



AUGUST 2022

# West London Employment Land Review

2021/22 Update

Iceni Projects Limited on behalf of  
London Boroughs of Ealing and  
Harrow

August 2022

ICENI PROJECTS LIMITED  
ON BEHALF OF LONDON  
BOROUGH OF EALING  
AND HARROW

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West London Employment Land

Review

2021/22 UPDATE





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### APPENDICES

#### A1. APPENDIX A

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# 1. EXECUTIVE SUMMARY

1.1 Icen Projects Ltd, supported by Levy Real Estate LLP, has been commissioned by the London Boroughs of Ealing and Harrow to provide evidence in respect of their employment land requirements and commercial market dynamics. This report provides an update to the 2019 'West London Employment Land Evidence' (WLELE) produced by GL Hearn on behalf of the West London Alliance. The WLELE covered additionally the boroughs of Brent and Barnet which are not considered here.

1.2 The key requirements of this study are:

- A sense check of the original conclusions in the WLELE to make sure that they remain robust;
- A general update and, in particular commentary on the extent to which the pandemic and recent government legislative/policy changes have affected the trends identified in the original WLELE;
- An update of the employment projections and resulting land requirements taking into account the most recent Oxford Economics forecasts.

1.3 The following summary findings are reported.

## **Policy matters**

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1.4 Recent policy changes of note in recent years are:

- The Use Classes were last updated on 1 September 2020, the former B1 classes now fall under Class E Commercial, Business and Service. B1abc is now essentially mapped to E(g)(i)(ii)(iii).
- Permitted Development Rights have been amended notably now including Class E (Commercial, business and service) to C3 (dwelling houses) up to 1,500 sqm
- The 2021 NPPF notes that the use of Article 4 directions to remove national permitted development rights should where they relate to change from non-residential use to residential use, be limited to situations where an Article 4 direction is necessary to avoid wholly unacceptable adverse impacts. This update serves to generally restrict the use of Article 4 directions and may reduce their ability to manage the loss of employment land.
- The PPG in 2019 was amended to include guidance on assessing the need for logistics – including through engagement with logistics developers / occupiers and analysis of market signals

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- The London Plan was adopted in 2021, a number of changes from the draft London Plan (2019) were made including: the removal of table categorising borough capacities for industrial land provision; removal of reference to no net loss of industrial floorspace capacity in LSIS and SIL locations; and removal of reference to floorspace capacity being measured as either the existing industrial and warehousing floorspace on site or the potential floorspace that could be accommodated on site at a 65 per cent plot ratio.

## **Industrial property market assessment 2022**

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- 1.5 CoStar report that nationally “industrial demand conditions have rarely been stronger. The accelerated shift to e-commerce brought about by the pandemic has fuelled the expansion of retailers and third-party logistics firms, while the UK's exit from the EU single market and customs union is leading to increased inventory holding, resulting in the need for additional warehousing. At the same time, a diverse mix of other industrial-using businesses including... data centre operators and film production companies are competing for a relatively limited supply of stock.”
- 1.6 In London CoStar report that demand for industrial space has fallen since the pandemic began and London's industrial vacancy rate reached a three-year high in the first half of 2021 although remains relatively low in historical terms. Take-up has picked up in recent months driven by film production firms taking warehouse space as well as increased demand for last-mile distribution units.
- 1.7 For Ealing, CoStar report that Ealing's industrial vacancy rate (2.8%) remains close to a historical low, and a lack of new construction and steady demand for last-mile units should keep it at low levels in the medium term. Harrow is not defined as a single market in CoStar but it is noted that Barnet, Brent and Harrow form the Outer London North West industrial cluster. Vacancy compression in recent years has been fuelled by steady demand and the loss of some industrial buildings to alternative uses.
- 1.8 **Ealing:** Ealing has a large industrial property market. Although this has seen some decline over the last 20 years it has not been significant, and losses have been limited over the last 10-15 years. In Ealing it should be noted that low levels of vacancy in the industrial market in recent years are limiting take up and masking higher levels of demand.
- 1.9 The average rental price in Ealing is 6% above the London average. Levy Real Estate data indicates that the average industrial price in West London is around £18.50 per sq ft (winter 2021) and that top end rents can reach in the region of £30 per sq ft. Overall levels of leasing activity have generally decreased over the last 6 years due to the lack of space on the market.
- 1.10 **Harrow:** Harrow has a small industrial market relative to Ealing. The amount of floorspace in Harrow between 2000/01 and 2019/20 has seen a 143,000 sqm decline, the majority of (106,000 sqm)

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occurred between 2003/04 and 2008/06 likely to be influenced significantly by the demolition of the Kodak factory at Wealdstone. The November 2021 vacancy rate in Harrow is 1.7%. Harrow sees a preferred demand from local businesses rather than large logistics providers which reflects its lack of strategic infrastructure and strategic road network access. New units are currently under construction at the former Kodak factory although these have not been pre-let at the time of writing, but it is still expected that units will let in a good timeframe following practical completion. The amount of leasing activity over the last 5 years has declined since 2016. In reality there has been little available space to move into.

### **Sector trends**

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- 1.11 In Central/West London and notably Ealing, demand for industrial space is extremely high and that the market is being squeezed from all directions. The general industrial and third party logistics rare now competing with new market occupiers for rapid delivery such as Getir and Zapp as well as food deliveries such as Deliveroo which require dark kitchen space alongside uses such as datacentres and film studios. Ealing's high rents and strong rental growth are being driven by demand from non-traditional industrial occupiers at both the top and bottom ends of the market who are willing to pay more than traditional occupiers.
- 1.12 **Co-location** there is evidence of schemes being advanced that typically look to repurpose existing industrial with reprovided industrial / quasi industrial space with residential above. This is occurring notably in LSIS locations such as South Acton where number of schemes are proposed or permitted along Bollo Lane. The market view is that traditional industrial occupiers are cautious about the usability of such space due to concerns over practicality over issues related to deliveries, servicing, noise and hours of use. There is however clearly a market segment that can occupy this co-located space which includes small scale manufacturing / crafts maker space, light distribution and studios.
- 1.13 **Stacked Logistics / Industrial** there are a number of proposals being considered for stacked logistics in London. These face a number of challenges including planning permission and highways issues along with land pricing, build costs and competition for uses. Gazeley's G Park in Silvertown remains in difficulty due to transport matters, however SEGRO are more positive about the potential to deliver 'V Park' Alperton (the former Generator proposal). In Barking and Dagenham BeFirst are driving the 'Industria' development which will be a first in delivering multi level separated units with ramped access in London. The building is reportedly on site as of Nov 2021.

### **Scenarios for floorspace demand**

- 1.14 In Icen's view it is increasingly important to use a range of indicators to come to a view on future property and employment land requirements. There are benefits and challenges to using a range of methods notably:

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- Labour demand: future job trends are increasingly divorced from property requirements, particularly for industrial, with investment in capital and productivity not being necessarily matched with increased jobs.
  - Take up (absorption): can be a useful indicator of needs in the current market cycle however land supply constraints can suppress take up and build in a repressed view of needs, similar to completions trends.
- 1.15 **Labour demand:** Oxford Economics employment forecasts suggest that Ealing's employment will recover quickly from the pandemic in the short term but growth will slow from 2025 and decline slightly thereafter. This outlook contradicts the Borough's positive performance up to 2021 since 2011 (and 2001). Harrow's growth is expected to rebound from 2021, forecast to reach its 2017 employment peak at about 2030 and grow steadily from there.
- 1.16 Forecasts are translated floorspace with some perhaps surprising and considerable differences from the 2019 position. Most notably are significant falls in outlook for the building trades and logistics in Ealing. Given the property market indicators, Iceni is of the view that the baseline forecasts are not a suitable representation of the property market requirements, particularly for Ealing.
- 1.17 As an alternative, Iceni has considered the roll forward (to 2041) of past employment trends for the 2001-19 and 2016-21 period and translated these into floorspace requirements. For Ealing, the historic periods report high levels of employment based floorspace growth driven most recently by very high levels of demand in logistics as well as wholesaling.
- 1.18 An additional model that rolls forwards the trends in lease deals is also included. Iceni consider this to be an increasingly useful in considering industrial and logistics market analysis and forecasting, aligning with the PPG, and is also being promoted by the British Property Federation<sup>1</sup>.
- 1.19 Furthermore, productivity forecasts (GVA gains) for 2021-41 for industrial sectors are positive reflecting potential capital investment and substantial floorspace decreases would mean this is not possible.

#### **Recommendations on future need**

- 1.20 For **Harrow**, the 2021-41 employment forecasts appear reasonable and in line with market feedback on demand, with some decline in manufacturing anticipated (the closure of Kodak being a recent example) alongside smaller gains in demand for a range of other industrial occupiers including in logistics, building trades and other sectors (notably wholesaling). **Overall Harrow should seek to**

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<sup>1</sup> Levelling Up - The Logic of Logistics 2022 <https://bpf.org.uk/our-work/research-and-briefings/>



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**protect its existing industrial spaces and seek renewal and provision of new quality premises where possible.**

- 1.21 For **Ealing** there is clear evidence that for the foreseeable future the levels of strong demand will continue as the borough remains a desirable occupier location with good access, an industrial land pool and access to target populations. Employment growth in this sector in recent years has been strong and the leasing and GVA growth outlook is very strong for wholesaling and warehousing, casting doubt on any slow down in location based activity and employment. Demand is acute and the protection of space and provision of new premises is essential, whilst the upgrading of older stock is desirable. **Overall it is critical that in Ealing as much functional industrial floorspace as possible is retained and upgraded; and there is a need to deliver additional floorspace where feasible.**

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## 2. INTRODUCTION

2.1 Icen Projects Ltd, supported by Levy Real Estate LLP, has been commissioned by the London Boroughs of Ealing and Harrow to provide evidence in respect of their employment land requirements and commercial market dynamics. This report provides an update to the 2019 'West London Employment Land Evidence' (WLELE) produced by GL Hearn on behalf of the West London Alliance. The WLELE covered additionally the boroughs of Brent and Barnet which are not considered here.

2.2 It is of note that this report considers industrial floorspace matters under use classes B2, B8, E(g)(iii) and not office based requirements.

2.3 The key requirements of this study are:

- A sense check of the original conclusions in the WLELE to make sure that they remain robust;
- A general update and, in particular commentary on the extent to which the pandemic and recent government legislative/policy changes have affected the trends identified in the original WLELE;
- An update of the employment projections and resulting land requirements taking into account the most recent Oxford Economics forecasts.

2.4 In order to fulfil the requirements the report covers the following elements:

- Policy review update
- Commercial market update
- Sector trends
- Floorspace demand derived through labour demand modelling based upon Oxford Economics forecasts and sensitivities
- Overall conclusions

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### 3. POLICY REVIEW

3.1 This chapter provides an update to the West London Employment Land Evidence Study in terms of relevant policy.

#### **National Planning Policy Framework (NPPF) 2021**

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3.2 “The National Planning Policy Framework sets out the Government’s planning policies for England and how these should be applied. It provides a framework within which locally-prepared plans for housing and other development can be produced.”

#### **Chapter 4 – Decision making**

3.3 Chapter 4 includes additional information in the 2021 NPPF regarding the use of Article 4 directions. It states that “The use of Article 4 directions to remove national permitted development rights should:

- where they relate to change from non-residential use to residential use, be limited to situations where an Article 4 direction is necessary to avoid wholly unacceptable adverse impacts (this could include the loss of the essential core of a primary shopping area which would seriously undermine its vitality and viability, but would be very unlikely to extend to the whole of a town centre)
- in other cases, be limited to situations where an Article 4 direction is necessary to protect local amenity or the well-being of the area (this could include the use of Article 4 directions to require planning permission for the demolition of local facilities)
- in all cases, be based on robust evidence, and apply to the smallest geographical area possible.”

3.4 This update serves to generally restrict the use of Article 4 directions and may reduce their ability to manage the loss of employment land, particularly in light of changes to the Use Class Order (detailed below)

#### **Chapter 6 - Building a strong, competitive economy**

3.5 Chapter 6 remains essentially unchanged from the 2019 NPPF. The main message continue to be as follows:

3.6 This chapter states that “Planning policies and decisions should help create the conditions in which businesses can invest, expand and adapt. Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development. The approach taken should allow each area to build on its strengths, counter any weaknesses and address the challenges of the future.”

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- 3.7 It goes on to state that “planning policies should...
- a) set out a clear economic vision and strategy which positively and proactively encourages sustainable economic growth, having regard to Local Industrial Strategies and other local policies for economic development and regeneration.
  - b) be flexible enough to accommodate needs not anticipated in the plan, allow for new and flexible working practices (such as live-work accommodation), and to enable a rapid response to changes in economic circumstances.”
- 3.8 Finally, it states that “planning policies and decisions should recognise and address the specific locational requirements of different sectors. This includes making provision for clusters or networks of knowledge and data-driven, creative or high technology industries; **and for storage and distribution operations at a variety of scales and in suitably accessible locations.**” [iceni emphasis]
- 3.9 The NPPF focus on distribution requirements is useful in considering general requirements for the local authorities. Although it is not a new emphasis from the previous NPPF, it remains of particular interest given heightened demand for logistics responding to increases in online retailing, amongst other drivers.

### **Planning Practice Guidance – Housing and Economic Needs Assessment**

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- 3.10 This document provides guidance on how the economic needs of local authorities should be assessed and is structured as questions and answers which are set out below. The Planning Practice Guidance was not revised in any detail in the 2019 WLELE and was largely amended in February 2019.

#### **How can authorities determine the type of employment land that is needed? (Feb 2019)**

- 3.11 It is stated that the type of employment land needed should be determined based on local circumstances and market conditions as “national economic trends may not automatically translate to particular areas with a distinct employment base”.

#### **How can strategic policy making authorities prepare and maintain evidence about business needs? (Feb 2019)**

- 3.12 With regards to preparing evidence about business needs, the guidance states that researchers “need to liaise closely with the business community, taking account of the Local Industrial Strategy, to understand their current and potential future requirements” This should take into account; recent patterns of employment land supply and loss; evidence of market demand (including the locational

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and premises requirements of particular types of business); wider market signals relating to economic growth, diversification and innovation; and any evidence of market failure.

**How can market signals be used to forecast future need? (Feb 2019)**

- 3.13 It is stated that researchers will need to “use a range of data which is current and robust such as”; sectoral and employment forecasts; local labour supply forecasts; past-take up of employment land and property and/or future property market requirements; consultation with stakeholders; and studies of business trends and changing business models. The guidance states that this data should be assessed over “longer term economic cycles” and “the implications of alternative economic scenarios” should be considered.

**How can authorities assess need and allocate space for logistics? (July 2019)**

- 3.14 Added in July 2019 this paragraph states that the scale of land required for logistics need to be considered separately from the general industrial needs. The guidance goes on to state that this can be informed by; engagement with logistics developers and occupiers to understand the changing nature of requirements; analysis of market signals including trends in take up and availability of logistics land and floorspace; analysis of economic forecasts; and engagement with Local Enterprise Partnerships and review of their plans and strategies.
- 3.15 The guidance also states that the extent to which “land and policy support is required for other forms of logistics requirements, including the needs of SMEs and of ‘last mile’ facilities serving local markets” and this should be based on market signals; anticipated changes in local population and housing stock; the local business base; and infrastructure availability.

**How can the specific locational requirements of specialist or new sectors be addressed? (July 2019)**

- 3.16 Also added in July 2019 the updated guidance states that “when assessing what land and policy support may be needed for different employment uses, it will be important to understand whether there are specific requirements in the local market which affect the types of land or premises needed”. This should take account of “relevant evidence and policy within Local Industrial Strategies. For example, this might include the need for greater studio capacity, co-working spaces or research facilities”.

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### **Revised Use Class Order**

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- 3.17 The Use Classes were last updated on 1 September 2020.
- 3.18 Of note the former B1 classes now fall under Class E Commercial, Business and Service. B1abc is now essentially mapped to E(g)(i)(ii)(iii).
- 3.19 This change draws some effect on industrial designations as former B1(c) light industrial is now not readily differentiated from other E(g) activities. This means that permissions in SIL or LSIS areas are not always able to be prescribed towards industrial activities and where redevelopments are taking place there is potential for erosion of industrial space.

### **Government Guidance of Permitted Development Rights (When is permission required?)**

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- 3.20 This guidance document states that “permitted development rights [PDR] are a national grant of planning permission which allow certain building works and changes of use to be carried out without having to make a planning application”.
- 3.21 The following are changes of use covered by PDRs which are relevant to this study;
- B2 (General Industrial) to B8 (Storage and Distribution) up to 500 sqm
  - E (Commercial, business and service) to C3 (dwelling houses) up to 1,500 sqm [as well as to other specific uses/use mixes which is less common]
- 3.22 PDRs can be expanded via a Local Development Order or Neighbourhood Development Order, or limited/withdrawn via an Article 4 Direction, within the context of the revised guidance as outlined above.

### **London Plan (2021)**

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- 3.23 The London Plan is the overall strategic plan for London which sets out an integrated economic, environmental, transport and social framework for the development of London over the next 20-25 years.
- 3.24 A number of changes to the draft London Plan were established through the examination in public (minor) and then later Secretary of State Directions notably being:
- Removal of table categorising borough capacities for industrial land provision and removal of reference to no net loss of industrial floorspace capacity in LSIS and SIL locations.
  - Removal of reference to floorspace capacity being measured as either the existing industrial and warehousing floorspace on site or the potential industrial and warehousing floorspace that could be accommodated on site at a 65 per cent plot ratio (whichever is the greater).

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- Inclusion of paragraph 6.4.8 “Where industrial land vacancy rates are currently above the London average, Boroughs are encouraged to assess whether the release of industrial land for alternative uses is more appropriate if demand cannot support industrial uses in these locations. In exceptional circumstances when allocating land, boroughs considering the release of Green Belt or Metropolitan Open Land to accommodate housing need, may consider the reallocation of industrial land, even where such land is in active employment uses. Where possible, a substitution approach to alternative locations with higher demand for industrial uses is encouraged.”
  - Direction to Borough’s to “coordinate Development Plans to identify opportunities to substitute industrial capacity and function of Strategic Industrial Locations where evidence that alternative, more suitable, locations exist.”

3.25 The following published London Plan policies will inform the findings of this study.

**Policy E4 Land for industry, logistics and services to support London’s economic function**

3.26 “A - A sufficient supply of land and premises in different parts of London to meet current and future demands for industrial and related functions should be provided and maintained, taking into account strategic and local employment land reviews, industrial land audits and the potential for intensification, colocation and substitution (see Policy E7 Industrial intensification, co-location and substitution). This should make provision for the varied operational requirements of:

- 1) light and general industry (Use Classes B1c [now E(g)] and B2)
- 2) storage and logistics/distribution (Use Class B8) including ‘last mile’ distribution close to central London and the Northern Isle of Dogs, consolidation centres and collection points
- 3) secondary materials, waste management and aggregates
- 6) wholesale markets
- 7) emerging industrial-related sectors
- 8) flexible (B1c [now E(g)]/B2/B8) hybrid space to accommodate services that support the wider London economy and population
- 9) low-cost industrial and related space for micro, small and medium-sized enterprises (see also Policy E2 Providing suitable business space)
- 10) research and development of industrial and related products or processes (falling within Use Class B1b).

3.27 C - The retention, enhancement and provision of additional industrial capacity across the three categories of industrial land set out in Part B should be planned, monitored and managed. Any release of industrial land in order to manage issues of long-term vacancy and to achieve wider planning objectives, including the delivery of strategic infrastructure, should be facilitated through the processes of industrial intensification, co-location and substitution set out in Policy E7 Industrial

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intensification, co-location and substitution and supported by Policy E5 Strategic Industrial Locations (SIL).

- 3.28 G - Boroughs should ensure that the need to retain sufficient industrial and logistics capacity is not undermined by permitted development rights by introducing Article 4 Directions where appropriate.”

**Policy E5 Strategic Industrial Locations (SIL)**

- 3.29 Policy E5 states that, “Strategic Industrial Locations should be managed proactively through a planned process to sustain them as London’s largest concentrations of industrial, logistics and related capacity for uses that support the functioning of London’s economy.” There are two SILs in Ealing (Great Western and Northolt/Greenford/Perivale) in addition to the Park Royal SIL which site in Ealing Borough but falls under the Old Oak and Park Royal development corporation area. There are two SILs in Harrow (Honeypot Lane, Stanmore and Wealdstone Industrial Estate).

**Policy E7 Industrial intensification, co-location and substitution**

- 3.30 A - Development Plans and development proposals should be proactive and encourage the intensification of business uses in Use Classes B1c, B2 and B8 occupying all categories of industrial land through:

- 1) introduction of small units
- 2) development of multi-storey schemes
- 3) addition of basements
- 4) more efficient use of land through higher plot ratios having regard to operational yard space requirements (including servicing) and mitigating impacts on the transport network where necessary

- 3.31 B Development Plans and planning frameworks should be proactive and consider, in collaboration with the Mayor, whether certain logistics, industrial and related functions in selected parts of SIL or LSIS could be intensified to provide additional industrial capacity. Intensification can also be used to facilitate the consolidation of an identified SIL or LSIS to support the delivery of residential and other uses, such as social infrastructure, or to contribute to town centre renewal. This process must meet the criteria set out in Part D below. This approach should only be considered as part of a plan-led process of SIL or LSIS intensification and consolidation (and the areas affected clearly defined in Development Plan policies maps) or as part of a co-ordinated masterplanning process in collaboration with the GLA and relevant borough, and not through ad hoc planning applications. In LSIS (but not in SIL) the scope for co-locating industrial uses with residential and other uses may be considered. This should also be part of a plan-led or masterplanning process.

- 3.32 C Mixed-use or residential development proposals on Non-Designated Industrial Sites should only be supported where: 1) there is no reasonable prospect of the site being used for the industrial ...;



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or 2) it has been allocated in an adopted local Development Plan Document for residential or mixed-use development; or 3) industrial, storage or distribution floorspace is provided as part of mixed-use intensification (see also Part C of Policy E2 Providing suitable business space).

- 3.33 E - Development Plans and planning frameworks should consider, in collaboration with the GLA and neighbouring authorities within and outside London, the scope to facilitate the substitution of some of London's industrial capacity to related property markets elsewhere in London and beyond London's boundary....

**Policy E8 Sector growth opportunities and clusters**

- 3.34 ... C - The evolution of London's diverse sectors should be supported, ensuring the availability of suitable workspaces including:

- 1) start-up, incubation and accelerator space for micro, small and medium sized enterprises
- 2) flexible workspace such as co-working space and serviced offices
- 3) conventional space for expanding businesses to grow or move on
- 4) laboratory space and theatre, television and film studio capacity
- 5) affordable workspace in defined circumstances (see Policy E3 Affordable workspace).

- 3.35 Overall, the newly adopted London Plan maintains a focus on preserving industrial land and seeks intensification using basements, multistorey, smaller units and tighter plot ratios. Plan led intensification and colocation is also supported although residential on SIL is not supported.

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## 4. INDUSTRIAL PROPERTY MARKET ASSESSMENT

- 4.1 This chapter provides an assessment of the industrial property market in Ealing and Harrow, where industrial refers to general industrial, light industrial and warehousing.
- 4.2 The assessment combines quantitative analysis with qualitative analysis to build up of a picture of the level and nature of demand. The quantitative analysis uses CoStar data – one of the UKs largest providers of commercial property data. However, this database does not cover all properties/transactions (owner-occupier properties, smaller transactions and properties/transactions in rural areas are a particular issue) and is hence backed up by qualitative analysis. This qualitative analysis draws on engagement with Levy Real Estate – a leading London commercial property agency. Valuation Office Agency data has also been used which provides the best indication of the amount of commercial floorspace in the area.

### **UK Industrial Market Overview**

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- 4.3 CoStar report that “industrial demand conditions have rarely been stronger. The accelerated shift to e-commerce brought about by the pandemic has fuelled the expansion of retailers and third-party logistics firms, while the UK’s exit from the EU single market and customs union is leading to increased inventory holding, resulting in the need for additional warehousing. At the same time, a diverse mix of other industrial-using businesses including modular housebuilders, lithium-ion battery makers, data centre operators and film production companies are competing for a relatively limited supply of stock.”
- 4.4 They go on to state that, “Developers are responding with record amounts of new construction, though there is virtually no risk of overbuilding” as requirements outweigh pipeline supply by around a third (and two thirds of pipeline supply is pre-let).
- 4.5 They also state that historically low vacancy rates and strong occupier demand have fuelled accelerated rent growth in recent months. This means that industrial rents have grown faster than for other major property types, such as offices and retail, meaning investor appetite is at an all-time high (particularly for last-mile distribution hubs in London).

### **London Industrial Market Overview**

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- 4.6 CoStar report that “London’s industrial market had been performing well prior to the coronavirus crisis, with strong demand and weak levels of development pulling industrial vacancies down to a record low by the end of 2019. However, demand for industrial space has fallen since the pandemic began, which stands in contrast to the national trend. London’s industrial vacancy rate reached a three-year high in the first half of 2021.”

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- 4.7 Whilst the industrial vacancy rate reached a three-year high in the first half of 2021, “it remains relatively low in historical terms and take-up has picked up in recent months”. This increased take-up was driven by film production firms taking warehouse space as well as increased demand for last-mile distribution units.
- 4.8 Reflecting vacancy rates, CoStar report that “industrial rents are still expanding, albeit at a slower pace than several years ago. Average rents grew at their slowest pace since 2013 last year, although rising demand has sparked an increase in rent growth in recent months.” This means that rents for London industrial property should continue to grow faster than the national average over the next five years (albeit to a lesser extent than over the past decade) and other property types like retail and office. Last-mile units in well-connected submarkets are well placed for greater than average rent growth.
- 4.9 For Ealing, CoStar report that Ealing's industrial vacancy rate (2.8%) remains close to a historical low, and a lack of new construction and steady demand for last-mile units should keep it at low levels in the medium term. Several noteworthy lettings have occurred in recent months to help boost demand this year, with film production firms an emerging demand driver. Industrial rent growth continues to decelerate, but it remains positive and in line with the London average. The combination of healthy rent growth, steady demand and low vacancy has attracted investors in increasing numbers in recent years. Industrial investment in Ealing has soared to record heights since the pandemic began, helped by industrial giant SEGRO buying Perivale Park for £202.5 million last summer in one of London's largest ever industrial transactions.
- 4.10 Harrow is not defined as a single market in CoStar but it is noted that Barnet, Brent and Harrow form the Outer London North West industrial cluster. While not London's premier industrial hub, the area is nonetheless home to around 14 million SF of industrial space although the bulk of the area's industrial stock is in the Brent Submarket. The industrial vacancy rate across the three areas has compressed steadily over the past decade, falling from above 7% in 2011 to sit below 1% at the end of 2019. Vacancy compression in recent years has been fuelled by steady demand and the loss of some industrial buildings to alternative uses. Vacancies remain low in a historical context.

## **Ealing**

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### **Industrial Stock**

- 4.11 The VOA<sup>2</sup> provide information on the amount of floorspace by administrative area. In Ealing, at the end of FY 2019/20, there was 1,986,000 sqm of industrial floorspace in total. This makes up 10% of

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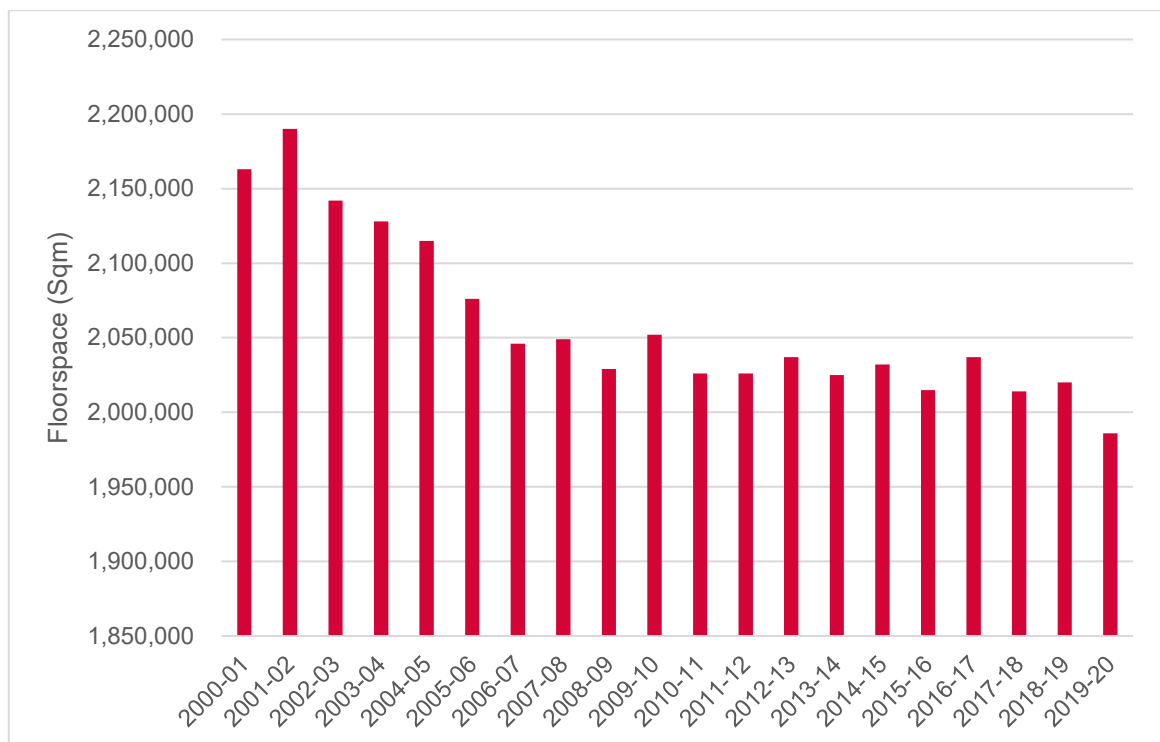
<sup>2</sup> VOA: Non-domestic rating: stock of properties including business floorspace, 2019

total floorspace across London – so above average for the 32 boroughs - and 89% of floorspace across Ealing and Harrow.

4.12 Co-star suggests that Ealing had 2,542,635 sqm of industrial floorspace in 2020 which is 28% higher than the VOA data suggests. This difference is due to a number of reasons including that the definition of industrial space used by CoStar differs to that used by the VOA and the fact that data is collected in a different manner by each organisation. VOA is considered the primary and preferred source of supply however CoStar data granularity is useful for other matters.

4.13 The figure below shows the amount of floorspace in Ealing between 2000/01 and 2019/20 according to the VOA. It can be seen that the amount of industrial floorspace in Ealing decreased sharply from a high of nearly 2.2 million sqm in 2001/02 to just under 2.05 million sqm in 2006-07. Floorspace levels then declined much more slowly (whilst fluctuating) up to 2018/19 before dropping quite in 2019/20 to under 2 million sqm, however there is some uncertainty regarding this result which may be an anomaly affected by the pandemic related to business rate holidays.

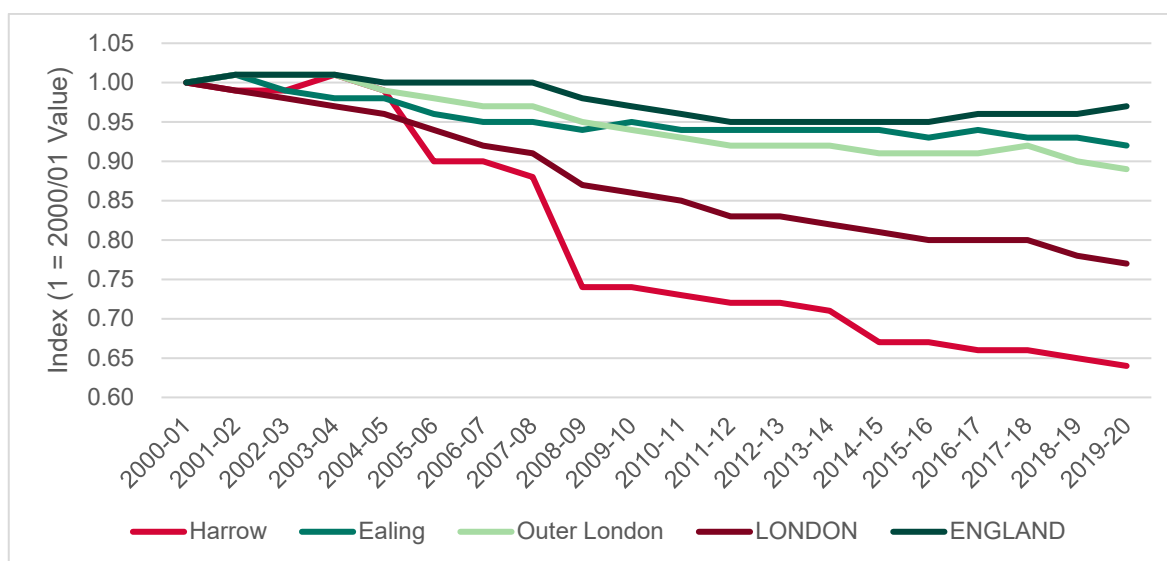
**Table 4.1 Industrial Floorspace (2000/01 – 2019/20)**



Source: Icen analysis of VOA data

4.14 The figure below shows how the amount of floorspace has changed in Ealing relative to Harrow, Outer London, the region and England. It can be seen that levels of decline over the last 20 years in Ealing were slightly less than for Outer London but slightly greater than for England. However, Ealing’s stock of industrial property has shrank much less than London’s.

**Table 4.2 Indexed Industrial Floorspace Change (2000/01 – 2019/20)**



Source: Icen analysis of VOA data

- 4.15 Ealing has a large industrial property market. Although this has seen some decline over the last 20 years it has not been significant, and losses have been limited over the last 10-15 years.

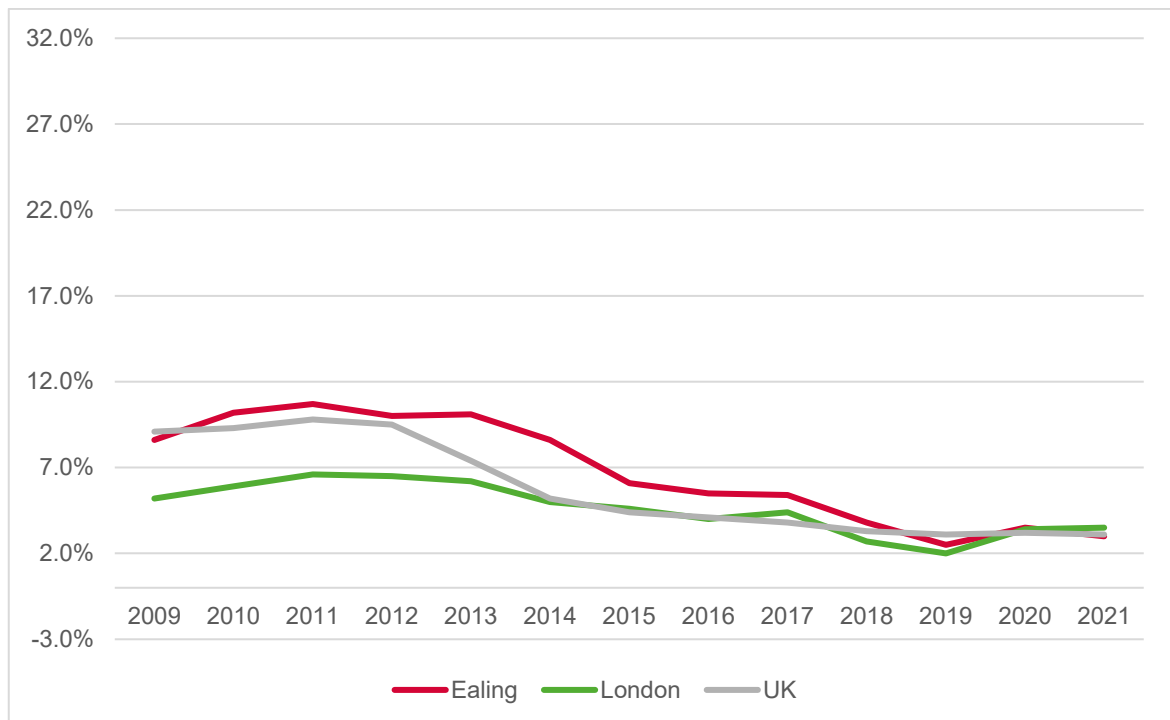
**Overall Supply-Demand Balance**

- 4.16 The overall supply-demand balance has been assessed by looking at headline indicators – namely vacancy rates and rents. The drivers of changing vacancy rates, demand and supply have also been assessed by looking at net absorption and net deliveries.

*Vacancy Rates*

- 4.17 The figure below shows how the vacancy rate in Ealing has changed over time compared to the region and the UK. The industrial vacancy rate in Ealing is currently at 3%. This is the second to lowest vacancy rate in the last 13 years, the lowest being 2.5% in 2019. The present vacancy rate in Ealing is also slightly lower than that of London and the UK.
- 4.18 Whilst short term fluctuations in vacancy should not be viewed in isolation, continuing trends of low vacancy constitute a ‘market failure’ constraining preferred business activity and investment. Ealing’s vacancy rate is extremely low (as it for London and the UK as a whole) with anything under 5% considered too low, leading to a lack of choice for business occupiers and excessive rent rises. This suggests that the market is undersupplied. This view is backed up by Levy Real Estate.
- 4.19 Since 2009, the Ealing’s vacancy rate has fallen at a similar rate to the UK, converging with the historically lower London average in 2020.

## Vacancy Rate



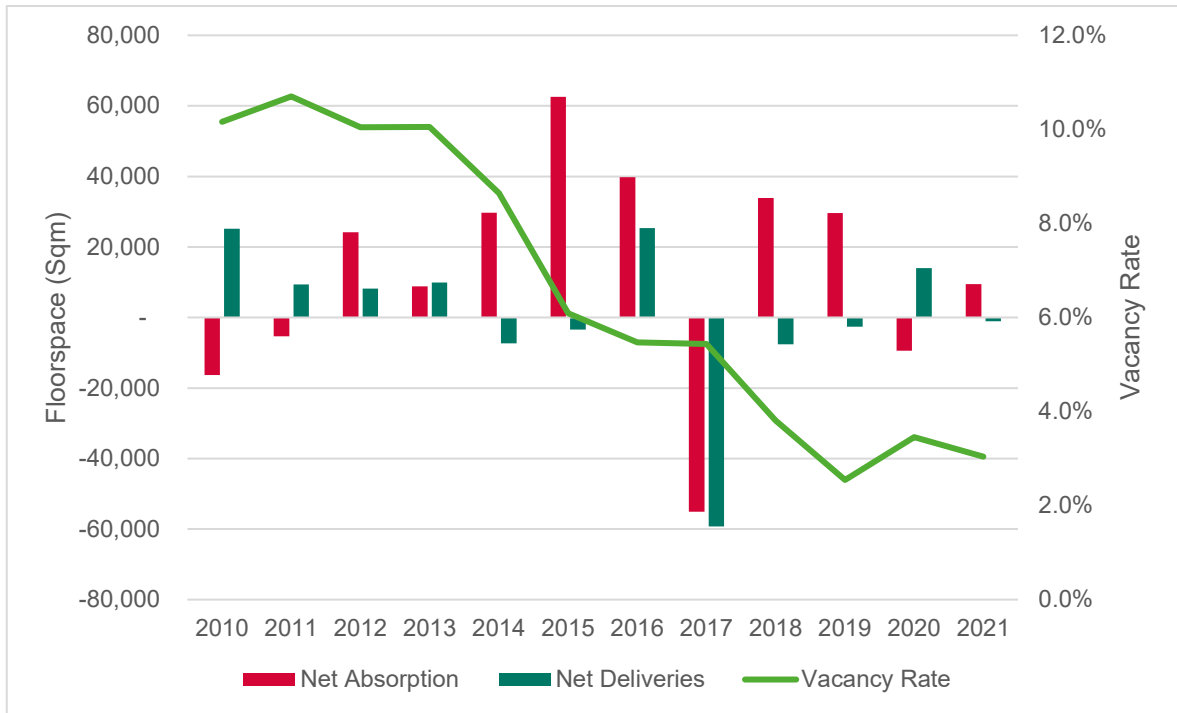
Source: IcenI analysis of CoStar data

### Supply and Demand Indicators

- 4.20 CoStar provides data on net absorption. This is the balance between the amount of space moved into and moved out of (i.e. Net absorption = Move ins – Move outs). It provides an indicator of the strength of demand. Net deliveries are the difference between floorspace delivered (i.e. constructed and brought onto the market) and demolished (or otherwise taken out of use and removed from the market).
- 4.21 A positive net absorption figure indicates strong demand and leads to a falling vacancy rate (unless it is outweighed by net deliveries). On the other hand, a negative net absorption figure indicates weaker demand and leads to a rising vacancy rate (unless it is outweighed by negative net deliveries).
- 4.22 The figure below shows net absorption, net deliveries and their resulting impact on vacancy rates in Ealing. It can be seen that levels of net absorption have been highly variable over the last 12 years. The same can be said for the last 5 years. The year to date (2021) has seen a positive net absorption in comparison to 2020 which saw negative net absorption. This suggests a bounce back from lower levels of demand during the peak of the pandemic.
- 4.23 It should be noted that low levels of vacancy in Ealing’s industrial market over the last 4 years are likely to be limiting net absorption and masking higher levels of demand.

4.24 Net deliveries have also been highly variable over the last 12 years. However, net deliveries have been negative in 4 out of the last 5 years, including 2017 which saw a relatively significant loss of just under 60,000 sqm of floorspace. This is backed up by the VOA data which shows a loss of 51,000 sqm of floorspace between 2016/17 and 2019/20. Interestingly, net deliveries picked up during 2020 and are only slightly negative for the year to date (2021).

**Table 4.3 Net Absorption, Net Deliveries and Vacancy Rates**



Source: IcenI analysis of CoStar data

4.25 Whilst both highly variable, the sharply declining vacancy rate shows that, overall, net absorption has outweighed net deliveries (over both the last 12 years and last 5 years).

4.26 The above analysis indicates that Ealing’s industrial market is undersupplied due to both strong demand and declining levels of supply. The resulting planning policy response to improve the market performance would be to seek to prevent future losses of stock and/or increase supply. The projections that follow in this report seek to advise on the potential levels of supply required, however it is also noted that the borough’s land constraints are challenging and that emerging supply side improvements – such as intensification, potentially through stacking industrial premises – are largely experimental.

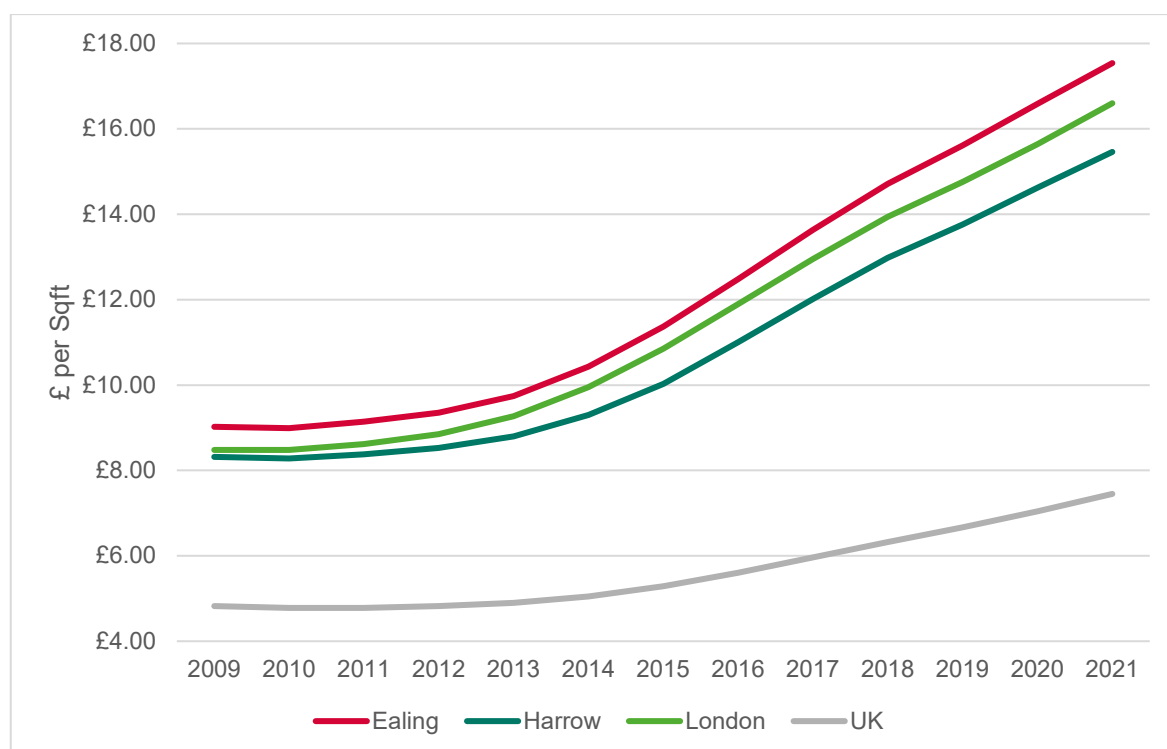
**Rental Prices**

4.27 The figure below shows how average rental prices in Ealing have changed over time compared to the region and the UK. The average rental price in Ealing is currently (November 2021) £17.54. This

is 6% above the London average. A 5-6% premium on rents in Ealing compared to London as a whole has existed since 2009. This is likely to reflect Ealing's strong accessibility and industrial pool.

- 4.28 Industrial rental growth rates across Ealing and London as a whole have been consistently strong over the last 13 years.
- 4.29 Levy Real Estate data suggests that the average industrial price in West London is slightly higher than Co-Star suggests (around £18.50 per sq ft). It also shows that top end rents can reach in the region of £30 per sq ft. Levy also suggest that rents are projected to rise at a rate of 8% per annum.
- 4.30 Strong rents and rental growth, as well as engagement with Levy Real Estate, suggests there is strong investor appetite for industrial space in Ealing which is generally viable to build (with or without pre-lets).

**Table 4.4 Average Rental Price (£ per Sq ft)**



Source: Icen analysis of CoStar data

#### Conclusions on Supply-demand Balance

Ealing's industrial market is undersupplied due to both strong demand and declining levels of supply. This, along with strong demand from higher paying non-traditional industrial occupiers (film production, data centres, dark kitchens, delivery businesses), is driving up rents and forcing out traditional industrial occupiers (manufacturing and some logistics companies).



### Supply-demand Balance by Quality and Age

- 4.31 It is useful to understand the supply demand balance for stock of a particularly quality and age. This is particularly important for new, high quality stock and helps to understand the need for new stock.
- 4.32 The figure below shows the availability rate for existing industrial stock by quality (in terms of CoStar's Building Rating System<sup>3</sup>). It can be seen that there is no availability of 4 or 5 star space suggesting strong demand for new, high quality space in the Ealing is high.
- 4.33 Whilst there is very little 1 star space in Ealing, it is all leased, suggesting that the space is well utilised and hence required.

**Table 4.5 Availability Rate by Star Rating (sqm)**

Star Rating	Available Floorspace	Total Floorspace	Availability Rate
1	-	12,085	0.0%
2	18,451	594,793	3.1%
3	80,913	1,813,253	4.5%
4	-	116,359	0.0%
5	-	16,069	0.0%
Grand Total	99,363	2,552,558	3.9%

Source: Icen analysis of CoStar data

- 4.34 The figure below shows the vacancy rate for existing industrial stock by age band. It can be seen that there is a very low availability rate for stock built/renovated between 2015 and 2019 suggesting there is good demand for new, high quality stock. However, vacancy rates are low to moderate across the board. Market feedback does suggest that there will be a need for renewal of some older stock in the coming years over the lifetime of the Local Plan.

**Table 4.6 Availability Rate by Age (sqm)**

	Available Floorspace	Total Floorspace	Availability Rate
Pre 1940	655	117,537	0.6%
1940-1959	-	99,154	0.0%
1960-1979	14,886	592,065	2.5%
1980-1999	50,557	1,114,649	4.5%
2000-2009	18,178	417,896	4.3%
2010-2014	6,343	106,583	6.0%
2015-2019	520	81,968	0.6%
2020	8,225	22,706	36.2%
Overall	99,363	2,552,558	3.9%

<sup>3</sup> The Building Rating System is explained here - [https://www.costar.com/docs/default-source/brs-lib/costar\\_buildingratingsystem-definition.pdf?sfvrsn=12a507a4\\_2](https://www.costar.com/docs/default-source/brs-lib/costar_buildingratingsystem-definition.pdf?sfvrsn=12a507a4_2)

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*Source: IcenI analysis of CoStar data*

4.35 Overall, there is demand for industrial stock of all qualities in Ealing. There is particularly strong demand for new, high quality stock.

#### **Demand for Pipeline Space**

4.36 The figure below shows the amount and availability of pipeline industrial floorspace in Ealing. This is based on CoStar's definitions of pipeline space and is included to get an understanding of demand for pipeline space (based on availability rates).

4.37 CoStar suggests that there is 81,515 sqm of proposed<sup>4</sup> industrial floorspace in Ealing . However, none of this is available meaning it has been pre-let. . However, there is 12,503 sqm of floorspace under construction (at Fairway Drive, Greenford), only half of which has been pre-let. Overall, the availability rate for pipeline space is just 6.6% suggesting strong demand for new space in Ealing.

**Table 4.7 Pipeline Space and Availability (sqm)**

Status	Available Floorspace	Total Floorspace	Availability Rate
Proposed	-	81,515	0.0%
Under Construction	6,439	12,503	51.5%
Under Renovation	-	-	-
Overall	6,439	94,018	6.8%

*Source: IcenI analysis of CoStar data*

#### **Demand by Size**

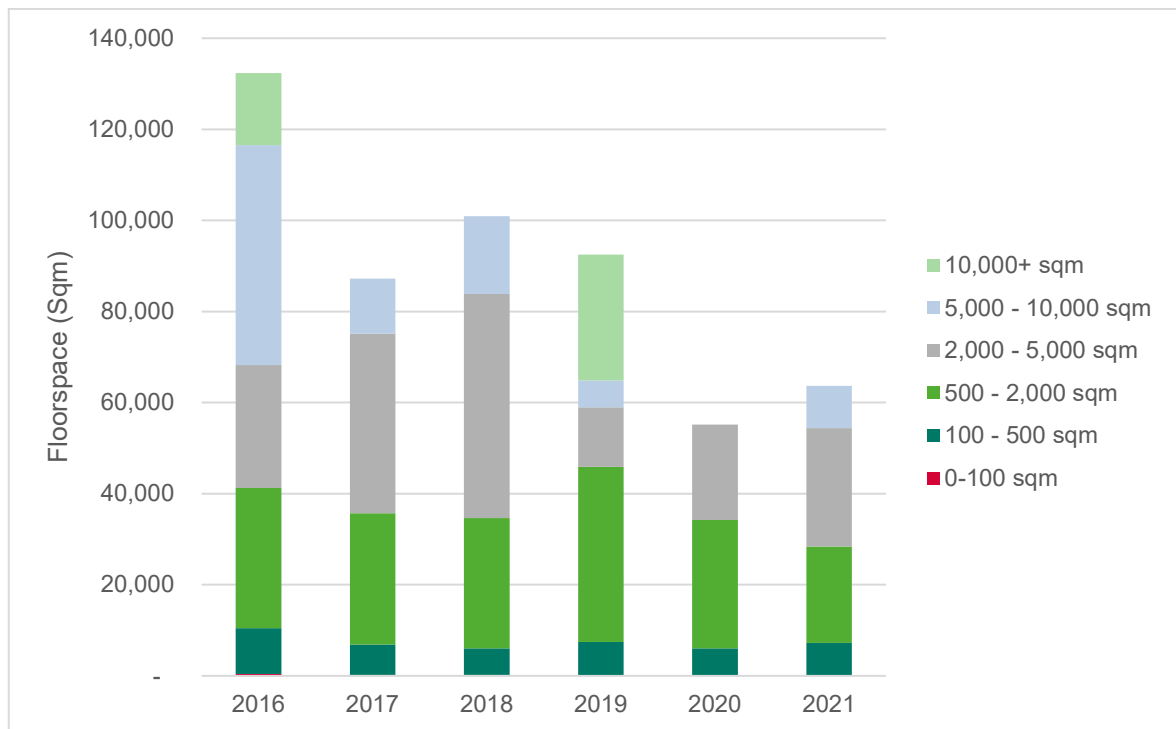
4.38 The amount of leasing activity which has occurred in various size bands has been assessed to provide an indication of demand by size. However, it should be remembered that leasing activity is constrained by the size of available stock. Therefore, our assessment of demand by size has been considered together with information from stakeholders.

4.39 The figure below shows the amount of leasing activity (sqm) by size band which has occurred over the last 6 years. It can be seen that overall levels of leasing activity have generally decreased over the last 6 years. However, activity in 2021 to date has already exceeded that 2020 levels. It can be seen that a significant amount of overall decline is due to limited activity for space of 5,000 sqm or greater, especially compared to 2016 levels. Market feedback indicates that the decline in transactions is due to the lack of space on the market.

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<sup>4</sup> Proposed refers to land considered for a particular future use or a building that has been announced for future development. The project is not expected to start construction in the next 12 months. Typically, Building Permits have not been issued.

**Table 4.8 Leasing Activity Over Time by Size Band (Sqm)**



Source: IcenI analysis of CoStar data

4.40 Examples of lets in 2021 include:

- Deliveroo, 19,000 sqft, The Vale
- Zapp, 25,000 sqft, Acton Lane
- Ocado, 48,000 sqft, Cumberland avenue
- Garden Campus Ltd (studios) 3 lets of 9,000, 21,000, 48,000 sqft, Waxlow Road (with a further 2 in 2020)

4.41 The figure below shows the percentage of leasing activity by size band over the last 5 years (2016-2021 to date). It can be seen that the majority of demand (in terms of sqm of space) in Ealing (over two-thirds) is for space of between 500 and 5,000 sqm. Up to a quarter of demand is for space between 5,000-10,000 sqm. Around 10% of demand is for space of less than 500 sqm. Whilst this represents actual deals it may also be constrained by the market.

**Table 4.9 Percentage of Leasing Activity by Size Band**

0-100 sqm	100 - 500 sqm	500 - 2,000 sqm	2,000 - 5,000 sqm	5,000 - 10,000 sqm	10,000+ sqm
0.2%	8.1%	33.1%	33.0%	17.4%	8.2%

Source: IcenI analysis of CoStar data

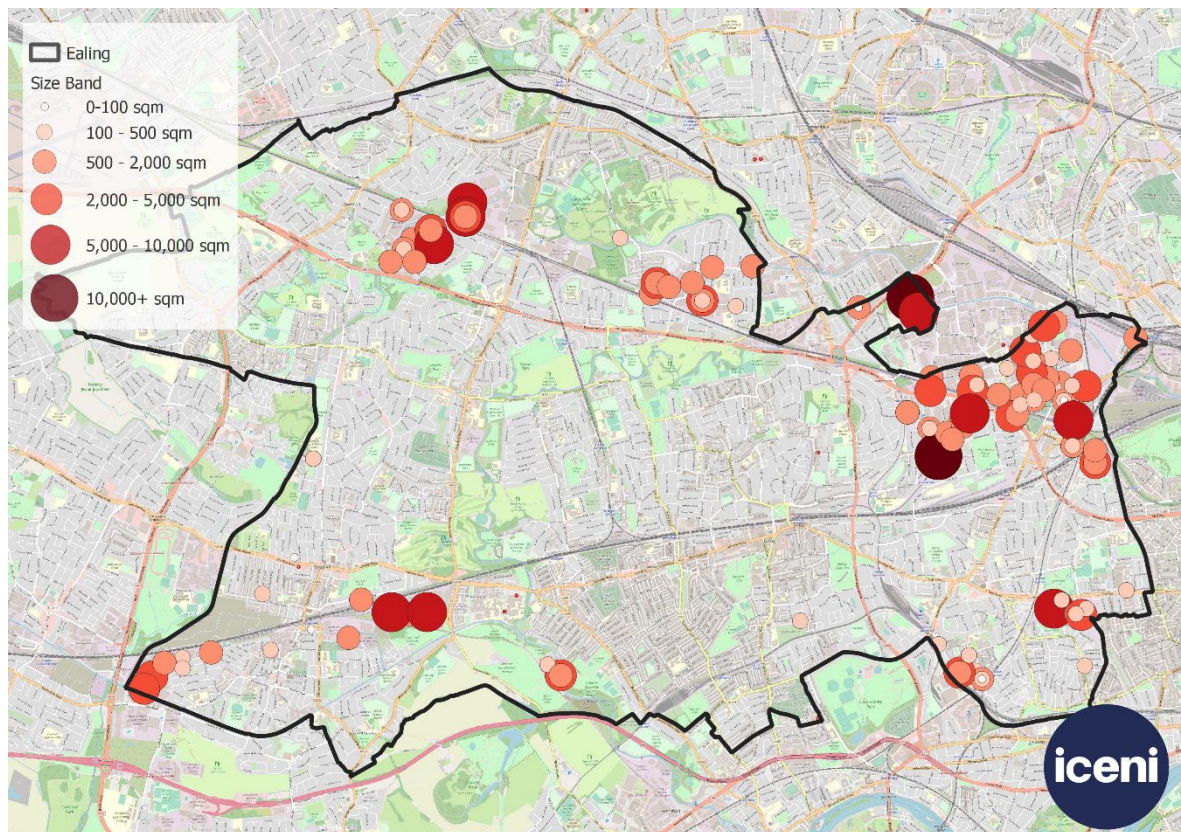
4.42 Engagement with Levy Real Estate suggests there is strong demand for a range of premises sizes in Ealing. Delivery businesses are looking for ~500 sqm whilst dark kitchens are looking for ~500-1,000 sqm of space. At the other end of the market, data centres and film industries are looking for over ~5,000 sqm. Whilst there are some, there are a limited number of occupiers looking for smaller space.

#### Demand by Location

4.43 The map below shows the locations of lease completions in Ealing (by size) over the last 5 years. It can be seen that the majority of demand is in and around Park Royal. The vast majority of demand for space over 2,000 sqm is also in Park Royal. The other significant concentration of floorspace can also be seen around Northolt/Greenford.

4.44 It can also be seen that most demand lies along transport corridors, in particular the A40 corridor.

Table 4.10 Lease Completions by Size



Source: IcenI analysis of CoStar data

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## Harrow

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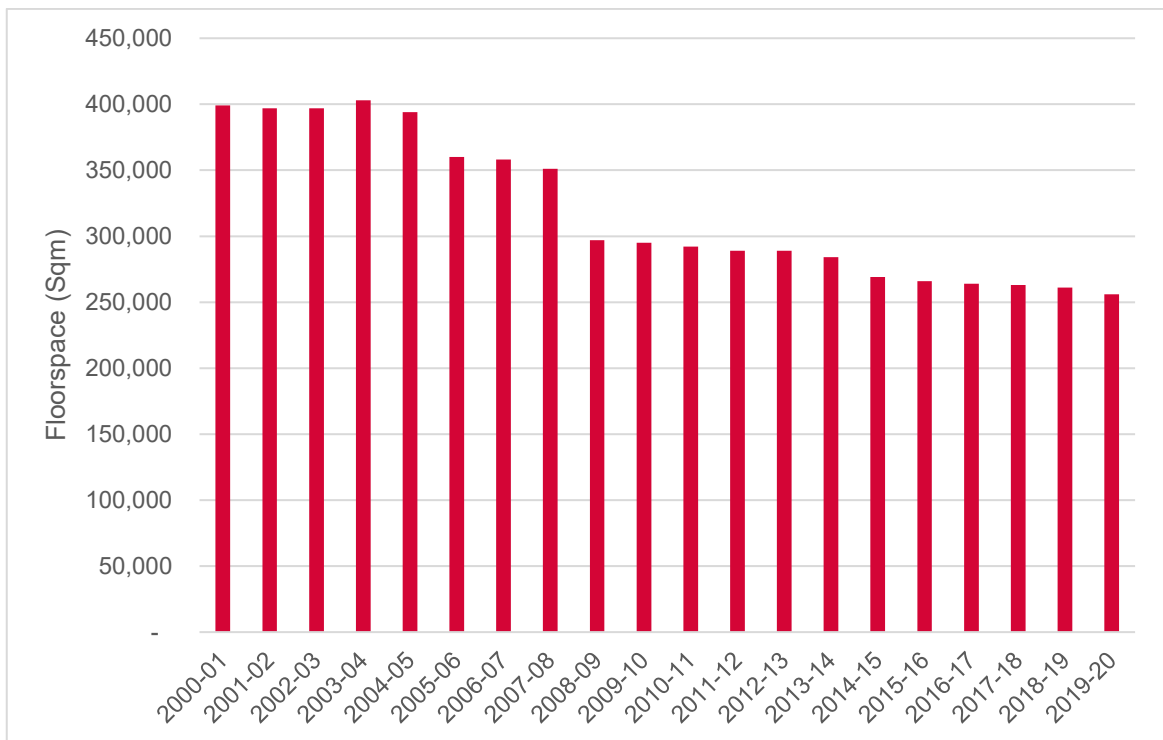
### Harrow Industrial Stock

- 4.45 The VOA<sup>5</sup> provide information on the amount of industrial floorspace by administrative area. In Harrow at the end of FY 2019/20, there was 256,000 sqm of industrial floorspace. This makes up 1% of London's total and 11% of Ealing and Harrow's combined total. Harrow has a relatively small industrial property market in the context of London as a whole.
- 4.46 Co-star suggests that Harrow had 161,955 sqm of industrial floorspace in 2020 which is 37% lower than the VOA data suggests. This difference is due to a number of reasons including that the definition of space used by CoStar differs to that used by the VOA and the fact that data is collected in a different manner by each organisation. CoStar suggests that the amount of industrial floorspace has not changed since 2020. VOA is considered the primary and preferred source of baseline supply position however CoStar data granularity is useful for other matters.
- 4.47 The figure below shows the amount of floorspace in Harrow between 2000/01 and 2019/20. It can be seen that there was 143,000 sqm decline in industrial floorspace over the last 20 years. The majority of this decline (106,000 sqm) occurred between 2003/04 and 2008/06. Since 2008/09 decline has been much more steady. The decline is likely to be influenced most significantly by the demolition of the Kodak factory at Wealdstone (2007/08 – 2008/09 figures).

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<sup>5</sup> VOA: Non-domestic rating: stock of properties including business floorspace, 2019

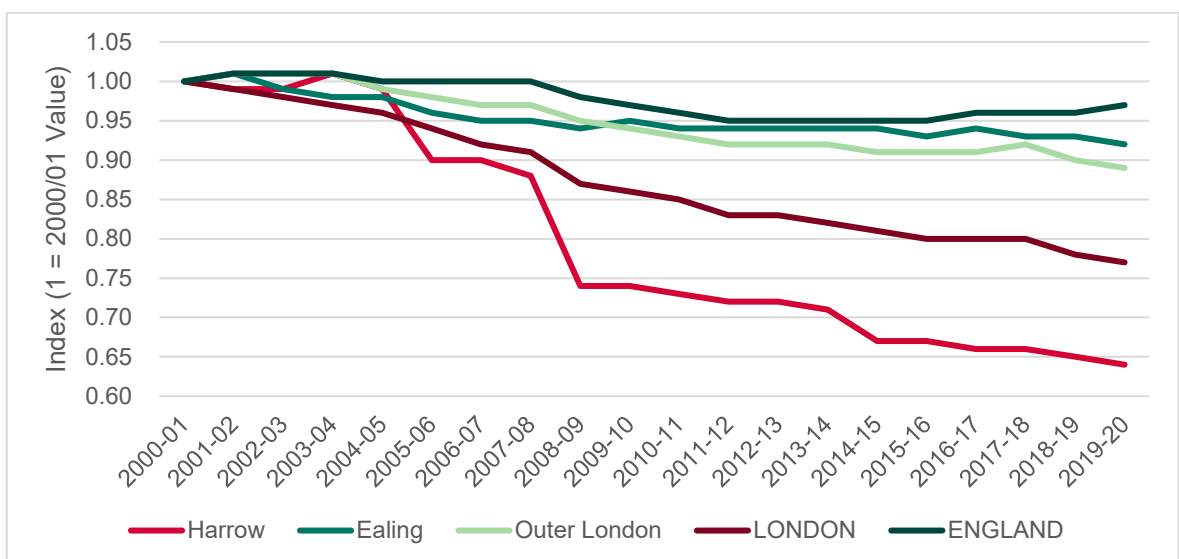
**Table 4.11 Industrial Floorspace (2000/01 – 2019/20)**



Source: Icen analysis of VOA data

4.48 The figure below shows how the amount of floorspace has changed in Harrow relative to Ealing, Outer London, the region and England. It can be seen that Harrow has seen significant industrial floorspace decline in relation to the comparators, including London which has seen also seen significant decline. Since 2008/09 the rate of decline has been similar to that seen across London but still greater than that seen across Outer London and England. The loss of the Kodak factory 2007/08 is notable below.

**Table 4.12 Indexed Industrial Floorspace Change (2000/01 – 2019/20)**



Source: Icen analysis of VOA data

4.49 Overall, Harrow has a small industrial market which has seen significant decline over the last 20 years (loss of Kodak factory making the largest contribution) and to a lesser extent over the last 10-15 years.

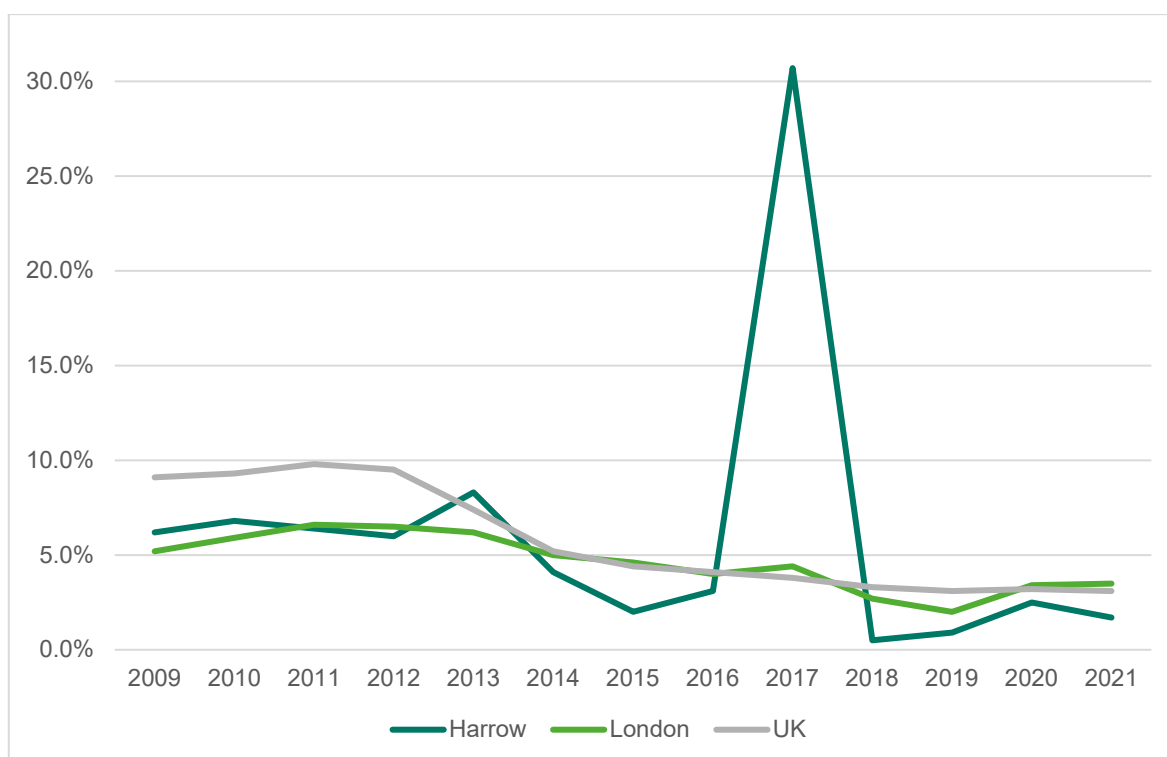
**Overall Supply-Demand Balance**

4.50 The overall supply-demand balance has been assessed by looking at headline indicators – namely vacancy rates and rents. The drivers of changing vacancy rates, demand and supply have also been assessed by looking at net absorption and net deliveries.

*Vacancy Rate*

4.51 The figure below shows how the vacancy rate in Harrow has changed over time compared to the region and the UK. The current (November 2021) vacancy rate in Harrow is 1.7%. This is the third lowest of any year in the dataset. Harrow’s vacancy rate is also lower than London’s and the UK’s and has been since 2018. The 2017 spike is believed to relate to the closure of the final elements of the Kodak factory and its vacancy until the site was no longer recorded as functional.

**Table 4.13 Vacancy Rate**



Source: IcenI analysis of CoStar data

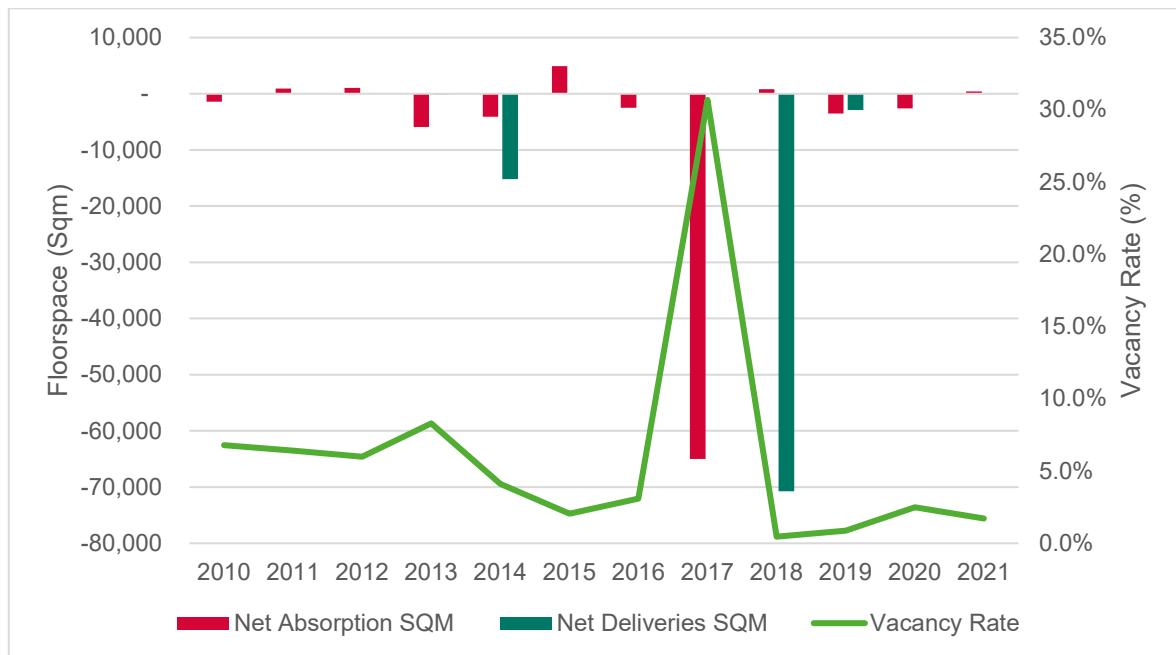
4.52 Harrow’s industrial vacancy rate is very low suggesting the market is undersupplied. This is backed up by Levy Real Estate who suggested that there is not much vacant space in the borough albeit the market is much smaller and subsidiary compared to Ealing.



*Supply and Demand Indicators*

- 4.53 CoStar provides data on net absorption. This is the balance between the amount of space moved into and moved out of (i.e. Net absorption = Move ins – Move outs). It provides an indicator of the strength of demand. Net deliveries are the difference between floorspace delivered (i.e. constructed and brought onto the market) and demolished (or otherwise taken out of use and removed from the market).
- 4.54 A positive net absorption figure indicates strong demand and leads to a falling vacancy rate (unless it is outweighed by net deliveries). On the other hand, a negative net absorption figure indicates weaker demand and leads to a rising vacancy rate (unless it is outweighed by negative net deliveries).
- 4.55 The figure below shows net absorption, net deliveries and their resulting impact on vacancy rates in Harrow. It can be seen the graph has been skewed by very strong negative net absorption and negative net deliveries in 2017 and 2018 – this is the closure of the final elements of the Kodak factory and then its subsequent removal from the registered market a year later.
- 4.56 It can be seen that prior to 2017, net absorption was very variable. There were no years with positive deliveries but 2014 saw significant negative net deliveries. Overall, this period saw a declining vacancy rate meaning net absorption was greater than net deliveries.

**Table 4.14 Net Absorption, Net Deliveries and Vacancy Rates**



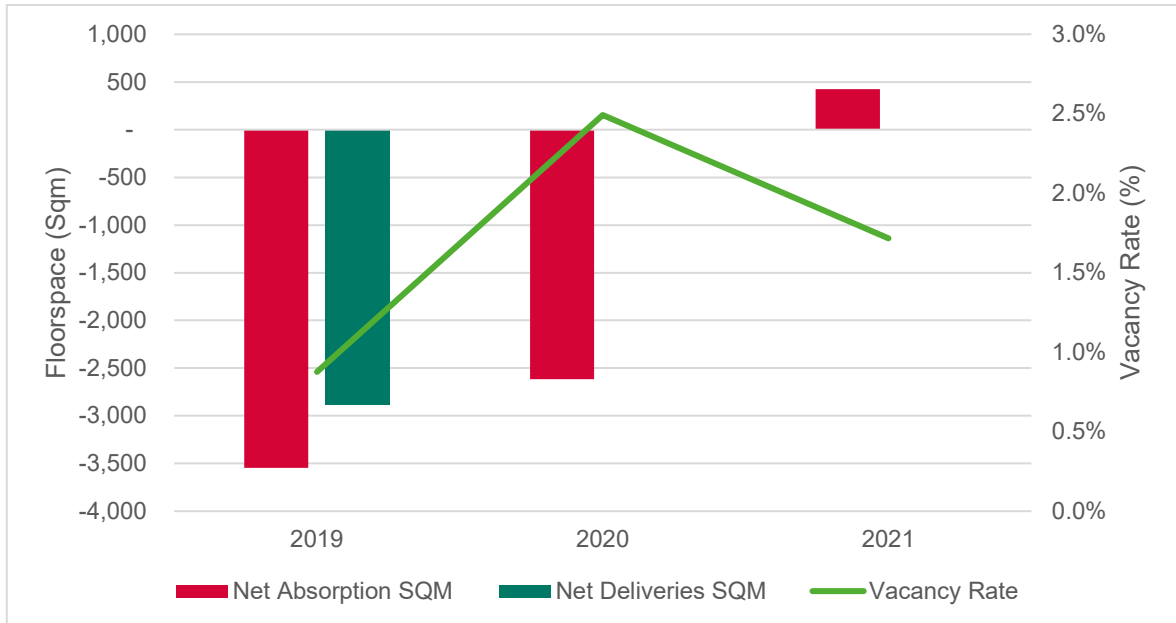
Source: IcenI analysis of CoStar data

- 4.57 The figure below shows net absorption, net deliveries and their resulting impact on vacancy rates since 2019. It can be seen that net absorption was negative in 2019 and 2020 but was slightly positive



in 2021. Over these three years negative net absorption has outweighed negative net deliveries leading to a (marginally) increased vacancy rate.

**Table 4.15 Net Absorption, Net Deliveries and Vacancy Rates since 2019**



Source: IcenI analysis of CoStar data

4.58 Levy Real Estate suggest that, whilst space is lacking in Harrow, demand is also relatively weak (when compared to Ealing and other West London Boroughs). This is exemplified by the fact that the under construction units at the former Kodak site are not being pre-let very quickly. Furthermore, Levy suggest that Harrow sees a preferred demand from local businesses rather than large logistics, data centre, 3PLs etc (when compared to Ealing and other West London Boroughs).

4.59 Overall, it can be seen that demand in Harrow has been relatively slow, including over the last three years, which reflects its lack of strategic infrastructure and strategic road network access. However, there have been significant losses of industrial floorspace which has driven the low vacancy rate. This suggests that existing floorspace needs to be protected in order to prevent the market becoming increasingly constrained. There may also be a need for new floorspace to ease existing supply constraints but the type, location and quality of floorspace should be carefully considered given the relatively low levels of demand in Harrow. This is likely to involve encouraging the re provision of ageing stock on existing estates and emphasising the delivery of smaller terraces of modern units with roller doors and good eaves height.

#### *Rental Prices*

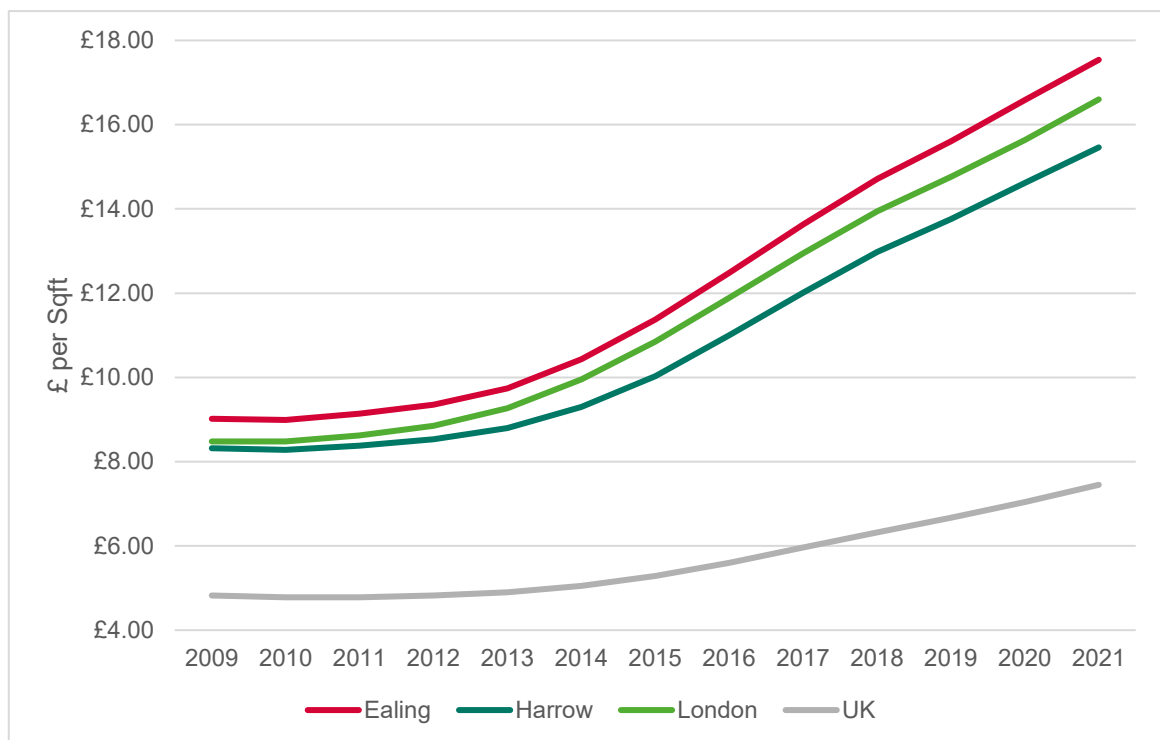
4.60 The figure below shows how average rental prices in Harrow have changed over time compared to the region and the UK. Current (November 2021) average industrial rents in Harrow are £15.46 per sq ft. This is 7% below the average for London. In 2009, this gap was around 2% but rose to 7% by

2014. Since then, the gap remained at 7% as rental growth in Harrow kept up with London as a whole.

4.61 Whilst lower than the London average, rents in Harrow are still likely to be high enough to support speculative development. Furthermore, the Borough offers a more affordable choice for traditional industrial occupiers who cannot afford rents in Ealing and Park Royal (which have been inflated by strong demand from high paying non-traditional occupiers).

4.62 There has been no significant impact (i.e. growth which is different from comparator areas) on rents in Harrow caused by the Borough’s extremely low industrial vacancy rate.

**Table 4.16 Average Rental Price (£ per Sq ft)**



Source: Icen analysis of CoStar data

**Supply-demand Balance by Quality and Age**

4.63 It is useful to understand if overall vacancy rates are reflected when considering vacancy rates for stock of varying quality/age. The figure below shows the vacancy rate for industrial stock by quality (in terms of CoStar’s Building Rating System<sup>6</sup>). It can be seen that there is no 4-5 star stock in Harrow. This suggests that there is little to no demand for high quality space in the area or no

<sup>6</sup> The Building Rating System is explained here - [https://www.costar.com/docs/default-source/brs-lib/costar\\_buildingratingsystem-definition.pdf?sfvrsn=12a507a4\\_2](https://www.costar.com/docs/default-source/brs-lib/costar_buildingratingsystem-definition.pdf?sfvrsn=12a507a4_2)

development opportunities have been available. However this excludes the new units at the former Kodak Factory which have not yet been constructed and will presumably be to high quality. This suggests that where development opportunities become available it is viable to deliver new units but that generally the existing stock achieves rents that are at a sufficient rate to warrant renewal.

- 4.64 Whilst there is only a small amount of 1 star space in Harrow, none of this is available suggesting that this space is well utilised and hence required.

**Table 4.17 Availability Rate by Star Rating (sqm)**

Star Rating	Available Floorspace	Total Floorspace	Availability Rate
1	-	9,729	0.0%
2	5,267	74,358	7.1%
3	5,395	65,800	8.2%
4	-	-	-
5	-	-	-
Overall	10,662	149,887	7.1%

Source: Icen analysis of CoStar data

- 4.65 The figure below shows the availability rate for industrial stock by age band. Whilst there is a limited amount of space built since 2000, none of this is available. This suggests that any new space built is likely to be taken up.
- 4.66 There is a higher availability rate for space built from 1980-1999. This may be of a lower quality and may need upgrading to help attract businesses to Harrow albeit experience elsewhere in London suggests that levels of demand are generally such that 1980s/90s stock achieves a good rental return.

**Table 4.18 Availability Rate by Age**

	Available Floorspace	Total Floorspace	Availability Rate
Pre 1940	-	34,446	0.0%
1940-1959	687	3,651	18.8%
1960-1979	1,430	47,918	3.0%
1980-1999	8,545	56,618	15.1%
2000-2009	-	6,982	0.0%
2010-2014	-	272	0.0%
Overall	10,662	149,887	7.1%

Source: Icen analysis of CoStar data

#### **Demand by Size**

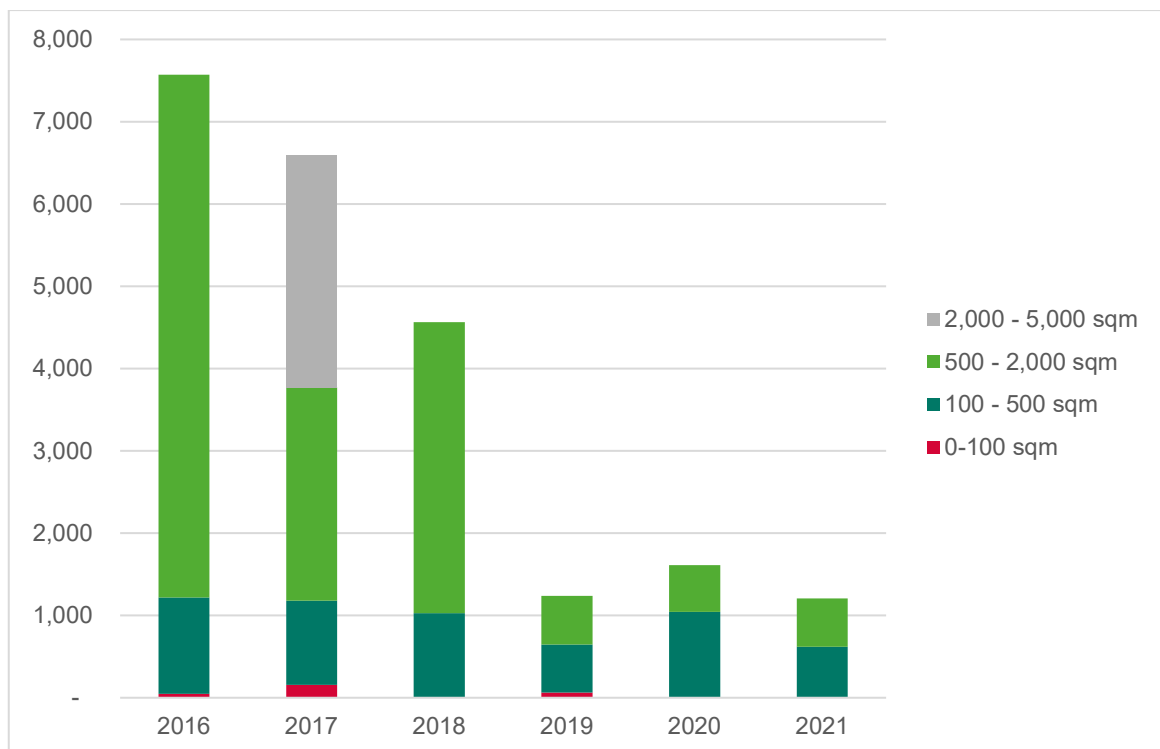
- 4.67 The amount of leasing activity which has occurred in various size bands has been assessed to provide an indication of demand by size. However, it should be remembered that leasing activity is

constrained by the size of available stock. Therefore, our assessment of demand by size has been considered together with information from stakeholders.

4.68 Leasing activity differs from absorption in that it refers to the amount of space which is leased (i.e. signed for rather than physically moved in to).

4.69 The figure below shows the amount of leasing activity (sqm) by size band which has occurred over the last 5 years. It can be seen that leasing activity has declined since 2016. Most of this decline has been due to a decline in the leasing of space between 500 and 2,000 sqm. However, there has also been a decline in the amount of space leased between 100 and 500 sqm. In reality there has been little available space to move into.

**Table 4.19 Leasing Activity Over Time by Size Band (Sqm)**



Source: IcenI analysis of CoStar data

4.70 The figure below shows the percentage of leasing activity between 2016 and 2021. It can be seen that the majority of demand (in terms of sqm of space) came from the 500-2,000 sqm category.

**Table 4.20 Percentage of Leasing Activity by Size Band**

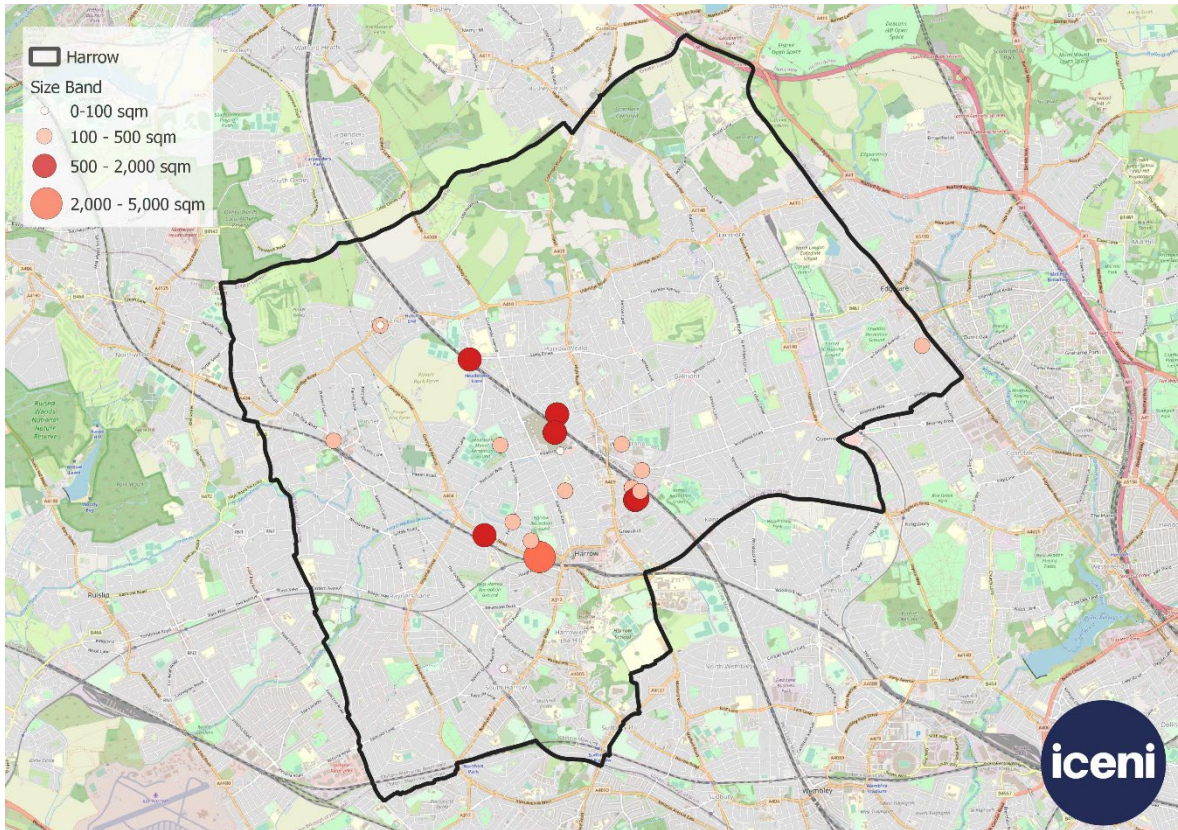
0-100 sqm	100 - 500 sqm	500 - 2,000 sqm	2,000 - 5,000 sqm
1%	24%	62%	12%

Source: IcenI analysis of CoStar data

### Demand by Location

4.71 The map below shows the locations of lease completions in Harrow (by size) over the last 5 years. It can be seen that the majority of demand is in existing estates in the centre of the borough.

Table 4.21 Lease Completions by Size



Source: IcenI analysis of CoStar data

### Pipeline

4.72 The figure below shows the amount and availability of pipeline industrial floorspace in Harrow. This is based on CoStar’s definitions of pipeline space and is included to get an understanding of demand for pipeline space (based on availability rates). CoStar suggests that there is no proposed space in Harrow. However, there is 11,854 sqm of floorspace under construction (units at Kodak ‘Harrow View’) which is 100% available. Overall, the availability rate for pipeline space suggests that pre-lets have been slow, but it is still expected that units will let in a good timeframe following practical completion.

Table 4.22 Pipeline Space and Availability

Status	Available Floorspace	Total Floorspace	Availability Rate
Proposed	-	-	-
Under Construction	11,854	11,854	100.0%
Grand Total	11,854	11,854	100.0%

Source: IcenI analysis of CoStar data

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## 5. SECTOR TRENDS

5.1 The 2019 West London Employment Land Evidence considered a number of sector trends including:

- E-commerce as a market driver
- Locational market drivers ie A40
- Warehouse occupiers primarily being
  - High St retail / Third party logistics (3PLs) / Food retail / Other: manufacturing, food service, automotive, wholesale – with focus in London on 3PLs and food retail.
- Electric vehicles
- Final mile vs micro logistics
- Stacked logistics

5.2 Discussions with industry including Levy Real Estate have been considered to provide an update on key trends.

### **Market drivers**

5.3 The pandemic has had a mixed effect overall on the industrial sector with a decrease in demand in some sectors such as automotive and aerospace, countered by an overall increase due to further rises in e-commerce both food and non food, alongside greater demand for stock holding due to supply chain issues compounded by Brexit. At a national level industrial demand remains at an almost all time high manifesting most strongly in demand for larger warehousing units. In London demand remains high for general industrial and warehousing stock driven by 3PLs, v food delivery, general industrial occupiers such as building trades, B2B distribution and general manufacture.

5.4 In Central/West London and notably Ealing, demand for industrial space is extremely high and that the market is being squeezed from all directions. The general industrial and 3PLs are now competing with new market occupiers for rapid delivery such as Getir and Zapp as well as food deliveries such as Deliveroo which require dark kitchen space. The bottom end of the market (10,000 sqft and below) is being squeezed by these delivery businesses and dark kitchens (a professional commercial kitchen that only produces food for delivery). The top end of the market of 50,000 sqft plus which is typically dominated by 3PLs from Amazon to Ocado as well manufacturing, is being squeezed by data centres and film/TV production companies. These are very well financed operations that are seeing an explosion in demand and so enabled to out perform on rents.

5.5 Levy suggest that Ealing's high rents and strong rental growth are being driven by demand from non-traditional industrial occupiers at both the top and bottom ends of the market who are willing to pay more than traditional occupiers. This has led to traditional industrial occupiers (such as manufacturers / trades / local distribution and storage) being squeezed into smaller areas (which has



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in turn led to increasing rents for these occupiers) and to more peripheral areas outside of Ealing and London – Maylands at Hemel Hempstead for example. Even some logistics operators serving the London market are moving out of London due to out-competition from data centres, film/TV production studios, dark kitchens and delivery businesses. These pressures evidently make the task of managing and restructuring employment land even more challenging due to new market entrants.

### **Colocation**

- 5.6 There is evidence of schemes being advanced that typically look to repurpose existing industrial with reprovided industrial / quasi industrial space with residential above. This is occurring notably in LSIS locations such as South Acton where number of schemes are proposed or permitted along Bollo Lane. Caxton Works is a built example in East London however this is general B/B1 rather than industrial uses.

**Figure1: Caxton Works** (Source: Studio Egret West)



- 5.7 The market view is that general industrial occupiers are cautious about the usability of such space due to concerns over practicality over issues related to deliveries, servicing, noise and hours of use. There are concerns over enforcement notices, the practicality of moving goods in and out (often HGVs) and the safety/amenity impact this has on residents. Even dark kitchens (which may be considered to be a light industrial use) may have issues due to delivery traffic (often motorised scooters). In theory these should be managed and mitigated through the Agent of Change process at the application however there are few worked examples to date.
- 5.8 There is however clearly a market segment that can occupy this co-located space which includes small scale manufacturing / crafts maker space, light distribution, non intensive repairs ie bicycle, gallery, studio for film / photography. This is smaller (but real) market segment compared to the broad spectrum of demand and needs of industrial occupiers. As result there is certainly potential for colocation to improve aged industrial units and estates, but an over development of collocated space

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can reduce overall industrial capacity. Regardless it is expected that further permissions for collocation will come forward given the ability to achieve additional residential units which is a profitable and viable proposal in many areas.

- 5.9 The benefit of collocated space is that new space is brought into the market – as well as any residential that is delivered above. Notably however there are no delivered examples of space with traditional roller shutters offering general industrial activity in the market to date (other than the Travis Perkins at Kings Cross), rather those seek that provide studios, maker spaces etc as above. Permission at Trumpers Way in Ealing <https://mhalondon.com/case-study/trumpers-way-hanwell/> provides a good example of a workable industrial / residential layout however this has not yet been brought forward for delivery.
- 5.10 A further complication is the introduction of Class E (g) which bands together office and light industrial. A Class E (g) permission may therefore not clearly provide light industrial space vs office. The design detail in terms of layout and access provide greatest certainty over the anticipated end users.

#### **Stacked Logistics / Industrial**

- 5.11 There are a number of proposals being considered for stacked logistics in London, including one at Silvertown for Gazeley and the other at Park Royal by Goodman. The most recent position from agents is that due to costs only with discounted land values can delivery be viable and there are wider range of technical matters at stake. Planning permission and highways issues are reportedly the key challenges, along with land pricing, build costs and competition for uses.
- 5.12 Highways issues (congestion, safety and pollution) are remaining challenges for Gazeley which are understood to be unresolved despite support from the Mayor. The Goodman scheme at Park Royal is also being considered for an alternative high value use. However SEGRO are more positive about the potential to deliver 'V Park' the former Generator building, see below.
- 5.13 A further barrier to the development of stacked logistics is that strong rents and demand from high-paying occupiers such as data centres means that developers do not need to build multi-level schemes to be profitable. There is one consented multi-level scheme in London (Albert Basin) yet to be built out to test the concept in full.
- 5.14 Stacked industrial units also present a number of challenges depending on the nature and scale. Whilst multi level mixed urban studios and factories are a historic feature of London, general industrial multi level separated units are challenging to deliver given the costs of engineering strength floors, lifts, ramps and general vehicle access to upper stories. Ground rents currently achieved are so high that these are favoured given rising build costs for multi level can be prohibitive, and the land area involved needs to be at a critical mass. In Barking and Dagenham BeFirst are driving the 'Industria'



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development <https://yourcall.befirst.london/industria> which will be a first in delivering multi level separated units with ramped access in London. The building is reportedly on site as of Nov 2021. It involves:

- four storey core buildings arranged each side of the courtyard
- Flexible light industrial units from 1700-5200 sqft (160-475 sqm) and flatted factory units from 140-2500 sqft (15-230 sqm)
- Goods lifts and vehicle ramp with vehicle access across three floors

**Figure2: Industria** (Source: Be First)



5.15 SEGRO have also acquired the formerly titled 'Generator' building at Grand Union, Alperton coming forward adjacent to the St George residential development. As of spring 2022 SEGRO are positive about the deliverability of the scheme given their land position and the local market suiting the premises available. This would be the first in-London provide development if completed. SEGRO are also reporting interest in out of London (Slough) stacked industrial sites<sup>7</sup>.

**Figure3: Grand Union** (Source: SEGRO)



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<sup>7</sup> [https://www.segro.com/media/press-releases/2022/23-02-22?sc\\_lang=en](https://www.segro.com/media/press-releases/2022/23-02-22?sc_lang=en)

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## 6. SCENARIOS FOR FLOORSPACE DEMAND

6.1 The 2019 West London Employment Land Evidence Report used an Oxford Economics (OE) local forecasting model to determine a future employment floorspace and land need for the boroughs and compared this to the London wide evidence.

6.2 It is of note that the PPG Including most recent 2019 updates does not recommend a single approach to assessing future logistics needs but refers to market engagement, market signals, take up trends, availability, economic forecasts etc.

6.3 In Icení's view it is increasingly important to use a range of indicators to come to a view on future property and employment land requirements. There are benefits and challenges to using a range of methods notably:

- Labour demand: future job trends are increasingly divorced from property requirements, particularly for industrial, with investment in capital and productivity not being necessarily matched with increased jobs. Some falls in poorer quality industrial jobs are likely to be replaced by higher skilled needs in both manufacturing and logistics sectors.
- Take up (absorption): can be a useful indicator of needs in the current market cycle however land supply constraints can suppress take up and build in a repressed view of needs, similar to completions trends. The British Property Federation (BPF) reflect on this in their 2022 paper which suggests using an undersupply balancing model<sup>8</sup>.

6.4 Within London and including Ealing and Harrow, the market review and trends (above) suggest that take up has been falling as a result of low availability, therefore projections of this trend are likely to build in supply side capacity issues without adjustment. The labour demand forecasts used below are also not without issue and therefore sensitivities are explored to seek to provide the most robust position possible.

### **Labour demand**

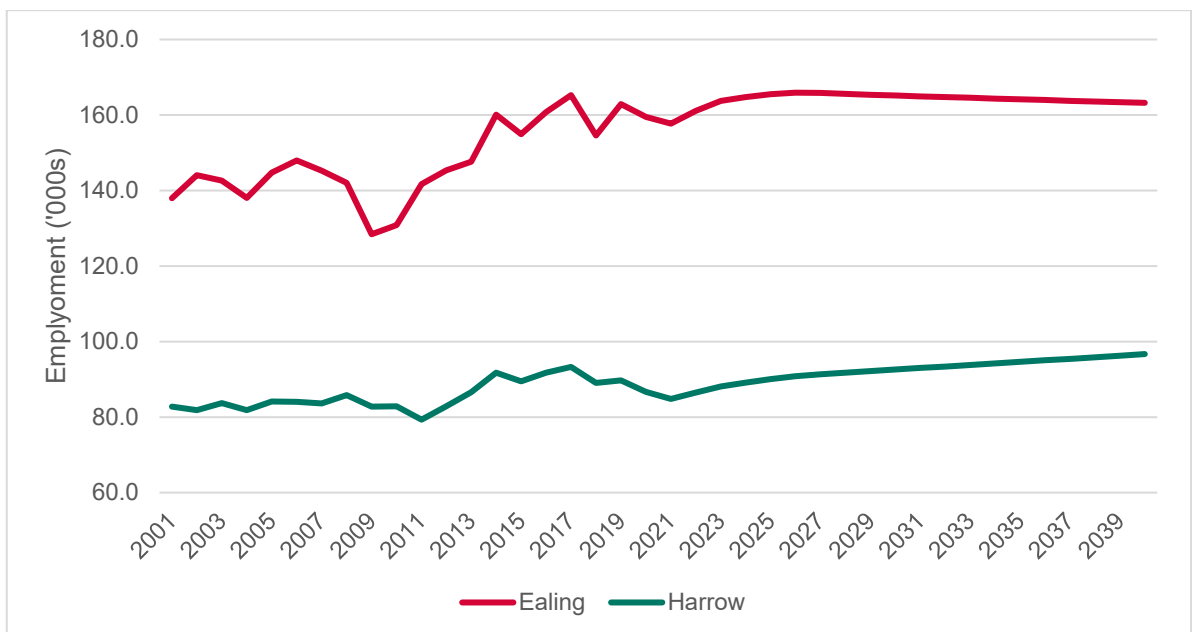
6.5 Following on from the 2019 labour demand model, in the first instance this 2021 update takes a similar approach, using a Q3 2021 forecast update from OE and the same modelling method for forecasting land needs, using the period 2021-41.

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<sup>8</sup> Levelling Up - The Logic of Logistics Jan 2022 see p20/21 available at <https://bpf.org.uk/our-work/research-and-briefings/>

- 6.6 The COVID-19 pandemic will be fully captured in the OE 2021 figures as far as known at the time (at mid 2021). The data is charted below. Overall the impact of the pandemic can be seen with an employment trough in 2021 and relatively rapid rebound to previous employment rates, which broadly accords with the latest data and outlook as of early 2022 (albeit local data is only published by BRES to 2020 at the time of writing).
- 6.7 The OE data suggests that Ealing’s employment will recover quickly in the short term but growth will slow from 2025 and decline slightly moving forwards. This is reportedly caused by contraction in Manufacturing and Transport sectors, anticipated to experience downward pressure in line with OE’s expectations on macroeconomic trends. Health is forecast as the most prominent growth sector. This outlook contradicts the Borough’s positive performance up to 2021 since 2011 (and 2001) which was most driven by growth in Office admin, Construction, Transport and Food Manufacture.
- 6.8 Harrow’s growth is expected to rebound from 2021 albeit at a slightly slower rate. Employment was stable rather than growing in the pre pandemic years. It is forecast to reach its 2017 employment peak at about 2030 and grow steadily from there. Key future drivers are Health, Construction, Admin and Professional services.

**Table 6.1 Ealing and Harrow: Employment 2001-40**



Source: Oxford Economics / Iceni analysis

- 6.9 A summary of the 2021-2041 jobs forecast outlook by sector is set out below.

**Table 6.2 Jobs change by sector 2021-41 ('000s)**

	Ealing 2021	Ealing 2041	Ealing change	Harrow 2021	Harrow 2041	Harrow change
A : Agriculture	0.02	0.02	-0.00	0.02	0.02	-0.01
B : Mining	0.07	0.03	-0.03	0.04	0.02	-0.02
C : Manufacturing	14.82	10.27	-4.54	2.40	1.51	-0.89
D : Utilities	0.06	0.05	-0.01	0.01	0.00	-0.00
E : Water / waste	0.34	0.31	-0.04	0.59	0.52	-0.06
F : Construction	12.08	13.52	1.44	9.53	11.63	2.10
G : Wholesale and retail	25.53	25.97	0.44	10.85	11.45	0.60
H : Transport	15.64	14.63	-1.01	4.29	4.13	-0.16
I : Accom. and food	8.24	9.11	0.87	4.54	5.21	0.66
J : ICT	7.30	7.73	0.43	5.79	6.81	1.02
K : Financial	1.26	1.20	-0.06	1.56	1.49	-0.07
L : Real estate	3.80	3.88	0.09	2.74	3.12	0.38
M : Professional	12.13	12.65	0.53	8.89	10.59	1.70
N : Admin	17.80	19.19	1.38	6.26	8.08	1.83
O : Public admin	4.36	3.84	-0.52	2.20	1.85	-0.35
P : Education	11.50	12.42	0.92	8.91	9.64	0.73
Q : Health	14.35	17.77	3.42	10.63	13.75	3.12
R : Arts	4.23	5.57	1.35	2.82	3.86	1.04
S : Other	4.23	4.93	0.70	2.72	3.29	0.57
<b>Total</b>	157.75	163.10	5.36	84.79	96.98	12.20

Source: Oxford Economics, Q3 2021

6.10 As with the 2019 employment land forecasting work, industrial land related employment has been segmented by key sectors of manufacturing, construction, transport, logistics and other. Logistics comprises wholesaling, warehousing and postal. 'Other' covers a range of sectors where a limited element of activity takes place in industrial areas and is broadly equivalent to the 'hybrid' sensitivity in the London wide industrial land evidence (2017) including:

- Wholesale and retail trade and repairs (making the biggest impact)
- Publishing activities
- Motion picture, video and television
- Programming and broadcasting activities

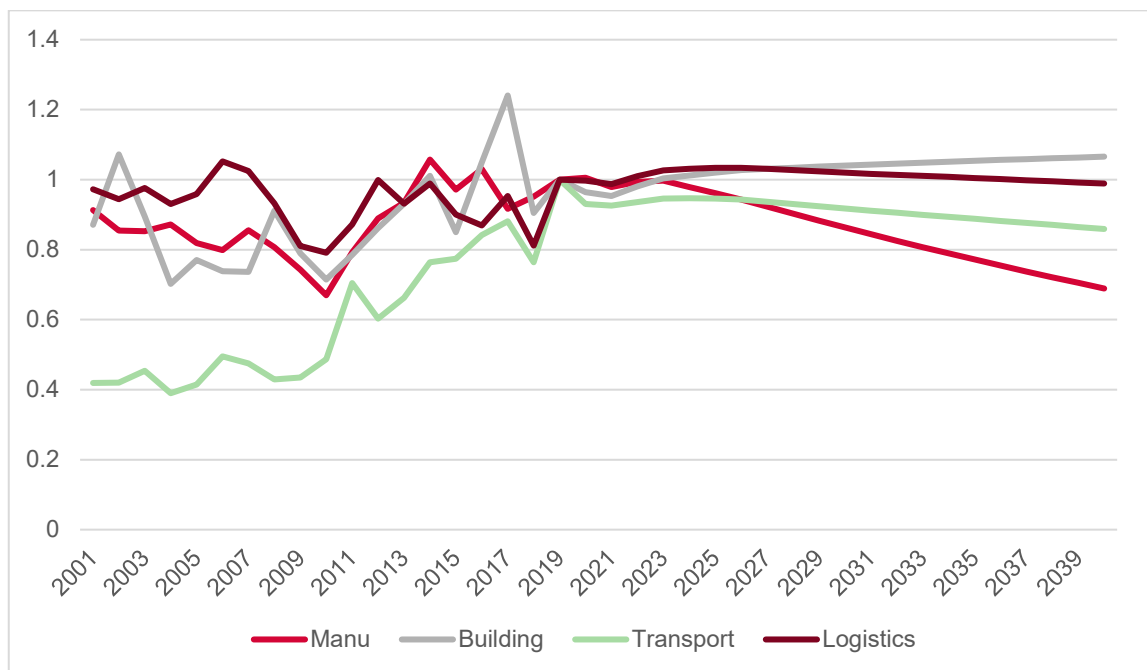
- Employment activities
- Security and investigation activities
- Repair of computers and personal
- Other personal services

6.11 A breakdown of the 2 digit composition of the industrial sectors is appended in Appendix A.

6.12 The two charts below report the outlook for the main industrial driver sectors to 2041, indexed to 2019 pre pandemic for the two boroughs of Harrow and Ealing.

6.13 For Ealing, whilst manufacturing has been growing or stable for the last ten years, the future outlook from 2023 is of contraction which is particularly driven by food and drink sub sectors. Growth in construction is more muted than recent years. Logistics is relatively steady and transport sees a decline against a background of strong historic growth – which is perhaps unexpected.

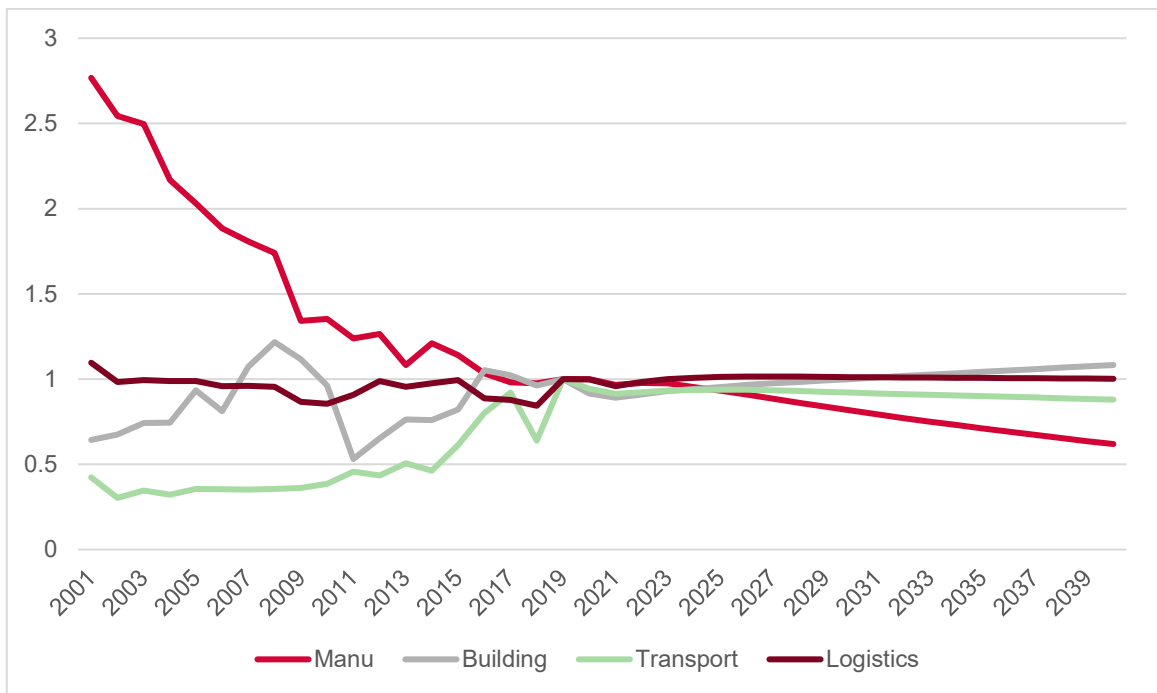
**Table 6.3 Ealing: indexed jobs change by industrial sector 2021-41 (2019=1)**



Source: Oxford Economics / Icen analysis

6.14 For Harrow, manufacturing sees a continued steady decline. Growth in construction is steady, as is logistics. Transport sees a slight decline against a background of relatively strong historic growth.

**Table 6.4 Harrow: Indexed jobs change by industrial sector 2021-41 (2019=1)**



Source: Oxford Economics / Iceni analysis

6.15 These forecasts translate to the following employment forecasts based on the categories above. Jobs have been converted to FTEs using the current BRES ratio and therefore may not accurately represent employment change in the boroughs. There are some perhaps surprising and considerable differences from the 2019 position. Most notably are significant falls in outlook for the building trades and logistics in Ealing, the latter being unexpected in the market context noted in previous chapters of this report. The transport outlook is a marked departure from the prior trend.

**Table 6.5 2021-2041 FTE employment change by industrial sector (all land use types)**

	Manuf.	Building	Logistics	Transport	Other	Total
Ealing	-4,290	1,330	10	-680	7,510	3,830
Harrow	-820	1,950	160	-120	9,220	10,320

Source: Oxford Economics / Iceni analysis

### Floorspace needs

#### Baseline OE forecast

6.16 Icen Projects has used the same assumptions as the 2019 study to convert jobs to industrial floorspace, essentially drawing on the HCA Employment Guide densities<sup>9</sup> and a detailed analysis of sector composition (see Appendix A). As above, minor adjustments have been made to represent dark kitchens and film studio activity having a greater emphasis on industrial needs.

**Table 6.6 2021-2041 sqm change by industrial sector (baseline forecast) (Use Classes E(g)(iii), B2, B8)**

	Manuf.	Building	Logistics	Transport	Sub Total	Other	Total
Ealing	-162,070	4,660	2,770	-14,320	-168,960	15,660	-153,290
Harrow	-30,820	6,810	10,080	-2,600	-16,530	20,430	3,890

Source: Oxford Economics / Icen analysis

6.17 It is of note that the main drivers of 'other' floorspace are wholesaling activities (estimated to represent general wholesaling, e-commerce and distribution) and employment agencies, representing agency work and zero hours contracts in deliveries and warehousing.

6.18 These figures have been converted to plot ratios using the 0.65 included in the 2019 study for consistency as below, which draw on the draft London Plan aspirations to increase plot utilisation but did not appear in the published Plan. In reality there is limited evidence to suggest plots are decreasing from the 0.4-0.5 averages of previous years due to yard space requirements for vehicles. For example, SEGRO's recent units Fairway Drive, Northolt are around 50%<sup>10</sup> as are the Eastman Edge units in Harrow's former Kodak factory. However examples such as V Park in Brent and Indsutria in Barking (see chapter 5) will achieve a higher ratio.

**Table 6.7 2021-2041 ha. change by industrial sector @0.65 ratio (baseline forecast)**

	Manuf.	Building	Logistics	Transport	Sub Total	Other	Total
Ealing	-24.9	0.7	0.4	-2.2	-26.0	2.4	-23.6
Harrow	-4.7	1.1	1.6	-0.4	-2.4	3.1	0.6

Source: Oxford Economics / Icen analysis

6.19 For Harrow the overall balance is largely unchanged at 0.6 ha from 2019 where it was 2.5 ha, although the composition has moved slightly away from building and logistics to other activities. This move is not considered to be of significance given that units are typically serving local operators and

<sup>9</sup> WLELE p114: Light Industrial (B1c / E(g)(iii) ): An average of 49 sqm Gross External Area (GEA) per employee, assuming that the gross external area of buildings is on average 5% higher than the net internal area; General Industrial (B2): An average of 38 sqm GEA per employee, assuming that the gross external area of buildings is on average 5% higher than the gross internal area; Warehouse/ Distribution (B8): An average of 70 sqm GEA per employee.

<sup>10</sup> [https://www.segro.com/property-search/estates/united-kingdom/fairway-drive?sc\\_lang=en](https://www.segro.com/property-search/estates/united-kingdom/fairway-drive?sc_lang=en)

businesses who can make use of general industrial typologies. The 2019 WLELE indicated that Harrow had a limited stock of manufacturing specific premises (6% of all industrial stock, pg 82) which again suggests that activities take place in more general stock.

6.20 For Ealing the above data represents some dramatic changes from the 2019 position (which was the 2016-41 period rather than 2021-41):

- From +15.2 ha for logistics to +0.4 ha.
- A change from -19.1 ha for manufacturing to -24.9 ha.
- Overall balance from +1ha to -23.6 ha

6.21 The employment drivers for logistics change are in particular attributable to a substantial fall in wholesale employment outlook dropping from +2,170 to +410, as well as a substantial fall in warehousing employment outlook from +400 to +10.

6.22 Given the property market indicators considered in previous sections, Iceni is of the view that the baseline forecasts are not a suitable representation of the property market requirements, particularly for Ealing.

6.23 Of note, the productivity forecasts (GVA gains) for 2021-41 for industrial sectors are positive reflecting potential capital investment, as below, and substantial floorspace decreases would mean this is not possible. Ealing's outlook for logistics GVA gain is considerable, driven both by warehousing and wholesaling, whereas for Harrow this is primarily wholesaling.

**Table 6.8 2021-2041 GVA change by industrial sector 2021-41 (£m/%)**

	Manuf.		Building		Logistics		Transport	
	£m	%	£m	%	£m	%	£m	%
Ealing	108.1*	12	151.1	19	267	39	88.2	30
Harrow	2.4	2	170.9	28	91.1	42	42.2	36

Source: Oxford Economics / Iceni analysis

\* of which food and drink comprises +£83m

6.24 The GVA change clearly contrasts with the employment change forecasts and resulting floorspace position which is most extreme in relation to Ealing's position.

6.25 Given issues with the property market outlook and GVA forecasts contrasting with the employment and employment led floorspace forecasts, alternatives are also considered.

### **Past trends forecast**



6.26 As an alternative, IcenI has considered the roll forward of past employment trends for the 2001-19 and 2016-21 period (rolled forward to 2041) and translated these into floorspace requirements. The 2001-19 period is a full economic cycle including the 2007/08 recession. The 2016-21 period represents the fastest growth in demand for the industrial market in recent years which is expected to continue for the medium term based on the property outlook. The results of these exercises are set out below and for completeness the 2021-41 baseline outputs are included.

**Table 6.9 2021-2041 ha. Change by industrial sector (historic forecasts)**

	Manuf.	Building	Logistics	Transport	Sub Total	Other	Total
Ealing 2001-19	8.6	1.0	4.0	20.0	33.6	2.3	35.8
Ealing 2016-21	-19.5	-2.45	61.1	10.6	49.8	39.1	88.9
Ealing 2021-41	-24.9	0.7	0.4	-2.2	-26.0	2.4	-23.6
Harrow 2001-19	-26.9	2.1	-3.8	6.9	-21.7	6.9	-14.7
Harrow 2016-21	-4.5	-3.4	8.1	5.0	5.2	29.1	34.3
Harrow 2021-41	-4.7	1.1	1.6	-0.4	-2.4	3.1	0.6

Source: Oxford Economics / IcenI analysis

6.27 For Ealing, the historic periods report high levels of employment based floorspace growth driven most recently by very high levels of demand in logistics as well as wholesaling. For Harrow, the historic collapse of manufacturing is notable (Kodak) and 'other' drives recent demand which is particularly driven by wholesaling employment growth.

### Absorption Trends

6.28 A model that rolls forwards the trends in lease deals is also considered here. IcenI consider this to be an increasingly useful in considering industrial and logistics market analysis and forecasting, aligning with the PPG, and is also being promoted by the British Property Federation<sup>11</sup> as noted above.

**Table 6.10 Lease deal property requirement projections 2021-41 (sqm)**

	Av. Net Absorp 2012-21	Av. Net Absorp 2016-21	Long run absorption need to '41	Short run absorption need to '41	Long run (ha)	Short run (ha)
Ealing	19,100	9,900	382,000	198,000	58.8	30.5
Harrow*	-1,000	-1,000	-20,000	-20,000	-3.1	-3.1

Source: CoStar / IcenI Analysis

\* 2017 data removed due to Kodak loss

<sup>11</sup> Levelling Up - The Logic of Logistics 2022 <https://bpf.org.uk/our-work/research-and-briefings/>

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6.29 Clearly the Ealing trends demonstrates a very strong level of demand which has most likely been suppressed in recent years by a lack of availability, given vacancy fell below 5% in 2017, any upward adjustments for which would increase needs. Aligning the GVA data and the market indicators for Ealing suggests that the long term OE outlook for jobs change does not provide a suitable basis for developing planning policy for industrial floorspace.

6.30 For Harrow the position is much narrower and the absorption data points to a marginal decline. However current property market indicators in Harrow are very tight and it would not be responsible to recommend any release of industrial land, as this would have a detrimental impact on business and employment.

**Recommendations on future need**

6.31 For **Harrow**, the 2021-41 baseline forecasts appear reasonable and in line with market feedback on demand, with some decline in manufacturing anticipated (the closure of Kodak being a recent example) alongside smaller gains in demand for a range of other industrial occupiers including in logistics, building trades and other sectors (notably wholesaling). Overall Harrow should seek to protect its existing industrial spaces and seek renewal and provision of new quality premises where possible.

6.32 For **Ealing**, there are number of issues to consider:

- Manufacturing: whether the degree of jobs contraction (notably in food and drink) will occur to the level forecast 2021-41, opposing recent trends, and if it does occur whether that will lead to release of sites. The very substantial positive forecasts in GVA suggest that a significant floorspace contraction is unlikely and rather that productivity gains through investment in capital will intensify production rather than see a significant relocation of industry (although there is some evidence of manufacturing floorspace based relocation such as the departure of cereal production in Southall).
- Logistics: there is clear evidence that for the foreseeable future the levels of demand will continue as e-commerce requirements increase and Ealing remains a desirable occupier location with good access, an industrial land pool and access to target populations. Employment growth in this sector in recent years has been strong and the GVA growth outlook is very strong for wholesaling and warehousing, casting doubt on any slow down in location based activity.

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- 6.33 As set out in the sector trends section, industrial land is seeing significant demand from new market entrants (film, data centres, delivery) putting huge pressure on rents and premises. Ealing is a particularly strong example of where this is taking place, so in market terms demand is acute and the protection of space and provision of new premises is essential, as well as upgrading older stock.
- 6.34 For Ealing the long run and recent past trends in leases set out high levels of demand for industrial premises, which combined with market indicators and the GVA outlook clearly point to a criticality in maintaining as much functional industrial floorspace as possible and seeking to deliver additional floorspace where feasible.
- 6.35 Providing a specific quantitative recommendation for Ealing presents some difficulties given the divergence in employment forecasts from the current market signals. In Icen's view the 2019 WLELE recommendations on balancing a slow down in demand for manufacturing premises with increasing requirements for logistics and other activities provides the most practical position.

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## 7. CONCLUSIONS

7.1 This report has provided a focused update on the industrial land requirements for Ealing and Harrow covering:

- Policy position
- Commercial market updates for Harrow and Ealing
- Sector drivers for warehousing and industrial
- Forecast land / floorspace requirements for industrial uses.

7.2 The key findings are summarised as follows:

### **Policy**

- The NPPF includes a reference directing planning policies to make provision for storage and distribution.
- The updated Use Class order no longer enables ready separation of light industrial E(g)(iii) former B1(c) which may lead to the erosion of light industrial premises through redevelopment.
- The now adopted London Plan retains an emphasis on the retention and intensification of industrial areas although does support colocation particularly on LSIS designated areas. Intensification may occur through stacking, plot ratio increase, smaller units and basements.

### **Property market**

- At the national level the industrial markets are at an all time high with demand for industrial property driven by e-commerce and inventory holding alongside new market entrants from film studios to data centres and manufacturing.
- In London there has been a relatively slow down of demand since the pandemic onset however this is relative rather than absolute terms, with demand still strong and a slow down in rent rises rather than any falls.
- Ealing's industrial market is one of the capital's strongest performing and is finding a complex range of demand that maintains downward pressure on vacancy and upward on rent. Vacancy is 3.0% and net absorption remains positive as do rent rises. There is little available stock particularly that built in recent years. There has been some pandemic related slow down however 2021 is already outperforming 2020 on deals completed driven by urban logistics delivery operators such as Deliveroo, Zapp and Ocado as well as film studio operators.
- Harrow's market is in line with the wider north west London local markets, maintain a very low level of vacancy albeit from a smaller stock base. Absorption indicators have been weaker but

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available stock remains very limited so deals cannot readily transact. The existing estates remain desirable for local operators and trade counter. New units at the former Kodak factory have not pre-let but are expected to let in reasonable periods.

### **Sector trends**

- Trends in demand terms from previous years have been maintained and intensified. General industrial requirements from trade counter and building trades remain live as do general wholesale and distribution. General logistics couriers occupiers such as DPD as well as dedicated food operators such as Ocado are competing with new urban logistics fulfilment operations such as Deliveroo (requiring dark kitchens) and Zapp. Film studios are also seeing the highest requirements in decades and datacentres are also seeking space. New entrants are often able to outcompete traditional occupiers for space in financial terms.
- Substitution – there is evidence that a range of operators are moving beyond the M25 where they can still service the London market for deliveries or trade operations. Rents and competition is excessive. Externalities are likely include congestion, increased delivery times and market pressure in home counties.
- Intensification / stacking – there are aspirations for multi level logistics operations in London. Large footprint proposals in Silvertown and Park Royal have been progressed however to date this remain unrealised with highways issues presenting real challenges. General industrial separated units at multi level have not been progressed to date due to a range of costs and uncertainties around viability and deliverability, with single storey development providing strong / sufficient rental return. BeFirst (Barking) are now under construction with the city's first multi level ramped scheme which may be a public led pump primer / catalyst. The Generator / Grand Union site has also been taken on by SEGRO which is likely to be another. Intensification through stacking is unlikely to be panacea for needs given rising construction costs, land requirements, planning challenges and profitable alternatives.
- Colocation – collocated schemes appear popular in planning terms particularly on LSIS sites however these tend to a general Class E rather than dedicated industrial space. The broad industrial occupier market is highly cautious about the usability of such space due to concerns over practicality over issues related to deliveries, servicing, noise and hours of use. There is typically a narrow market segment that can occupy this space which includes small scale manufacturing / crafts maker space, non intensive repairs ie bicycle, gallery, studio for film / photography. Notwithstanding this remains a nascent market and there is scope for further innovation to support genuine colocation.

### **Future needs**

- A Q3 2021 employment forecast has been acquired from Oxford Economics with forecast to 2040/21. This has been converted to use classes, sqm and land need.

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- For Harrow, the 2021-41 forecast outcomes appear reasonable, in line with 2019 position and in line with market feedback on demand. This involves some decline in manufacturing anticipated alongside smaller gains in demand for a range of other industrial occupiers. The balance is around +1ha or relatively neutral in terms of need. Overall Harrow should seek to protect its existing industrial spaces and seek renewal and provision of new quality premises where possible.
  - For Ealing, the baseline employment forecasts contradict the market evidence and the link between the outlook in sectors of manufacturing and logistics and floorspace needs is questionable. For manufacturing, a strong employment decline forecast seems uncertain in the local context (of stable employment) and regardless there is doubt whether that will lead to significant release of sites given the positive GVA outlook. For logistics, with a modest need forecast, this is not reflected in the market, with strong evidence that for the foreseeable future the levels of demand will continue as e-commerce requirements increase and Ealing remains a desirable occupier location with good access, an industrial land pool and access to target populations. It is therefore recommended that the borough seeks to minimise losses of industrial space and continue to seek opportunities to provide additional space for both light industrial (Class E (g)(iii)) and general industrial / distribution (B2/B8) as well as upgrade older existing stock.

### **Conclusions**

- In large part the conclusions of the 2019 West London Industrial Evidence remain supported by this latest update. The pandemic has generated some demand slow down in London but this appears to be temporary and is not significantly affecting the strong market fundamentals. Demand for general trade and distribution occupiers is now seeing competition from new entrants which are in part fuelled by pandemic related activity.
- The development industry is generally not (yet) rising to the intensification challenge as the London Plan might aspire with the cost and technical challenges of stacked or intensified general industrial units – although stacked schemes may yet gain traction. Colocation appears appear more prevalent however this is focused on the light industrial / former B1 type space to date and may have a downward effect on general industrial stock.

## A1. APPENDIX A

Table A1.1 Sector by Use Class and Type

	Office	Light Ind.	B2	B8	NON-B	Type
Crop and animal production, hunting					100%	
Forestry and logging					100%	
Fishing and aquaculture					100%	
Mining of coal and lignite					100%	
Extraction of crude petroleum					100%	
Mining of metal ores					100%	
Other mining and quarrying					100%	
Mining support service activities					100%	
Manufacturing	0%	0%	100%	0%		Manufacture
Electricity, gas, steam and air conditioning	0%	0%			0%	Utilities
Water collection, treatment and supply	0%	0%			0%	Waste
Sewerage	0%	0%			0%	Waste
Waste collection, treatment a	0%	0%			0%	Waste
Remediation activities and other waste activities	0%	0%			0%	Waste
Construction of buildings	5%			5%	90%	Building
Civil engineering	5%			5%	90%	Building
Specialised construction activities	5%			5%	90%	Building
Wholesale and retail trade and repairs			20	40%	40%	Other
Wholesale trade, except of motor vehicles	5%		5%	80%	10%	Logistics
Retail trade, except of motor vehicles				0%	100%	
Land transport and transport via pipe	5%			30%	65%	Transport
Water transport	5%			30%	65%	Transport
Air transport	5%			30%	65%	Transport
Warehousing and support activities	10%			80%	10%	Logistics
Postal and courier activities	10%			80%	10%	Logistics
Accommodation					100%	
Food and beverage service activities					100%	
Publishing activities	70%	20%	5%	5%	0%	Other
Motion picture, video and television	70%	20%			10%	Other

Programming and broadcasting activities	70%	20%			10%	Other
Telecommunications	90%				10%	
Computer programming, consultancy	100%					
Information service activities	100%					
Financial service activities	80%				20%	
Insurance, reinsurance and pension funds	100%					
Activities auxiliary to financial services	80%				20%	
Real estate activities	20%				80%	
Legal and accounting activities	80%				20%	
Activities of head offices	100%					
Architectural and engineering activities	100%					
Scientific research and development	100%					
Advertising and market research	100%					
Other professional, scientific	80%				20%	
Veterinary activities	10%				90%	
Rental and leasing activities	30%			20%	50%	Other
Employment activities	50%	5%		20%	25%	Other
Travel agency, tour operator and other	15%				85%	
Security and investigation activities	24%	10%	16%	12%	38%	Other
Services to buildings and landscape	50%				50%	
Office administrative, office support	100%				0%	
Public administration and defence	80%				20%	
Education	5%				95%	
Human health activities	5%				95%	
Residential care activities	5%				95%	
Social work activities	25%				75%	
Creative, arts and entertainment activities	5%				95%	
Libraries, archives, museums and other					100%	
Gambling and betting activities					100%	
Sports activities and amusement	5%				95%	
Activities of membership organisation	50%				50%	
Repair of computers and personal	15%	30%		10%	45%	Other
Other personal service activities	15%	10%			75%	

Source: Icen Projects