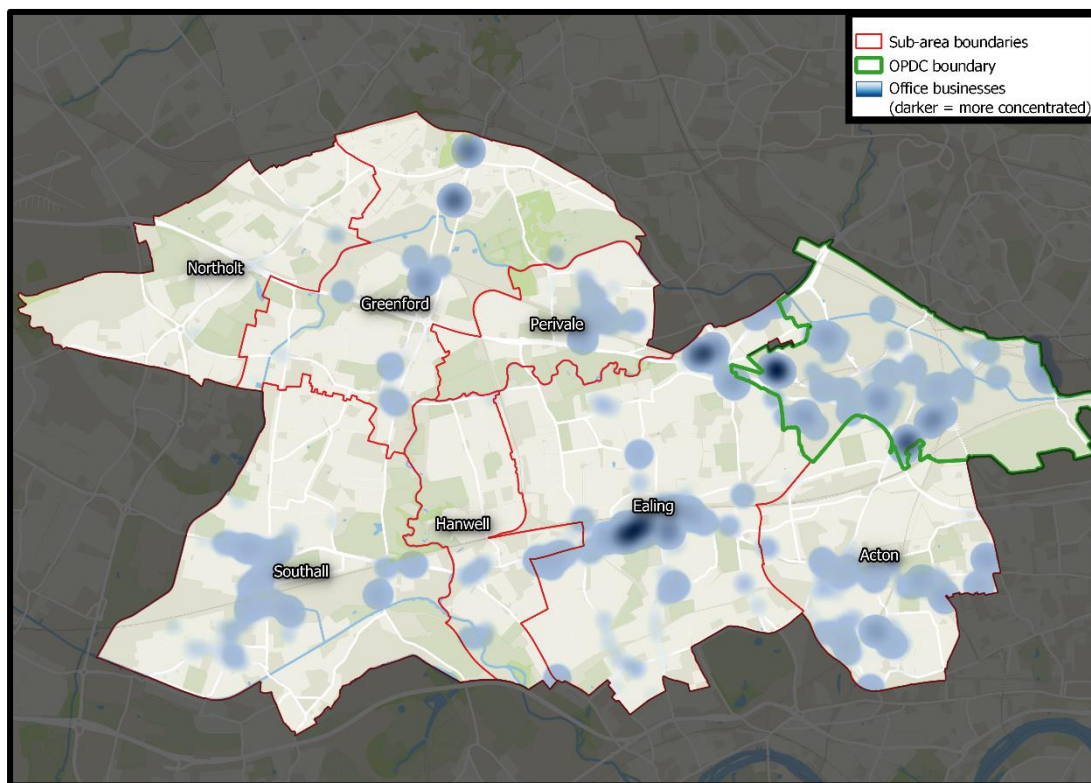
11.29 The figure below displays the distribution of industrial floorspace across LBE and the OPDC. Industrial businesses are concentrated around areas with existing industrial estates. In particular, these clusters are located across the OPDC and the Greenford, Perivale and Southall sub-areas. The industrial stock is more evenly distributed across the area than the office stock, where 50% of LBE (excl OPDC)'s total is within the Ealing sub-area and 30% split approximately evenly between Acton and Southall.

Figure 20 Distribution of LBE (excl OPDC) industrial business stock



Source: VOA summary valuations, 2017, epoch 30 ©MapTiler ©OpenStreetMap contributors.

Figure 21 Distribution of LBE (excl OPDC) office business stock

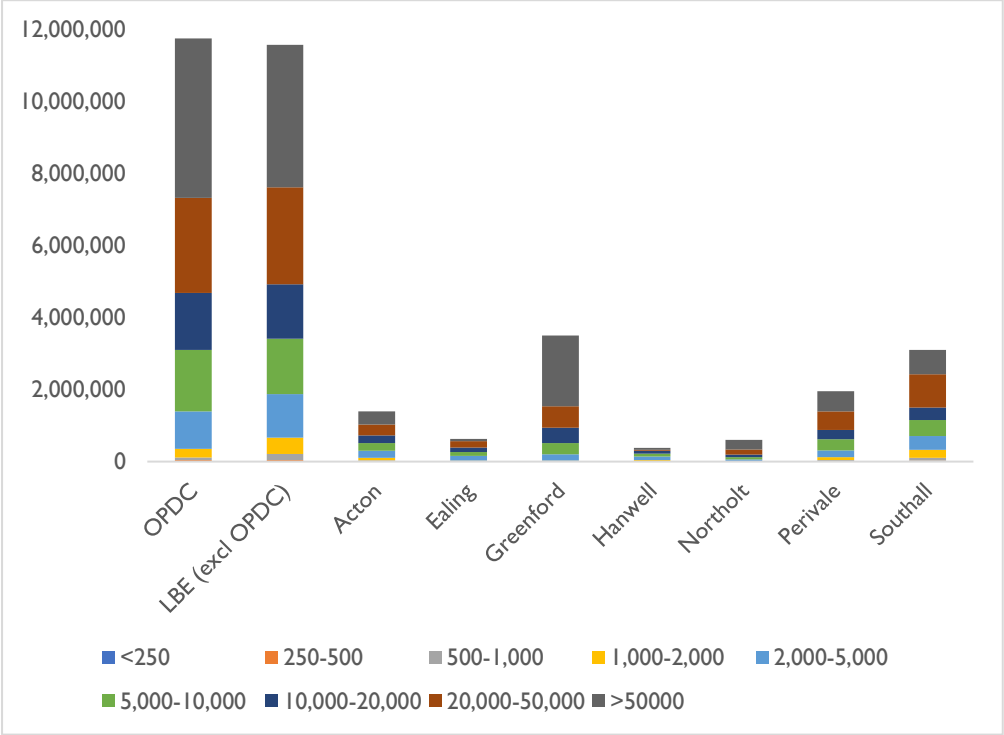


Source: VOA summary valuations, 2017, epoch 30, ©MapTiler ©OpenStreetMap contributors.

- 11.30 The two figures below show the floorspace distributions for industrial and office uses, disaggregated by sub-area and floorspace size band.
- 11.31 The OPDC has a marginally greater amount of industrial floorspace than LBE (excl OPDC), despite having approximately 300 fewer industrial businesses. There is approximately 11.8m sqft (NIA) of industrial floorspace in OPDC and 11.6m sqft (NIA) in LBE (excl OPDC). A higher proportion of the industrial stock in OPDC has large floorspaces: 88% of total industrial floorspace within OPDC is larger than 5,000 sqft (NIA) in size compared to 84% in LBE (excl OPDC). Indeed, very large industrial businesses appear to be more prevalent in the OPDC with 38% of industrial floorspace being greater than 50,000 sqft (NIA), 4 percentage points higher than in LBE (excl OPDC).
- 11.32 Moreover, smaller industrial floorspace is seen in greater proportion in LBE (excl OPDC). 6% of total industrial floorspace is less than 2,000 sqft (NIA) compared to 3% in the OPDC.
- 11.33 Within the sub-areas, Greenford, Perivale and Southall have the largest amounts of industrial floorspace. Greenford has a high proportion (56%) of very large floorspace exceeding 50,000 sqft (NIA).
- 11.34 As shown in the second figure below, LBE (excl OPDC) has a considerably greater amount of total office floorspace: 2.9m sqft (NIA) compared to 1.0m sqft (NIA) in the OPDC. However, the proportion of their total office floorspace which is 1,000 sqft (NIA) or less is approximately the same at 16%. Of the LBE sub-areas, Ealing accounts for by far the greatest proportion of office floorspace at 56% of the total office floorspace within LBE (excl OPDC). Whilst it does

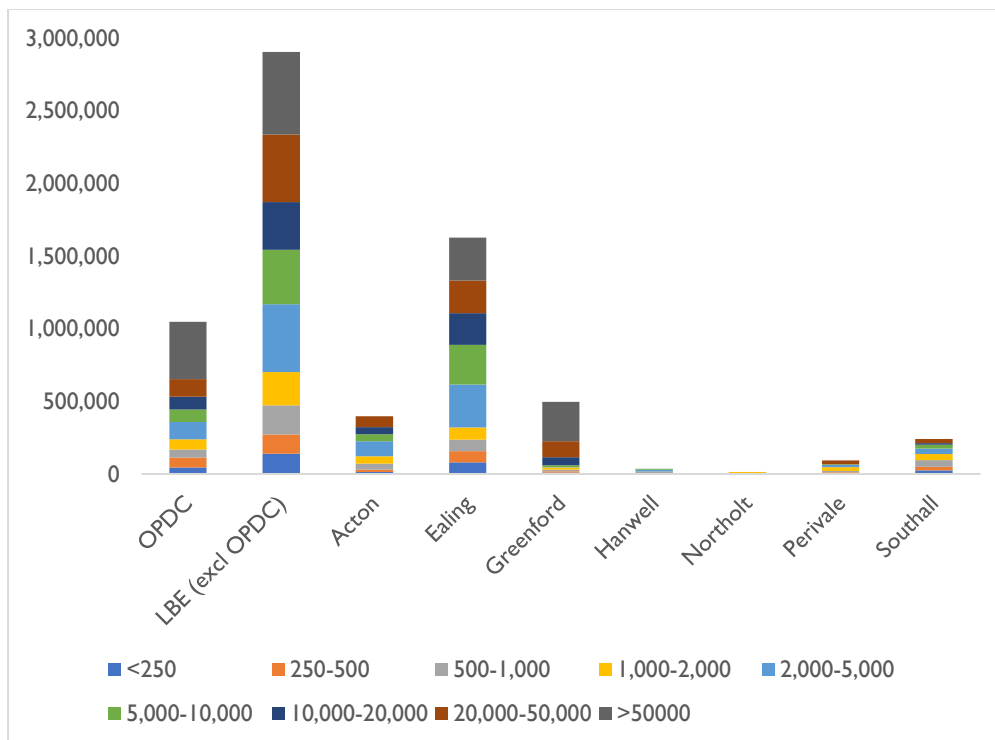
account for a lower proportion of total office floorspace, Southall has a notably high level of office floorspace which is 500 sqft or less at 20%, compared to 10% across Ealing (excl OPDC).

Figure 22 Industrial floorspace by size band (NIA, sqft)



Source: VOA summary valuations, 2017, epoch 30.

Figure 23 Office floorspace by size band (NIA, sqft)

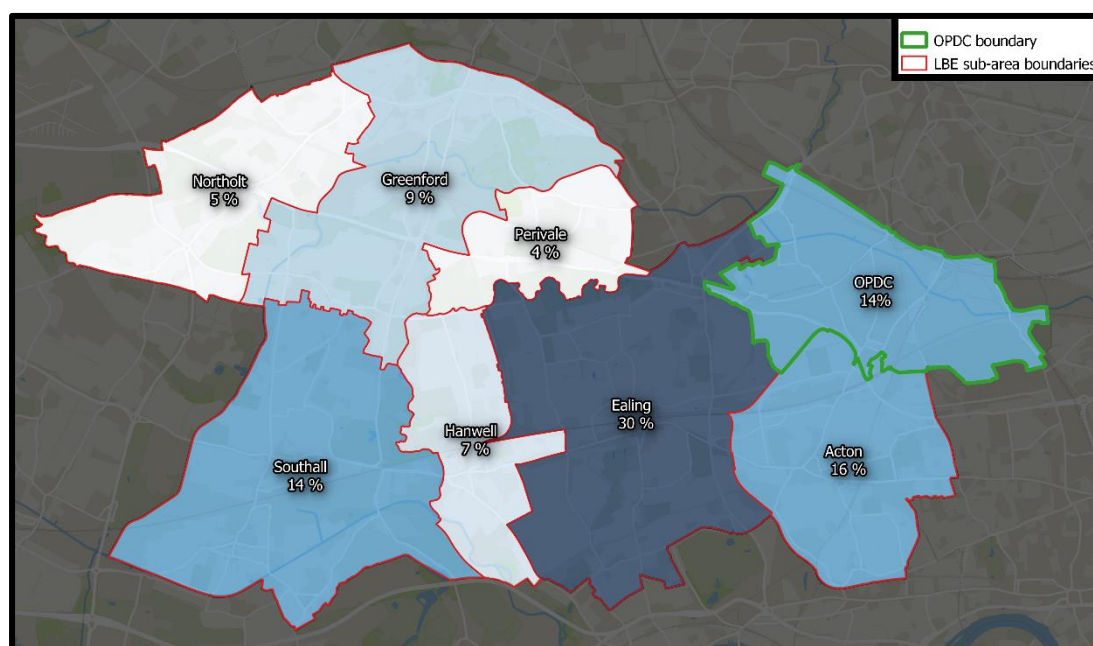


Source: VOA summary valuations, 2017, epoch 30.

Small and micro businesses

- 11.35 The main users of affordable workspace are small and micro businesses. As shown in the figure below, a large proportion of small and micro businesses within LBE and the OPDC are located within the sub-area of Ealing (30%), with Acton (16%), the OPDC (14%) and Southall (14%) also accounting for significant amounts. Different sub-areas currently play different roles, highlighting the need to account for sub-area variations when designing policy and prioritising areas for development.

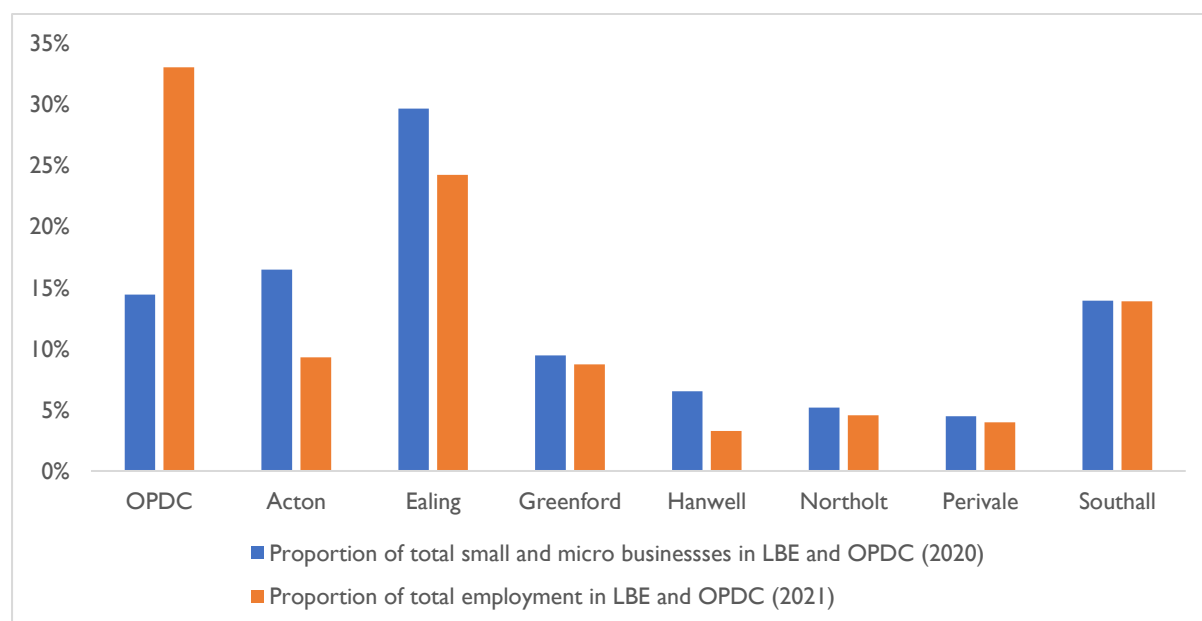
Figure 24 Distribution of small and micro businesses (2021)



Source: ONS, 2022, Business Counts local units by industry and employment size band ©MapTiler ©OpenStreetMap contributors.

11.36 The figure below adds further context by comparing the proportions of total employment and total small and micro business counts. The figure shows that the OPDC supports a third of the jobs in the combined study areas but only 14% of small and micro businesses. This is because the OPDC has a higher proportion of larger businesses. Other areas, such as Acton and Ealing town, support a disproportionate share of the area's small and micro businesses.

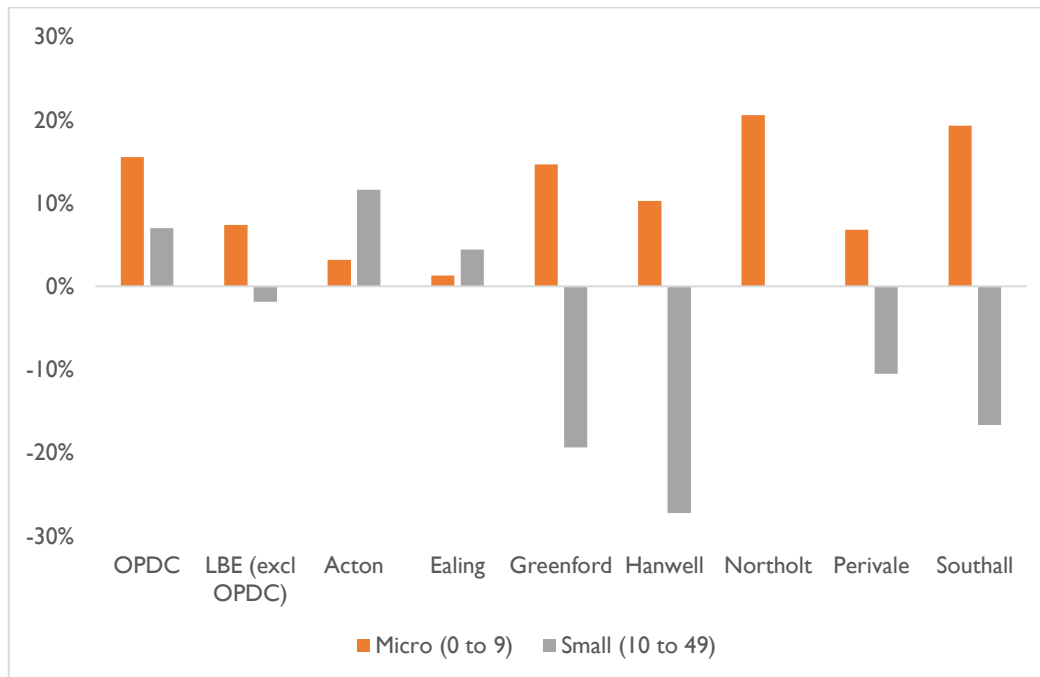
Figure 25 Comparison of share of employment and small and micro businesses



Sources: ONS, 2022, Business Counts local units by industry and employment size band. ONS, 2022. Business Register and Employment Survey 2020.

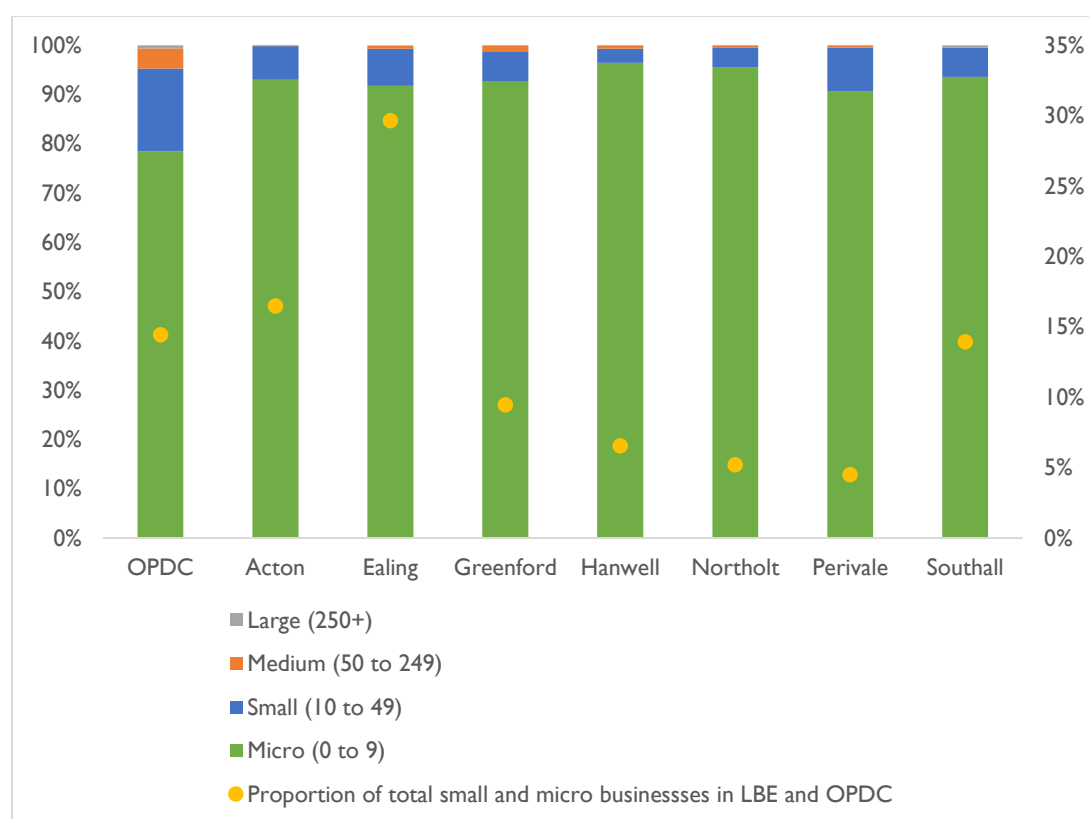
11.37 The figure below shows that, despite having large existing counts of small and micro businesses, Acton and Ealing sub-areas have shown relatively lower growth compared to elsewhere in LBE and the OPDC. Conversely, the OPDC and Southall both have relatively high proportions of small and micro businesses and have displayed strong growth in the last five years. Northolt has also shown strong growth but only accounts for a relatively low proportion.

Figure 26 Small and micro business growth (2016-2021)



Source: ONS, 2022, Business Counts local units by industry and employment size band.

Figure 27 Distribution of business sizes (2021)



Source: ONS, 2022, Business Counts local units by industry and employment size band

- 11.38 The above figure shows that growth has been driven by micro businesses (0-9 employees) especially within LBE (excl OPDC). Micro businesses account for the largest proportion of overall businesses in all geographies. However, whilst the proportion of total businesses that are micro businesses is reasonably constant at approximately 90% across the LBE (excl OPDC) sub-areas, the OPDC has a significantly lower level of 77%.
- 11.39 This growth in small and micro businesses in LBE (excl OPDC) has predominantly been driven by the construction sector which accounted for 41% of the change between 2016-2021. Within OPDC, the growth has been across a greater range of sectors including business, administration & support service (22%) and accommodation and food services (16%).

Priority sectors – key findings

- 11.40 Priority sectors are those that are current specialisms of the areas as well as those which show potential for future growth. It is important to identify these because it allows limited resources and opportunities for affordable workspace to be used where they can have the largest impact, contributing to local objectives.
- 11.41 There is not one perfect way of identifying key and growth sectors. There are some useful analytical techniques – e.g., location quotient and comparisons of growth and absolute contribution relative to other areas – but there are advantages and disadvantages of each. There are also issues with data as a tool for identifying key sectors. Data is static at the point of collection so it does not reflect dynamic changes in the economy (e.g., 2020 data will be

affected by a COVID-19 bias). The way data is categorised means it is not always helpful for understanding sectors in the modern economy. Therefore, data can be weak at identifying certain sectors as new sectors are not captured by existing categories or cut across and underpin different industries. For example, 'green' industries can cut across many sectoral categories and no available categorisation is reliably accurate in identifying green businesses. As such, any understanding of key sectors must be pieced together from different sources.

- 11.42 There are several existing sources such as the OPDC Future Employment Growth Sectors Study³³ and LBB Affordable Workspace Strategy.³⁴ These have been reviewed and this analysis aims to build on and update these. This analysis is summarised below, but other sources such as the consultation with stakeholders and the informal advisory board will be important to inform this work.
- 11.43 One approach to identifying priority sectors is to consider employment growth and the sectors degree of specialisation. The level of specialisation is indicated by the location quotient (LQ) with London being used as a benchmark in the calculation. A LQ above one indicates that the sector is relatively more concentrated in the area compared to the rest of London.
- 11.44 A limitation of this approach in this context is that it does not breakdown the data by size of business. As such, despite the majority of affordable workspace users being small and micro businesses, the priority sectors identified may be skewed by large businesses. In order to account for this, further analysis into the composition of small and micro businesses in the area is presented in the subsequent section.

Comparison to existing work

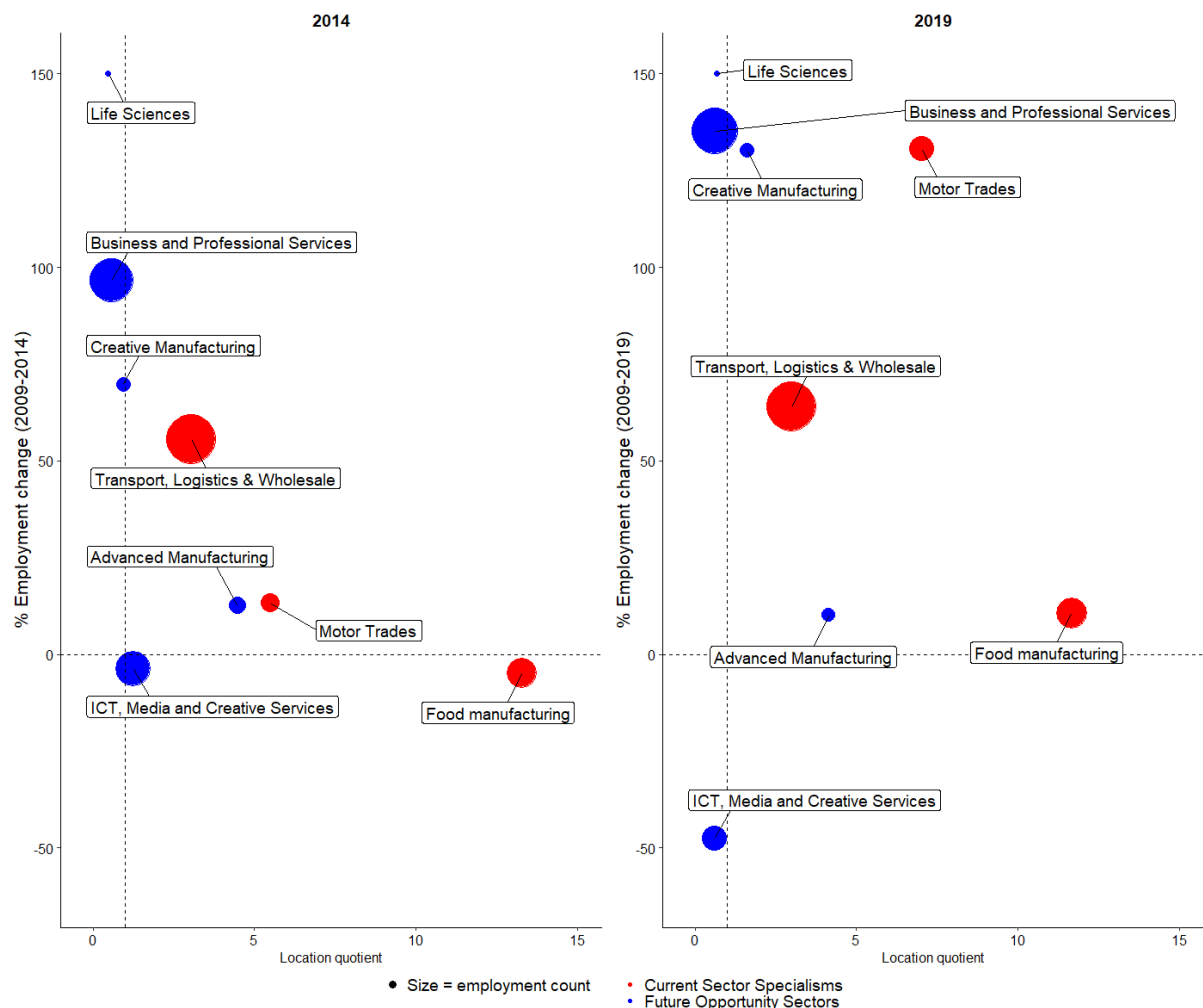
- 11.45 Previous work conducted by Regeneris Consulting in 2017 (now Hatch Regeneris) identified the current specialist and potential future growth sectors for the OPDC.³⁵ This section considers whether these findings remain robust when using recent data, and whether there is new or alternative data for looking at the priority sectors.

33 Regeneris Consulting for OPDC, 2017, Future Employment Growth Sectors Study.

34 Brent Council, 2020, LB Brent Affordable Workspace Strategy.

35 Regeneris Consulting for OPDC, 2017, Future Employment Growth Sectors Study.

Figure 28 Comparison to Future Growth Sector Employment Study, OPDC



Source: ONS, 2022. Business Register and Employment Survey 2020.

* Actual employment growth (2009-2014) for Life Sciences was approx. 260%.

* Actual employment growth (2009-2019) for Life Sciences was approx. 480%.

- 11.46 The figure above shows how the specialist and future growth sectors identified have performed in 2019 (right) compared to previous findings in 2014 (left). This comparison looks to extend the previous work by seeing if the conclusions from previous work remain robust over time.
- 11.47 The vertical axis shows the percentage growth in the sector between 2009 and 2014 (left) and the longer period between 2009 and 2019 (right). The horizontal axis shows the LQ, the degree of specialisation. The size of the bubble is relative to the number of people employed in the sector. In general, sectors that are located in the upper right of the quadrant are performing well as they have shown both strong employment growth over the period as well as high levels of sectoral specialisation.
- 11.48 The three sector specialisms (red) continue to perform well over the longer period. This implies that they were well identified and are robust in the medium term. Food manufacturing retains an especially high level of specialisation in the OPDC with an LQ of 11.6 in 2019. This indicates that employment in food manufacturing is over 11 times more concentrated relative to elsewhere in London. Moreover, when compared to the previous findings, motor trades have

experienced both greater employment growth and an increased degree of specialisation from 2014 to 2019.

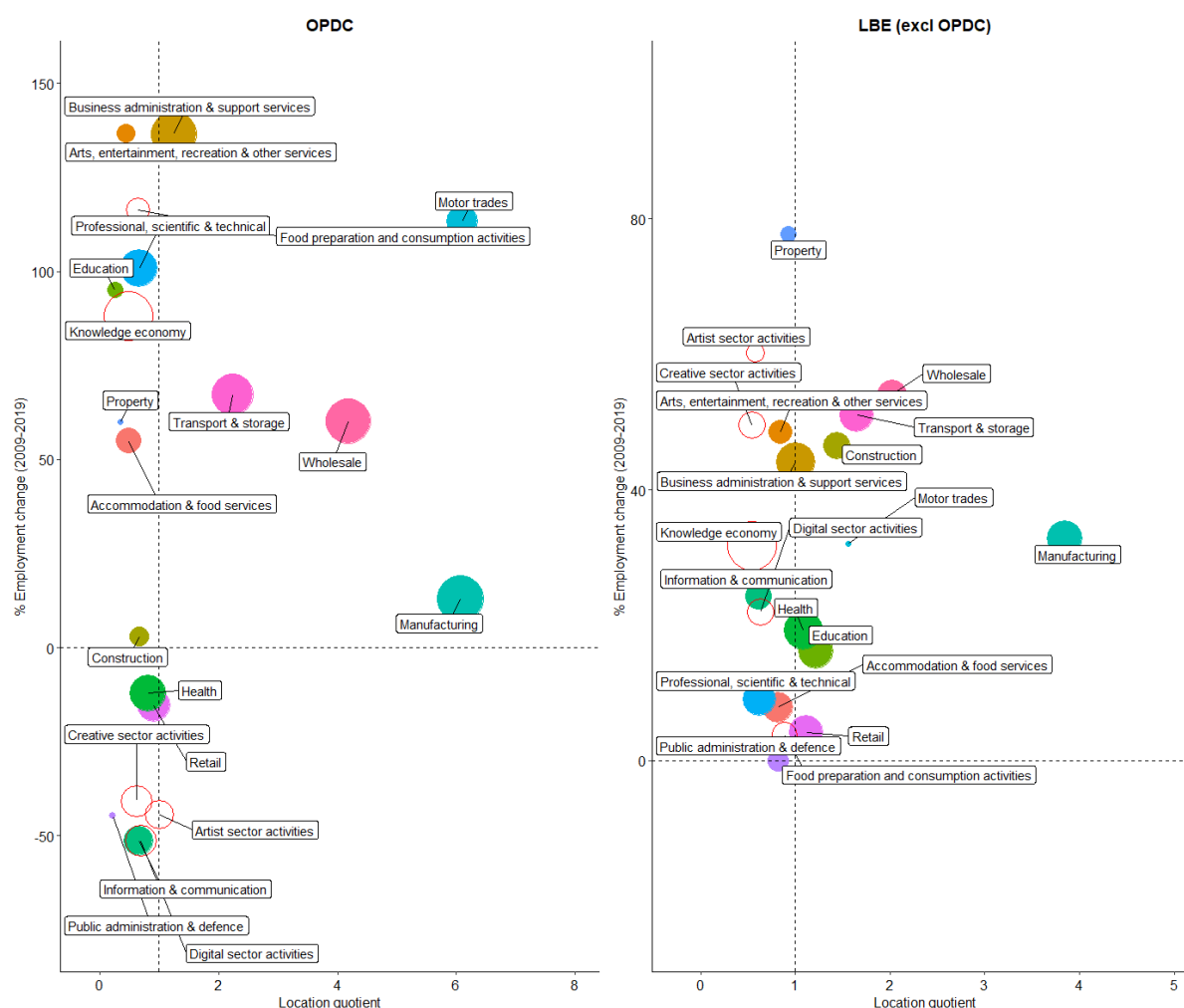
- 11.49 There is greater variation among the future opportunity sectors (blue). Both business and professional services and creative manufacturing continue to show promise for future growth. Yet, since the previous study, ICT, media and creative services have seen a drop in both specialisation and employment growth.
- 11.50 Advanced manufacturing has remained broadly similar with small decreases in both employment growth and specialisation.
- 11.51 The life sciences sector has seen high employment growth in recent years (63% between 2014-2019). But this was from a relatively low base (currently 845 jobs), so it has been excluded from the chart.³⁶
- 11.52 Overall, these comparisons show that the original conclusions have been fairly robust to date.

Updating the priority sectors

- 11.53 To add to these existing findings, this analysis considers a more detailed sectoral breakdown. The following analysis considers the performance of broad industrial groups, cross-cutting sectors, and 2 digit standard industrial divisions. These are based on the Standard Industrial Classification (SIC) codes used to categorise businesses based on their economic activity. Broad industrial groups are the highest level of classification and 2 digit codes divisions are a sub-category of these broad groups. An example of a broad sector is construction but the 2 digit division splits the broad sector into more detailed groups of: construction of buildings, civil engineering and specialised construction activities.
- 11.54 The cross-cutting sectors (red outline) aim to capture key sectors that overlap different sectoral definitions. For example, the knowledge economy includes detailed sectors within the broad definitions of manufacturing, information and communication financial and insurance activities, professional, scientific and technical activities, administrative and support service activities, education, and arts, entertainment and recreation.

³⁶ This finding may also be weakened through the use of the MSOA approximation which means that Queen Charlotte's and Chelsea Hospitals are included despite falling outside the OPDC. This positively skews the representation of health activities which is part of the life sciences definition used.

Figure 29 Size, speciality and growth of broad and cross-cutting sectors

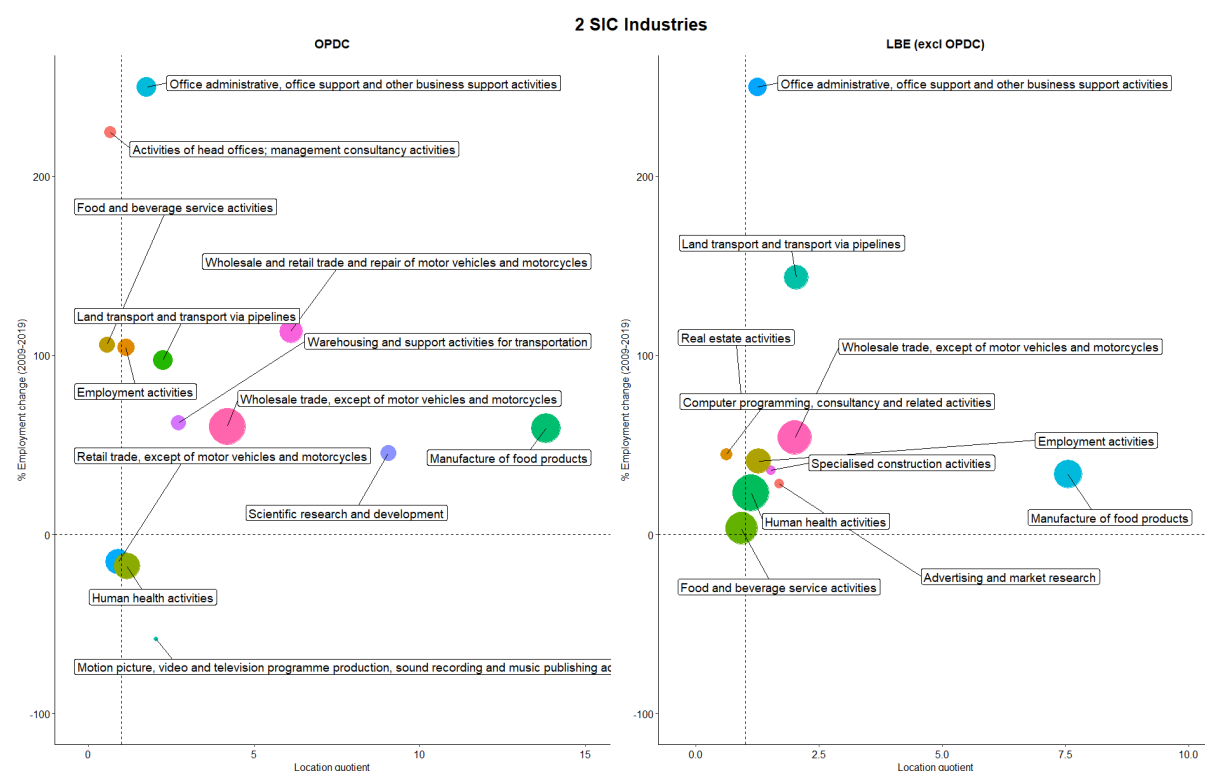


Source: ONS, 2022. Business Register and Employment Survey 2020.

- 11.55 The figure below shows the employment change between 2009 and 2019 for the broad industrial groups and cross-cutting sectors in the OPDC and LBE (excl OPDC). The coloured circles represent broad industrial groups and the red outlined circles are cross-cutting sectors. The four most specialised broad groups within the OPDC are motor trades, manufacturing, wholesale and transport & storage. This aligns with the large proportion of industrial floorspace in the area.
- 11.56 Although not yet highly specialised, the business administration & support services, professional, scientific & technical and arts and entertainment sectors have shown considerable employment growth between 2009 and 2019, giving a potential indication for future growth. Of the cross-cutting sectors (red outline), food preparation and consumption activities along with the knowledge economy show the greatest promise for future growth.
- 11.57 Similarly to the OPDC, LBE (excl OPDC) also shows strong specialisation in manufacturing, wholesale and transport & storage. However, the prominence of motor trades in the area is markedly lower than that of the OPDC. LBE (excl OPDC) is more specialised than the OPDC in the construction, retail and property sectors. Construction and property have also showed

strong growth over the period. Of the cross-cutting sectors, creative sector activities have shown the greatest employment growth over the period. Whilst not yet specialised in the area, this growth signifies promise for the future potential of this sector.

Figure 30 Size, speciality and growth of industrial divisions



Source: ONS, 2022. Business Register and Employment Survey 2020.

* The actual growth of office administrative, office support and other business support activities in the OPDC was approx. 630%.

** The actual growth of office administrative, office support and other business support activities in LBE (excl OPDC) was approx. 340%.

11.58 The figure below offers a look at the more detailed 2 digit SIC codes. These show that much of the strong performance in manufacturing in both OPDC and LBE (excl OPDC) is predominately due to manufacturing of food products. Both areas also show strong growth and some existing specialisation in land transport and transport via pipelines. Conversely, a closer examination of the wholesale sector shows that OPDC has relatively strong wholesale both inclusive and exclusive of motor trade whilst LBE (excl OPDC) is more focused in wholesale exclusive of motor trade.

11.59 The OPDC shows both strong existing specialisation and growth in the scientific, research and development sector. Additionally, office support and other business support activities had employment growth of 600% during the period to become a sector of relatively high specialism in the OPDC.

11.60 LBE (excl OPDC) has a degree of existing specialisation and employment growth in specialised construction activities. Moreover, administrative, office support and other business support

activities had employment growth of 300%. This reflects the increasing importance that the office sector is showing in both the OPDC and LBE (excl OPDC). There has also been notable employment growth in employment activities and advertising and market research in LBE (excl OPDC).

- 11.61 Further analysis on the 2 digit SIC codes is detailed in a later section on specialisation and business size analysis. This analysis includes the LQ as described above for each division as well as their respective proportions of total employment and of the total number of small and micro businesses within the areas. By looking at the number of small and micro businesses for each division, those that have smaller existing employment and may be lost using the LQ employment methodology can also be highlighted. An example of this within LBE (excl OPDC) is computer programming, consultancy and related activities. Whilst this sub-sector accounts for a small proportion of employment at 3%, it has the second highest proportion of total small and micro businesses (7%). Given this, and its employment growth of 45% between 2009-2019, it is considered to have strong future potential within the area.
- 11.62 Other industries that account for a high proportion of total small and micro businesses within LBL (excl OPDC) include retail trade, except of motor vehicles (11%) and specialized construction activities (7%). Within the OPDC the sectors which account for the greatest proportion of small and micro businesses are: wholesale trade, except of motor vehicles (12%), retail trade, except of motor vehicles (10%) and food and beverage service activities (6%).
- 11.63 Conversely, some sectors which are highly specialised in the areas but account for lower proportions of small and micro businesses may be less likely to make use of affordable workspace. For example, the manufacture of food products within OPDC accounts for 9% of total employment but only 2% of total small and micro businesses. This is similarly shown in LBE (excl OPDC) where the same sector accounts for 5% of total employment but less than 1% of total small and micro businesses.
- 11.64 The table below breaks down the specialisations of the sub-areas within LBE (excl OPDC).³⁷ Sub-areas such as Greenford and Perivale have an industrial focus, whereas the sub-areas of Acton and Ealing have a greater specialisation in retail and office sectors, with strengths in sectors such as advertising and market research and public administration and defence. Perivale also demonstrates that particular areas can attract different industries - for example, it has prominence of information and communication activities alongside the industrial sectors.

³⁷ Whereas for the higher level geographies the benchmark comparison was London, for the smaller geographies the benchmark is the combined LBE and OPDC area. As such, when the LQ is >1 this indicates that that town is relatively more specialized in that sector compared to the rest of LBE and the OPDC.

Table 8 Specialisms within LBE (excl OPDC) sub-areas and the OPDC

OPDC	Acton*	Ealing	Greenford	Hanwell	Northolt	Perivale	Southall
Food manufacturing	Advertising and market research	Business and professional services	Food manufacturing	Specialised construction activities	Specialised construction activities	Specialised construction activities	Food manufacturing
Motor trades	Business and professional services	ICT, media and creative services	Transport, logistics & wholesale	Life sciences	Transport, logistics & wholesale	Transport, logistics & wholesale	Life sciences
Transport, logistics & wholesale		Employment activities			Life sciences	Advanced manufacturing	
Creative manufacturing		Life sciences				ICT, media and creative services	
Advanced manufacturing							
Business and professional services							

* East Acton is excluded from the ward approximation used for Acton as it covers a large portion of the OPDC as well.

Other future growth sectors

- 11.65 Some potential future growth sectors may be lost in the above analysis which is fundamentally based on existing employment counts. Two of these sectors are those that make up the green economy and the artistic and creative sector.
- 11.66 Although an attempt may be made to estimate these using SIC codes, this will likely lead to inaccurate results due to the overlap that a number of industries would have across SIC codes.³⁸ These sectors are important, not just because of their existing presence, but due to the future economic, environmental and social benefits they could provide to the area.
- 11.67 The green sector is to become increasingly important as national and regional policies look to meet the net zero target. The existing industrial infrastructure puts both the OPDC and LBE (excl OPDC) in strong positions to be at the forefront of sustainable manufacturing and low carbon industry. Indeed, the London Sustainable Development Commission has identified the important role that the OPDC could play in forming a Cleantech Cluster alongside the Imperial White City Campus.³⁹ As part of this, it is envisioned that the OPDC can provide incubator space for new cleantech start-ups as well as offer larger flexible manufacturing facilities capable of high levels of output.
- 11.68 Artistic and creative activities form a vital part of the cultural value of LBE and OPDC. The OPDC has a strong existing network to support artists and creatives centred around the Park Royal Design District which looks to be enhanced with the aim of it becoming a designated Creative Enterprise Zone. Moreover, organisations within LBE such as Open Ealing and Ealing Studios exemplify the variety and history of creative sectors within the area. Workspace that is both affordable and flexible can facilitate the continued growth of the artistic and creative sectors which can often be constrained by issues of affordability.

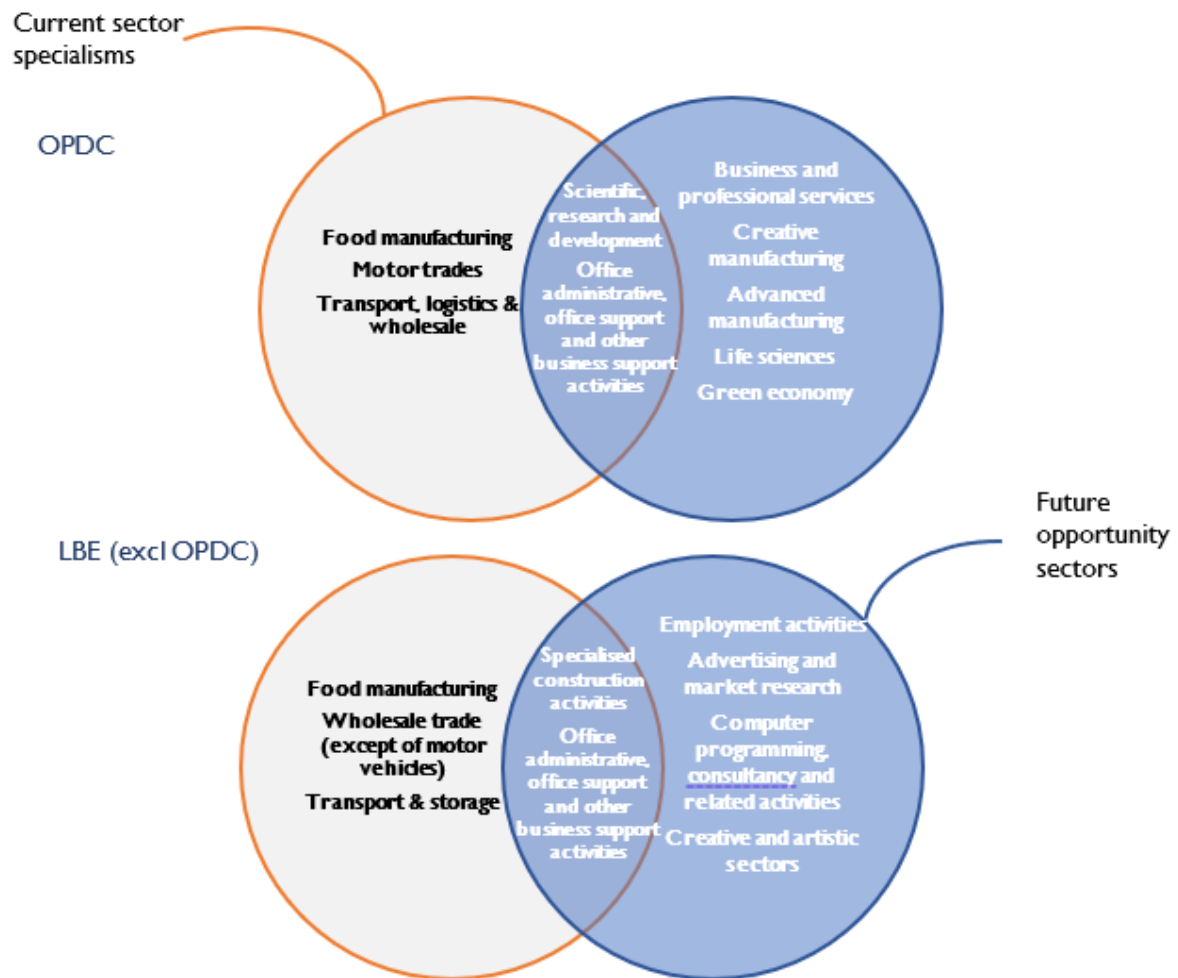
Summary

- 11.69 Combining the above analysis, the figure below presents the current sector specialisms and future growth sectors that have been identified for the OPDC and LBE (excl OPDC). These conclusions have been reached on the basis of: relative employment specialisation compared to elsewhere in London, employment growth (2009-2019), the proportion of small and micro businesses within their respective areas and qualitative analysis (including consultation) relating to wider socio-economic and cultural benefits.
- 11.70 Current specialisms are concentrated around industrial sectors such as food manufacturing, wholesale trade and transport & storage. Both the OPDC and LBE (excl OPDC) have seen strong growth in office administrative, office support and other business support activities. Future growth sectors for the OPDC include creative and advanced manufacturing whereas LBE (excl OPDC) has potential to further develop its advertising and market research and computer programming, consultancy and related activities sectors.

38 Office for Life Sciences, 2019, Bioscience and Health Technology Sector Statistics.

39 London Sustainable Development Commission, 2016, Better Future: A Route Map to Creating a Cleantech Cluster in London.

Figure 31 Priority sectors summary



Robustness and limitations

- 11.71 As mentioned above, a limitation of the employment data used in this section is that it does not provide a breakdown of jobs by size of business. As such, despite the majority of affordable workspace users being small and micro businesses, the priority sectors identified may be skewed by large businesses. Analysis on the sectoral breakdown of SMEs is also presented and used to identify relevant priority sectors to account for this.
- 11.72 Additionally, where sectors have been formed from combining multiple SIC codes, namely those identified in a later section on sector definitions, some codes are wide ranging so inflate employment with those who are not related to the sector of interest. Alternatively, the SIC codes may not reflect the full extent of the sector, such as for life sciences businesses.⁴⁰
- 11.73 The data used in the small and micro business analysis is the business counts local units by industry and employment size band dataset, sourced from the ONS.⁴¹ Whilst this is a robust ONS dataset, it does have some limitations in this context. Due to privacy issues, the ONS data is rounded to the nearest five. As such, especially when looking at smaller geographies, the true business count may be underreported. Additionally, the data only covers businesses that have registered for VAT and/or PAYE so does not include the unregistered business population.
- 11.74 There are also geographical limitations for the data used in this section. Due to the MSOA approximation used, the life sciences sector may appear as more prominent than it actually is in the OPDC due to the inclusion of Hammersmith and Queen Charlotte's and Chelsea Hospitals which are outside the OPDC boundary but in the area for the statistical geography.

Supply and demand review

- 11.75 There is no perfect source to identify the trends of supply and demand of floorspace within LBE and the OPDC. As such, a number of sources have been combined to better understand these trends. These sources have included primary data from the VOA and Sqwyre, and secondary literature reviews of relevant documents. Partial evidence on vacancy rates, rental growth and supply have been combined here to provide an understanding of the local property dynamics.

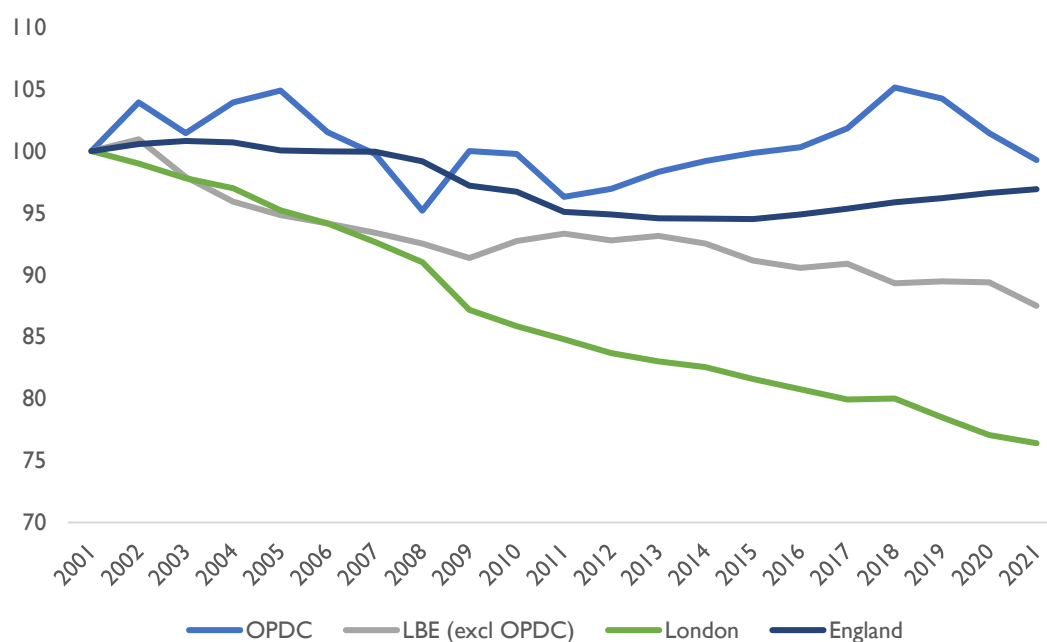
Supply

- 11.76 The figures below show that, over the last 20 years, the quantity of both industrial and office floorspace has remained relatively more steady in OPDC than LBE (excl OPDC). Within LBE (excl OPDC), industrial floorspace has decreased over the period although at a slower rate when compared to the rest of London. However, office floorspace in LBE (excl OPDC) has fallen at a considerably greater rate than both London and national averages.

⁴⁰ Offices for Life Sciences, 2020, Bioscience and Health Technology Sector Statistics.

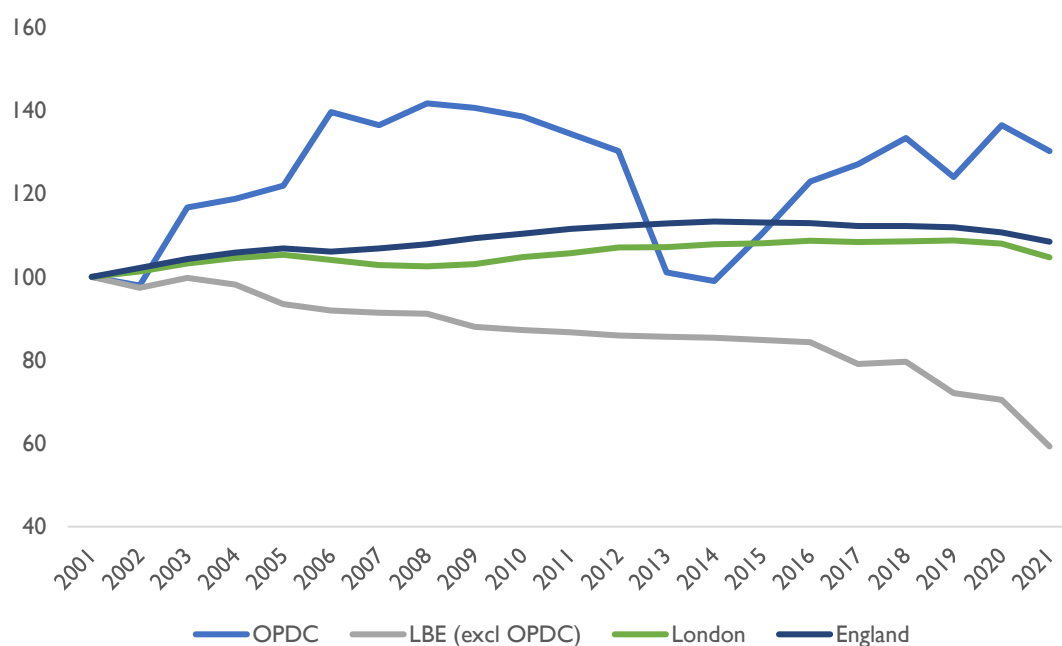
⁴¹ ONS, 2022, Business Counts local units by industry and employment size band.

Figure 32 Index of industrial floorspace changes (2001 = 100)



Source: VOA, 2021, Non-domestic rating: stock of properties including business floorspace.

Figure 33 Index of office floorspace changes (2001 = 100)



Source: VOA, 2021, Non-domestic rating: stock of properties including business floorspace.

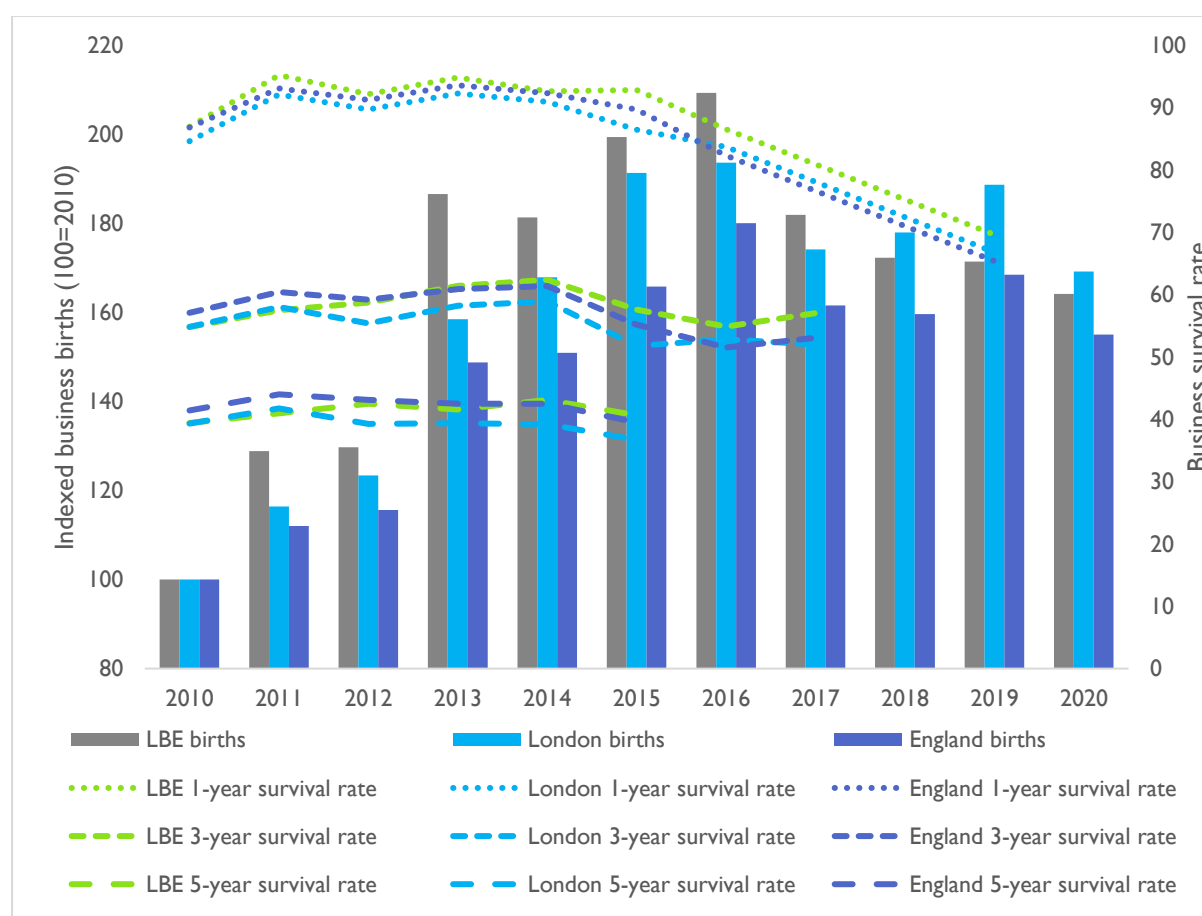
- 11.77 Despite decreasing over the last 20 years, industrial floorspace within LBE (excl OPDC) did so at a notably slower rate than the capital. The ongoing Industrial Workspace Audit for LBE suggests that losses in industrial floorspace have been ‘driven by the loss of stock in non-designated sites [not classified as strategic or significant industrial land] across B1c, B2 and B8

classes'.⁴² Over the same period, the OPDC saw a peak of industrial floorspace in 2018 before a steady decline over the last three years.

- 11.78 LBE (excl OPDC) has seen a notable decrease in office floorspace over the last 20 years, in contrast to both London and national averages which have remained largely constant over the same period. The more erratic changes in office floorspace in the OPDC may be explained by its relatively smaller base figure; the total office floorspace in the OPDC is less than half of that found in LBE (excl OPDC).
- 11.79 The figure below shows the business birth rates indexed to 2010 and the one, three and five year survival rates across the period 2010-2020. LBE had strong growth in business births from 2010 to 2016, with the number of new business births doubling between 2010 and 2016, above both the regional (94%) and national comparators (80%). From 2016 to 2020 the LBE rate has declined and has been below the comparative London level since 2017.
- 11.80 The one year business survival rate in LBE has remained consistent with regional and national trends showing a decrease from 2013 to 2019, though it remains above the London level by approx. 3 percentage points. LBE's survival rates are also comparatively strong over longer periods. Both the three and five year rates are above the regional and national comparators indicating that, despite falling business birth rates, the LBE economy is well placed to support business growth.

⁴² PRD, 2021, Industrious Ealing Scoping.

Figure 34 Business births and survival rates



Source: ONS, 2015-2020, Business Demography UK.

11.81 In terms of the age of stock, the West London Employment Land Evidence report estimates that 14% of total LBE industrial stock was built after 2000. This is higher than other neighbouring boroughs such as Brent (7%) and Harrow (4%),⁴³ indicating that there is more newer stock in the borough.

Rental trends

11.82 The West London ELR report rental prices over time from CoStar data. Over the last decade, industrial rents in LBE have increased from approximately £9.50 per sqft in 2012 to £17.50 per sqft in 2021. This is an increase of 94% - on par with that seen in London (96%) and far higher than the UK average (55%). Over the past 10 years, these rents have been consistently 6% higher than the London average, with both geographies growing at a similar rate. Both strong rent prices and rental growth indicate that there continues to be high demand for industrial floorspace in LBE.

11.83 The GL Hearn West London Employment Land Evidence (ELE)⁴⁴ report provides rental growth of small logistics sheds in LBE. Between 2012 and 2018, prime stock grew by 35% (from £13.00

⁴³ GL Hearn, 2019, West London Employment Land Evidence.

⁴⁴ Ibid.

to £17.50 per sqft), slower than the growth rate of west London (from £10.29 to £15.08 or 47%). Over the same period, secondary stock grew by 39% (from £9.00 to £12.50), slower than the growth rate of west London (from £7.17 to £11.00 or 53%). Therefore, whilst logistic shed rents in LBE appear to be higher than the west London average, growth has been slower.

- 11.84 The Carter Jonas London Office Market Report Q3 2021⁴⁵ reports that office rents in LBE were the lowest rents reported in the West London area (Kensington, Hammersmith, White City, Chiswick and LBE). The table below shows how these rents have changed since Q3 2019,⁴⁶ the earliest quarter in which Carter Jonas started reporting on LBE in the report. A limitation of this evidence is that the change between 2019 to 2021 is not reflective of typical demand given it occurred over the pandemic.

Table 9 LBE office rents (£ per sqft)

		Grade A – new/refitted	Grade A – new/refitted	Grade A – refurbished	Grade A – refurbish ed	Grade B	Grade B
		Low	High	Low	High	Low	High
LBE	Q3 2019	42.5	48.5	37.5	42.5	32.5	37.0
LBE	Q3 2021	40.0	50.0	36.5	42.5	29.5	36.5
LBE	Change	-2.5	1.5	-1.0	0	-3.0	-0.5
West London average	Q3 2019	48.7	56.6	40.0	47.5	34.5	42.7
West London average	Q3 2021	47.9	56.9	39.8	47.4	32.4	40.3
West London average	Change	-0.8	0.3	-0.2	-0.1	-2.1	-2.4

Sources: Carter Jonas London Office Market Report Q3 2019 and Q3 2021

Vacancy rates

- 11.85 Vacancy rates can give an indication of demand in an area, where low vacancy rates typically reflect high demand. In general, some level of vacancy is required for the market to function effectively:

- Vacancy is good for market choice.
- Vacancy enables room in the market for stock refurbishments.
- Vacancy can reflect the period of time after a tenancy finishes that a premises may be empty whilst contract negotiations are carried out.

- 11.86 A target for the vacancy rate at which the commercial property market is able to operate smoothly is around 5% to 8%. This is the average 'frictional vacancy rate' for London.⁴⁷ Maintaining this vacancy rate allows for sufficient stock to be available without constraining

⁴⁵ Carter Jonas, 2021. London Office Market Report Q3 2021.

⁴⁶ Carter Jonas, 2019. London Office Market Report Q3 2019.

⁴⁷ Mayor of London, 2012, Land for Industry and Transport SPG.

demand. However, if vacancy rates become lower than frictional vacancy, it can be an indication of supply constraints and can threaten the effective functioning of the market.

- 11.87 The draft West London ELR shows that over the last decade LBE's industrial vacancy rates have been steadily decreasing to the current level of 3%.⁴⁸ The change in vacancy rate over this period has been similar to the national average and has converged towards the historically lower London level. The ongoing Industrial Ealing study places the LBE vacancy rate on industrial land at 3.3%, below comparators in West London sub-region (5.3%), Outer London (7.3%) and London (7.8%).⁴⁹ OPDC vacancy rates also look to be relatively low, with the vacancy rate of the total industrial stock being 6% as of 2015 and anecdotal evidence saying they have fallen since then, potentially to as low as 2% in Park Royal.^{50,51}

Take-up and leasing activity

- 11.88 Within LBE, whilst there was a falling number of industrial deal counts between 2011 and 2017, this is attributed to a lack of suitable available space rather than a lack of demand.⁵² Indeed, there are low availability rates across all ages and quality of industrial stock in LBE, with particularly strong demand for new, high quality stock.⁵³
- 11.89 Leasing activity within LBE shows that, for industrial stock, there is demand for a range of premises sizes. Premises of size 500sqm-2,000sqm (33%), 2,000sqm-5,000sqm (33%) and 5,000sqm-10,000sqm (17.4%) account for the greatest proportion of leasing activities.⁵⁴ This study also suggests that much of the demand for premises above 2,000 sqm is within the Park Royal area, implying that there is a relatively higher demand for large premises in the OPDC.
- 11.90 The GL Hearn West London Employment Land Review (ELR)⁵⁵ reports that there is low availability for industrial leases across LBE. Average take-up between 2011 and 2017 was 71,826 sqm per annum, but total lease availability is 51,289 sqm - 0.71 years' worth of annual average take up. This indicates supply pressures in the area for industrial uses.

Summary

- 11.91 Overall, both LBE and the OPDC show high levels of demand for industrial floorspace as evidenced by low vacancy rates and rising rents. Vacancy rates below the frictional rate of 5% and increasing rents indicate that there is likely to be suppressed demand across the study areas.

Robustness and limitations

- 11.92 In general, the VOA data used in the supply section is considered reasonably thorough and robust and is available in the geographies of interest. The ONS business demography data is similarly robust, but the geographical limitations do not allow for the OPDC to be estimated.

48 Icen, 2021, West London Employment Land Review Draft.

49 PRD, 2021, Industrious Ealing Evidence Workshop 2.

50 Mayor of London, 2015, OPDC Industrial Land Review.

51 <https://capitalwestlondon.co.uk/opdc-picks-we-made-that-for-park-royal-centre/>

52 GL Hearn, 2019, West London Employment Land Evidence.

53 Icen, 2021, West London Employment Land Review Draft.

54 Icen, 2021, West London Employment Land Review Draft.

55 GL Hearn, 2019. West London Employment Land Review.

- 11.93 The demand data is less extensive; the findings have been gathered from available studies which do not often cover the geographies of interest nor the specific sectors. As such, the picture of demand is currently less well defined.

Affordability

Rents

- 11.94 There is no perfect source for rents in the areas of interest. The table below outlines different sources for relevant rents that have been gathered from other studies.

Table 10 Rents evidence

Source	Area	Office rent (£ per sqft)	Office rent (£ per sqft)	Industrial (£ per sqft)	Light industrial (£ per sqft)
		Grade A	Grade B		
LBE, LBH, 2021. West London ELR Update	LBE	-	-	17.54	-
LBB, 2020. Affordable Workspace Strategy	South East Brent	33.53	33.53	10.25	20.00
Doherty Baines ⁵⁶	Park Royal	-	-	16 - 30	-
Carter Jonas, 2021. London Office Market Report Q3 2021	LBE	New/refitted: 40- 50 Refurbished: 36.50-42.50	29.50 – 36.50	-	-
Deloitte, 2017. OPDC Market Insight Report (expected rents)	OPDC	30 – 50	30 – 50	8 – 14	-
Deloitte, 2016. OPDC PDCS CIL Viability Report (expected rents)	OPDC	25-30	25-30	8-15	-
OPDC Viability Assessment (assumed rents)	OPDC	36-38	36-38	Small industrial space: 26 Medium industrial space: 22.50 Large industrial space: 18.50	Small industrial space: 26 Medium industrial space: 22.50 Large industrial space: 18.50

Robustness, limitations and implications for key findings

- 11.95 The data is also limited in that it does not cover all the geographies of interest and, in some cases, there may be no distinction made between OPDC and LBE.

⁵⁶ Doherty Baines, no date. Park Royal Industrial Market. Retrieved from Park Royal Area Guide - Industrial Warehouses to Rent by Doherty (dohertybaines.com). Accessed February 2022.

- 11.96 The robustness of the collected rents data depends on the sample size. At smaller geographies, sample sizes are too small to provide a robust rent figure as it can be influenced by outliers. Generally, the sample sizes for industrial uses within the LBE sub-areas are low so the data is not robust. As such, rents are not available for all sub-areas and sectors due to small sample sizes. It is also not possible to break the data down into different types of stock for similar reasons. This represents limitations with the data usage in that reliable rents data is not available for all geographies of interest or ages of stock, for either office or industrial.
- 11.97 For some elements of the rents desk research sample, rent (£ per sqft) is calculated by taking total rent and total area that was listed for the property, and so stock size is available for these datapoints. For other elements, the property rent was already listed in £ per sqft terms, and so stock size is not available for these datapoints. For industrial rents, stock size is only available for five of 13 datapoints in LBE (excl OPDC) and for 14 of the 40 datapoints in OPDC. Splitting the sample further into stock size bands renders the sample sizes too small to be robust.

Affordability

- 11.98 It is assumed that for rent to be considered 'affordable' it equates to no more than 15% of turnover. The ratio of rent to annual turnover is a helpful indication of the sort of decisions that businesses have to make. Beyond a certain level, rents become too high which could impact a businesses' ability to operate in an area. There are no standard benchmarks for the affordable level and it is likely to vary by industry, type of business, growth stage and many other factors. The 15% benchmark has been applied here as proxy, consistent with approaches used elsewhere.⁵⁷ This definition is only for indicative purposes. In reality it is narrow as rent is not the only factor in determining affordability.
- 11.99 The figures below show what size of premise is affordable for businesses with different turnovers, based on the 15% rent to turnover benchmark. A set of businesses have been excluded from the analysis as wage costs would exceed rents. Employment has been estimated based on standard employment densities and multiplied by the minimum wage to estimate wage costs. If this is higher than the turnover, the business is considered 'invalid' and excluded from the analysis. In reality, there are other costs than wage costs which determine a viable business, but it is just to give some indication of feasible businesses. Industrial rents are assumed to be £26 per sqft and office rents are assumed to be £36 per sqft for both OPDC and LBE.
- 11.100 The blue area in the top left of the graph shows the set of businesses at different turnovers that would be able to afford premises of different sizes. Some key statistics from these figures are summarised in the table below. For example, an industrial business with a turnover of £100,000 would be unable to afford a 1,000 sqft premises but a business with a turnover of £250,000 may be able to afford it.

⁵⁷ LBHF, 2021. Affordable Workspace Study.

Figure 35 Affordability of commercial space in OPDC and LBE

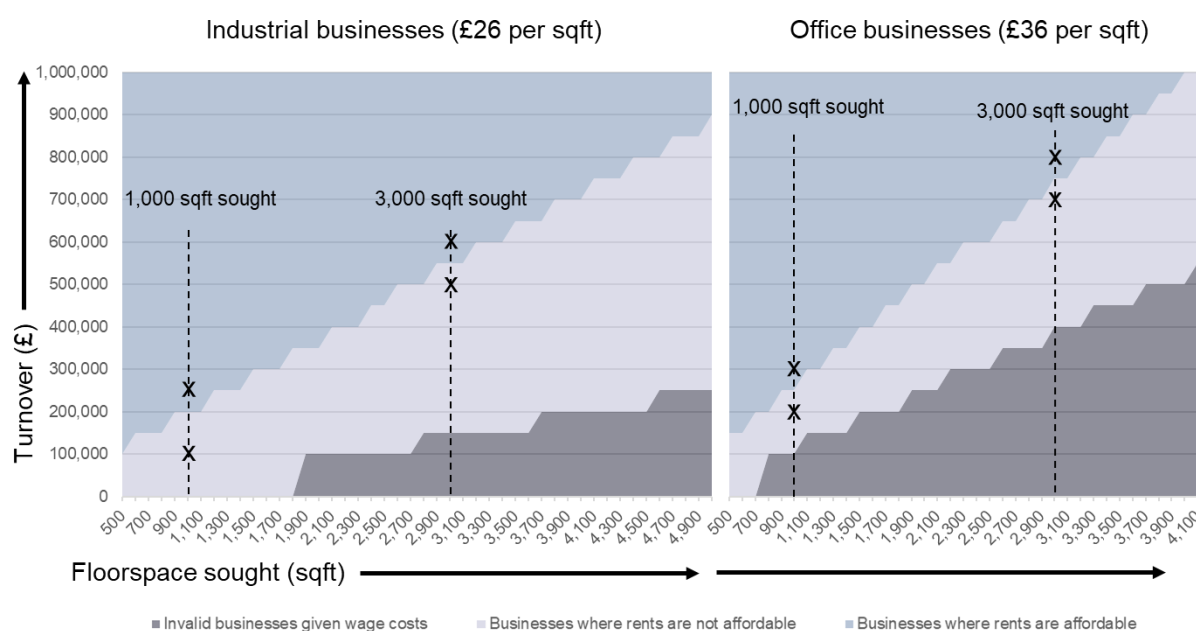


Table 11 Worked examples relating to the charts

Figure	Floorspace sought	Turnover (£)	Affordable rent (£ per sqft) based on 15% of turnover	Baseline rent for space	Affordable?
Small industrial space	1,000 sqft industrial space (c. 3 workers)	100,000	£15.00	£26.00 per sqft	No
Small industrial space	1,000 sqft industrial space (c. 3 workers)	250,000	£37.50	£26.00 per sqft	Yes
Small industrial space	3,000 sqft industrial space (c. 9 workers)	500,000	£25.00	£26.00 per sqft	No
Small industrial space	3,000 sqft industrial space (c. 9 workers)	600,000	£30.00	£26.00 per sqft	Yes
Office space	1,000 sqft office space (c. 8 workers)	200,000	£30.00	£36.00 per sqft	No
Office space	1,000 sqft office space (c. 8 workers)	300,000	£45.00	£36.00 per sqft	Yes
Office space	3,000 sqft office space (23 workers)	700,000	£35.00	£36.00 per sqft	No
Office space	3,000 sqft office space (23 workers)	800,000	£40.00	£36.00 per sqft	Yes

11.101 A key result of this analysis is that business and premises size is important when it comes to affordability. Businesses with small turnovers will have more difficulty affording premises. This conclusion is hardly surprising but helps focus the analysis on smaller firms. Some other conclusions from this analysis include:

- Rental values for office space are higher than industrial, but office businesses require less space than industrial ones
- Businesses with larger turnovers and/or seeking smaller floorspaces will find rents more affordable
- Businesses with turnovers below £250,000 are more constrained by size of premises. It is important to focus on micro businesses and start-ups as they will typically have low turnovers and require small spaces.

Robustness, limitations and implications for key findings

11.102 This analysis provides an indication of affordability levels based on hypothetical business turnovers and premises sizes. A breakdown of turnover data by business size is not available for the study areas. The analysis is also based on the assumption that 15% rent to turnover is the affordability benchmark. As such, the analysis can only provide an indicative assessment of affordability issues in the study areas.

Data summary

11.103 The table below shows a data summary for each section of this report, including a summary of the statistical geographies used and the limitations of the data.

Table 12 Summary of implications of data robustness and limitations, and geographical approximations

Section	Data used	Data robustness and limitations	Implications of geographical approximations
Economic context	VOA NDR summary valuations	Not all floorspace measurements are the same unit so need to be estimated for comparison.	No approximation required.
Economic context / Priority sectors	BRES	<p>BRES does not reflect business size so the analysis may reflect large businesses which are less likely to be users of affordable workspace.</p> <p>SIC groups have not been updated for some time. Modern tech and health sectors in particular may be poorly estimated due to the overlap of some SIC codes.⁵⁸</p>	<p>MSOA approximation for OPDC covers a larger area than OPDC so reported employment numbers may be larger than true OPDC.</p> <p>MSOA approximation for OPDC includes hospitals that will likely overestimate the presence of the life sciences sector.</p> <p>Ward approximation for Acton excludes East Acton which includes parts within LBE so may underestimate the true employment figures.</p>
Priority sectors	ONS Business Counts - local units by industry and employment size band	<p>Does not capture unregistered businesses, which tend to have the lowest turnover, excluding a key group which may use affordable workspace.</p> <p>For privacy reasons, ONS rounds data to the nearest five so especially at smaller geographies some data may be lost.</p>	Ward approximation for Acton excludes East Acton which includes parts within LBE so may underestimate the true figures.
Supply and demand	Variety of literature sources for the vacancy rates, take up etc	<p>There is no perfect data source for this, so this analysis combines a variety of different ones. Most of secondary literature figures are based on Costar data which we don't have access to, so it is difficult to test robustness.</p> <p>Some data, such as rental growth or vacancy rates, is partial for certain areas and use types, and is not available at all of the geographies required.</p>	Some sources do not distinguish between LBE and the OPDC so there may be overlapping data.
Supply and demand	VOA NDR stock of properties including business floorspace	VOA data considered to be robust.	MSOA approximation of OPDC may overestimate floorspace.
Supply and demand	ONS Business Demography UK	Only available at the local authority level so the OPDC cannot be approximated.	No approximation required.

⁵⁸ Office for Life Sciences, 2019, Bioscience and Health Technology Sector Statistics.

Section	Data used	Data robustness and limitations	Implications of geographical approximations
Supply and demand	Turnover (ONS)	ONS turnover data generally considered to be robust, however a large limitation is that it does not disaggregate to smaller geographies.	No approximation required.
Affordability	Rents data from existing sources and desktop research on commercial property listing websites	<p>Whilst the desktop research over rents data allowed data available at high geographical proximity, small sample sizes at small areas are easily skewed and not robust.</p> <p>Rents data is also not available not broken down by quality, type (new/old) space, or stock size as a result of this research – small sample sizes mean that the data is not robust.</p>	No approximation required.

Statistical geographies – detailed table

Area	MSOA approximation	Ward (Census 2011) approximation
OPDC	Brent 027	N/A
OPDC	Ealing 015	N/A
OPDC	Hammersmith and Fulham 001	N/A
Ealing (excl OPDC)	Ealing LAD – OPDC MSOAs	N/A
Ealing and OPDC	Ealing LAD + Brent 027 + Hammersmith and Fulham 001	N/A
Acton	Ealing 021	Acton Central; South Acton; Southfield; East Acton is excluded as it also covers a large area of OPDC
Acton	Ealing 024	Acton Central; South Acton; Southfield; East Acton is excluded as it also covers a large area of OPDC
Acton	Ealing 025	Acton Central; South Acton; Southfield; East Acton is excluded as it also covers a large area of OPDC
Acton	Ealing 027	Acton Central; South Acton; Southfield; East Acton is excluded as it also covers a large area of OPDC
Acton	Ealing 033	Acton Central; South Acton; Southfield; East Acton is excluded as it also covers a large area of OPDC
Acton	Ealing 034	Acton Central; South Acton; Southfield; East Acton is excluded as it also covers a large area of OPDC
Acton	Ealing 040	Acton Central; South Acton; Southfield; East Acton is excluded as it also covers a large area of OPDC
Ealing	Ealing 011	Cleveland; Ealing Broadway; Hanger Hill; Walpole; Northfield; Ealing Common
Ealing	Ealing 013	Cleveland; Ealing Broadway; Hanger Hill; Walpole; Northfield; Ealing Common
Ealing	Ealing 018	Cleveland; Ealing Broadway; Hanger Hill; Walpole; Northfield; Ealing Common
Ealing	Ealing 019	Cleveland; Ealing Broadway; Hanger Hill; Walpole; Northfield; Ealing Common
Ealing	Ealing 020	Cleveland; Ealing Broadway; Hanger Hill; Walpole; Northfield; Ealing Common
Ealing	Ealing 028	Cleveland; Ealing Broadway; Hanger Hill; Walpole; Northfield; Ealing Common
Ealing	Ealing 031	Cleveland; Ealing Broadway; Hanger Hill; Walpole; Northfield; Ealing Common
Ealing	Ealing 032	Cleveland; Ealing Broadway; Hanger Hill; Walpole; Northfield; Ealing Common
Ealing	Ealing 035	Cleveland; Ealing Broadway; Hanger Hill; Walpole; Northfield; Ealing Common
Ealing	Ealing 039	Cleveland; Ealing Broadway; Hanger Hill; Walpole; Northfield; Ealing Common
Greenford	Ealing 001	Greenford Broadway; Greenford Green; North Greenford
Greenford	Ealing 002	Greenford Broadway; Greenford Green; North Greenford
Greenford	Ealing 006	Greenford Broadway; Greenford Green; North Greenford
Greenford	Ealing 010	Greenford Broadway; Greenford Green; North Greenford
Greenford	Ealing 012	Greenford Broadway; Greenford Green; North Greenford
Hanwell	Ealing 016	Hobbayne; Elthorne
Hanwell	Ealing 022	Hobbayne; Elthorne
Hanwell	Ealing 030	Hobbayne; Elthorne
Hanwell	Ealing 035	Hobbayne; Elthorne
Northolt	Ealing 003	Northolt West End; Northolt Mandeville

Area	MSOA approximation	Ward (Census 2011) approximation
Northolt	Ealing 004	Northolt West End; Northolt Mandeville
Northolt	Ealing 008	Northolt West End; Northolt Mandeville
Northolt	Ealing 009	Northolt West End; Northolt Mandeville
Perivale	Ealing 005	Perivale
Perivale	Ealing 007	Perivale
Southall	Ealing 014	Lady Margaret; Dormers Wells; Southall Broadway; Southall Green; Norwood Green
Southall	Ealing 017	Lady Margaret; Dormers Wells; Southall Broadway; Southall Green; Norwood Green
Southall	Ealing 023	Lady Margaret; Dormers Wells; Southall Broadway; Southall Green; Norwood Green
Southall	Ealing 026	Lady Margaret; Dormers Wells; Southall Broadway; Southall Green; Norwood Green
Southall	Ealing 029	Lady Margaret; Dormers Wells; Southall Broadway; Southall Green; Norwood Green
Southall	Ealing 037	Lady Margaret; Dormers Wells; Southall Broadway; Southall Green; Norwood Green
Southall	Ealing 038	Lady Margaret; Dormers Wells; Southall Broadway; Southall Green; Norwood Green

Sector definitions – detailed table

Cross-cutting sectors:⁵⁹

Standard Industrial Classifications (SIC) codes
Knowledge economy
18110 : Printing of newspapers
18121 : Manufacture of printed labels
18129 : Printing (other than printing of newspapers and printing on labels and tags) n.e.c
18130 : Pre-press and pre-media services
18140 : Binding and related services
18201 : Reproduction of sound recording
18202 : Reproduction of video recording
18203 : Reproduction of computer media
26200 : Manufacture of computers and peripheral equipment
26301 : Manufacture of telegraph and telephone apparatus and equipment
26309 : Manufacture of communication equipment (other than telegraph and telephone apparatus and equipment)
58110 : Book publishing
58120 : Publishing of directories and mailing lists
58130 : Publishing of newspapers
58141 : Publishing of learned journals
58142 : Publishing of consumer, business and professional journals and periodicals
58190 : Other publishing activities
58210 : Publishing of computer games
58290 : Other software publishing

⁵⁹ Brent Council, 2020, LB Brent Affordable Workspace Strategy.

Standard Industrial Classifications (SIC) codes

61100 : Wired telecommunications activities
61200 : Wireless telecommunications activities
61300 : Satellite telecommunications activities
61900 : Other telecommunications activities
62011 : Ready-made interactive leisure and entertainment software development
62012 : Business and domestic software development
62020 : Computer consultancy activities
62030 : Computer facilities management activities
62090 : Other information technology and computer service activities
63110 : Data processing, hosting and related activities
63120 : Web portals
64110 : Central banking
64191 : Banks
64192 : Building societies
64201 : Activities of agricultural holding companies
64202 : Activities of production holding companies
64203 : Activities of construction holding companies
64204 : Activities of distribution holding companies
64205 : Activities of financial services holding companies
64209 : Activities of other holding companies (not including agricultural, production, construction, distribution and financial services holding companies) n.e.c
64301 : Activities of investment trusts
64302 : Activities of unit trusts
64303 : Activities of venture and development capital companies
64304 : Activities of open-ended investment companies
64305 : Activities of property unit trusts
64306 : Activities of real estate investment trusts
64910 : Financial leasing
64921 : Credit granting by non-deposit taking finance houses and other specialist consumer credit grantors
64922 : Activities of mortgage finance companies
64929 : Other credit granting (not including credit granting by non-deposit taking finance houses and other specialist consumer credit grantors and activities of mortgage finance companies) n.e.c.
64991 : Security dealing on own account
64992 : Factoring
64999 : Other financial service activities, except insurance and pension funding (not including security dealing on own account and factoring) n.e.c.
65110 : Life insurance
65120 : Non-life insurance
65201 : Life reinsurance
65202 : Non-life reinsurance
65300 : Pension funding
66110 : Administration of financial markets
66120 : Security and commodity contracts brokerage
66190 : Other activities auxiliary to financial services, except insurance and pension funding
66210 : Risk and damage evaluation
66220 : Activities of insurance agents and brokers
66290 : Other activities auxiliary to insurance and pension funding

Standard Industrial Classifications (SIC) codes

66300 : Fund management activities
69101 : Barristers at law
69102 : Solicitors
69109 : Activities of patent and copyright agents; other legal activities (other than those of barristers and solicitors) nec
69201 : Accounting and auditing activities
69202 : Bookkeeping activities
69203 : Tax consultancy
70100 : Activities of head offices
70210 : Public relations and communication activities
70221 : Financial management
70229 : Management consultancy activities (other than financial management)
71111 : Architectural activities
71112 : Urban planning and landscape architectural activities
71121 : Engineering design activities for industrial process and production
71122 : Engineering related scientific and technical consulting activities
71129 : Other engineering activities (not including engineering design for industrial process and production or engineering related scientific and technical consulting activities)
71200 : Technical testing and analysis
72110 : Research and experimental development on biotechnology
72190 : Other research and experimental development on natural sciences and engineering
72200 : Research and experimental development on social sciences and humanities
73110 : Advertising agencies
73120 : Media representation
73200 : Market research and public opinion polling
74100 : Specialised design activities
74201 : Portrait photographic activities
74202 : Other specialist photography (not including portrait photography)
74203 : Film processing
74209 : Other photographic activities (not including portrait and other specialist photography and film processing) nec
74300 : Translation and interpretation activities
74901 : Environmental consulting activities
74902 : Quantity surveying activities
74909 : Other professional, scientific and technical activities (not including environmental consultancy or quantity surveying)
82110 : Combined office administrative service activities
82190 : Photocopying, document preparation and other specialised office support activities
82200 : Activities of call centres
82301 : Activities of exhibition and fair organizers
82302 : Activities of conference organizers
82911 : Activities of collection agencies
82912 : Activities of credit bureaus
82920 : Packaging activities
82990 : Other business support service activities nec
85410 : Post-secondary non-tertiary education
85421 : First-degree level higher education
85422 : Post-graduate level higher education
91011 : Library activities

Standard Industrial Classifications (SIC) codes

91012 : Archive activities
91020 : Museum activities
91030 : Operation of historical sites and buildings and similar visitor attractions
91040 : Botanical and zoological gardens and nature reserve activities
Digital sector activities
26110 : Manufacture of electronic components
26120 : Manufacture of loaded electronic boards
26200 : Manufacture of computers and peripheral equipment
26301 : Manufacture of telegraph and telephone apparatus and equipment
26309 : Manufacture of communication equipment (other than telegraph and telephone apparatus and equipment)
26400 : Manufacture of consumer electronics
26800 : Manufacture of magnetic and optical media
46510 : Wholesale of computers, computer peripheral equipment and software
46520 : Wholesale of electronic and telecommunications equipment and parts
58110 : Book publishing
58120 : Publishing of directories and mailing lists
58130 : Publishing of newspapers
58141 : Publishing of learned journals
58142 : Publishing of consumer, business and professional journals and periodicals
58190 : Other publishing activities
58210 : Publishing of computer games
58290 : Other software publishing
59111 : Motion picture production activities
59112 : Video production activities
59113 : Television programme production activities
59120 : Motion picture, video and television programme post-production activities
59131 : Motion picture distribution activities
59132 : Video distribution activities
59133 : Television programme distribution activities
59140 : Motion picture projection activities
59200 : Sound recording and music publishing activities
60100 : Radio broadcasting
60200 : Television programming and broadcasting activities
61100 : Wired telecommunications activities
61200 : Wireless telecommunications activities
61300 : Satellite telecommunications activities
61900 : Other telecommunications activities
62011 : Ready-made interactive leisure and entertainment software development
62012 : Business and domestic software development
62020 : Computer consultancy activities
62030 : Computer facilities management activities
62090 : Other information technology and computer service activities
63110 : Data processing, hosting and related activities
63120 : Web portals
63910 : News agency activities
63990 : Other information service activities nec

Standard Industrial Classifications (SIC) codes

95110 : Repair of computers and peripheral equipment

95120 : Repair of communication equipment

Creative Sector activities

32120 : Manufacture of jewellery and related articles

58110 : Book publishing

58120 : Publishing of directories and mailing lists

58130 : Publishing of newspapers

58141 : Publishing of learned journals

58142 : Publishing of consumer, business and professional journals and periodicals

58190 : Other publishing activities

58210 : Publishing of computer games

58290 : Other software publishing

59111 : Motion picture production activities

59112 : Video production activities

59113 : Television programme production activities

59120 : Motion picture, video and television programme post-production activities

59131 : Motion picture distribution activities

59132 : Video distribution activities

59133 : Television programme distribution activities

59140 : Motion picture projection activities

59200 : Sound recording and music publishing activities

60100 : Radio broadcasting

60200 : Television programming and broadcasting activities

62011 : Ready-made interactive leisure and entertainment software development

62012 : Business and domestic software development

62020 : Computer consultancy activities

70210 : Public relations and communication activities

71111 : Architectural activities

71112 : Urban planning and landscape architectural activities

73110 : Advertising agencies

73120 : Media representation

74100 : Specialised design activities

74201 : Portrait photographic activities

74202 : Other specialist photography (not including portrait photography)

74203 : Film processing

74209 : Other photographic activities (not including portrait and other specialist photography and film processing) nec

74300 : Translation and interpretation activities

85520 : Cultural education

90010 : Performing arts

90020 : Support activities to performing arts

90030 : Artistic creation

90040 : Operation of arts facilities

91011 : Library activities

91012 : Archive activities

91020 : Museum activities

Standard Industrial Classifications (SIC) codes
Artist sector activities
32120 : Manufacture of jewellery and related articles
58110 : Book publishing
58120 : Publishing of directories and mailing lists
58130 : Publishing of newspapers
58141 : Publishing of learned journals
58190 : Other publishing activities
58210 : Publishing of computer games
58290 : Other software publishing
59111 : Motion picture production activities
59112 : Video production activities
59113 : Television programme production activities
59120 : Motion picture, video and television programme post-production activities
59133 : Television programme distribution activities
59140 : Motion picture projection activities
59200 : Sound recording and music publishing activities
60100 : Radio broadcasting
60200 : Television programming and broadcasting activities
70210 : Public relations and communication activities
73110 : Advertising agencies
73120 : Media representation
74100 : Specialised design activities
74201 : Portrait photographic activities
74202 : Other specialist photography (not including portrait photography)
74203 : Film processing
74209 : Other photographic activities (not including portrait and other specialist photography and film processing) nec
85520 : Cultural education
90010 : Performing arts
90020 : Support activities to performing arts
90030 : Artistic creation
90040 : Operation of arts facilities
91020 : Museum activities
Food preparation and consumption activities
56101 : Licensed restaurants
56102 : Unlicensed restaurants and cafes
56103 : Take away food shops and mobile food stands
56210 : Event catering activities
56290 : Other food service activities

Current specialisms and future opportunity sectors:⁶⁰

Standard Industrial Classifications (SIC) codes
Food manufacturing

⁶⁰ Regeneris, 2017, OPDC Future Growth Sector Employment Study

Standard Industrial Classifications (SIC) codes

10110 : Processing and preserving of meat
10120 : Processing and preserving of poultry meat
10130 : Production of meat and poultry meat products
10200 : Processing and preserving of fish, crustaceans and molluscs
10310 : Processing and preserving of potatoes
10320 : Manufacture of fruit and vegetable juice
10390 : Other processing and preserving of fruit and vegetables
10410 : Manufacture of oils and fats
10420 : Manufacture of margarine and similar edible fats
10511 : Liquid milk and cream production
10512 : Butter and cheese production
10519 : Manufacture of milk products (other than liquid milk and cream, butter, cheese) nec
10520 : Manufacture of ice cream
10611 : Grain milling
10612 : Manufacture of breakfast cereals and cereals-based foods
10620 : Manufacture of starches and starch products
10710 : Manufacture of bread; manufacture of fresh pastry goods and cakes
10720 : Manufacture of rusks and biscuits; manufacture of preserved pastry goods and cakes
10730 : Manufacture of macaroni, noodles, couscous and similar farinaceous products
10810 : Manufacture of sugar
10821 : Manufacture of cocoa, and chocolate confectionery
10822 : Manufacture of sugar confectionery
10831 : Tea processing
10832 : Production of coffee and coffee substitutes
10840 : Manufacture of condiments and seasonings
10850 : Manufacture of prepared meals and dishes
10860 : Manufacture of homogenised food preparations and dietetic food
10890 : Manufacture of other food products nec
10910 : Manufacture of prepared feeds for farm animals
10920 : Manufacture of prepared pet foods
11010 : Distilling, rectifying and blending of spirits
11020 : Manufacture of wine from grape
11030 : Manufacture of cider and other fruit wines
11040 : Manufacture of other non-distilled fermented beverages
11050 : Manufacture of beer
11060 : Manufacture of malt
11070 : Manufacture of soft drinks; production of mineral waters and other bottled waters
Transport, Logistics & Wholesale
46 : Wholesale trade, except of motor vehicles and motorcycles
49 : Land transport and transport via pipelines
50 : Water transport
51 : Air transport
52212 : Operation of rail passenger facilities at railway stations
52213 : Operation of bus and coach passenger facilities at bus and coach stations
52219 : Other service activities incidental to land transportation, nec (not including operation of rail freight terminals, passenger facilities at railway stations or passenger facilities at bus and coach stations)

Standard Industrial Classifications (SIC) codes

52220 : Service activities incidental to water transportation

52230 : Service activities incidental to air transportation

52290 : Other transportation support activities

52101 : Operation of warehousing and storage facilities for water transport activities of division 50

52102 : Operation of warehousing and storage facilities for air transport activities of division 51

52103 : Operation of warehousing and storage facilities for land transport activities of division 49

52211 : Operation of rail freight terminals

52241 : Cargo handling for water transport activities of division 50

52242 : Cargo handling for air transport activities of division 51

52243 : Cargo handling for land transport activities of division 49

53100 : Postal activities under universal service obligation

53201 : Licensed Carriers

53202 : Unlicensed Carriers

Motor Trades

45112 : Sale of used cars and light motor vehicles

45200 : Maintenance and repair of motor vehicles

45111 : Sale of new cars and light motor vehicles

ICT, Media and Creative Services

58 : Publishing activities

59 : Motion picture, video and television programme production, sound recording and music publishing activities

60 : Programming and broadcasting activities

61 : Telecommunications

62 : Computer programming, consultancy and related activities

63 : Information service activities

90 : Creative, arts and entertainment activities

71111 : Architectural activities

71112 : Urban planning and landscape architectural activities

78101 : Motion picture, television and other theatrical casting

95110 : Repair of computers and peripheral equipment

95120 : Repair of communication equipment

Business and Professional Services

64110 : Central banking

64191 : Banks

64192 : Building societies

64201 : Activities of agricultural holding companies

64202 : Activities of production holding companies

64203 : Activities of construction holding companies

64204 : Activities of distribution holding companies

64205 : Activities of financial services holding companies

64209 : Activities of other holding companies (not including agricultural, production, construction, distribution and financial services holding companies) n.e.c

64301 : Activities of investment trusts

64302 : Activities of unit trusts

64303 : Activities of venture and development capital companies

64304 : Activities of open-ended investment companies

64305 : Activities of property unit trusts

Standard Industrial Classifications (SIC) codes

64306 : Activities of real estate investment trusts
64910 : Financial leasing
64921 : Credit granting by non-deposit taking finance houses and other specialist consumer credit grantors
64922 : Activities of mortgage finance companies
64929 : Other credit granting (not including credit granting by non-deposit taking finance houses and other specialist consumer credit grantors and activities of mortgage finance companies) n.e.c.
64991 : Security dealing on own account
64992 : Factoring
64999 : Other financial service activities, except insurance and pension funding, (not including security dealing on own account and factoring) n.e.c.
65110 : Life insurance
65120 : Non-life insurance
65201 : Life reinsurance
65202 : Non-life reinsurance
65300 : Pension funding
66110 : Administration of financial markets
66120 : Security and commodity contracts brokerage
66190 : Other activities auxiliary to financial services, except insurance and pension funding
66210 : Risk and damage evaluation
66220 : Activities of insurance agents and brokers
66290 : Other activities auxiliary to insurance and pension funding
66300 : Fund management activities
68100 : Buying and selling of own real estate
68201 : Renting and operating of Housing Association real estate
68202 : Letting and operating of conference and exhibition centres
68209 : Letting and operating of own or leased real estate (other than Housing Association real estate and conference and exhibition services) n.e.c.
68310 : Real estate agencies
68320 : Management of real estate on a fee or contract basis
69101 : Barristers at law
69102 : Solicitors
69109 : Activities of patent and copyright agents; other legal activities (other than those of barristers and solicitors) nec
69201 : Accounting, and auditing activities
69202 : Bookkeeping activities
69203 : Tax consultancy
70100 : Activities of head offices
70210 : Public relations and communication activities
70221 : Financial management
70229 : Management consultancy activities (other than financial management)
71111 : Architectural activities
71112 : Urban planning and landscape architectural activities
71121 : Engineering design activities for industrial process and production
71122 : Engineering related scientific and technical consulting activities
71129 : Other engineering activities (not including engineering design for industrial process and production or engineering related scientific and technical consulting activities)
71200 : Technical testing and analysis
72110 : Research and experimental development on biotechnology

Standard Industrial Classifications (SIC) codes

72190 : Other research and experimental development on natural sciences and engineering
72200 : Research and experimental development on social sciences and humanities
73110 : Advertising agencies
73120 : Media representation
73200 : Market research and public opinion polling
74100 : Specialised design activities
74201 : Portrait photographic activities
74202 : Other specialist photography (not including portrait photography)
74203 : Film processing
74209 : Other photographic activities (not including portrait and other specialist photography and film processing) nec
74300 : Translation and interpretation activities
74901 : Environmental consulting activities
74902 : Quantity surveying activities
74909 : Other professional, scientific and technical activities (not including environmental consultancy or quantity surveying)
75000 : Veterinary activities
78109 : Activities of employment placement agencies (other than motion picture, television and other theatrical casting) nec
78200 : Temporary employment agency activities
78300 : Other human resources provision
80100 : Private security activities
80200 : Security systems service activities
80300 : Investigation activities
81100 : Combined facilities support activities
81210 : General cleaning of buildings
81221 : Window cleaning services
81222 : Specialised cleaning services
81223 : Furnace and chimney cleaning services
81229 : Building and industrial cleaning activities (other than window cleaning, specialised cleaning and furnace and cleaning services) n.e.c.
81291 : Disinfecting and extermination services
81299 : Cleaning services (other than disinfecting and extermination services) nec
81300 : Landscape service activities
82110 : Combined office administrative service activities
82190 : Photocopying, document preparation and other specialised office support activities
82200 : Activities of call centres
82301 : Activities of exhibition and fair organizers
82302 : Activities of conference organizers
82911 : Activities of collection agencies
82912 : Activities of credit bureaus
82920 : Packaging activities
82990 : Other business support service activities nec
Creative Manufacturing
14 : Manufacture of wearing apparel
15120 : Manufacture of luggage, handbags and the like, saddlery and harness
15200 : Manufacture of footwear
70100 : Activities of head offices
18110 : Printing of newspapers

Standard Industrial Classifications (SIC) codes

18121 : Manufacture of printed labels
18129 : Printing (other than printing of newspapers and printing on labels and tags) nec
18130 : Pre-press and pre-media services
18201 : Reproduction of sound recording
18202 : Reproduction of video recording
18203 : Reproduction of computer media
Advanced Manufacturing
20110 : Manufacture of industrial gases
20120 : Manufacture of dyes and pigments
20130 : Manufacture of other inorganic basic chemicals
20140 : Manufacture of other organic basic chemicals
20150 : Manufacture of fertilisers and nitrogen compounds
20160 : Manufacture of plastics in primary forms
20170 : Manufacture of synthetic rubber in primary forms
20200 : Manufacture of pesticides and other agrochemical products
20301 : Manufacture of paints, varnishes and similar coatings, mastics and sealants
20302 : Manufacture of printing ink
20411 : Manufacture of soap and detergents
20412 : Manufacture of cleaning and polishing preparations
20420 : Manufacture of perfumes and toilet preparations
20510 : Manufacture of explosives
20520 : Manufacture of glues
20530 : Manufacture of essential oils
20590 : Manufacture of other chemical products nec
20600 : Manufacture of man-made fibres
21100 : Manufacture of basic pharmaceutical products
21200 : Manufacture of pharmaceutical preparations
22110 : Manufacture of rubber tyres and tubes; retreading and rebuilding of rubber tyres
22190 : Manufacture of other rubber products
22210 : Manufacture of plastic plates, sheets, tubes and profiles
22220 : Manufacture of plastic packing goods
22230 : Manufacture of builders ware of plastic
22290 : Manufacture of other plastic products
23110 : Manufacture of flat glass
23120 : Shaping and processing of flat glass
23130 : Manufacture of hollow glass
23140 : Manufacture of glass fibres
23190 : Manufacture and processing of other glass, including technical glassware
23200 : Manufacture of refractory products
23310 : Manufacture of ceramic tiles and flags
23320 : Manufacture of bricks, tiles and construction products, in baked clay
23410 : Manufacture of ceramic household and ornamental articles
23420 : Manufacture of ceramic sanitary fixtures
23430 : Manufacture of ceramic insulators and insulating fittings

Standard Industrial Classifications (SIC) codes

23440 : Manufacture of other technical ceramic products
23490 : Manufacture of other ceramic products
23510 : Manufacture of cement
23520 : Manufacture of lime and plaster
23610 : Manufacture of concrete products for construction purposes
23620 : Manufacture of plaster products for construction purposes
23630 : Manufacture of ready-mixed concrete
23640 : Manufacture of mortars
23650 : Manufacture of fibre cement
23690 : Manufacture of other articles of concrete, plaster and cement
23700 : Cutting, shaping and finishing of stone
23910 : Production of abrasive products
23990 : Manufacture of other non-metallic mineral products nec
24100 : Manufacture of basic iron and steel and of ferro-alloys
24200 : Manufacture of tubes, pipes, hollow profiles and related fittings, of steel
24310 : Cold drawing of bars
24320 : Cold rolling of narrow strip
24330 : Cold forming or folding
24340 : Cold drawing of wire
24410 : Precious metals production
24420 : Aluminium production
24430 : Lead, zinc and tin production
24440 : Copper production
24450 : Other non-ferrous metal production
24460 : Processing of nuclear fuel
24510 : Casting of iron
24520 : Casting of steel
24530 : Casting of light metals
24540 : Casting of other non-ferrous metals
25110 : Manufacture of metal structures and parts of structures
25120 : Manufacture of doors and windows of metal
25210 : Manufacture of central heating radiators and boilers
25290 : Manufacture of other tanks, reservoirs and containers of metal
25300 : Manufacture of steam generators, except central heating hot water boilers
25400 : Manufacture of weapons and ammunition
25500 : Forging, pressing, stamping and roll-forming of metal; powder metallurgy
25610 : Treatment and coating of metals
25620 : Machining
25710 : Manufacture of cutlery
25720 : Manufacture of locks and hinges
25730 : Manufacture of tools
25910 : Manufacture of steel drums and similar containers
25920 : Manufacture of light metal packaging

Standard Industrial Classifications (SIC) codes
25930 : Manufacture of wire products, chain and springs
25940 : Manufacture of fasteners and screw machine products
25990 : Manufacture of other fabricated metal products nec
26110 : Manufacture of electronic components
26120 : Manufacture of loaded electronic boards
26200 : Manufacture of computers and peripheral equipment
26301 : Manufacture of telegraph and telephone apparatus and equipment
26309 : Manufacture of communication equipment (other than telegraph and telephone apparatus and equipment)
26400 : Manufacture of consumer electronics
26511 : Manufacture of electronic instruments and appliances for measuring, testing, and navigation, except industrial process control equipment
26512 : Manufacture of electronic industrial process control equipment
26513 : Manufacture of non-electronic instruments and appliances for measuring, testing and navigation, except industrial process control equipment
26514 : Manufacture of non-electronic industrial process control equipment
26520 : Manufacture of watches and clocks
Life Sciences
21100 : Manufacture of basic pharmaceutical products
21200 : Manufacture of pharmaceutical preparations
26600 : Manufacture of irradiation, electromedical and electrotherapeutic equipment
26701 : Manufacture of optical precision instruments
32500 : Manufacture of medical and dental instruments and supplies
72110 : Research and experimental development on biotechnology
86102 : Medical nursing home activities
86210 : General medical practice activities
86220 : Specialist medical practice activities
86230 : Dental practice activities
86900 : Other human health activities

Specialisation and business size analysis – detailed table

11.104 The following table gives a detailed breakdown of 2 digit SIC divisions. The following formatting rules have been applied:

- LQ London (2019) – Green if above 1.
- % Total employment (2019) – Green if above 2%.
- # Employment growth (2009 – 2019) – Green if above 0.
- % Total small and micros (2021) – Green if above 2%.
- # Small and micros growth (2016-2021) – Green if above 0.

11.105 These rules are intended to indicate which industries are performing well in these categories and do not represent the full analysis undertaken.

	OPDC	OPDC	OPDC	OPDC	OPDC	LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)
2 Digit SIC Industry	LQ London (2019)	% Total employ- ment (2019)	# Employe- ment growth (2009- 2019)	% Total small and micros (2021)	# Small and micros growth (2016- 2021)	LQ London (2019)	% Total employe- ment (2019)	# Employment growth (2009-2019)	% Total small and micros (2021)	# Small and micros growth (2016-2021)
01 : Crop and animal production, hunting and related service activities	0.0	0%	-15	0%	0	0.3	0%	5	0%	10
02 : Forestry and logging	0.0	0%	-5	0%	0	0.7	0%	5	0%	0
03 : Fishing and aquaculture	0.0	0%	0	0%	0	0.0	0%	0	0%	0
05 : Mining of coal and lignite	0.0	0%	0	0%	0	0.0	0%	0	0%	0
06 : Extraction of crude petroleum and natural gas	0.0	0%	0	0%	0	0.0	0%	0	0%	0
07 : Mining of metal ores	0.0	0%	0	0%	0	0.0	0%	0	0%	0
08 : Other mining and quarrying	8.0	0%	-10	0%	0	1.0	0%	10	0%	0
09 : Mining support service activities	0.0	0%	0	0%	0	0.8	0%	10	0%	-5
10 : Manufacture of food products	13.8	9%	1,875	2%	20	7.5	5%	1,425	0%	20
11 : Manufacture of beverages	0.5	0%	-1,470	0%	5	0.1	0%	15	0%	-5
12 : Manufacture of tobacco products	0.0	0%	0	0%	0	0.0	0%	0	0%	0
13 : Manufacture of textiles	1.9	0%	45	0%	0	0.9	0%	-40	0%	-10

	OPDC	OPDC	OPDC	OPDC	OPDC	LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)
2 Digit SIC Industry	LQ London (2019)	% Total employ ment (2019)	# Employe nt growth (2009- 2019)	% Total small and micros (2021)	# Small and micros growth (2016- 2021)	LQ London (2019)	% Total employe nt (2019)	# Employment growth (2009-2019)	% Total small and micros (2021)	# Small and micros growth (2016-2021)
14 : Manufacture of wearing apparel	0.4	0%	-65	0%	-5	0.4	0%	-25	0%	0
15 : Manufacture of leather and related products	0.0	0%	0	0%	0	0.0	0%	0	0%	-5
16 : Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	0.9	0%	20	0%	5	1.4	0%	70	0%	5
17 : Manufacture of paper and paper products	0.0	0%	0	0%	0	0.0	0%	-10	0%	-10
18 : Printing and reproduction of recorded media	1.5	0%	45	0%	-5	1.8	0%	-195	0%	-10
19 : Manufacture of coke and refined petroleum products	0.0	0%	0	0%	0	0.0	0%	0	0%	0
20 : Manufacture of chemicals and chemical products	1.7	0%	40	0%	0	1.2	0%	40	0%	0
21 : Manufacture of basic pharmaceutical products and pharmaceutical preparations	16.2	0%	225	0%	0	0.3	0%	10	0%	0
22 : Manufacture of rubber and plastic products	0.2	0%	-65	0%	0	2.9	0%	235	0%	0
23 : Manufacture of other non-metallic mineral products	12.6	1%	-60	0%	10	1.5	0%	15	0%	5
24 : Manufacture of basic metals	3.2	0%	-100	0%	0	0.6	0%	5	0%	0
25 : Manufacture of fabricated metal products, except machinery and equipment	2.5	0%	145	1%	0	2.5	0%	155	0%	10
26 : Manufacture of computer, electronic and optical products	2.4	0%	-150	0%	-5	2.6	0%	-70	0%	0
27 : Manufacture of electrical equipment	0.9	0%	-45	0%	0	4.1	0%	200	0%	5
28 : Manufacture of machinery and equipment n.e.c.	4.5	0%	-75	0%	0	0.4	0%	-180	0%	-5
29 : Manufacture of motor vehicles, trailers and semi-trailers	0.5	0%	-80	0%	0	0.7	0%	-250	0%	-5
30 : Manufacture of other transport equipment	0.0	0%	0	0%	0	11.9	0%	350	0%	0
31 : Manufacture of furniture	8.4	1%	160	0%	5	3.0	0%	-185	0%	-5
32 : Other manufacturing	3.6	0%	120	0%	0	0.8	0%	-115	0%	5

	OPDC	OPDC	OPDC	OPDC	OPDC	LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)
2 Digit SIC Industry	LQ London (2019)	% Total employ ment (2019)	# Employe nt growth (2009- 2019)	% Total small and micros (2021)	# Small and micros growth (2016- 2021)	LQ London (2019)	% Total employe nt (2019)	# Employment growth (2009-2019)	% Total small and micros (2021)	# Small and micros growth (2016-2021)
33 : Repair and installation of machinery and equipment	4.9	1%	405	0%	0	3.9	1%	685	0%	0
35 : Electricity, gas, steam and air conditioning supply	0.3	0%	25	0%	5	0.1	0%	20	0%	0
36 : Water collection, treatment and supply	0.0	0%	0	0%	0	0.0	0%	0	0%	0
37 : Sewerage	2.3	0%	40	0%	0	0.0	0%	0	0%	0
38 : Waste collection, treatment and disposal activities; materials recovery	2.2	0%	150	0%	0	0.4	0%	-375	0%	15
39 : Remediation activities and other waste management services. This division includes the provision of remediation services, i.e., the clean-up of contaminated buildings and sites, soil, surface or ground water.	0.0	0%	-10	0%	0	0.1	0%	5	0%	0
41 : Construction of buildings	0.6	1%	250	4%	20	1.4	2%	1,715	6%	375
42 : Civil engineering	1.0	0%	-130	0%	0	0.8	0%	-700	1%	-40
43 : Specialised construction activities	0.6	1%	-75	4%	15	1.5	3%	775	7%	120
45 : Wholesale and retail trade and repair of motor vehicles and motorcycles	6.1	6%	1,780	5%	10	1.6	2%	425	2%	75
46 : Wholesale trade, except of motor vehicles and motorcycles	4.2	13%	2,725	12%	-20	2.0	6%	2,500	5%	45
47 : Retail trade, except of motor vehicles and motorcycles	0.9	7%	-675	10%	55	1.1	8%	375	11%	270
49 : Land transport and transport via pipelines	2.2	5%	1,295	2%	-10	2.0	4%	2,875	3%	85
50 : Water transport	0.0	0%	-5	0%	0	0.7	0%	45	0%	0
51 : Air transport	0.0	0%	0	0%	0	0.0	0%	-5	0%	10
52 : Warehousing and support activities for transportation	2.7	4%	755	2%	10	1.0	1%	-225	1%	15
53 : Postal and courier activities	3.6	3%	450	1%	10	3.0	2%	425	1%	140
55 : Accommodation	0.2	0%	-260	0%	5	0.5	1%	485	0%	10

	OPDC	OPDC	OPDC	OPDC	OPDC	LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)
	LQ London (2019)	% Total employ ment (2019)	# Employe nt growth (2009- 2019)	% Total small and micros (2021)	# Small and micros growth (2016- 2021)	LQ London (2019)	% Total employe nt (2019)	# Employment growth (2009-2019)	% Total small and micros (2021)	# Small and micros growth (2016-2021)
2 Digit SIC Industry										
56 : Food and beverage service activities	0.6	4%	1,030	6%	50	0.9	6%	225	5%	75
58 : Publishing activities	0.1	0%	-165	0%	-5	0.3	0%	-140	0%	15
59 : Motion picture, video and television programme production, sound recording and music publishing activities	2.0	2%	-1,730	2%	10	0.8	1%	80	3%	-20
60 : Programming and broadcasting activities	3.0	1%	-1,115	0%	0	1.2	1%	450	0%	0
61 : Telecommunications	0.5	0%	-305	0%	-5	0.9	1%	20	0%	-20
62 : Computer programming, consultancy and related activities	0.2	1%	35	5%	40	0.6	3%	955	7%	-190
63 : Information service activities	0.4	0%	120	0%	5	0.3	0%	40	0%	0
64 : Financial service activities, except insurance and pension funding	0.0	0%	-40	1%	10	0.2	1%	-30	1%	-10
65 : Insurance, reinsurance and pension funding, except compulsory social security	0.0	0%	-25	0%	5	0.0	0%	-5	0%	-5
66 : Activities auxiliary to financial services and insurance activities	0.0	0%	20	0%	-10	0.1	0%	20	1%	10
68 : Real estate activities	0.4	1%	195	5%	20	0.9	2%	1,220	4%	165
69 : Legal and accounting activities	0.1	0%	50	2%	10	0.4	1%	355	3%	45
70 : Activities of head offices; management consultancy activities	0.7	3%	1,090	3%	10	0.4	2%	275	7%	-80
71 : Architectural and engineering activities; technical testing and analysis	0.4	1%	360	1%	-5	0.6	1%	265	2%	-60
72 : Scientific research and development	9.0	4%	640	0%	10	0.2	0%	-670	0%	5
73 : Advertising and market research	0.2	0%	50	1%	10	1.7	3%	645	1%	0
74 : Other professional, scientific and technical activities	0.6	1%	95	2%	-10	0.8	1%	190	3%	-35
75 : Veterinary activities	0.2	0%	0	0%	0	1.3	0%	-10	0%	10

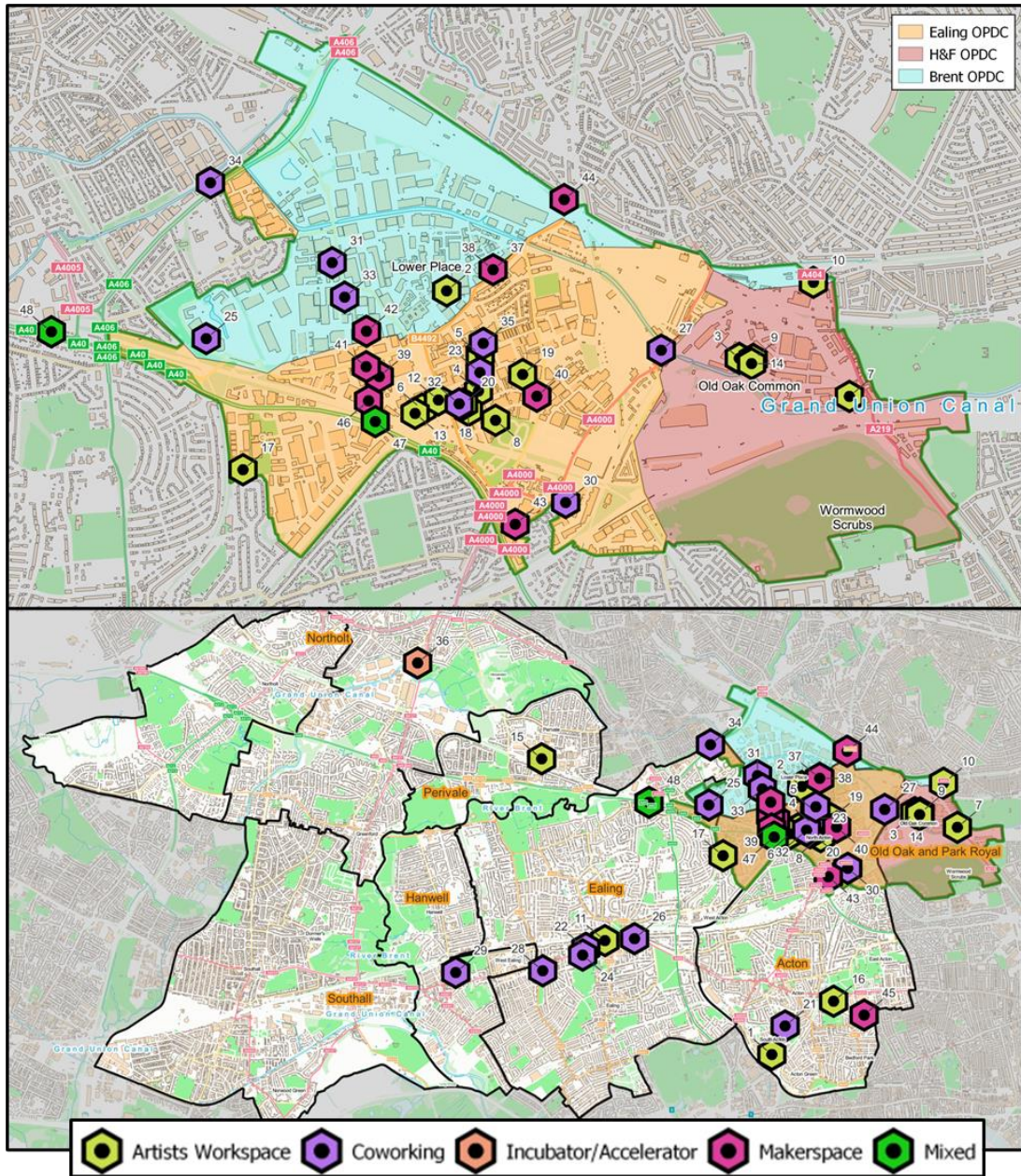
	OPDC	OPDC	OPDC	OPDC	OPDC	LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)
2 Digit SIC Industry	LQ London (2019)	% Total employ ment (2019)	# Employe nt growth (2009- 2019)	% Total small and micros (2021)	# Small and micros growth (2016- 2021)	LQ London (2019)	% Total employe nt (2019)	# Employment growth (2009-2019)	% Total small and micros (2021)	# Small and micros growth (2016-2021)
77 : Rental and leasing activities	4.7	2%	70	2%	5	2.7	1%	200	1%	10
78 : Employment activities	1.1	4%	1,100	1%	20	1.3	4%	1,450	1%	-15
79 : Travel agency, tour operator and other reservation service and related activities	0.1	0%	30	0%	0	0.6	0%	120	1%	10
80 : Security and investigation activities	0.7	1%	335	1%	10	0.2	0%	-980	1%	45
81 : Services to buildings and landscape activities	0.7	2%	620	2%	25	0.4	1%	-135	1%	25
82 : Office administrative, office support and other business support activities	1.8	5%	2,220	4%	25	1.2	3%	2,900	5%	70
84 : Public administration and defence; compulsory social security	0.2	1%	-425	0%	0	0.8	4%	0	0%	5
85 : Education	0.3	2%	495	2%	20	1.2	9%	1,370	2%	35
86 : Human health activities	1.2	7%	-875	2%	-5	1.1	7%	1,500	3%	-20
87 : Residential care activities	0.1	0%	-45	0%	-5	1.3	1%	10	1%	0
88 : Social work activities without accommodation	0.2	1%	25	1%	0	1.0	3%	745	1%	-55
90 : Creative, arts and entertainment activities	0.5	0%	165	1%	-5	0.4	0%	220	2%	-20
91 : Libraries, archives, museums and other cultural activities	0.0	0%	-5	0%	0	0.2	0%	20	0%	0
92 : Gambling and betting activities	0.1	0%	0	0%	-10	0.9	0%	75	0%	-20
93 : Sports activities and amusement and recreation activities	0.2	0%	30	0%	10	1.3	1%	345	1%	15
94 : Activities of membership organisations	0.0	0%	-65	0%	-5	0.4	0%	0	1%	-10
95 : Repair of computers and personal and household goods	0.5	0%	35	0%	0	1.9	0%	185	1%	5
96 : Other personal service activities	1.4	1%	560	2%	5	1.2	1%	690	3%	25
97 : Activities of households as employers of domestic personnel	0.0	0%	0	0%	0	0.0	0%	0	0%	0

	OPDC	OPDC	OPDC	OPDC	OPDC	LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)
	LQ London (2019)	% Total employ- ment (2019)	# Employe- ment growth (2009- 2019)	% Total small and micros (2021)	# Small and micros growth (2016- 2021)	LQ London (2019)	% Total employe- ment (2019)	# Employment growth (2009-2019)	% Total small and micros (2021)	# Small and micros growth (2016-2021)
2 Digit SIC Industry										
98 : Undifferentiated goods- and services-producing activities of private households for own use	0.0	0%	0	0%	0	0.0	0%	0	0%	0
99 : Activities of extraterritorial organisations and bodies	0.0	0%	0	0%	0	0.0	0%	0	0%	0

12 APPENDIX 2: EXISTING AFFORDABLE AND OPEN WORKSPACES

12.1 The figure below displays existing affordable and open workspaces in OPDC and LBE.

Figure 36 Existing affordable and open workspaces in OPDC and LBE



12.2 The table below provides the names and industry information for the spaces identified in the maps in the main report. Other relevant information such as capacity and pricing is provided where available, but the information is not comprehensive for the entire list.

Table 13 Existing Affordable and Open Workspaces in LBE and OPDC

Map ID	Name	Industry	Relevant information Description, capacity	Relevant information Pricing information
LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)	LBE (excl OPDC)
1	Acava Colville Rd	Creative	12 studios	-
11	Open Ealing	Creative	1 studio, 1 gallery, 1 makerspace, 1 meeting room	-
15	Stewkley House	Creative	26 studios	£13 per sqft
16	Vale Grove Studios	Creative	15 studios	-
21	Acton Gardens Community Centre	Any	23 people	£30 per day per desk £255 per month per desk
22	BoomZone	Any	-	£250 pcm (Hot desk) £300 pcm (Fixed desk)
24	Spaces - Ealing Aurora	Any	43 dedicated desks 133 private offices	£216 pcm (Coworking membership) £348 pcm (Dedicated desk) £350 pcm (Office space)
26	The Boutique Workplace - Ealing	Any	19,000 sqft 100 people	£70 pcm (private desk) £300 pcm (private office) £339 pcm (flexi desk)
28	The Lido centre	Voluntary and community groups	-	£2164.45 per year + £1,352.35 service charge.
29	The Workary Hanwell	Any	25 fixed desks	£125 pcm
30	The CoClub	Any	-	£19 per day (Hot desk) £199 pcm (Fixed desk)
36	Formation Zone (London)	Any	-	-
45	Martin Grierson	Creative	-	-
48	Wow Workspaces Ealing	Any	Designed for start-up e-commerce. 37 people across 5 offices.	£525 - £1,800 pcm
OPDC - LBE	OPDC - LBE	OPDC - LBE	OPDC - LBE	OPDC - LBE
4	Artistic Spaces Ltd	Creative	83 studios	£315 pcm (95 sqft) - £3,150 pcm (1,500 sqft) depending on size
5	Bill Amberg	Creative	1 studio	-
6	Brian Clarke	Creative		-
8	Excelsior Studios	Creative	32 studios	-
12	Park Royal	Creative	6 studios	-
13	Queensrolla House	Creative	22 studios	-
17	West London Art Factory	Creative	22 studios	-
18	Orsini Studios	Creative	6 units 309 – 475 sqft per unit	One unit available at £1,110 pcm
19	Standard Studios	Creative	70-700 sqft	From £350 pcm
20	42 Gorst Road studios	Creative	55 studios 80 – 2,200 sqft per studio	-
23	Camel London Creatives	Creative	25 person private office	£80 pcm (Hot desk) £250 pcm (Dedicated desk)

Map ID	Name	Industry	Relevant information Description, capacity	Relevant information Pricing information
			~ 70 person coworking space	£500 pcm (Private office)
27	The Collective Old Oak	Any	Part of a co-living development	£350 pcm (flexi desk)
32	Park Royal Business Centre	Any	129 – 8,000 sqft	From £150 per person per month
35	Minerva Business Centre	Any	1,200 total workstations	£160 per person per month
39	Dephna Kitchens, Britannia Way	Catering	400-4,000 sqft per unit Catering kitchens, central production units, dark kitchens and food delivery kitchens	For smallest kitchen (350 sqft) prices start from 1800 per month plus VAT and utilities Cold storage costs 400 per month plus VAT and utilities
40	Dephna Kitchens, Chase Road	Catering	400-4,000 sqft per unit Catering kitchens, central production units, dark kitchens and food delivery kitchens	For smallest kitchen (350 sqft) prices start from 1800 per month plus VAT and utilities Cold storage costs 400 per month plus VAT and utilities
41	Dephna Kitchens, Coronation Road	Catering	400-4,000 sqft per unit Catering kitchens, central production units, dark kitchens and food delivery kitchens	For smallest kitchen (350 sqft) prices start from 1800 per month plus VAT and utilities Cold storage costs 400 per month plus VAT and utilities
43	Dephna Kitchens, Portal Way	Catering	400-4,000 sqft per unit Catering kitchens, central production units, dark kitchens and food delivery kitchens	For smallest kitchen (350 sqft) prices start from 1800 per month plus VAT and utilities Cold storage costs 400 per month plus VAT and utilities
46	The Olive Grows	Catering	One kitchen (8 people)	£25 per hour for a minimum of 2 hours
47	Wow Workspaces Acton	Any	Designed for start-up e-commerce 23 units	-
OPDC – Hammersmith and Fulham	OPDC – Hammersmith and Fulham	OPDC – Hammersmith and Fulham	OPDC – Hammersmith and Fulham	OPDC – Hammersmith and Fulham
3	NW10 Studios at Apex House	Creative	14 studios	-
7	Cadogan House/ No.5 Studios	Creative	39 studios	-
9	Hythe Road Studios	Creative	16 studios	£335.06 pcm for 225 sqft
14	Regents House	Creative	13 studios	-
OPDC - Brent	OPDC - Brent	OPDC - Brent	OPDC - Brent	OPDC - Brent
2	Alva west	Creative	2 studios for the photographic industry	-
10	Light Factory artist studios	Creative	-	£460 pcm for 250sqft
25	Spaces - Park Royal	Any	52 dedicated desks 110 private offices	£216 pcm (Coworking membership) £273 pcm (Dedicated desk)

Map ID	Name	Industry	Relevant information Description, capacity	Relevant information Pricing information
				£290 pcm (Office space)
31	Unimix	Any	-	£358 pcm (172 sqft) - £4,715 pcm (2,263 sqft) depending on size
33	Space House Business Centre	Any	29 suites from 123 – 530 sqft	-
34	Crown House Business Centre	Any	Total of 800 workstations	£250 – £1,000 pcm
37	Dephna Kitchens, 190 Acton Road	Catering	(As per Dephna information for OPDC – LBE sites)	(As per Dephna information for OPDC – LBE sites)
38	Dephna Kitchens, 214 Acton Road	Catering	(As per Dephna information for OPDC – LBE sites)	(As per Dephna information for OPDC – LBE sites)
42	Dephna Kitchens, Cumberland Avenue	Catering	(As per Dephna information for OPDC – LBE sites)	(As per Dephna information for OPDC – LBE sites)
44	Harlesden Station Workshops	Creative	-	-

Future baseline

12.3 There are six identified Affordable Workspaces that are expected to come forwards in the study area in the future. Three of these are due to be delivered as part of projects by Catalyst Housing Association. One is located within the OPDC, and the rest are in varying LBE sub-areas. Four are coworking spaces.

Table 14 Future Affordable and Open Workspaces

Name	Type	Industry	Location
Ealing Works	Coworking	Any	Ealing
Open Havelock, Catalyst Housing	Coworking	Any	Southall
Southall town hall	Coworking	Any	Southall
Friary Park, Catalyst Housing	Coworking	Any	Acton
Wow, Park Royal	Coworking/industrial	Any	Park Royal
St Bernards Gate/Chapel, Catalyst Housing	Artists Workspace	Creative	Hanwell

13 APPENDIX 3: METHODOLOGY FOR DEFINING LTES

- 13.1 Low Threshold Enterprise Space (LTES) is commonly defined as a form of lower-value, non-residential space that is typically found in out-of-town centre, 'non-prime' locations.
- 13.2 LTES provides important workspace capacity for start-ups and small businesses which is of low cost and often flexible in its offer. The key uses of LTES include the following:
- Provides opportunities for growth through supporting start-ups
 - Supports the servicing of the wider economy as larger, more productive enterprises are dependent on a supply chain of businesses to service them
 - Servicing the local economy through LTES occupiers and associated local multiplier effects
 - Adding local value and regenerative benefits providing employment and income into otherwise deprived areas.
- 13.3 There are concerns that LTES is particularly vulnerable to redevelopment to higher value uses. However, it plays a critical role in London's economy – providing important capacity for start-ups and small businesses that is financially viable for them to access. There is therefore an argument for intervention to prevent its loss to such conversion.
- 13.4 There are no set criteria in defining what can be considered as LTES, particularly as the nature and function of LTES will vary by location. However, a set of general criteria is presented in the tables below, that broadly groups the characteristics of LTES into not likely to be LTES, may be LTES and likely to be LTES.
- 13.5 Premises that are likely to be LTES are typically characterised by poor and basic quality, non-primary locations and occupied by mainly independent, local retailers or businesses.

Table 15 LTES criteria

Premises type	Premises type	Premises characteristics Location	Premises characteristics Specification	Premises characteristics Occupiers	Premises characteristics Typical Use Class
Not likely to be LTES	Grade A office	CAZ, Canary Wharf, other business parks, within some larger town centres	Institutional and high quality, growing influence of BREEAM ratings	Corporate businesses, often operating internationally	B1
Not likely to be LTES	Primary shopping area/most town centre malls	Highly accessible High Street location	Larger units, with higher spec, air conditioned, often in shopping centres	Predominantly multiple retailer, comparison goods.	A use classes. D1
Not likely to be LTES	Out-of-town retail	Out-of-town, often with highway access	Large units, with high specification, either self-contained site, or retail park	National multiple convenience and comparison retailers	A use classes
May be LTES	Managed office space	Town centre often close to rail station and public transport	Reasonable spec with good quality third party service provision	Predominantly SMEs and micro businesses more reliant on non-local trade	B1 and D1 uses

Premises type	Premises type	Premises characteristics Location	Premises characteristics Specification	Premises characteristics Occupiers	Premises characteristics Typical Use Class
May be LTES	Secondary frontage and small units	High streets and streets radiating from high streets, outside PSAs	Non-air conditioned and basic spec, normally aging brick stock	Independent and local retailers, SMEs, local professional services	A use classes, D2 uses
Likely to be LTES	Tertiary high street	Between designated town centres, with reasonable footfall often served by bus	Basic, sometimes poor stock, tending towards obsolescence, often large storage areas.	Local retailers, independent furniture retailers, builders merchants, car dealers, petrol stations, other local services	A use classes, B1a,c, D2, SG
Likely to be LTES	Market stalls/ kiosks	Kiosks, stalls, pitches and niches in areas of high footfall	Basic compact trading opportunities, sometimes on a timeshare basis.	Small traders, retail and retail services	A use classes
Likely to be LTES	Back of high street	Backland and edge of town centre sites, limited footfall, but close to public transport	More basic, providing for a mix of uses, with flexibility for changes and upgrade.	SMEs with a blend of office, service, support activities, suppliers, 'trade; retailers, artists	B1a, b, c, B2, B8, D2, SG
Likely to be LTES	Informal spaces	Niches in the urban fabric such as railway arches, shacks	Very basic, normally with external storage/trade area.	Typically small businesses in "dirty" trades – car repair builders scaffolders	B1c, B2,B8, SG

Source: GLA, 2014. Accommodating Growth in Town Centres

Table 16 LTES criteria – threshold typology

	Not likely to be LTES	May be LTES	Likely to be LTES
Quality of care	High	Medium	Low
Last refurb/upgrade	< 3 years	3 – 10 years	>10 years
Premises constraints	Low	Medium	High
Overall quality	High	Medium	Low
Rent and rates	High	Medium	Low
Entry cost (fit-out)	High	Medium	Low
Entry cost (deposit)	High	Medium	Low
Terms of lease	Secure	-	Flexible

Source: GLA, 2014. Accommodating Growth in Town Centres

The difficulties in defining LTES

- 13.6 Defining and identifying LTES is difficult since it has no objective definition and many of the characteristics that loosely define LTES require an element of subjectivity.
- 13.7 For example, assigning a level of quality to a premises is largely subjective and can lead to variation in what some and others may consider to be LTES based on this judgement. This may pose questions such as 'what is considered high/low quality?' and 'against what benchmark is a premise considered high/low quality?' This may vary by location and study area if based on an average level of quality across the geography.
- 13.8 Furthermore, LTES space is characterised by small, independent occupiers rather than large workspace providers, and is often a more informal space with flexible leases. Based on this, there is a lack of publicly available information available on potential LTES that is also up-to-date.

This makes it harder to identify LTES space without physically visiting each potential LTES and assessing the site.

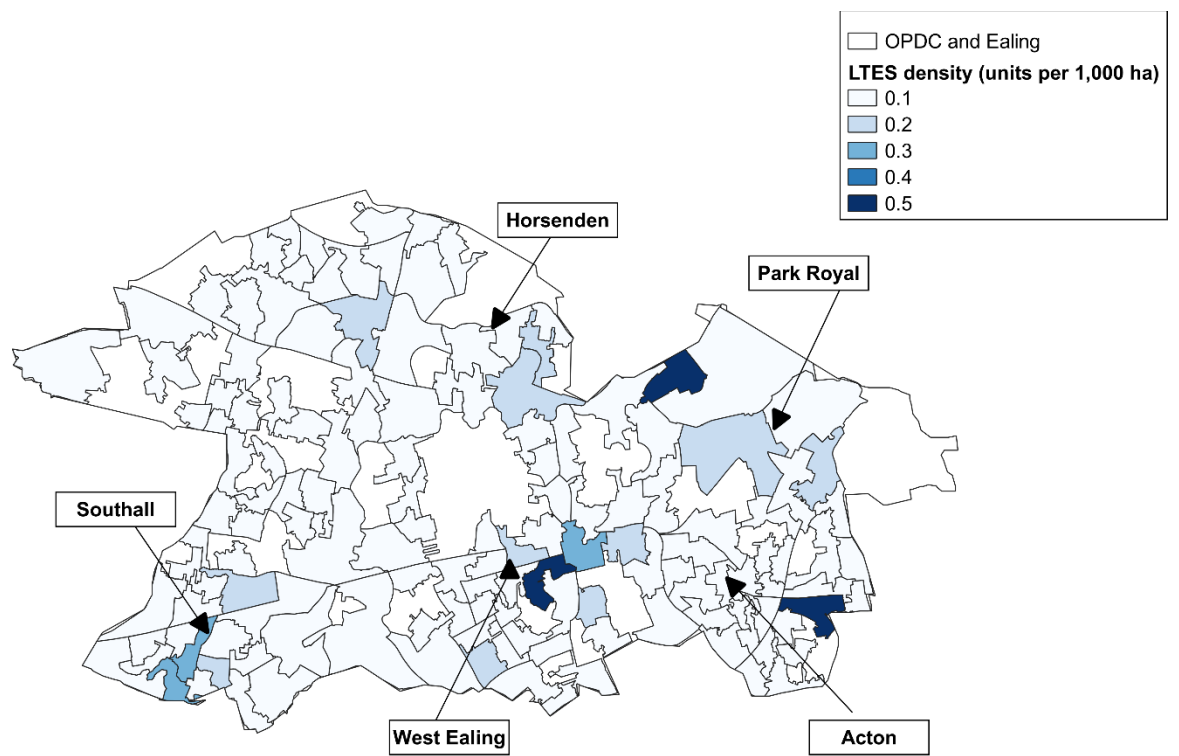
Methodology for identifying LTES in the OPDC and LBE area

- 13.9 The methodology used to identify LTES space in the OPDC and LBE area is largely based on assessing existing premises based on the criteria set out in the two tables above.
- 13.10 Two datasets were considered: the identified existing Affordable Workspaces and Sqwyre data (to account for any LTES spaces that are not Affordable Workspaces).
- 13.11 Each existing Affordable Workspace was assessed against the criteria in the table above regarding likelihood of being LTES. This assessment was based on the information available on each workspace and professional judgement. For example, a listing with multiple facilities and photographic images of a newly-built, modern and high-specification co-working space would be classed as not likely to be LTES. Where the majority of criterion the characteristics making up likely to be LTES (based on the tables above) were met, these workspaces were established as LTES.
- 13.12 The Sqwyre data was filtered for entries located within the OPDC and LBE and then 'out-of-town centre' locations within the area. Following this, to capture the low-quality element of LTES, the 25th bottom percentile of entries for rateable value were selected. Rateable value typically correlates to rent and is viewed as a reasonable proxy for quality.

Findings

- 13.13 The approach identified approximately 2,100 LTES premises in OPDC and LBE.
- 13.14 The figure below presents a density map of units of LTES per 1,000ha by LSOA in the area. The darker areas represent where there is a high density of LTES across an LSOA, relative to the rest of the study area. As shown in the figure below, there are particular LTES 'hotspots' in the south-east of Acton, around west LBE, the north of Park Royal and the Southall area.
- 13.15 The north of Park Royal is in a SIL designated area. There is also a high density in the Vale Locally Significant Industrial Site (LSIS). These designations protect against higher-value non-industrial uses. Even if land is redeveloped for other industrial uses compliant with these designations, ways to mitigate impacts that may affect the provision of affordable workspace could be explored.

Figure 37 LTES density map by LSOA



14 APPENDIX 4: AFFORDABLE WORKSPACE PLANNING POLICY IN LONDON

Table 17 Summary of Affordable Workspace planning policy in London

LOCAL AUTHORITY	AFFORDABLE WORKSPACE POLICY
Barking & Dagenham	<p><i>Definition: Workspace that is provided at rents maintained below the market rate for that space for a specific social, cultural, or economic development purpose. The definition of Affordable Workspaces varies across London. In Barking and Dagenham, mixed-use development is capable of providing 35% Affordable Workspace at 25%- 50% of market rents subject to development viability. The Council-owned B-Use Class floorspaces are charged at subsidised rents up to 80% of market rent for the occupiers or to the workspace provider (who must pass onto occupier) that use the spaces for charitable purpose and in return for delivering significant community benefits in line with LBBD's Social Value policy priorities. The Council has also been securing Affordable Workspace at the current market rate for cultural or creative purposes</i></p> <p>Policy - Barking and Dagenham's Draft Local Plan (2019-2034) – Consultation Version</p> <p>Policy DME2: Providing flexible, Affordable Workspace</p> <p>Development of 1,000 sqm employment floorspace 38 or greater will be required to incorporate an appropriate provision of Affordable Workspace 39 on-site, offered at below market rate, for shared workspace or small business units through Section 106 agreements, subject to development viability. This must meet the needs of local start-ups, small-to-medium enterprises and creative industries. The applicant should establish robust management links with registered workspace providers agreed by the Council and be able to:</p> <ul style="list-style-type: none"> demonstrate that there is sufficient critical mass to ensure the sustainability of any provision provide units in turnkey form which are accepted by the Council or the registered workspace provider following completion. To be considered as acceptable turnkey spaces, the Council will expect the workspace units to be secure, vacant, and fully glazed, with smooth sealed concrete finishes to ceiling and walls, functional lighting, running water, sanitary facilities, and having capped essential services such as electricity and gas, as well as access provision of wired and wireless broadband technologies delivering the highest speeds to provide a wide range of services. These works will avoid substantial fit out costs for potential occupiers and enable the workspace to be more affordable for smaller businesses. <p>In circumstances where it is not feasible to meet Part 1 of the policy, a payment in lieu may be accepted to support delivery of Affordable Workspace in other parts of the borough, focusing primarily in identified Transformation Areas (see Chapter 3: Transforming Barking and Dagenham).</p> <p>Notes</p> <p>Provisions for Affordable Workspace also included in Draft Policy SP5: Promoting inclusive economic growth: "The Council will encourage the provision of Affordable Workspace within developments for new employment in accordance with Policy DME 2: providing flexible, Affordable Workspace, alongside the London Plan policy E3: Affordable Workspace."</p> <p>Local Plan review ongoing</p>
Barnet	<p><i>No definition</i></p> <p>Local Plan Version 18</p> <p>Policy ECY02: Affordable Workspace</p> <p>The Council will promote economic diversity and support existing and new business development in Barnet by requiring through legal agreement:</p>

LOCAL AUTHORITY	AFFORDABLE WORKSPACE POLICY
	<p>New employment in the Borough's designated employment areas and mixed use development, in Brent Cross, Edgware, New Southgate and District Town Centres should provide affordable or low-cost workspace, equating to a minimum of 10% of gross new employment floorspace, or equivalent cash-in-lieu payment for off-site provision of Affordable Workspace.</p> <p>new employment provision should include a range of unit sizes and types such as affordable and flexible workspaces and working hubs that allow for 'touch down' working. Uses should be appropriate for the location and in accordance with ECY01.</p> <p>Developers should liaise with managed workspace providers at the design stage of the development to determine end user requirements and ascertain a range of unit sizes that are flexible, suitable for subdivision and configuration for new uses and activities, including for occupation by small or independent commercial enterprises.</p> <p>Mixed use development proposals in town centres should consider the provision of flexible space within the scheme that can be used by individual workers, start-ups and accelerator space.</p> <p>Local Plan Core Strategy</p> <p>Policy: CS6: Promoting Barnet's town centres</p> <p>In order to promote competitive town centre environments and provide consumer choice, we will realise development opportunities for the town centres of Edgware, North Finchley, Finchley Church End, and Chipping Barnet. We will pursue the individual planning objectives for each centre as set out in their Town Centre Frameworks and ensure the delivery of environmental, design, transport, car parking and community safety measures. Development in these town centres will reflect the preferred sequential approach in the National Planning Policy Framework (para 24).</p> <p>we will ensure the efficient use of land and buildings in all town centres, encouraging a mix of compatible uses including retail, managed affordable and flexible workspace, leisure and residential that add to the vibrancy of the area whilst respecting character.</p> <p>Policy CS8: Promoting a strong and prosperous Barnet</p> <p>Providing affordable and flexible workspace helps small to medium businesses, particularly home-workers in the knowledge economy and those engaged in creative industries, to continue their valuable contribution to Barnet's prosperity. As well as safeguarding existing employment sites we will encourage the provision of employment floorspace, particularly in town centres, to meet the changing needs of modern business. Through S106 on new development we will ensure the provision of affordable premises such as enterprise hubs / innovation centres that are flexible and attractive to homeworkers and small businesses. Such facilities can provide access to services and business advice which would otherwise be beyond their resources. Providing a range of facilities in the borough will enable start-ups as well as existing businesses to grow and prosper within Barnet</p> <p>Also states: "in order to support small to medium sized enterprises new employment provision should include a range of unit sizes and types such as affordable and flexible workspaces and home working hubs"</p> <p>Local Plan SPD: Delivering Skills, Employment, Enterprise and Training from Development through S106</p> <p>The Council recognises that in mixed use development a net loss of employment space may have positive economic impacts if loss is balanced by improvements in accommodation quality and format. Such improvements should deliver affordable and flexible workspace that is capable of addressing the needs of small to medium enterprises (SMEs). Where such improvements are secured through S106 they will be taken into account in calculations for loss of employment space</p> <p>In order to support SMEs, the Council will encourage, in addition to its LEA, the following:</p> <p>Flexible and Affordable Workspace in office development or redevelopment</p> <p>Small and affordable shop units in major retail developments</p>

LOCAL AUTHORITY	AFFORDABLE WORKSPACE POLICY
	<p>The Council will consider the use of legal agreements in order to manage the rents of these units to appropriate levels, to control their size, location and the nature of the occupant</p> <p>Further consideration also within 2017 Employment Land Review</p>
Bexley	<p><i>No definition or policy</i></p> <p>References made within documents in Local Plan Examination Library</p>
Brent	<p><i>Definition: Affordable Workspace is workspace that is provided at rents maintained below the market rate for that space for a specific social, cultural or economic development purpose. Affordable Workspace should be provided for start-up companies or in the form of 'move on' space for SME's.</i></p> <p>Policy - Local Plan Review – Regulation 19 Publication Plan</p> <p>Affordable Workspace features regularly throughout linked to Economy and Town Centres chapter in Local Plan refresh (Policy 6.4)</p> <p>Policy BE1: Economic Growth and Employment Opportunities for All</p> <p>6.4.11 - Securing workspace in Growth Areas will contribute to creating vibrant places where people want to live. It will also be important to meet the London Plan requirement for Brent to provide additional employment floorspace. All major developments exceeding 3000 sqm in the Growth Areas outlined above (Granville and South Kilburn) should provide a minimum of 10% Affordable Workspace in the B use class.</p> <p>6.4.12 - Affordable Workspace should be provided for start-up companies or in the form of 'move on' space for SMEs. B1(c) floorspace will be prioritised to meet the identified need for this form of employment space in the borough. An Affordable Workspace Operator should be engaged at the earliest stage, before pre-application advice is sought, to ensure space is fit for purpose. The council's list of approved Affordable Workspace Operators seeking space in the borough is available at: www.brent.gov.uk/your-community/regeneration/affordable-workspace. If an operator is identified that is not on the list, they can apply to be registered. Affordable Workspace will be secured for the lifetime of the development. The applicant should submit evidence of having consulted with an approved Affordable Workspace Operator to determine the design of the space is suitable and that it is affordable, at no more than 50% of comparable local market rate. Each lease should cover a period of at least 10-15 years. This will be secured via a S106 planning obligation. The level of fit out of the workspace to a specification agreed with the Affordable Workspace Provider and to a minimum of CAT A fit-out, unless agreed otherwise with the Operator or the council. An Affordable Workspace Management Plan will be required for the space, agreed between the Affordable Workspace Operator and council, covering how the space will be managed, rent levels and reasonable priority for local people. Consideration will be given to the requirements of the Workspace Operator. Further detail will be provided in a Brent Affordable Workspace SPD.</p> <p>6.4.13 - In some circumstances rather than provide workspace on-site, it may be appropriate for developments to provide financial contributions to delivering workspace elsewhere within the Growth Area or town centre. For example, where it is preferable to create one larger workspace, with shared management arrangements. Discussion with the council and operators will determine where this is appropriate.</p> <p>Notes</p> <p>Actions following 2020 Affordable Workspace Strategy include:</p> <p>Action 1: Develop a Brent Affordable Workspace Supplementary Planning Document (SPD) to expand on draft Local Plan Policy BE1.</p> <p>Action 2: Expand the Affordable Workspace Operator list to give developers a better range of options when disposing Affordable Workspace and improve the local Affordable Workspace offer.</p> <p>Action 3: Create or facilitate Affordable Workspace projects in vacant and hard to let properties on the high street.</p> <p>Action 4: Inform and direct business cases for workspaces in Council assets and developments, specific to location and context, for how best to develop and manage the workspace.</p>

LOCAL AUTHORITY	AFFORDABLE WORKSPACE POLICY
	<p>Action 5: Facilitate and optimise Affordable Workspace delivery in mixed-use development in site allocations that trigger draft Local Plan Policy BE1 and BE2.</p> <p>Action 6: Agree a forward plan for using S106 commuted sums collected in lieu of on-site Affordable Workspace.</p> <p>Action 7: Work with economic development and finance colleagues to create a specific discretionary business rate relief for Affordable Workspace Operators.</p> <p>Action 8: Develop and launch a Brent finance and grant scheme for Affordable Workspace Operators with a focus on either location or sector.</p> <p>Draft Affordable Workspace SPD – December 2021 Published list of Affordable Workspace providers here</p>
Bromley	<p><i>No definition or policy.</i></p> <p>Most recently published Economic Development Strategy (2021), setting out seven ambitions:</p> <p>Education and Skills: Our residents have access to the right opportunities for skills and education that will ensure healthy employment</p> <p>Employment Spaces: Our businesses have access to the right employment spaces in the right places with local business clusters which encourage enterprise and facilitate sustained growth</p> <p>Thriving and Investing: Our borough is an exciting, attractive, healthy, sustainable and welcoming place where businesses thrive, people aspire to live and visit, and new enterprises seek to invest</p> <p>Attractive High Streets: Our town centres are places where people want to shop, work, visit and live</p> <p>Connectivity and Mobility: Our residents and business community are well connected through diverse physical and digital infrastructure networks which underpin mobility across the whole borough</p> <p>Enhancement of tourism and culture industries: Our cultural and tourism industries continue to grow and diversify, and our unique historical features are promoted for the world to see</p> <p>Promoting Green Economy: Our green economy will help to sustain and advance economic, environmental and social wellbeing</p>
Camden	<p><i>Definition (2021 CPG, Page 9): Affordable Workspace in Camden are defined on a case-by-case basis. previous definitions based on past schemes include; 20% of the workspace to be provided at 50% of comparable market values.</i></p> <p><i>an element of the floorspace to be offered to an Affordable Workspace provider (to be approved by the Council) at a peppercorn rent (i.e., a very small or token rent).</i></p> <p><i>20% of the desks in the open workspace (hot-desking) area to be offered at 50% of market value.</i></p> <p><i>an average of market rents paid by tenants in the area occupying an equivalent type and quality of space. This should relate to average market rates in the relevant sector in particular to light industrial and maker space.</i></p> <p>Camden Local Plan: Economy and Jobs (Section 5) – see link for further details</p> <p>Pledges to support start-ups and SMES within the boroughs. Part of this includes safeguarding existing employment sites and ensuring that there is provision of innovative new employment floor space in developments that meet the needs of start-ups and SMEs. In addition, Camden will seek that developments can incorporate managed workspace within their premises, which are suitable for “small and growing businesses and social enterprises.” Where there is a development of 1,000 sqm or more, there will need to be an element of affordable SME workspace.</p> <p>Policy E1: Economic Development</p>

LOCAL AUTHORITY	AFFORDABLE WORKSPACE POLICY
	<p>The Council will secure a successful and inclusive economy in Camden by creating the conditions for economic growth and harnessing the benefits for local residents and businesses.</p> <p>Providing a range of employment premises - In order to secure a strong and successful economy, the Council will support businesses of all sizes, particularly start-ups, small and medium-sized enterprises. Camden has a large proportion of small businesses, with 83% employing less than nine people and a further 14% employing between 10 and 49 employees. However, premises suitable for small businesses as well as medium sized enterprises are currently under pressure from rising land values, limited land availability and 'permitted development' rights which allow the change of use from offices (B1(a)) to housing (C3) without the need for planning permission and therefore without assessment against our planning policies.</p> <p>Creative Industries - The Council recognises the importance of creative industries, especially the contribution they make to the unique character and vitality of the borough. We have a number of initiatives to develop and support the creative economy in Camden, including funding for a range of agencies which help to promote the sector. The variety and richness of Camden's cultural and creative offer also relies on the availability of small affordable accommodation, such as studios and workshops for artists. We will continue to encourage and support the growth of this sector by promoting the provision of a range of premises via Policy E2 Employment premises and sites, particularly for businesses that require more flexible workspaces</p> <p>CPG Employment sites and business premises, Jan 2021 Key Messages below – see link above for full details</p> <p>The Council seeks to protect existing employment sites and premises that meet the needs of businesses and employers and seeks to ensure Camden offers a range of types and sizes of employment space.</p> <p>We will require marketing evidence for schemes involving the loss of business use to a non-business use.</p> <p>The Council will use section 106 planning agreements to secure local employment and training initiatives, and an element of Affordable Workspace from large scale employment developments</p> <p>We will seek to secure and retain workspace that is suitable and affordable for the jewellery sector in Hatton Garden.</p> <p>Further information available: https://www.knowledgequarter.london/new-research-report-understanding-the-knowledge-quarters-start-up-ecosystem/#:~:text=When%20we%20interviewed%20stakeholders%20and,taking%20place%2C%20often%20between%20sectors https://www.knowledgequarter.london/download/the-knowledge-quarters-start-up-ecosystem/ https://www.knowledgequarter.london/sia/#sia-downloads</p>
Croydon	<p><i>No definition or policy, Local Plan review ongoing – adoption expected in March 2022.</i></p> <p>Local Plan Review Issues and Options</p> <p>Cites desire to become “premier business and office location in South London supporting existing businesses and encouraging diverse and innovative exciting new local businesses and job opportunities for the borough's population” – notes policy option of providing Affordable Workspace, production spaces, studios and maker spaces, creative workspaces/workshops</p> <p>Croydon Economic Strategy</p>

LOCAL AUTHORITY	AFFORDABLE WORKSPACE POLICY
	<p>Aims to create places where businesses, investors and residents want to live, trade and invest. Includes recognising success will require good quality affordable and flexible workspaces.</p> <p>Notes</p> <p>Croydon Digital workspace directory</p>
Enfield	<p><i>Definition: Workspace that is provided at rents maintained below the market rate for that space for a specific social, cultural, or economic development purpose.</i></p> <p>Policy- Local Plan (2021)</p> <p>Strategic Objective 15</p> <p>To encourage the delivery of workspaces of a range of sizes and configurations to provide the spaces that small to medium enterprises need to thrive, including flexible and Affordable Workspaces, and co-working options close to residential communities</p> <p>Policy DM E7: Providing for Workspaces</p> <ol style="list-style-type: none"> 1. Proposals involving new workspace will be supported where they provide: <ul style="list-style-type: none"> a range of unit sizes, including co-working, incubator and accelerator space; spaces that are flexible, suitable for subdivision and a range of configurations. 2. The provision of Affordable Workspace will be supported, having regard to: <ul style="list-style-type: none"> the viability of the development (taking account of prevailing market conditions); the nature of the occupants; and c. the quality and size of the proposed units. 3. Proposals that result in the net loss of Affordable Workspaces will be resisted. 4. The provision of co-working spaces will be supported in Enfield's centres. Larger residential schemes should consider the provision of shared workspaces to meet resident's needs. Residential units should be designed to support home working. <p>Policy - Issues and Options 2018-2036</p> <p>The Council is aware that suitable and Affordable Workspaces need to be provided given that neighbouring boroughs, particularly east London have reached a saturation point and have little capacity to accommodate further demand.</p> <p>Given this, the Council will seek to include a proportion of Affordable Workspace within major mixed-use schemes and commercial schemes in our emerging growth and investment areas</p>
Greenwich	<p><i>No definition or policy</i></p> <p>Notes</p> <p>Local plan review ongoing</p> <p>Approved workspace providers list - https://www.royalgreenwich.gov.uk/info/200208/business_and_licences/2181/workspace_providers</p>
Hackney	<p><i>Definition: Affordable Workspace is new-build employment floorspace, providing affordable space for small businesses, predominantly within the B1 use class, to occupy, often operated and managed by a workspace provider.</i></p> <p>Policy - Hackney Local Plan 2033 (Adopted July 2020)</p> <p><u>LP29 Affordable Workspace and Low Cost Employment Floorspace</u></p>

LOCAL AUTHORITY	AFFORDABLE WORKSPACE POLICY
	<p>New major employment and mixed used development in the borough's designated employment areas, Central Activities Zone and town centres should provide affordable or low cost workspace, equating to a minimum of 10% of gross new employment floorspace.</p> <p>Re-provision of Low Cost Employment Floorspace</p> <p>Major employment and mixed use schemes involving the redevelopment of existing low cost employment floorspace must re-provide the maximum economically feasible amount of low cost employment floorspace in perpetuity, at equivalent rents and service charges, suitable for the existing or equivalent uses, subject to current lease arrangements and the desire of existing businesses to remain on-site.</p> <p>Affordable Workspace</p> <p>If the low cost employment floorspace equates to less than 10% of gross new employment floorspace or there is no low cost workspace to be re-provided as part of a major development scheme, new Affordable Workspace should be provided as follows:</p> <p>Development in the Shoreditch POA: at least 10% (offset by the amount of low-cost employment floorspace provided) of the new employment floorspace (gross) should be affordable at no more than 40% of the locality's market rent in perpetuity, subject to viability.</p> <p>In remaining POAs, CAZ and town centres: at least 10% (offset by the amount of low cost employment floorspace provided) of the new employment floorspace (gross) should be affordable at no more than 60% of the locality's market rent in perpetuity, subject to viability.</p> <p>New Affordable Workspace should normally be provided on-site. Only in exceptional circumstances where it can be demonstrated robustly that this is not appropriate in terms of the policies in this Plan, it may be provided off-site. A cash-in-lieu contribution will only be accepted where this would have demonstrable benefits in furthering Affordable Workspace in the borough and other policies in this Plan.</p> <p>In circumstances where it is viable, both low cost employment floorspace and new Affordable Workspace should be provided.</p> <p>New Affordable Workspace should normally be provided on-site. Only in exceptional circumstances where it can be demonstrated robustly that this is not appropriate in terms of the policies in this Plan, it may be provided off-site. A cash-in-lieu contribution will only be accepted where this would have demonstrable benefits in furthering Affordable Workspace in the borough and other policies in this Plan.</p> <p>In circumstances where it is viable, both low cost employment floorspace and new Affordable Workspace should be provided.</p> <p>Where additional floorspace is proposed through amended planning applications (i.e. through re-submissions or variations of existing planning applications or submission of a new planning application for an extension resulting in an increase in existing employment floorspace) within four years of the commencement of the original planning permission and the total amount of new employment floorspace exceeds 1000 sqm, affordable or low cost workspace will be sought in line with A and B above.</p> <p>There is a need for the provision of affordable and low cost floorspace within the borough to support the needs of start-ups, SMEs and cultural and creative enterprises such as artists' studios and designer-maker spaces, as well as charities and social enterprises. Policy LP29 sets out that the Council will seek either the inclusion of a proportion of Affordable Workspace, or the re-provision of low cost floorspace, within major commercial development schemes, and within major mixed-use schemes in the borough's designated employment areas, CAZ and town centres. This policy is triggered in schemes that provide over 1000sqm of gross employment floorspace. Within a mixed-use scheme, affordable or low cost workspace would only be required if the scheme incorporates over 1000sqm of gross employment floorspace.</p>

LOCAL AUTHORITY	AFFORDABLE WORKSPACE POLICY
	<p>Low cost workspace is employment floorspace which may be secondary or tertiary in nature, of a lower quality or specification, with cheaper rents or leases, often providing space for start-ups, creative or light industrial occupiers such as artists or makers' spaces. Any major proposal in the designated employment areas, CAZ and town centres which involves the redevelopment of existing low cost floorspace must re-provide the maximum economically feasible quantity of low cost floorspace as part of the scheme. This low cost floorspace should be provided within an equivalent B use class in perpetuity at genuinely affordable rents having regard to Part C of this policy. Existing occupants should be re-housed within the development where possible.</p> <p>Affordable Workspace is new-build employment floorspace, providing affordable space for small businesses, predominantly within the B1 use class, to occupy, often operated and managed by a workspace provider. Where there is no low cost floorspace to be re-provided as part of a major scheme, new build Affordable Workspace should be provided in line with criteria B. This space should be secured through legal agreement with a Council-registered workspace provider. Affordable Workspace will be provided in perpetuity.</p> <p>Notes</p>
Hammersmith & Fulham	<p>Definition: <i>no single definition, Affordable Workspace SPD developed to define what affordable means in LBHF, taking account of local viability analysis on discounted rent.</i></p> <p>Policy - Hammersmith and Fulham Local plan (2018)</p> <p>The Local Plan states that applications for large new commercial schemes will be expected to provide Affordable Workspace. This could be via cross-subsidised rent through S106 Agreements, reduced rent arrangements, the provision of co-hubs, start-up space and/ or flexible leasing arrangements.</p> <p><u>Policy E1 – Providing for a range of employment uses</u></p> <p>Providing for a Range of Employment Uses: Sets out the borough's aspirations for mixed use and new employment schemes, and the retention, enhancement and intensification of existing employment uses. The council recognises the existing strengths in the borough in creative industries, health services, life science and other research-based industries. Policy E1 states that these industries will require flexible and affordable space suitable for small- and medium-sized enterprises in large new business developments, unless justified by the type and nature of the proposal, and subject to viability</p> <p>Paragraph 7.5 of the Local Plan recognises that: "successful working of Affordable Workspace will require an understanding of the occupant and the type of space required. Therefore, the council will expect developers to engage with workspace providers in order to manage the space, and/or to identify the future occupants of the space."</p> <p><u>Policy E2 – Land and premises for employment uses</u></p> <p>Retain employment land and resist loss of employment uses subject to criteria. The policy also addresses the need to retain a sufficient stock of premises and sites to meet local needs for a range of types of employment uses including SMEs. Where intensification of existing sites may be appropriate, the retention of floorspace and adequate replacement of small businesses is required.</p> <p>SPD – Affordable Workspace (NOV 2021)</p> <p>Published document guiding Affordable Workspace in LBHF</p>

LOCAL AUTHORITY	AFFORDABLE WORKSPACE POLICY
	<p>Redevelopment of existing low value employment floorspace that is reliant on less than market-level rent will be required to re-provide such floorspace suitable, in terms of design, rents and service charges, for existing uses, subject to scheme viability, current lease arrangements and the desire of existing businesses to remain on-site.</p> <p>Affordable Workspace should incorporate flexible design features to provide adaptability for a range of uses and occupants with basic fit-out provided to a level beyond shell and core.</p> <p>The applicant will be required to demonstrate flexible lease terms for target sectors, and where appropriate make provision for short-term, flexible 'all-in' or 'meanwhile' leases, and/or letting space on a per-desk rather than per sqft basis with the Workspace Provider. The commercial lease terms to be agreed with the Workspace Provider for target sectors will be secured via legal agreement. The proportion of Affordable Workspace to be provided within specific schemes will be addressed on a site specific, case-by-case basis, taking into account the viability of the development. Where on-site provision is not possible, financial contributions for equivalent off-site provision will be sought. Financial contributions will normally only be agreed in exceptional circumstances when it has not been possible to secure appropriate on-site physical space. The amount secured will be dependent on the outcome of a viability assessment and negotiations with the Council.</p>
Hillingdon	<p><i>No definition</i></p> <p>Hillingdon Local Plan</p> <p>Policy E6: Small and Medium-Sized Enterprises (SME)</p> <p>Hillingdon will encourage the development of affordable accommodation for small and medium-sized businesses in appropriate sustainable locations throughout the borough.</p> <p>Policy E6 will be delivered through the Hillingdon Local Plan: Part 2- Development Management Policies Local Development Document (LDD), the allocation of sufficient employment sites in the Hillingdon Local Plan: Part 2- Site Specific Allocations LDD, implementing the provisions of the Planning Obligations SPD and through partnerships with the private sector.</p> <p>Policy E6 and the conclusions of the evidence base (particularly those conclusions related to the supply of employment land) will be monitored through the production of the Council's Annual Monitoring Report. This monitoring will inform the production of the Hillingdon Local Plan: Part 2- Site Specific Allocations and Development Management Policies Local Development Documents. The evidence base will be updated as appropriate to ensure it provides an up to date basis for policy and decision taking.</p>
Hounslow	<p><i>No definition or policy, Local Plan review ongoing</i></p> <p>Notes</p> <p>Initial Local Plan Review for Great West Corridor acknowledges need to accommodate SME's looking for small scale serviced offices and flexible workspaces as a means for optimising economic growth</p>
Islington	<p>Definition: <i>Affordable Workspace is often defined as workspace that has a rental value below the market rate - generally 80% of the market rate or less. However, within Islington rents of up to 80% of market value may not always be affordable to micro and small businesses. The council is therefore committed to assessing the genuine affordability of any new workspaces that it delivers on a case by case basis.</i></p> <p>Islington Affordable Workspace Strategy</p>

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	<p>The council's vision is to make Islington fairer and create a place where everyone, whatever their background, has the same opportunity to reach their potential and enjoy a good quality of life. As such, through its Affordable Workspace policy, Islington aims to create the space needed for entrepreneurs and small businesses so that they can thrive in Islington, protected against rising rents and commercial displacement, to deliver good jobs, and generate real Social Value for local people. To achieve this, the council will:</p> <p>Secure space for local micro and small businesses by increasing the supply of Affordable Workspace, through the planning process and other means.</p> <p>Ensure that the management of Islington's Affordable Workspaces delivers real opportunities for local people to access high quality jobs and training, and start their own businesses, and supports the Council in tackling poverty, disadvantage and social inequality.</p> <p>Encourage resilience and growth within the local economy by supporting Islington's established and emerging business clusters.</p> <p>Ensure that as far as possible wealth and resources remain within Islington for the benefit of local people and micro and small businesses, by supporting the development and implementation of a local wealth-building approach.</p> <p>Affordable Workspace is defined as workspace that has a rental value below the market rate - generally 80% of the market rate or less. However, within Islington rents of up to 80% of market value may not always be affordable to micro and small businesses. The council is therefore committed to assessing the genuine affordability of any new workspaces that it delivers on a case-by-case basis.</p> <p>Through the planning process, the council negotiates with developers to provide Affordable Workspace at a 'peppercorn' rent for a minimum of 10 years, and potentially in perpetuity, securing these arrangements via the Section 106 agreement between the parties.</p> <p>Notes</p> <p>Islington Council developing Affordable Workspace policy</p> <p>Proposed policy would be the first of its kind in London. All other Affordable Workspace policies being pursued by other central London boroughs, such as Hackney and Southwark, are based on a discounted market rent requirement only</p>
RBKC	<p><i>No definition or policy at present, however, is noted as a key issue in latest Issues and Options consultation (July 2021)</i></p> <p>Notes</p> <p>Local Plan Policy CF6: Creative and Cultural Businesses: The Council will promote and protect the workspaces needed to support the creative and cultural industries across the borough.</p> <p>As a local planning authority, it is difficult for the Council to use the planning system to promote one form of business over another. However, it does recognise that the provision of a mix of unit sizes, flexible workspaces, co-working spaces and lower cost units can all help the creative and cultural sector set up, expand and thrive within the borough.</p> <p>Other reference is through planning obligations and Section 106</p> <p>Also published 'Our Plan for a Successful Local Economy' (2019) stating:</p> <p>Affordable Workspace seen as essential in supporting good growth – will look at how we can encourage more Affordable Workspace including looking at what we can do as a landlord</p> <p>As part of strategy for business and enterprise, look to promote and expand access to Affordable Workspace</p>
Kingston	<p><i>No definition or policy, Local Plan review ongoing – draft due Spring 2020 for adoption in 20/22</i></p>
Islington	<p>Definition: <i>Affordable Workspace is often defined as workspace that has a rental value below the market rate - generally 80% of the market rate or less. However, within Islington rents of up to 80% of market value may not always be affordable to micro and small businesses. The council is therefore committed to assessing the genuine affordability of any new workspaces that it delivers on a case by case basis.</i></p>

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	<p><u>Islington Affordable Workspace Strategy</u></p> <p>The council's vision is to make Islington fairer and create a place where everyone, whatever their background, has the same opportunity to reach their potential and enjoy a good quality of life. As such, through its Affordable Workspace policy, Islington aims to create the space needed for entrepreneurs and small businesses so that they can thrive in Islington, protected against rising rents and commercial displacement, to deliver good jobs, and generate real Social Value for local people. To achieve this, the council will:</p> <p>Secure space for local micro and small businesses by increasing the supply of Affordable Workspace, through the planning process and other means.</p> <p>Ensure that the management of Islington's Affordable Workspaces delivers real opportunities for local people to access high quality jobs and training, and start their own businesses, and supports the Council in tackling poverty, disadvantage and social inequality.</p> <p>Encourage resilience and growth within the local economy by supporting Islington's established and emerging business clusters.</p> <p>Ensure that as far as possible wealth and resources remain within Islington for the benefit of local people and micro and small businesses, by supporting the development and implementation of a local wealth-building approach.</p> <p>Affordable Workspace is defined as workspace that has a rental value below the market rate - generally 80% of the market rate or less. However, within Islington rents of up to 80% of market value may not always be affordable to micro and small businesses. The council is therefore committed to assessing the genuine affordability of any new workspaces that it delivers on a case-by-case basis.</p> <p>Through the planning process, the council negotiates with developers to provide Affordable Workspace at a 'peppercorn' rent for a minimum of 10 years, and potentially in perpetuity, securing these arrangements via the Section 106 agreement between the parties.</p> <p>Notes</p> <p><u>Islington Council developing Affordable Workspace policy</u></p> <p>Proposed policy would be the first of its kind in London. All other Affordable Workspace policies being pursued by other central London boroughs, such as Hackney and Southwark, are based on a discounted market rent requirement only</p>
Lambeth	<p><i>Definition : Workspace that is provided at rents maintained below the market rate for that space for a specific social, cultural or economic development purpose.</i></p> <p>Policy – Lambeth Local Plan 2020-2035</p> <p>Policy ED2: Affordable Workspace</p> <p>In accordance with London Plan policy E3, the council will apply the following requirements for the uplift of Affordable Workspace in the following locations:</p> <p>In Waterloo/Southbank and Vauxhall developments proposing at least 1000m2 gross office floorspace should provide 10 per cent of the rentable floorspace (Net Internal Area (NIA)) at 50 per cent of market rents for a period of 15 years;</p> <p>In Oval, Kennington and Clapham developments proposing at least 1000m2 gross office floorspace should provide 10 per cent of the rentable floorspace (NIA) at 80 per cent of market rents for a period of 15 years;</p> <p>In the Brixton Creative Enterprise Zone (CEZ) developments proposing at least 1000m2 gross office floorspace should provide 10 per cent of the rentable floorspace (NIA) as Affordable Workspace for a period of 25 years with the following discounts on market rents:</p>

LOCAL AUTHORITY		AFFORDABLE WORKSPACE POLICY													
	<table><tr><th></th><th>CEZ within town centre boundary</th><th>CEZ outside town centre boundary</th></tr><tr><td>Between 1000m2 and 5000m2</td><td>No discount</td><td>50 per cent of market rents</td></tr><tr><td>Between 5,001m2 and 10,000m2</td><td>65 per cent of market rents</td><td>65 per cent of market rents</td></tr><tr><td>Greater than 10,000m2</td><td>50 per cent of market rents</td><td>80 per cent of market rents</td></tr></table>				CEZ within town centre boundary	CEZ outside town centre boundary	Between 1000m2 and 5000m2	No discount	50 per cent of market rents	Between 5,001m2 and 10,000m2	65 per cent of market rents	65 per cent of market rents	Greater than 10,000m2	50 per cent of market rents	80 per cent of market rents
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<p>B. The Affordable Workspace secured should be provided on-site and be designed to meet a local need for office, light industrial or research and development workspace.</p> <p>Affordable Workspace must be made available in one of the following ways:</p> <p>Leased and managed by an Affordable Workspace provider on the council's approved list in accordance with an agreed workspace management plan.</p> <p>Managed directly by the owner where it is demonstrated to the satisfaction of the council that they have the necessary skills and experience, and an agreed workspace management plan is in place</p> <p>Leased by the owner to one or more end users on the council's approved register of organisations that require non-managed Affordable Workspace.</p> <p>The Affordable Workspace should be made available for occupation within 12 months of first occupation of the non-Affordable Workspace. In phased developments, the Affordable Workspace can be delivered on a pro-rata basis, requiring that at least the minimum amount triggered for that phase is delivered and ready for occupation within 12 months of the occupation of the non-Affordable Workspace element. Where Affordable Workspace is being provided through a phased mixed-use development, planning obligations will be required to ensure timely delivery.</p> <p>In exceptional circumstances, a payment in lieu may be accepted where it can be demonstrated to the satisfaction of the council that on-site provision is not feasible and/or that a greater economic impact would be achieved through this route. The payment should be calculated using the method set out in Annex 9. Payments in lieu will be used by the council to support the provision of Affordable Workspace anywhere in Lambeth.</p> <p>Proposals that do not provide the level of Affordable Workspace required by this policy will be required to submit viability information, which will be independently assessed. Where this assessment determines that a greater level of Affordable Workspace could viably be supported, a higher level of Affordable Workspace will be required, capped at the level required by the policy. In addition, early and late viability reviews will be applied to all schemes that do not provide the level of Affordable Workspace required by the policy.</p> <p>Proposals requiring planning permission that involve the loss of existing Affordable Workspace will not be permitted unless the quantum of Affordable Workspace is replaced on-site or re-provided elsewhere in Lambeth on equivalent terms to the satisfaction of the council.</p> <p>Policy – Draft Affordable Workspace SPD (Feb 2020)</p> <p>Adds further weight to Local Plan Policy ED2</p> <p>Affordable Workspace will be secured through s106 planning obligations in accordance with this SPD</p>															
Lewisham	<p><i>Definition: Affordable Workspace is workspace that is provided at rents maintained below the market rate. This type of workspace is important to support business start-ups, particularly in the cultural and creative sectors. For successful delivery of the Local Plan there is an imperative to grow Lewisham's economic base, and provision Affordable Workspace will be integral to achieving this. Therefore, all major commercial development, including mixed-use developments with a commercial component, must ensure that 10% of new employment floorspace is delivered as affordable floorspace.</i></p> <p>Draft Local Plan (2020)</p>														

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	<p>Policy EC4: Providing suitable business space and Affordable Workspace (see link for full details)</p> <p>Development proposals incorporating business space should ensure that provision is made for suitable types and sizes of units, at an appropriate range of rents, particularly to meet the needs of micro, small and medium sized businesses, including start-ups.</p> <p>Development proposals that incorporate an element of Affordable Workspace, at rents maintained below the market rate, for specific types of social, cultural or economic uses will be considered favourably.</p> <p>Where there is existing provision of low-cost or Affordable Workspace on-site, proposals should seek to retain or re-provide this in any future redevelopment, also taking into account the specific circumstances set out in (C) below and Policy LNA3 (Lewisham North Creative Enterprise Zone).</p> <p>Within the following locations, where there is existing provision of Affordable Workspace on-site, proposals will be required to retain or re-provide this workspace in any future redevelopment unless it can be demonstrated that the Affordable Workspace has been provided on a temporary basis pending the redevelopment of the site:</p> <p>Designated employment areas (i.e., SIL, LSIS and MEL);</p> <p>Major and District town centres;</p> <p>The Creative Enterprise Zone; and</p> <p>Railway arches.</p> <p>New major commercial development, including major mixed-use development incorporating commercial floorspace, will be required to provide at least 10% of new employment floorspace as Affordable Workspace. This should be provided on-site wherever feasible. Further details will be set out in the council's Planning Obligations Supplementary Planning Document.</p> <p>Where new Affordable Workspace is provided this must be secured for a specified period agreed with the council, with suitable arrangements in place to ensure the workspace is appropriately managed over this time. Affordable Workspace will be secured by way of legal agreements or planning obligations.</p>
Merton	<p>New Local Plan - https://www.merton.gov.uk/system/files?file=merton20local20plan20whole20reg1920july21.pdf</p> <p><i>Definition:</i></p> <p>Flexible working and co-working business spaces are characterised by:</p> <p>Providing desks or small workspaces within a fully serviced office that can be used by individuals or businesses;</p> <p>Monthly rents or less, making the space more affordable and flexible, rent being inclusive of services;</p> <p>The rent is inclusive of other services such as utilities, telecoms, post, meeting spaces etc.,</p> <p>Space for lots of people and businesses to come together, not just one or two, to create a vibrant business community and increase the chances of business collaboration;</p> <p>No long leases or large financial commitments required to join;</p> <p>Having a range of premises on one site or by having several sites so businesses can grow either by moving to a bigger space within the site or by moving to a flexible working area with larger premises within the same contract;</p> <p>Access to other services such as a nearby café or with a café on-site;</p> <p>Access to other services such as a nearby café or with a café on-site;</p> <p>Having a dedicated, expert company to manage and curate the co-working offer who knows business needs and can tap into the relevant business and SME market and retain jobs, ensuring that they are being advertised and managed to maximise jobs and business retention and satisfaction;</p> <p>Being easily accessible for the individuals, businesses and clients they are trying to attract and not located in areas that will disturb residential neighbours with travel to and from the site; and</p>

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	<p>Having a successful brand name and image commensurate to the SME / tech / creative / business market that they are trying to attract</p> <p><i>Policies:</i> Strategic Policy EC13.2 Business Locations in Merton (Shared workspace and flexible business space)</p> <p>Provide shared workspace, flexible or co-working space which is well-designed and well-managed to optimise its success. Where flexible working/co-working space is proposed in conjunction with a reduction in employment floorspace on the site, the council will seek planning obligations to secure that the flexible working/co-working space will be designed and actively managed for flexible working/co-working for a period of at least two years from the date of opening</p> <p>We want to ensure that proposals for flexible working are successfully delivered in Merton for the benefit of their users and that the provision of flexible working is not simply being cited at planning application stage to claim a higher jobs density when providing less employment floorspace. Therefore, where flexible working is proposed in conjunction with a reduction in employment floorspace on the site, the council will seek planning obligations to secure that the flexible working / co-working space is designed with regard to the attributes listed above and be actively managed for flexible working / co-working for a period of at least two years from the date of opening by a flexible working specialist company with a track record in this</p>
Newham	<p><i>No definition or policy, no Local Plan reviews at present.</i></p> <p><i>Notes: Newham's Community Wealth Building strategy</i></p> <p><i>The Royal Docks Enterprise Zone's economic strategy will inject £56 million towards skills, business support and workspace initiatives as part of a five year delivery plan that will help local residents and Newham's small business community; alongside promoting opportunities for incubating the green technology sector in the borough</i></p>
OPDC	<p><i>No definition</i></p> <p>Policy - OPDC Local Plan (2018)</p> <p><u>Policy E3 – Supporting small businesses and start-ups</u></p> <p>OPDC will require proposals which generate new employment floorspace to:</p> <ul style="list-style-type: none"> a) incorporate an appropriate quantum of; i) Affordable Workspace offered at below market rate; ii) shared workspaces; and/or iii) small business units b) demonstrate that any Affordable Workspace provided under part a) would be managed by an appropriate workspace or studio provider and/ or be supported by an appropriate Management Scheme; and c) demonstrate that the Affordable Workspace delivered provides an appropriate security of tenure. <p>9.21 - Access to small business units or flexible and shared workspaces, such as co-working spaces, incubator spaces, accelerator spaces, creative/ artist spaces and makerspaces, can provide more affordable opportunities for smaller businesses and start-ups. Shared workspaces also support the sharing economy</p> <p>9.22 - Workspace or studio providers can ensure that the Affordable Workspace secured through the planning process is properly managed over the longer term and that the intended objective to support small/ start-up businesses is met. Their role will include providing appropriate rental terms, actively managing the selection of occupiers and occupier turnover, and putting in place and maintaining business support. Workspace or studio provider should meet required criteria, this could include:</p> <ul style="list-style-type: none"> a) having experience in, and sustainable operating model for, providing and actively managing the turnover of low cost or managed workspace; b) having a strong record of successfully supporting business tenants, including start-ups, and across some or all of the identified growth sectors; and/or c) demonstrating an ability to add local value, such as offering training or events which are open to the public. <p>9.23 - OPDC will approve a workspace or studio provider either by going through a process to evaluate and select providers to develop an approved workspace or studio provider list or by determining the suitability of the proposed workspace or studio provider(s) on a case by case basis, against the above criteria. This approval will be required in order to ensure that workspaces will be managed appropriately.</p>

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	<p>9.24 - The arrangements for Affordable Workspace including the quantum, type, rent levels, management and timescales will be secured via a legal agreement. Affordable Workspace should also accord with relevant London Plan policy requirements.</p> <p>Notes</p> <p>Draft Local Plan currently awaiting Inspector's report – timescales for adoption tbc.</p>
Redbridge	<p><i>No definition</i></p> <p>Policy - Redbridge Local Plan 2015-2030</p> <p>Policy LP15: Managed Workspace:</p> <p>1 The Council will promote economic diversity and support existing and new business development in the borough by:</p> <p>(d) Seeking, through the use of planning obligations, the appointment of managed workspace providers where new business space is provided, to ensure development caters for a range of business needs and users.</p> <p>Section 3.22 (Managed Workspace) also states:</p> <p>3.22.1 - In addition to the provision of new purpose built modern office space in the right locations, the Council will also seek to promote economic diversity, support existing and new Small and Medium sized Enterprises (SMEs) in the borough by providing affordable, flexible and well managed workspace.</p> <p>3.22.2 - Many SMEs require affordable premises, studios or workspace with favourable lease or licence conditions, and many SMEs and start-ups with the potential for financial self-sufficiency have particular needs that often cannot be met by market rent levels. The draft Regeneris Economic Study (2016) highlights that suitable and Affordable Workspaces need to be provided given that neighbouring boroughs, particularly in east London, have reached saturation point and have little capacity to accommodate further demand. In addition, the space requirements are often much smaller than 'traditional' office space often less than 80sq.m, the size of an average small shop.</p> <p>3.22.3 - Given this, the Council will seek the inclusion of a proportion of Affordable Workspace, within major commercial development schemes (generally B1 and B2 development), and within mixed-use schemes in the Investment and Growth Areas (see LP14). In addition, the Council will seek the inclusion of managed workspace on replacement or new mixed used developments in Local Business Areas or non-designated employment sites to ensure there are no net loss of jobs on such sites.</p> <p>3.22.4 - The design of workspace for small or micro enterprises will vary, depending on the end occupier or sector. The Council recognises that unit sizes of approximately 80 sq.m or less (gross) are more desirable for small businesses. However, in general, applicants should demonstrate that workspace is flexible. Flexibility and arrangement of unit sizes will ensure that they can cater for a range of business needs. The Council will also seek appropriate provision for short-term, flexible 'all-in' or 'meanwhile' leases, and/or letting space on a per-desk rather than per sqft basis. This will be in addition to ensuring existing businesses are also re-provided for, where appropriate in any redevelopment of sites, given it is the Council's ambition to allow existing business to remain and grow in size as well as attract new businesses to the borough.</p> <p>Notes</p> <p>Local plan formally adopted in March 2018, no reviews planned at present.</p>
Richmond upon Thames	<p><i>Definition: Affordable Workspace is considered to have a rent and service charge of less than 80% of comparable local market rates. It is acknowledged that market rates will vary according to a range of factors such as location within the borough, the quality and type of office stock.</i></p> <p>Policy - Latest Local Plan Review: Consultation Version</p> <p>Policy 25: Affordable, flexible and managed workspace</p> <p>Existing Affordable Workspace will be protected. The redevelopment of existing affordable, flexible and managed workspace must re-provide the maximum viable quantum of such employment floorspace in perpetuity, at equivalent rents (taking into account service charges).</p>

LOCAL AUTHORITY	AFFORDABLE WORKSPACE POLICY
	<p>In accordance with London Plan Policy E3, the Council will require the provision of Affordable Workspace through:</p> <p>Supporting the provision of affordable space as part of mixed-use schemes, where feasible, in town centres, that can be used for remote working and start-up space;</p> <p>Securing the provision of Affordable Workspace in commercial developments that is flexible, suitable for subdivision and configuration for new uses and activities, including for occupation by small or independent commercial enterprises;</p> <p>Securing provision in perpetuity or as appropriate through the appointment of managed workspace providers where new business space is provided, by condition and/or a Planning Obligation; and</p> <p>Requiring the provision of Affordable Workspace within major developments with over 1000sqm of employment floorspace proposed (gross), to be secured through planning obligations.</p> <p>Notes</p> <p>Local Plan review processes underway, due for adoption in Spring 2024</p>
Southwark	<p><i>Definition:</i></p> <p><i>Discount market rents: A rent that is less than the market rent.</i></p> <p><i>Affordable Workspace provider: A not-for-profit or low-cost workspace provider offering genuinely affordable rents for businesses to thrive.</i></p> <p><i>Individual Affordable Workspace units: Purpose-built and designed small units (40-80sqm) offered at discounted market rents with a full fit-out which are suitable for supporting creative enterprises and small and independent businesses.</i></p> <p>Policy - New Southwark Plan 2019-2034 (Submission Version)</p> <p>Development must:</p> <ol style="list-style-type: none"> 1. Retain small and independent businesses (B class uses). Where existing small and independent businesses are at risk of displacement from a development there should be full consideration of the feasibility of providing affordable and suitable space for existing occupiers in the completed development. Replacement business space should be like for like in terms of floorspace or bespoke to suit the requirements of the business; and 2. Explore the opportunities for long term management of employment space and the delivery of Affordable Workspace by workspace providers. <p>Developments proposing 500sqm GIA or more employment floorspace (B class use) must:</p> <ol style="list-style-type: none"> 1. Deliver at least 10% of the proposed gross employment floorspace as Affordable Workspace on-site at discount market rents; and 2. Secure the Affordable Workspace for at least 30 years; 3. Provide Affordable Workspace of a type and specification that meets current local demand; and 4. Prioritise Affordable Workspace for existing small and independent businesses occupying the site that are at risk of displacement. Where this is not feasible, Affordable Workspace must be targeted for small and independent businesses from the local area with an identified need; and 5. Collaborate with the council, local businesses, business associations and workspace providers to identify the businesses that will be nominated for occupying Affordable Workspace. <p>If it is not feasible to provide Affordable Workspace on-site, an in lieu payment will be required for off-site Affordable Workspace.</p> <ol style="list-style-type: none"> 4. In exceptional circumstances affordable retail (A class) or affordable cultural uses (D class), which provide a range of affordable access options for local residents, may be provided as an alternative to Affordable Workspace (B class). This will only be acceptable if there is a demonstrated need for the affordable use proposed and with a named occupier. If the alternative affordable use is no longer required in the future, the space should be made available for Affordable Workspace (B class). The reprovision or uplift of employment (B class) floorspace must still be provided in the scheme overall.

LOCAL AUTHORITY	AFFORDABLE WORKSPACE POLICY
	<p>Source: Brent Affordable Workspace Study</p> <p>Southwark requires a proportion of at least 10% of commercial floorspace provided as Affordable Workspace at discounted market rent. The council has also expressed an interest in understanding the best approach to seeking payments in lieu of on-site Affordable Workspace contribution in the borough including considering a starting point similar to the approach sought for on-site and off-site affordable housing.</p> <p>Major development proposing 500sq m GIA or more employment floorspace (B class use) must:</p> <p>Deliver at least 10% of the proposed gross new employment floorspace as Affordable Workspace on-site at discounted market rents; and secure the Affordable Workspace for at least 30 years at discounted market rents appropriate to the viability of the business the space will be targeted for; and Provide Affordable Workspace of a type and specification that meets current local demand; and Prioritise Affordable Workspace for existing small and independent businesses on the site at risk of displacement. Where this is not feasible, Affordable Workspace must be targeted for small and independent businesses from the local area with an identified need; and Collaborate with the council to identify the businesses that will be nominated for occupying Affordable Workspace.</p> <p>If it is not feasible to provide Affordable Workspace on-site, an in-lieu payment will be required for off-site Affordable Workspace.</p> <p>Notes</p> <p>New Southwark Plan anticipated to be adopted in November 2020</p>
Sutton	<p><i>No definition or policy, Local Plan adopted in Feb 2018, no review planned at present.</i></p> <p>Notes: Small and medium enterprises will be encouraged, including providing premises for business start-up. Measures to facilitate an increase in Affordable Workspace will also be introduced (from Local Development Framework 2009).</p>
Tower Hamlets	<p>Definition: "Affordable Workspace" means "flexible workspace" which is let to a workspace manager, and which will allow for occupation by the end users in one or more sectors on terms:</p> <p>Accessible to a wide range of users but not limited to local residents, start-up entrepreneurs, SME's</p> <p>substantially below market levels of rents and charges when compared with an equivalent letting of the space and facilities on the open market; and</p> <p>at a rate comparable with similar facilities available in Tower Hamlets or (if sufficient comparator premises do not exist in the borough) across London as a whole; and</p> <p>at rates which mean that occupation is feasible to a large number of small/start-up businesses in the relevant sector(s).</p> <p>Policy - Tower Hamlets Local Plan 2031: Managing Growth and Sharing Benefits</p> <p>Policy D. EMP2 sets out the policy approach towards new employment space. It includes a number of criteria including a requirement that at least 10% of new floorspace should be provided as Affordable Workspace within major commercial and mixed-use scheme</p> <p>The supporting text to the policy goes on to explain that:</p> <p>"Part 4 seeks to ensure that major development (i.e., which comprises of at least 1,000 square metres of commercial floorspace) provides sufficient Affordable Workspace to meet the needs of more local businesses as well as start-ups. In such cases, applicants should provide evidence of agreement to let the workspace at an affordable tenancy rate, at least 10% below the indicative market rate for the relevant location, for a period of not less than ten years. Applicants will be encouraged to work with recognised Affordable Workspace providers for which we hold an approved list, providing details of management arrangements."</p>
Waltham Forest	<p><i>No definition</i></p> <p>Policy - Draft Local Plan (2020-2035)</p> <p>Policy 33: Affordable Workspace</p>

LOCAL AUTHORITY	AFFORDABLE WORKSPACE POLICY
	<p>Affordable Workspaces are workspaces which are provided at rents maintained below the market rate for that space, for a specific social, cultural, or economic development purpose, and secured in perpetuity or for a period of at least 15 years by legal agreement.</p> <p>The delivery of Affordable Workspaces will be required to be provided:</p> <p>As part of the delivery of new employment floorspace of 1000m² or greater in SIL, LSIS, BEA and in town centres, where viable;</p> <p>As part of major mixed-use developments in town centres, in Strategic Locations or as part of regeneration schemes, where viable;</p> <p>On-site, with a payment in lieu to be sought where this is not possible;</p> <p>via Section 106 agreements as detailed in the Planning Obligations SPD.</p> <p>Notes</p> <p>Developing Affordable Workspace strategy</p>
Wandsworth	<p><i>No definition</i></p> <p>Policy - Local Plan Employment and Industry Document (2018); Wandsworth Local Plan Nov (2020)</p> <p>Draws attention to the pressure impacting on the affordability of workspaces catering for small businesses and the creative sector, including artist studios and maker space. Policy EI4 of the plan also seeks to encourage provision of managed and Affordable Workspace and applicants are encouraged to work with the Council to meet priorities of the LPEID and strategies of the Council.</p> <p>Policy EI4 sets out the Councils policy to provide affordable and lower cost business space. The policy seeks to ensure that businesses are able to afford to operate from the borough and that the premises they use provide the flexibility that businesses need in order to grow. EI4.3 specifically details the Councils support for providing workspace for specialist sectors that meets the specific needs of the creative, digital and food and drink industries, where the Employment Land and Premises Study (AECOM 2016) has identified these sectors are growing strongly within Wandsworth. Planning Obligations through the use of Section 106 agreements would be used to secure Affordable Workspace in accordance with Policy EI4. Monitoring of S106 agreements, reported on via the Authorities Monitoring Report would monitor how much space and the type of space which is being secured.</p> <p>Policy LP 41 Affordable Flexible and Managed Workspace</p> <p>All development that provides economic floorspace will be expected to contribute to the provision of affordable, flexible and managed workspace, in perpetuity, which will be secured by way of s106 planning obligation and/or conditions.</p> <p>Notes</p> <p>Local Plan review is ongoing, with proposed submission scheduled for Spring 2021 and adoption in Autumn 2022</p>
Westminster	<p><i>No identified definition or policy.</i></p> <p>City Plan (2019-2040) – Adopted April 2021</p> <p><i>Policy 13: Supporting Economic Growth includes:</i> “Proposals involving the provision of Affordable Workspace will generally be supported throughout the commercial areas of the city”</p>

15 APPENDIX 5: VIABILITY ASSESSMENT

Methodology

- 15.1 The viability of a scheme follows the industry standard approach:
- Residual Land Value (RLV) = Gross Development Value (GDV) minus development costs (including profit).
 - Where $RLV > \text{Benchmark Land Value (BLV)}$, the development is considered viable.
- 15.2 The viability of nine schemes is tested. These schemes are hypothetical but are typical of the sort of typologies that might be expected to be delivered in the area.
- 15.3 Viability is tested across a number of Affordable Workspace variations for gross and net uplift in floorspace. The Affordable Workspace assumptions vary from 5% of space at 50% discount to market rent to 15% of space to 95% discount to market rent. The table below summaries the typologies tested and key assumptions.

Table 18 Scheme typologies and viability test variations

Use Class	Typologies Gross GIA	Typologies Existing GIA	Affordable Workspace variation	Variation applied to gross versus uplift in floorspace
Office	Small 2,787 sqm Large 20,000 sqm	Small 1,000 sqm Large 5,000 sqm	Proportion of commercial floorspace allocated as affordable: 0%, 5%, 10% and 15%. Discount to market rent: 50%, 80% and 95%.	Gross and uplift
Small industrial units	2,520 sqm	1,000 sqm	Proportion of commercial floorspace allocated as affordable: 0%, 5%, 10% and 15%. Discount to market rent: 50%, 80% and 95%.	Gross and uplift
Medium industrial units	3,900 sqm	1,000 sqm	Proportion of commercial floorspace allocated as affordable: 0%, 5%, 10% and 15%. Discount to market rent: 50%, 80% and 95%.	Gross and uplift
Large industrial units	9,300 sqm	2,000 sqm	Proportion of commercial floorspace allocated as affordable: 0%, 5%, 10% and 15%. Discount to market rent: 50%, 80% and 95%.	Gross and uplift
Mixed use residential industrial	300 residential units, small industrial 2,000 sqm 450 residential units, medium industrial 8,000 sqm	NA	Proportion of commercial floorspace allocated as affordable: 0%, 5%, 10% and 15%. Discount to market rent: 50%, 80% and 95%.	Gross only ⁶¹

⁶¹ The viability was found to be good even at the gross level, and so net assessments were not required.

Data centre	Single storey 25,000 sqm Multi storey 50,000 sqm	NA	Viability of Affordable Workspace provision is qualitatively discussed.	Viability of Affordable Workspace provision is qualitatively discussed.
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15.4 The viability of each key scheme is tested across relevant benchmark land values (BLVs) summarised in the table below. The BLVs include a 20% uplift as per government guidance⁶² to reflect an incentive for the landowner to release the land.

Table 19 Benchmark Land Values

Existing use	Location	BLV (£ per ha)
Industrial	Ealing	7,200,000
Secondary industrial (low density)	OPDC	12,100,000
Secondary industrial (medium density)	OPDC	14,100,000
Open storage	OPDC	9,300,000
Secondary office and industrial (high density)	OPDC	17,500,000

15.5 BLVs considered relevant to each of the key schemes are provided in the table below. These represent realistic delivery scenarios.

Table 20 BLVs tested by use

	Ealing - Industrial	OPDC - Secondary industrial (low density)	OPDC - Secondary industrial (medium density)	OPDC - Open Storage	OPDC - Secondary office and industrial (high)
Offices	✓	✓	✓	✓	✓
Industrial (all sizes)	✓	✓		✓	
Residential and industrial mixed use	✓	✓	✓	✓	✓
Data centres	✓	✓	✓	✓	✓

Market evidence for rents and residential market sale values

15.6 The evidence on rents and residential market sale values is mixed. No perfect data source exists. Values from market reports present average values, but different rents and sale values achieved in different locations vary a lot. This section summarises the data on rents and sale values from market reports, listings websites and information from the client team. The findings are intended as a guide to provide a picture of the variation and uncertainty surrounding the values. This analysis focuses on data for new properties as the Affordable Workspace policy will relate to new development.

Office

62 DLHC & MHCLG, 2014. Viability Guidance. Retrieved from Viability - GOV.UK (www.gov.uk).

15.7 The following sources are relevant for office rents for Grade A new or refurbished space in LBE or OPDC:

- The Carter Jonas London Office Market Report for Q4 2021⁶³ reports office rents in LBE for new/refitted Grade A space of £40-£50 per sqft. Refurbished Grade A space was at rents of between £36.50 and £42.50. Refurbished Grade B space was £29.50 to £36.50. These figures are the same in the Q2 2021 report.⁶⁴
- Ealing Gateway (office space on Uxbridge Road) rent is listed at £45-£52.50 per sqft on Realla.⁶⁵
- Aurora (office space on Uxbridge Road) rent is listed at £45 per sqft on Realla.⁶⁶

15.8 Rents will vary depending on where in LBE or OPDC the space is coming forwards. Based on the above evidence, however, this viability assessment assumes an office rent of between £40 and £50 per sqft, at an average of £45 per sqft.

Industrial

The following sources are relevant for industrial rents for Grade A new or refurbished space in LBE or OPDC:

- Lambeth Smith Hampton reported that prime industrial rents in Park Royal were as follows: £28 per sqft for 20,000 sqft (small units); £26 per sqft for 50,000 sqft (medium units); and £24 per sqft for 100,000 sqft (large units).⁶⁷
- JLL reported that prime industrial rents in Park Royal were £27.50 per sqft and were £25.00 in Greenford for units under 10,000 sqft (small units).⁶⁸
- Listings websites including Rightmove, Realla, and Property Link had average industrial rents of £21 per sqft. The listing with the lowest rent had a charge of less than £10 and the most expensive listing was at £35 per sqft. This large range is typical of the industrial market. The upper quartile rent was £25 per sqft, which might be indicative of 'higher value' space.

15.9 Evidently, there is large variation in industrial rents. Prime industrial rents in Park Royal may represent a top end of rents for industrial space coming forwards elsewhere in LBE. These are considered achievable rents but realised rents may be somewhat lower.

Residential market sale value

15.10 The OPDC Strategic Site Allocations Viability Assessment⁶⁹ reported sales values achieved at a number of sites, including:

- The four phases of Acton Gardens achieved a range of £565 to £910 per sqft, with the phases achieving an average of c. £690 (Phase 7.1) to £770 (Phase 9.1) per sqft.
- Average values of £1,160 per sqft in Dickens Yard.

63 Carter Jonas, 2021. London Office Market Report Q4 2021.

64 Carter Jonas, 2021. London Office Market Report Q2 2021.

65 Retrieved from <https://www.realla.co.uk/details/24363558>. Accessed April 2021.

66 Retrieved from <https://www.realla.co.uk/details/20767308>. Accessed April 2021.

67 Lambeth Smith Hampton, 2021. Industrial and logistics market. Retrieved from <https://www.lsh.co.uk/industrial-and-logistics-market/metrics>. Accessed May 2021.

68 JLL, 2021. Western Corridor Industrial Report – H1 2021.

69 OPDC, 2021. Strategic Site Allocations Viability Assessment.

- 15.11 Based on this evidence, average values of £750 to £850 per sqft are expected. The evidence states that the higher end of this range would very likely be achieved given the high quality of the schemes and accompanying public realm and transport links.

Central case assumptions

- 15.12 The table below describes the assumptions used in the central case for each viability test. The commercial rents / residential market sale values are derived from market evidence described in the section above. The approach for data centres is different from the other typologies and is summarised at the bottom of the table. General assumptions are based on standard industry outputs for this type of viability assessment. The project team advised on more localised assumptions such as build cost, plot ratios, and affordable housing split.

Table 21 Central case assumptions

		Variable	Metric	Central case
GDV	Rent foregone	Construction period	Start of demolition to end of sale	24 months
GDV	Rent foregone	Rent free/void period	-	Office: 24 months All other uses: 15 months
GDV	Income	Commercial rent	£ per sqft (NIA)	Office: 45 Small industrial space: 28 Medium industrial space: 26 Large industrial space: 24
GDV	Income	Commercial yield	-	Office: 6% Small and medium industrial space: 4.25% Large industrial space: 4.0%
GDV	Income	Residential value	£ per sqft (NIA)	Market: 750 SO: 400 Affordable: 250
Developer Costs (including profit)	Construction costs	Plot ratio	Floorspace (GEA): Development plot	Office: 2 All industrial (including industrial space in mixed use schemes): 0.65 (i.e., single storey) All residential: 4 Data centre single storey: 0.5 Data centre multi-storey: 1.86
Developer Costs (including profit)	Construction costs	Build costs	£ per sqft (GIA)	Office: 245 Small industrial: 115 Medium industrial: 105 Large industrial: 95 Market residential: 280 SO and affordable residential: 260
Developer Costs (including profit)	Construction costs	Build cost inflation	-	3.5%
Developer Costs (including profit)	Construction costs	External works	% of build costs	All office and industrial: 10.0% All residential: 8.0%

		Variable	Metric	Central case
Developer Costs (including profit)	Construction costs	Contingency	% of build costs	5.0%
Developer Costs (including profit)	Construction costs	Professional fees	% of build costs	10.0%
Developer Costs (including profit)	Construction costs	BREEAM excellence	% of build costs	0.0%
Developer Costs (including profit)	Construction costs	Finance costs	% of build costs	7.0%
Developer Costs (including profit)	Construction costs	MCIL	£ per sqm (GIA)	60.36
Developer Costs (including profit)	Construction costs	S106	£ per sqm (GIA)	Office and all residential: 70 All industrial: 35
Developer Costs (including profit)	Fees	Purchaser costs (stamp duty 5%, stamp duty legal fee 1%, stamp duty agent sales fee 0.8%)	% of GDV	6.8%
Developer Costs (including profit)	Fees	Sales, marketing and legal fees	% of GDV	3.0%
Developer Costs (including profit)	Fees	Letting agent and letting legal fees	% of first year's rent	Office and industrial: 15.0%
Developer Costs (including profit)	Profit	Profit	% of GDV	Office and industrial: 15.0% Market residential: 18.0% SO and affordable residential: 6.0%
General assumption		Sqm (NIA) per residential unit	Sqm (NIA) per residential unit	71.8
General assumption		Affordable residential unit split	Affordable residential unit split	OPDC: 35% of units delivered as affordable, at a 70/30 split of shared ownership versus social provision. LBE: 50% of units delivered as affordable, at a 40/60 split of shared ownership versus social provision
General assumption		RLV per ha (GIA) for data centres	RLV per ha (GIA) for data centres	£24,710,500

Sensitivity test assumptions

15.13 The recommended Affordable Workspace variations are then tested in sensitivity tests. The table below describes the sensitive assumptions tested.

Table 22 Sensitivity test assumptions

Typology	Assumption	Central case	Sensitivity test
Office	Plot ratio and build cost	2; £245	5; £260
Office	BREEAM excellence	0%	2%
Office	Profit	15%	20%
Industrial	Plot ratio and build costs and external works (small units multi-storey sensitivity)	0.65; £115; 10%	1; £185; 25%
Industrial	Plot ratio and build costs and external works (medium units multi-storey sensitivity)	0.65; £105; 10%	1; £165; 25%
Industrial	Plot ratio and build costs and external works (large units multi-storey sensitivity)	0.65; £95; 10%	1; £155; 25%
Industrial	BREEAM excellence	0%	2%
Industrial	Profit	15%	20%
Industrial	Commercial yield (large units)	4.0%	3.0%
Mixed use	Plot ratio and build cost and external works (market units)	4; 280; 8%	7; 320; 5%
Mixed use	Plot ratio and build cost and external works (affordable units)	4; 260; 8%	7; 300; 5%
Mixed use	BREEAM excellence	0%	2%
Mixed use	Affordable housing split (OPDC only)	35% affordable (70% SO; 30% affordable)	50% affordable (70% SO; 30% affordable)

Uncertainty and output interpretation

- 15.14 There is significant variation in rents and residential market sale value across the area, use and quality. The viability of a development is sensitive to this assumption. This means that simply testing a central assumption or even one or two sensitivities would not present a comprehensive picture.
- 15.15 To address this, this viability assessment presents a graph (for each key scheme) showing a range of results for each key assumption. On the graphs, the dots represent the value (rent or residential market sale value per sqft) at which the scheme becomes viable across different variations of Affordable Workspace. Each graph includes a grey rectangle which reflects the range of the market evidence for rents and sales values, with the central case rent/sale value assumption indicated by a line on the graph. If a dot lies within or below the grey rectangle, then that scheme would require rents consistent with (or lower than) would be expected at typical market rents/sale values in order to be viable. That is to say, it is expected to be a viable scheme to deliver. If a dot is above the grey rectangle, then that scheme would not be expected to be viable at market rents, and would need higher than typical values to be viable. This is not to say that this scheme would definitely be unviable however, because it may be the case that they are able to achieve higher than market rent at that location.

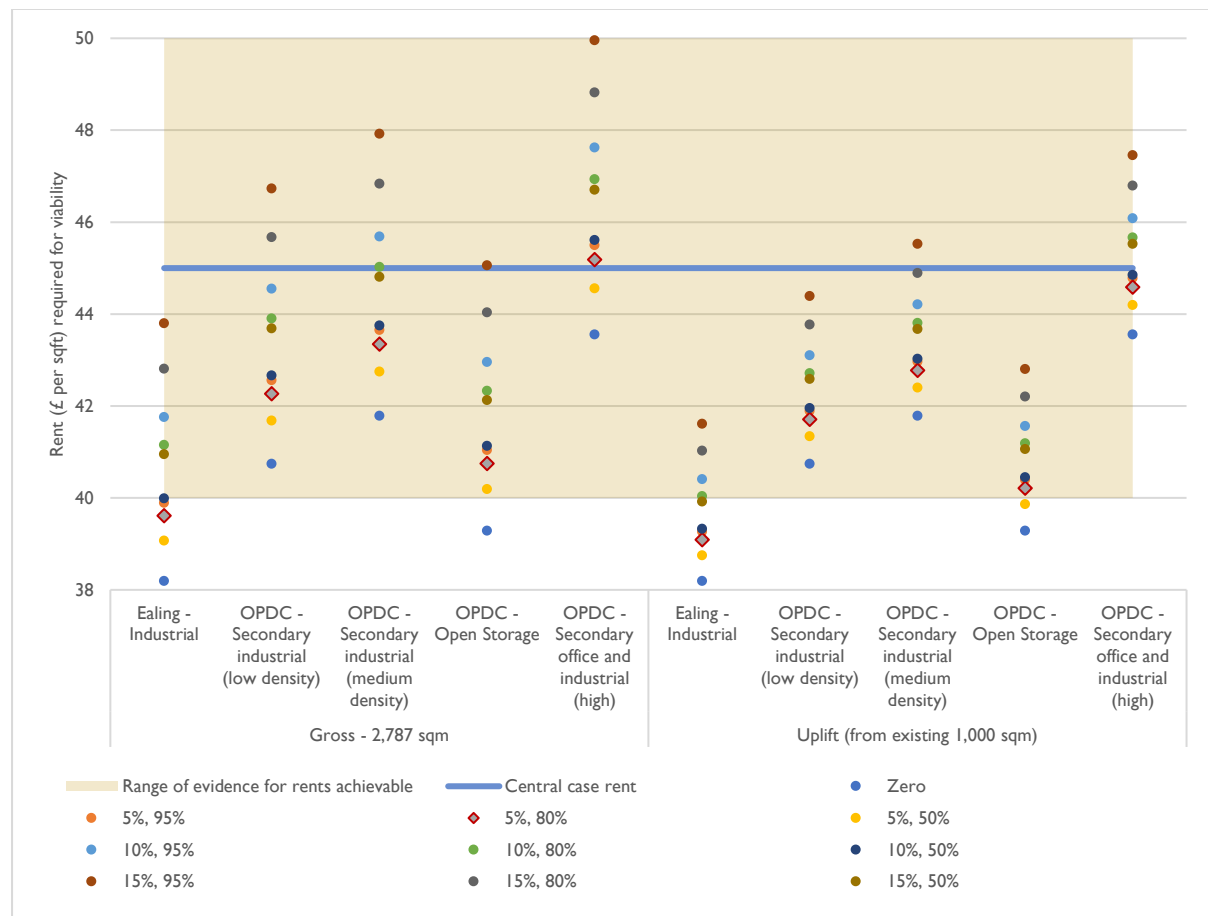
Central case outputs

Office

- 15.16 The first figure below displays the viable limit of the commercial rent assumption in gross and uplift scenarios for the 2,787 sqm scheme. The uplift scenario assumes an existing floorspace of 1,000 sqm, reflecting a two-to-three times increase in floorspace. This existing floorspace is an arbitrary amount – if it were smaller, the uplift outputs would move closer to the gross outputs, and vice versa.

- 15.17 The shaded box displays the range of office rents that can be expected at new high quality space in this area, with a central case assumption of £45 per sqft. As can be seen, many variations are not viable in the gross case – the dots on the chart are above the central case rent, meaning that they would need above average rents to be viable. An uplift scenario will facilitate greater viability in all variations.
- 15.18 In the uplift scenario (right hand side of the graph below), 10% of floorspace at 50% of discount to market, 5% of floorspace at 80% discount to market and 5% of floorspace at 95% discount to market rent are viable on all the relevant BLVs. The recommended variation of 5% of floorspace at 80% discount to market in the net uplift scenario is highlighted as a diamond throughout.

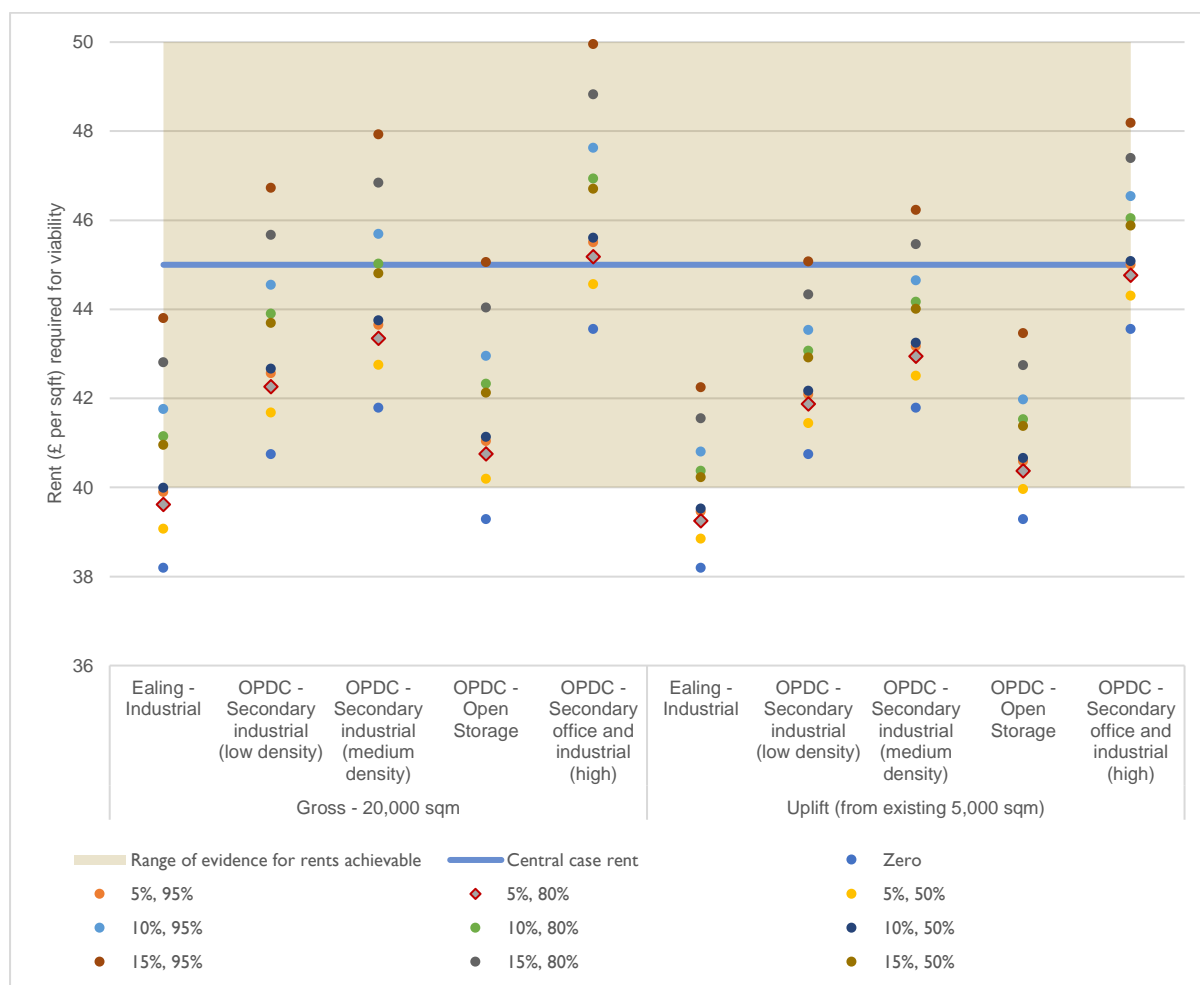
Figure 38 Office 2,787 sqm – rents (£ per sqft) at which variations are viable for relevant BLVs



15.19 The figure below repeats the exercise for the 20,000 sqm office typology. Given that the rent assumption is the same for office developments of all sizes, the outputs for the gross scenario are the same as for the smaller office scheme (above). For the net uplift scenario, an existing floorspace of 5,000 sqm has been assumed, reflecting an (arbitrary) four-fold increase in floorspace. This means that viability is slightly lower for this scheme than the smaller scheme. Here, two variations are viable: 5% of floorspace at 50% discount to market rent and 5% of floorspace at 80% discount to market rent.

15.20 Overall, therefore, the 5% of floorspace at 80% discount to market rent is the most generous viable variation which can offer the highest discount across both office schemes.

Figure 39 Office 20,000 sqm – rents (£ per sqft) at which variations are viable for relevant BLVs



Industrial

15.21 The shaded box below shows a large range of potential industrial rents based on the evidence there is much greater variation among industrial rents.

15.22 As with office, the net uplift scenarios are more viable than the gross uplift ones.

- For the small industrial example, the (arbitrary) uplift represents a two to three-fold increase in existing floorspace. Based on the central case rent of £28 per sqft, all Affordable Workspace variations tested are viable in both gross and uplift scenarios.
- For the medium industrial example, the (arbitrary) uplift represents a four-fold increase in existing floorspace. In the gross scenario, two variations are not viable compared to central case rents: 15% of floorspace at 80% discount to market rent and 15% of floorspace at 95% discount to market rent. In the net uplift scenario, the 15% of floorspace and 95% discount to market rent variation is not viable.
- For the large industrial scheme, the (arbitrary) uplift represents a four to five-fold increase on existing floorspace. Only one variation – 15% of floorspace at 95% discount to market rent in the gross scenario- is not considered viable compared to central case rents.

15.23 However, whilst this may initially imply high viability for industrial schemes, it is important to consider that the range of rents that can be achieved on industrial space is very wide-ranging. The central case rent represents prime space in Park Royal – it may not be able to be achieved at many locations and schemes in the future. The recommendation of 5% floorspace at 80% discount to market rent attempts to capture this uncertainty around rents achievable.

Figure 40 Small industrial 2,520 sqm – rents (£ per sqft) at which variations are viable for relevant BLVs

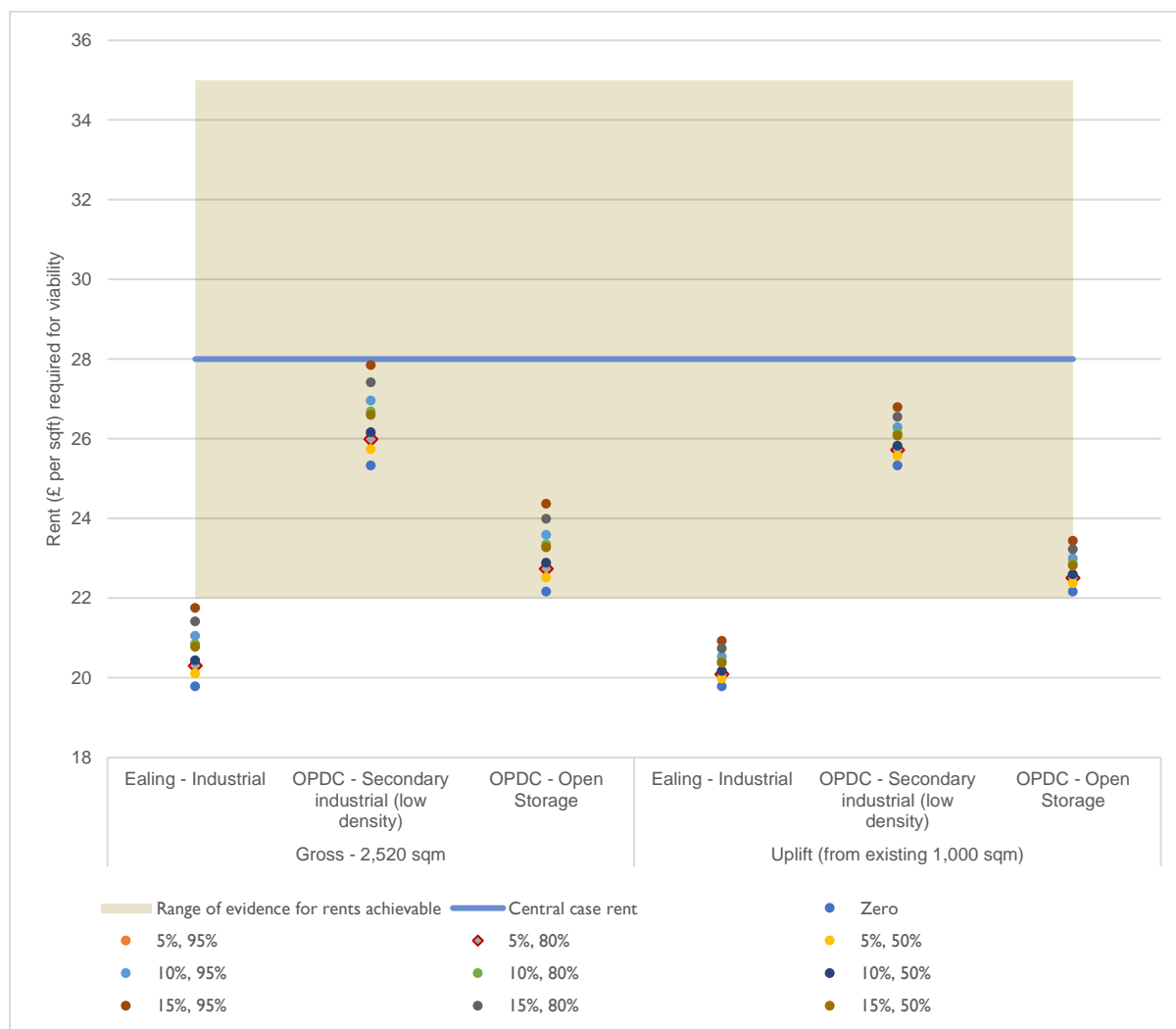


Figure 41 Medium industrial 3,900 sqm – rents (£ per sqft) at which variations are viable for relevant BLVs

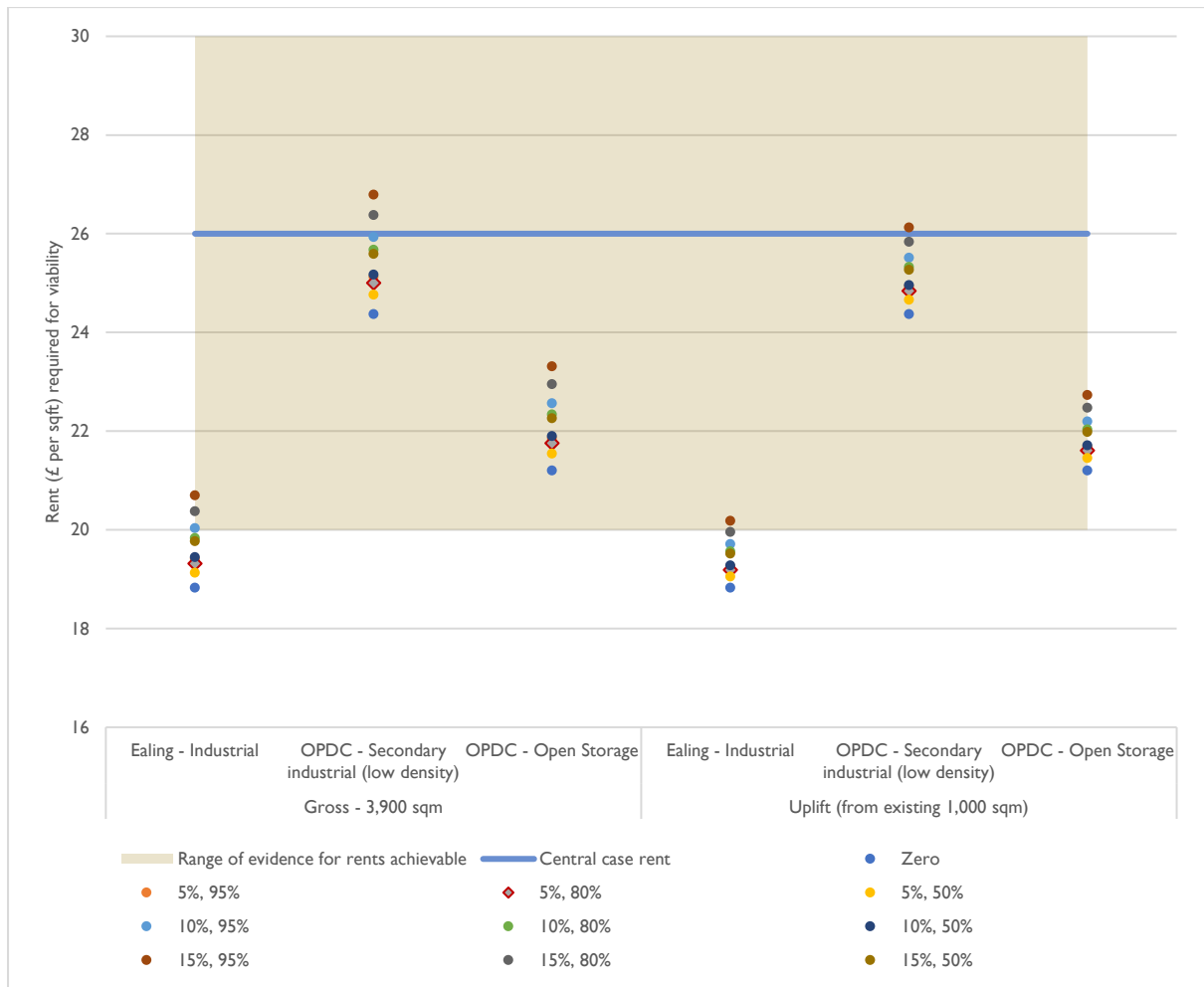
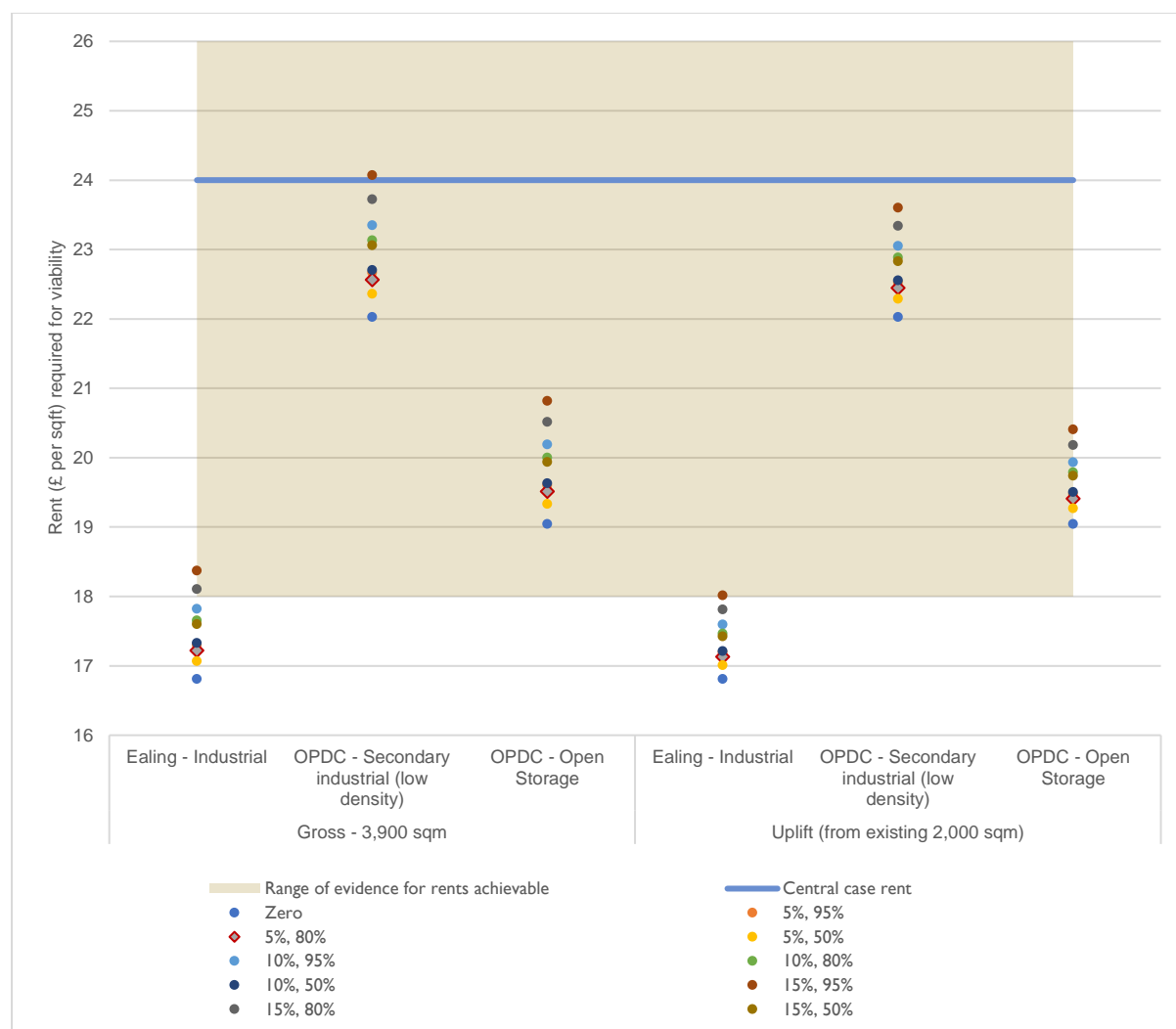


Figure 42 Large industrial 9,300 sqm – rents (£ per sqft) at which variations are viable for relevant BLVs



Mixed use schemes

- 15.24 This analysis only tests the impact of Affordable Workspace on the gross uplift in space. Gross results produced viable results and so no net assessments needed to be made.
- 15.25 The evidence for residential market sale value ranges from £750 per sqft to £850 per sqft, with some going as high as £1,160 per sqft. Evidently, based on the charts below, the mixed use schemes perform well on viability. The schemes are viable at market sale values much lower than the central case. The recommended variation is 10% of floorspace at 80% discount to market rent. This is more stringent than the other two typologies in terms of proportion of floorspace because of the higher viability with these schemes. However, the recommendation still doesn't push viability to its limits, as recommended by stakeholder engagement
- 15.26 The mixed use schemes tested are residential-led industrial schemes. Other residential-led mixed use schemes, such as residential-led office, were not tested. However, industrial uses tend to generate lower rental values than office and so office uses would typically demonstrate better viability. The high viability on the residential-led industrial schemes is therefore expected to also be the case for residential-led office schemes.

Figure 43 300 residential units and small industrial 2,000 sqm – residential market sale value (£ per sqft) at which variations are viable for relevant BLVs

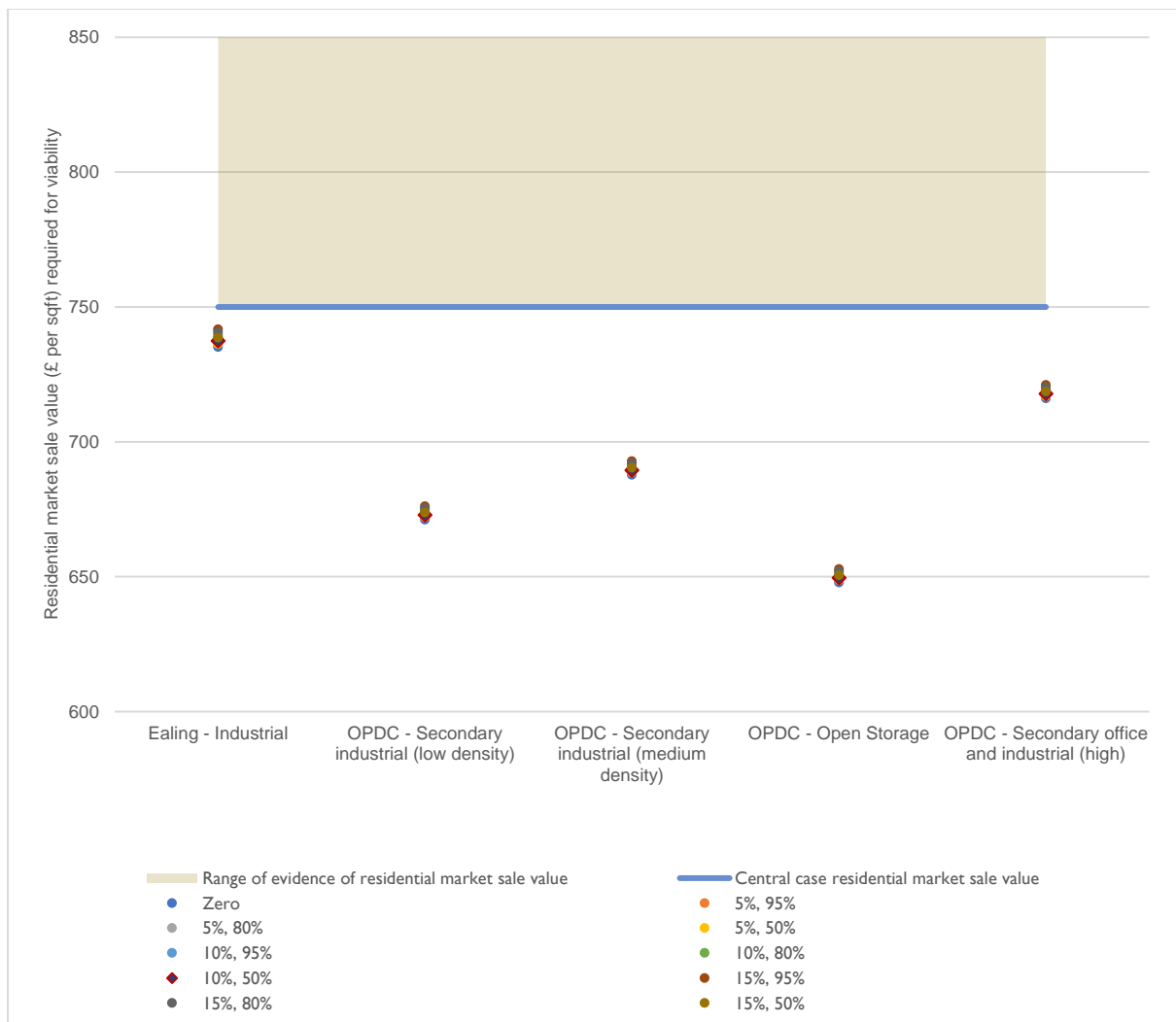
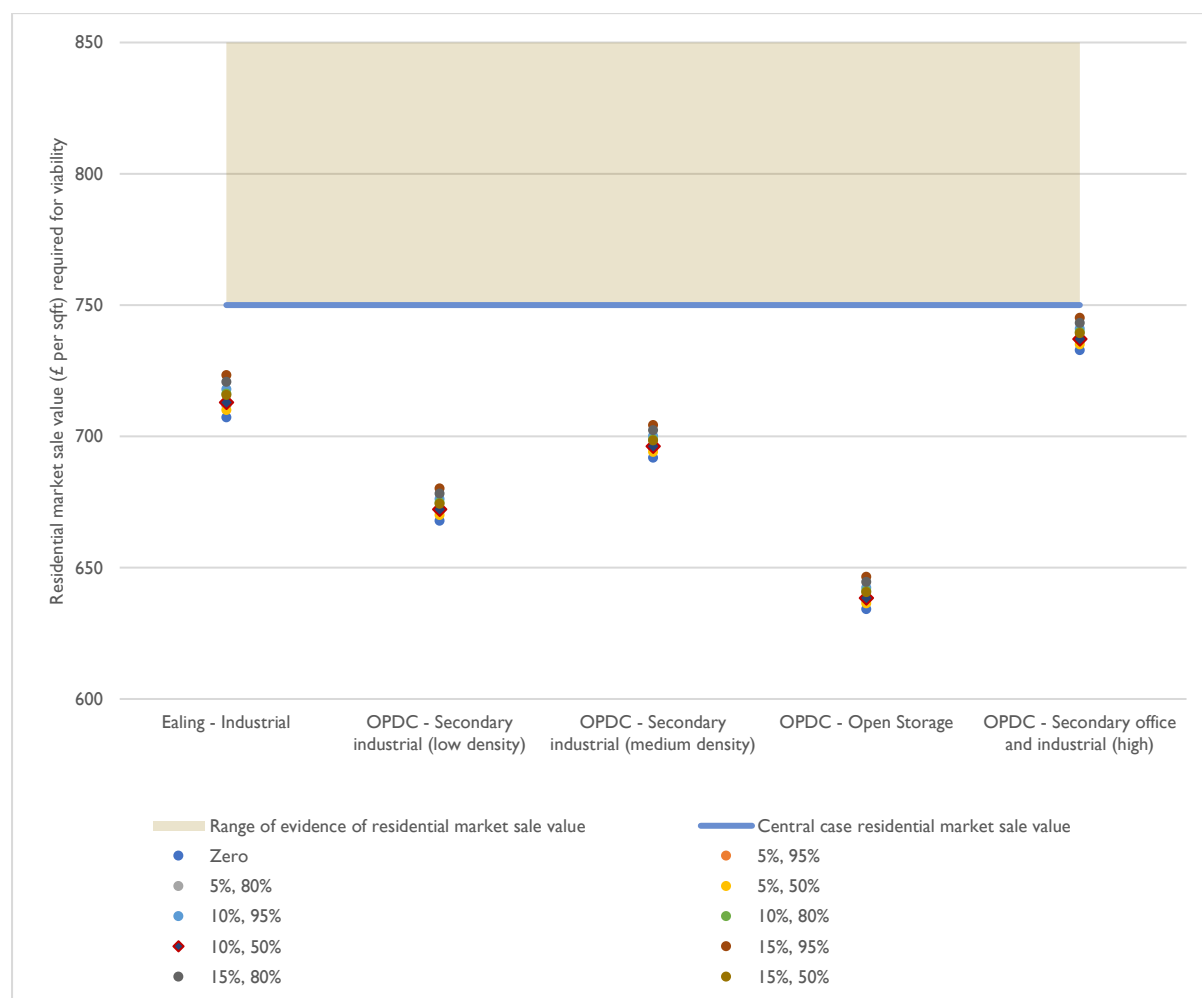


Figure 44 450 residential units and medium industrial 8,000 sqm – residential market sale value (£ per sqft) at which variations are viable for relevant BLVs



Data centres

- 15.27 A BNPPRE in-house Data Centre Specialist Agent advised that when acquiring sites for data centres, the value of such uses are not really assessed on a rent and yield basis. They advised that a data centre operator will pay circa £10m per acre for a site with planning permission for a new build data centre in a tier one location such as Old Oak, Canary Wharf and Slough with height over 35 metres. These are considered to be the premier locations for such uses given the availability of good high voltage power supplies and data cables. The advice suggested that RLV of data centres could achieve £24,710,500 per ha.
- 15.28 This alternative way of estimating RLV means that only viability for a standard scheme with no Affordable Workspace can be modelled. Any changes based on Affordable Workspace provision cannot be explicitly modelled.
- 15.29 This assessment uses analysis from BNPPRE, based on two data centre typologies and the RLV per ha, compared to relevant BLVs. The results are in the table below. The cells denote the BLV required for each scheme based on size and plot ratio. If this BLV is lower than the RLV (as determined by the calculation above), the scheme is considered viable and is shaded green.

Table 23 Data centre viability (with no Affordable Workspace provision) – BLVs required (£)

	Small scheme	Large scheme
Scheme information	Size: 25,000 sqm Plot ratio: 0.5 RLV: 61,776,250	Size: 50,000 sqm Plot ratio: 1.86 RLV: 123,552,500
Ealing - industrial	40,000,000	21,505,400
OPDC - secondary industrial (low density)	67,222,200	36,141,000
OPDC - secondary industrial (medium density)	78,333,300	42,114,700
OPDC - open storage	51,666,700	27,777,800
OPDC - secondary office and industrial (high)	97,222,200	52,270,000

- 15.30 These findings demonstrate that data centres perform well on viability, particularly the multi-storey typology. Whilst the alternative approach to estimating RLV means that the exact impact of providing Affordable Workspace cannot be modelled, it is expected that, based on these assumed inputs, that the schemes are sufficiently viable to seek a contribution towards Affordable Workspace.

Recommendations

- 15.31 For office schemes, providing 5% of Affordable Workspace at 80% discount to market rent is viable at rents below £45 per sqft in the net uplift scenario.
- 15.32 The recommendation is the same for the industrial schemes. The rental evidence for industrial schemes is wide-ranging and, as such, the recommendation is conservative, because many of the variations are viable at prime rents. This leaves a “rental buffer” meaning that the Affordable Workspace contribution should be viable at many of the rents achieved in new build, prime industrial.
- 15.33 Mixed use schemes are viable under almost all variations and so contribution based on gross floorspace is sought.
- 15.34 Data centres perform well on viability, and so are expected to be able to comfortably cover Affordable Workspace contributions.
- 15.35 These recommendations provide a reasonable starting point for the policy and guidance from a viability perspective, given the range and quality of rental evidence available. Volterra Partners note that each site should be tested on their own merits. This analysis is based on several key assumptions – each scheme will be unique so this should act as a guide only.
- 15.36 If the applicant can demonstrate that delivery of Affordable Workspace is not viable, the LPA should consider a review mechanism to ensure any uplift in value associated with changing market conditions can be captured via a payment in lieu or another mechanism.

Sensitivity tests

- 15.37 These outputs are presented in the same way as the central case outputs. That is to say, the graphs demonstrate the rents and residential market sale values which schemes would need to achieve in order to be viable.

- 15.38 The difference here is that each graph demonstrates only the recommended variation of Affordable Workspace provision, adjusted for various sensitive assumptions. So, for each BLV, one point on the chart demonstrates the central case for the recommended variation, and then the subsequent dots represent how this central case changes when the sensitive assumption changes.

Office

- 15.39 In both sensitivity tests on the two office schemes, a higher plot ratio (with higher build costs) increases viability with lower rents being required for viability. An additional 2% of build costs for BREEAM excellence does not affect viability very much – that is, the additional cost does not change the rents required for viability by any great extent.
- 15.40 Viability falls if profit increases from 15% to 20%. Rents of £46-£48 per sqft are required for viability in medium or high density parts of the OPDC. This is still within the bounds of rental evidence for the area (that is, they are below £50 per sqft) so they may still be feasible, however they are above average rents of £45 per sqft.

Figure 45 Office 2,787 sqm - sensitivity tests on 5% floorspace, 80% discount market rent Affordable Workspace provision on net uplift in floorspace (from existing 1,000 sqm)

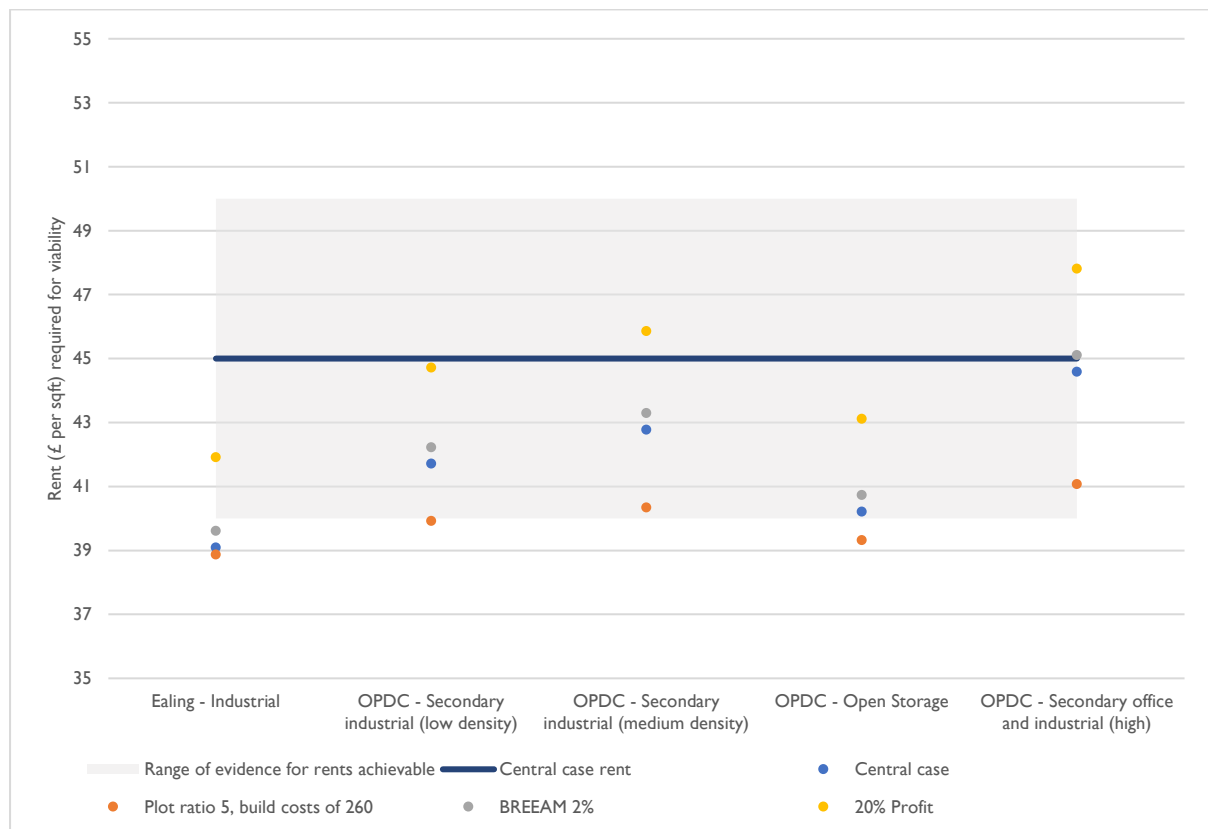
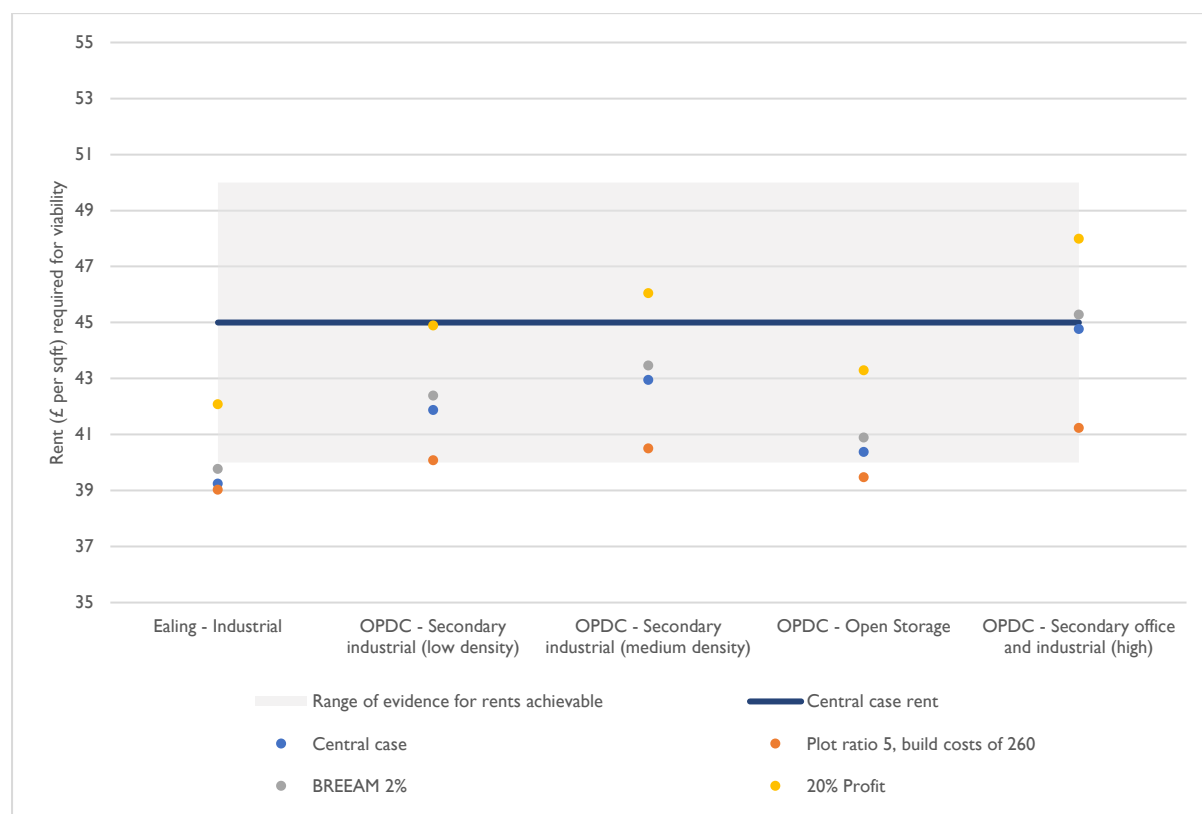


Figure 46 Office 20,000 sqm - sensitivity tests on 5% floorspace, 80% discount market rent Affordable Workspace provision on net uplift in floorspace (from existing 5,000 sqm)



Industrial

- 15.41 As with office, the BREEAM 2% sensitivity does not alter the viability findings from the central case to any great extent for all three typologies. A lower yield of 3% is tested for large units, and this improves viability (as expected), with rents of £17 per sqft required for viability in all BLVs – well below the central case rent of £24 per sqft.
- 15.42 The 20% profit assumption decreases viability for all schemes as expected. For the small and large unit schemes, this sensitivity still only requires rents equal to or below the central case rent in all three relevant BLVs in order to be viable. For the medium scheme, rents required for viability are below the central case of £26 per sqft in the Ealing – industrial and OPDC – open storage BLVs, but are above the central case in OPDC – secondary industrial (low density) BLV. Here, rents of nearly £27 per sqft are required for viability.
- 15.43 The multi storey assumption has the largest negative impact on viability. Based on these assumptions, the viability of multi storey industrial units is generally poor (with the exception of data centres). For the small scheme, rents would need to be £30 per sqft (compared to £28 per sqft in the central case), for the medium scheme rents would need to be nearly £28 per sqft (compared to £26 per sqft in the central case), and for the large scheme rents would need to be £25 per sqft (compared to £24 per sqft in the central case) in order for the multi storey scheme to be viable based on the secondary industrial (low density) BLV in the OPDC.

Figure 47 Small industrial 2,520 sqm - sensitivity tests on 5% floorspace, 80% discount market rent Affordable Workspace provision on net uplift in floorspace (from existing 1,000 sqm)

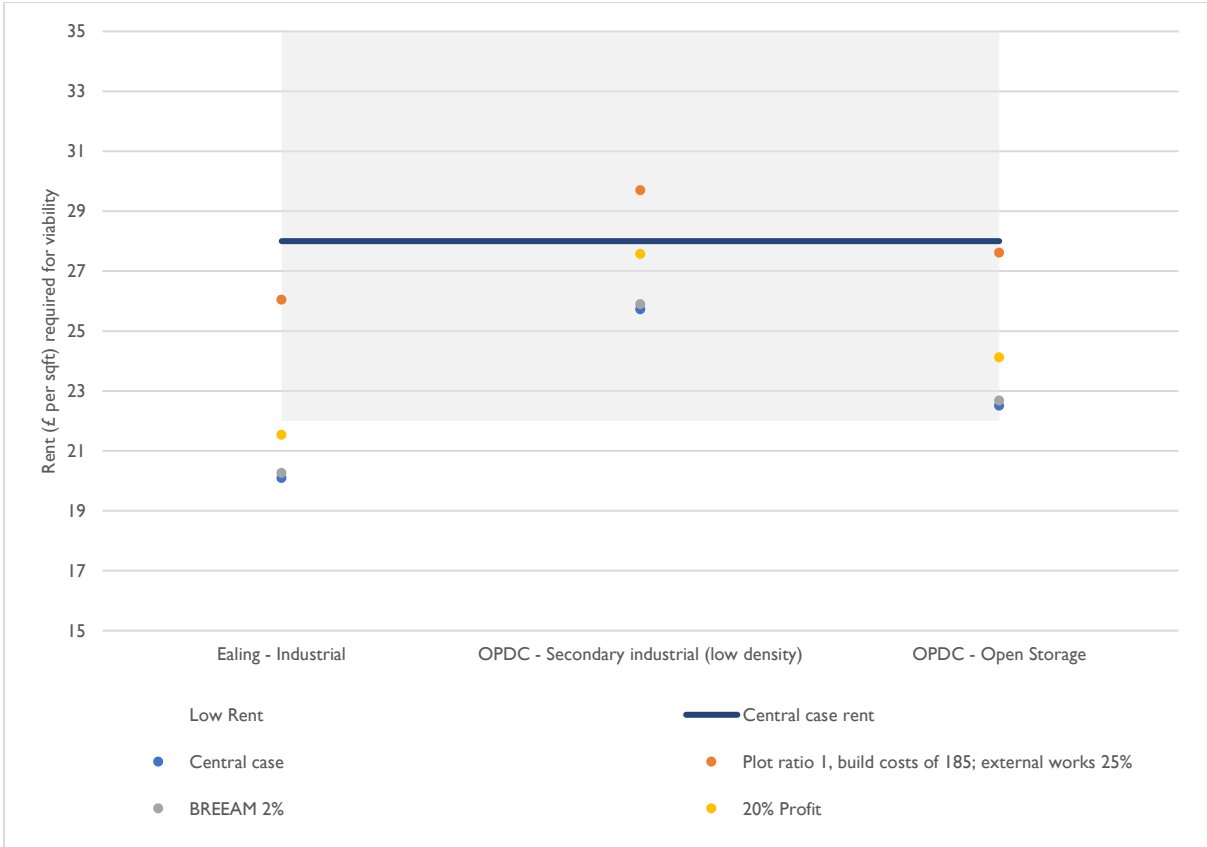


Figure 48 Medium industrial 3,900 sqm - sensitivity tests on 5% floorspace, 80% discount market rent
Affordable Workspace provision on net uplift in floorspace (from existing 1,000 sqm)



Figure 49 Large industrial 9,300 sqm - sensitivity tests on 5% floorspace, 80% discount market rent
Affordable Workspace provision on net uplift in floorspace (from existing 2,000 sqm)



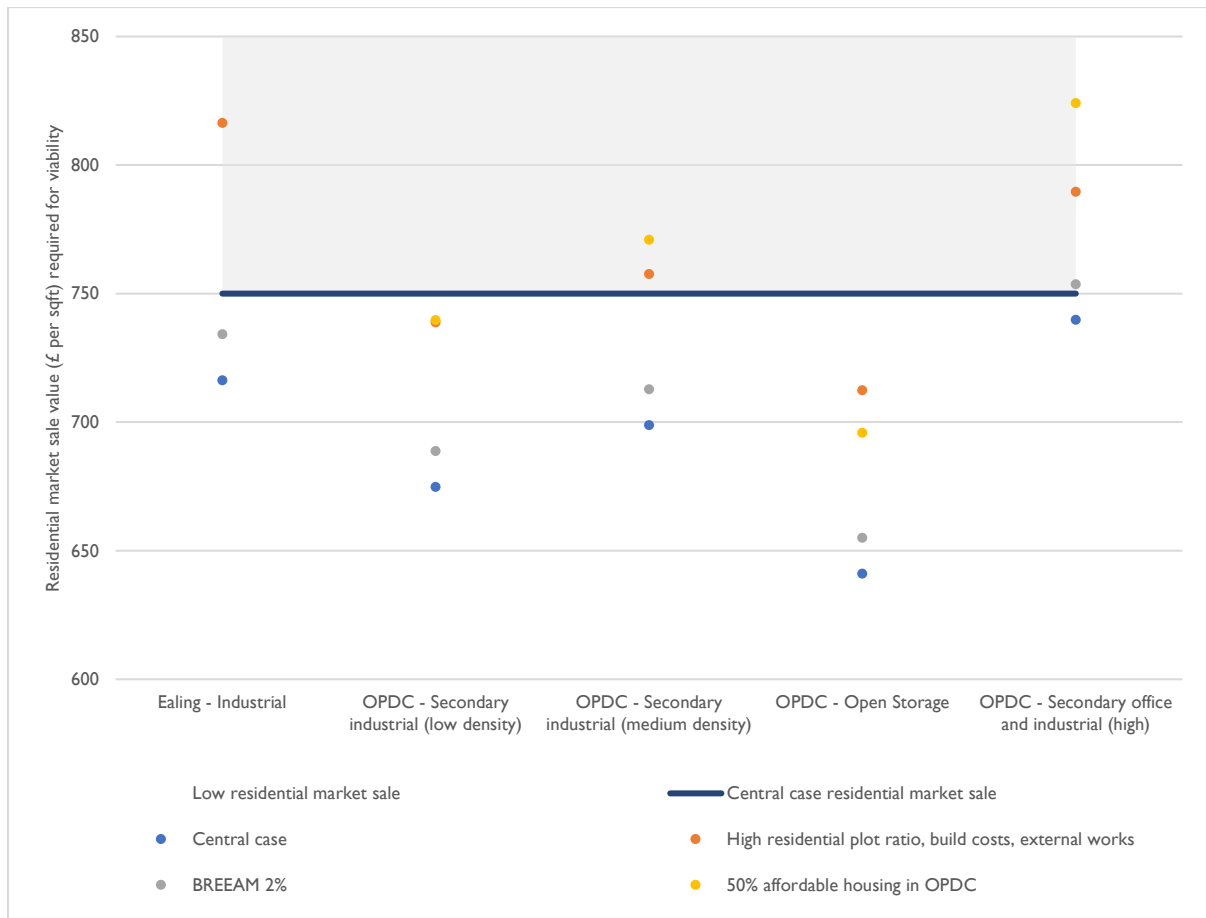
Mixed use schemes

- 15.44 As with the other schemes, the BREEAM 2% excellence does not have a large impact on the viability results.
- 15.45 The high plot ratio, build costs and external works sensitive assumption (to reflect a more dense residential building) is less viable than the central case for both schemes, but only requires residential market sale value of up to £839 per sqft in the smaller scheme and up to £816 per sqft in the larger scheme – both of these are below the upper range of £850 per sqft.
- 15.46 The 50% affordable housing sensitivity in the OPDC schemes has the largest impact on viability. However, in the small scheme residential sales values still only need be up to £800 per sqft and up to £824 per sqft in the large scheme in order that the scheme be viable. Both of these are well below £850 per sqft – the upper end of the range of evidence.

Figure 50 300 residential units and 2,000 sqm small industrial space - sensitivity tests on 10% floorspace, 80% discount market rent Affordable Workspace provision on gross floorspace



Figure 51 450 residential units and 8,000 sqm medium industrial space - sensitivity tests on 10% floorspace, 80% discount market rent Affordable Workspace provision on gross floorspace



16 APPENDIX 6: EXAMPLES OF CONTRIBUTING TO VALUE OF AFFORDABLE WORKSPACE

- 16.1 This appendix outlines some ways in which developments might contribute towards the Affordable Workspace contribution. The idea is the value can be used in any way, provided it is demonstrated that it meets need.

Table 24 Indicative scheme for examples

Value of Affordable Workspace discount	Unit	Label / calc	Value
Total net additional space	NIA (sqft)	(1)	300,000
Amount of office space which is affordable	(%)	(2)	5%
Total affordable office space	NIA (sqft)	(3) = (1)*(2)	15,000
Market rent	£ per sqft	(4)	45
Length of Affordable Workspace term	years	(5)	15
Affordable discount	(%)	(6)	80%
Value of Affordable Workspace discount	£m	(7) = (3)*(4)*(5)*(6)	£8.1m

Table 25 Examples of contributing to Affordable Workspace

Examples of contributing to Affordable Workspace value	Evidence required	Example of how the contribution to Affordable Workspace value would be calculated
If the space is managed by an operator, their costs should be included in the analysis to ensure that the final product remains affordable.	Detail on the operator and their likely costs. Can be confirmed nearer occupation and reviewed annually. Onus on applicant to provide this evidence via a high level business plan to be submitted at application stage.	<p>If operator costs could be reduced through better design and for example reduced service charge or individual units provided that qualify for small business rate relief. Evidence would still be required to show how this is achieved via a high-level business plan. For example, if reduced to £12 per sqft, this figure should contribute towards the applicant's Affordable Workspace contribution. Without it, the end product will not meet the needs of the Affordable Workspace tenants who the policy is aimed at, in the scenario where an operator best delivers the Affordable Workspace.</p> <p>Valued at £2.7m for 15,000sqft of Affordable Workspace for 15 years [£12psqf x 15,000sqft x 15 years = £2.7m].</p> <p>Could be applied to provide less Affordable Workspace (reducing contribution from 15,000sqft to 11,250sqft which provides equivalent value including operator costs) or the reduce length of commitment. This is as long as the size of the space was still viable for an operator and meets needs.</p> <p>In this scenario the 'value' is: Affordable Workspace rent discount of 11,250sqft x £45 per sqft rent x 80% discount x 15 years = £6.075m + operator value of 11,250sqft x £12 per sqft operator costs x 15 years = £2.025m = total Affordable Workspace 'value' of £8.1m which 'equates' to the policy starting point of 5% of space at 80% discount.</p>
A deeper discount may be required to reduce the all-in cost for the end user.	Evidence on the level of rent required to make the space affordable for the target end user, incorporating all other costs (rates, service	<p>Increase discount from 80% to 100% (peppercorn).</p> <p>A 20% increase in discount would proportionally reduce the Affordable Workspace provision from 15,000sqft to 12,000sqft to provide the same value. This is as long as it doesn't go below the minimum size required for office, industry or mixed use</p>

Examples of contributing to Affordable Workspace value	Evidence required	Example of how the contribution to Affordable Workspace value would be calculated
	<p>charge, operator margin etc).</p> <p>Evidence may support that the 80% discount will not be deep enough to be affordable to the end tenants. In this case a deeper discount would be a better outcome.</p> <p>This may also for a cross-subsidy approach</p>	<p>The value is then: $12,000\text{sft} \times £45 \text{ per sft rent} \times 100\% \text{ discount} \times 15 \text{ years} = £8.1\text{m}$, consistent with the policy starting point.</p>
Fitting out the space to a higher spec – for example, lab space for life science firms.	<p>Need for improved fit out – discussion of target sector and evidence that different space required.</p> <p>Evidence may support that the target sector will not be attracted to occupy the space unless the fit-out costs are absorbed by the developer in order to make the space affordable.</p>	<p>All the space is delivered as lab space. This has a one-off additional cost of £200 per sqft for CAT B delivery.</p> <p>That is equivalent to a contribution to the Affordable Workspace policy of £3.0m [$£200 \text{ per sqft of lab fit out} \times 15,000\text{sft of Affordable Workspace space}$].</p> <p>This could be used to provide less space (from 15,000sqft to 10,946sqft to provide an equivalent contribution to the Affordable Workspace policy).</p> <p>The applicant would still be required to demonstrate that the lab space would be provided to start-up and early stage businesses and that minimum sizes and operator costs tests could be met.</p> <p>This is calculated as: Affordable Workspace discount of $10,946\text{sft} \times £45 \text{ per sqft rent} \times 80\% \text{ discount} \times 15 \text{ years} = £5.9\text{m}$ + cost of fit out of $10,946\text{sft} \times £200 \text{ per sqft} = £2.2\text{m}$ = total Affordable Workspace 'value' of £8.1m.</p>
Offsite alternative in an existing building would provide better space and affordability to user.	<p>Evidence that offsite would be a better solution, but still equivalent in financial terms.</p>	<p>Offsite Affordable Workspace provision may be in existing building with lower operating cost and more suitable typology than in new build. Lower market rent at £25 per sqft.</p> <p>Could deliver equivalent value by providing 27,000sqft offsite instead.</p> <p>This is calculated as: $27,000\text{sft of offsite Affordable Workspace} \times £25 \text{ rent} \times 15 \text{ years at } 80\% \text{ discount} = £8.1\text{m}$.</p>
Combination of off-site or contribution and on-site provision.	<p>Detail on the operator and their likely costs. Can be confirmed nearer occupation and reviewed annually. Onus on applicant to provide this evidence.</p>	<p>7,500 sqft provided on-site at market value of £4.05m, and £4.05m provided as a financial contribution = £8.1m. However, a smaller size on site would only be suitable where evidence has been provided to demonstrate that this would be viable for an operator and meet needs.</p>