



in partnership with



Report in relation to:

**The Green, Southall**  
Research Review & Commercial Justification

March 2021



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## 1: Introduction

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Forty Group (“Forty”) have been retained as development consultants and leasing advisors in relation to the non-residential element of ‘The Green’ to deliver a strategy in respect of non-residential uses.

Forty have been asked to consider the base case requirement for the delivery of non-residential space in light of the recent Covid-19 pandemic and the impact on commercial markets. This document summarises the findings contained within the full research document provided to Peabody in December 2020.

The proposed description of the development is as follows:

“Demolition and mixed-use redevelopment (phased) to provide 3 urban blocks comprising residential units (Use Class C3), flexible commercial and employment floorspace (Use Classes E, F1 & F2), private and public car parking, servicing bays, public realm and associated landscaping, play and amenity space, plant and refuse areas, and access arrangements”.

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## 2: Research

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### Overview

Southall is located in the Borough of Ealing and is defined as a Major Centre in the London Plan. It is home to approximately 470 businesses with a combined retail floorspace of 55,864m<sup>2</sup> (some 600,000ft<sup>2</sup>). The existing retail offer is dominated by independent and BME retailers, selling both convenience and comparison goods, serving both local residents and attracting shoppers regionally and nationally for its specialist offer. South Asian culture thrives in Southall through dress, music, communication, interaction and generally, everyday life. This cultural presence is critical for the neighbourhood economy, affecting the products that merchants sell, the process of business exchange, and the consequence of business activities. Almost every store in Southall presents some form of product that distinctly caters to the perpetuation of Asian culture, whether it is clothing, specialised utensils for Indian cooking, unique spices for flavour or halal meat for religious sanctity.

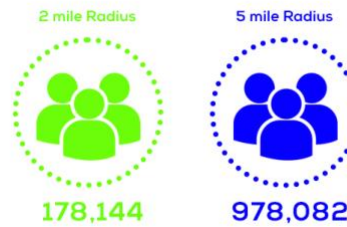
### Population

Within 5 miles of the site there are almost 1 million people. Population growth over the next 10 years is half the London average (+3.8%). The catchment is defined within a 2-mile and 5-mile radius around the site, an industry standard measure of assessing local demand. The accessibility of the site is measured using drive time and public transport travel times later in the report.

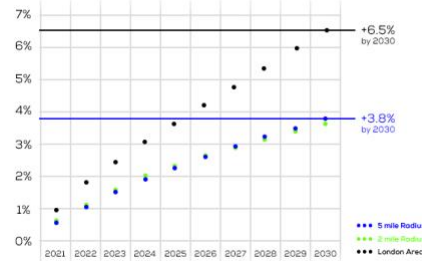


Fig 1: Catchment Overview

**Total Population**



**Population Growth**



**Demographics – Employment Overview**

The local workforce is mid to lower affluence, dominated by the Successful Suburbs who make up 26% of the 2-mile catchment and 16% of the 5-mile catchment, far higher than the London wide average of 6%. This group work in any commercial space created and the offering should be geared towards industries that they work in, typically office-based roles, but not in senior positions. The outer 5-mile catchment is more affluent, with higher proportions of City Sophisticates and Career Climbers who are your more traditional city, tech, creative or start-up workers. The immediate catchment is dominated by mid and less affluent workers, with more young professionals found in the 5-mile catchment.

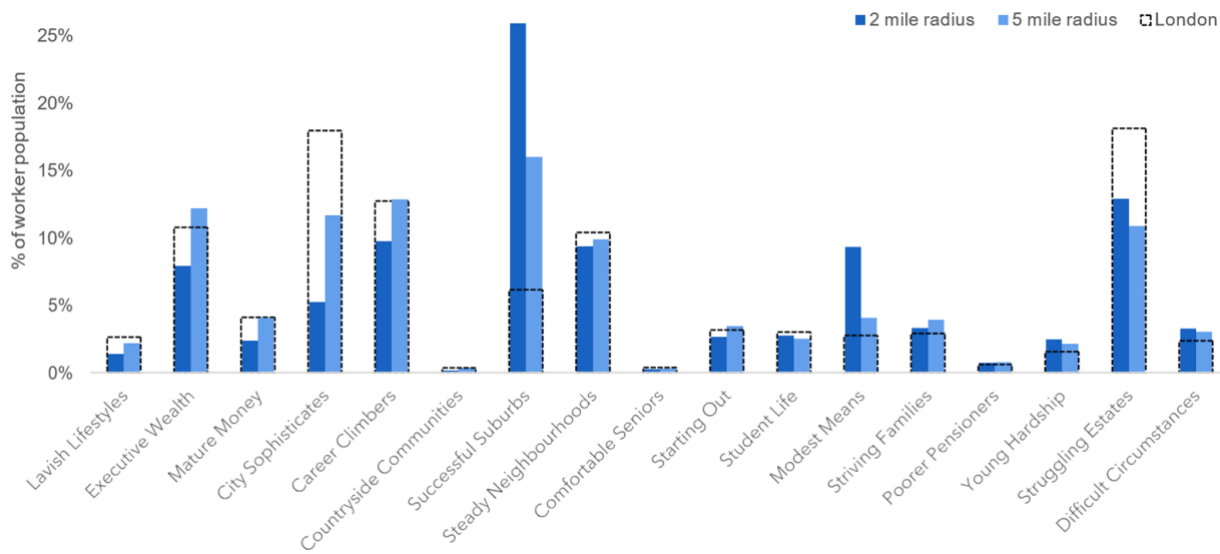


Fig 2: Acorn Profile of Current Workers

The Modest Means in the immediate catchment are likely to work in manual roles. The demographic of the catchment is extremely polarised. The local 2-mile catchment is dominated by mid to lower affluence groups, whilst the wider 5-mile catchment contains more of the Career Climber and City Sophisticates. Furthermore, it is the Career Climber and City Sophisticates groups who are more likely to work in established office locations, and so the delivery of a traditional b1a office development at The Green would likely not be serving the immediate local area. The affluent City Sophisticates and Career Climbers around Ealing and Richmond are likely to commute into Central London. They will be attracted by the strength of the hospitality offer in these areas and are unlikely to do a reverse commute out to Southall.

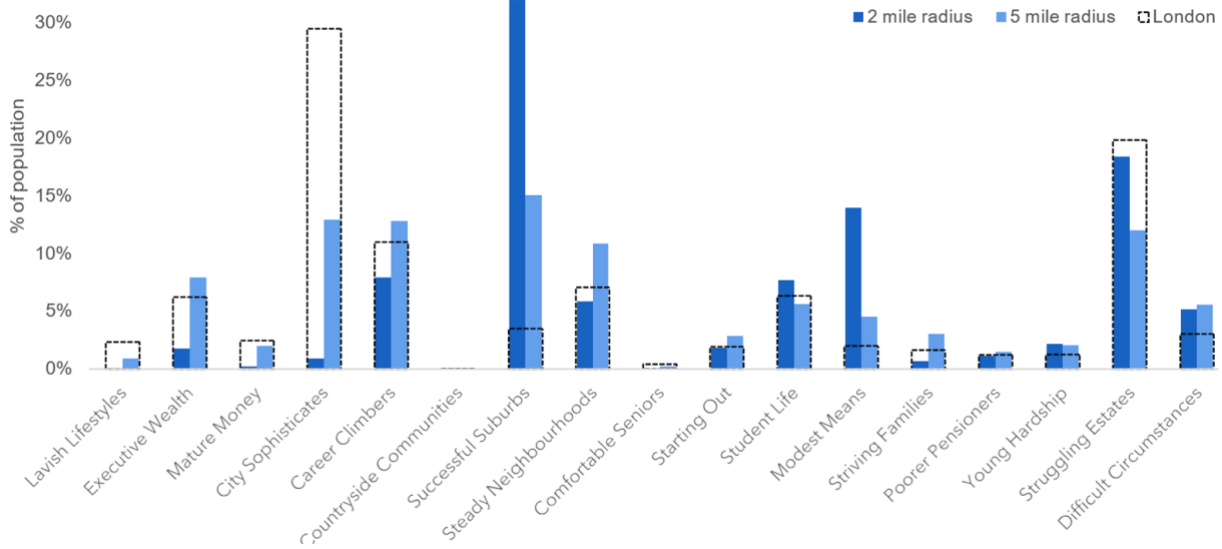


Fig 3: Acorn Profile of Current Residents

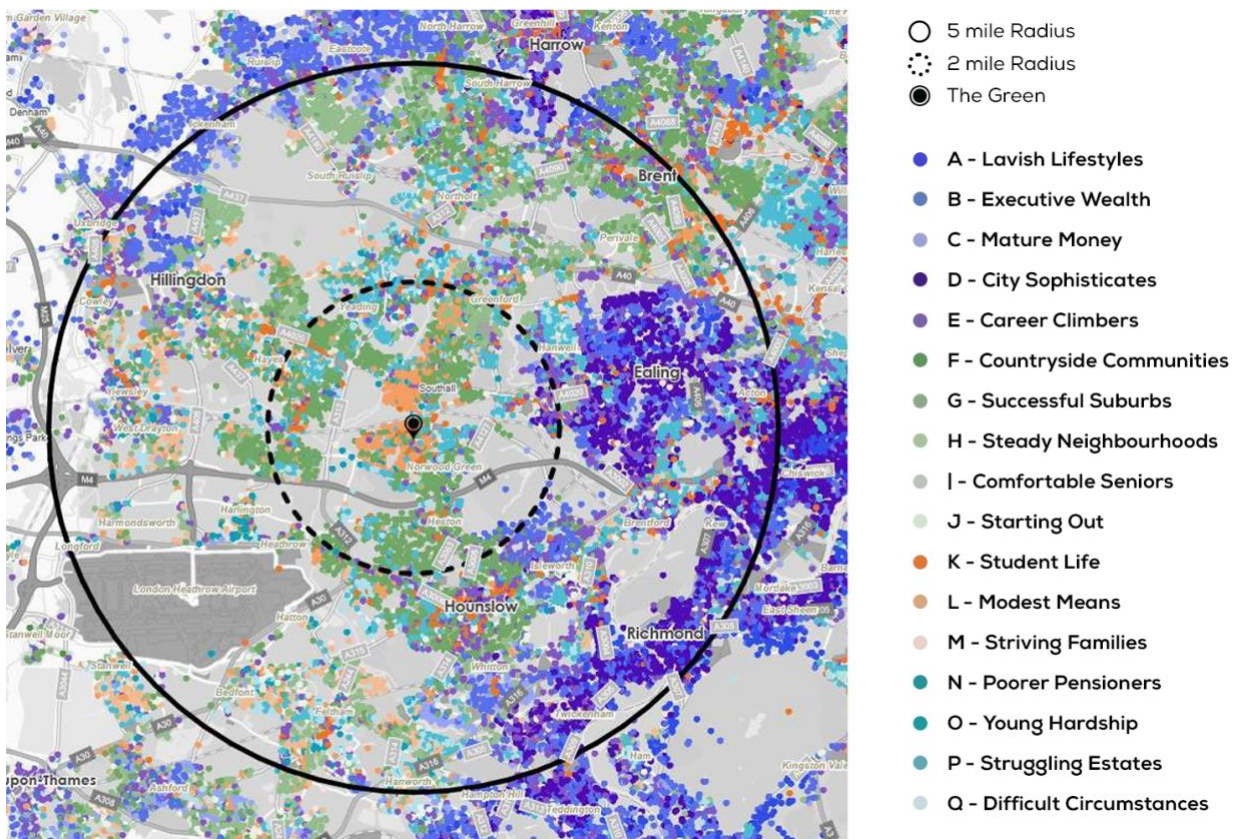


Fig 4: Acorn Mapping of Current Residents

NB: the reference to 'home' in the below diagram (Fig 5) refers to those that reside within the relevant catchment area, and the reference to 'work' refers to those that commute to the catchment for work.

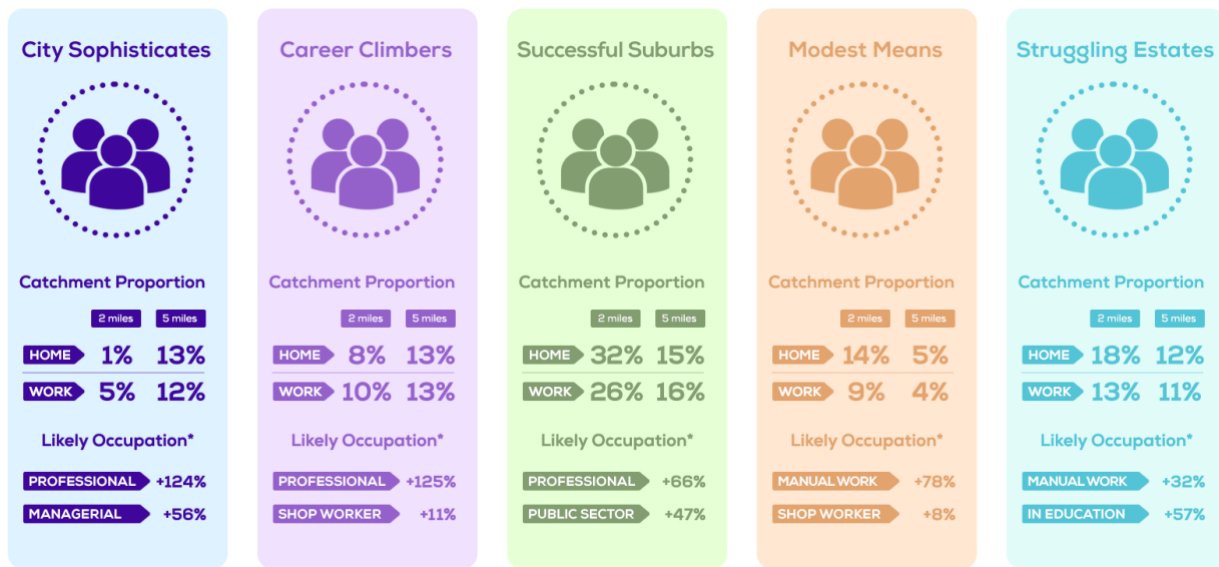


Fig 5: Likely Occupations of Key Acorn Groups \*Difference vs. UK average. For example, City Sophisticates are 124% more likely than the UK average to work in professional occupations.

### Catchment Analysis – Employment Space

The immediate area surrounding The Green is synonymous with ethnically focused retail and small trading businesses operating from offices above shops or smaller dated office buildings. Of the approximate 246,000ft<sup>2</sup> of existing and/or proposed office space recorded within a 1-mile radius of the scheme in question, 158,000ft<sup>2</sup> still remains under construction which indicates that the proposed supply of office space is currently limited to 88,000ft<sup>2</sup>. The supply in Southall is relatively fragmented with the majority of existing stock falling with the sub 10,000ft<sup>2</sup> bracket.

Of the limited amount of employment space provided, this (for the most part) appears to be in the form of small, self-contained office accommodation, often located on or within close proximity to a main high street (Southall Broadway or The Green). Of this employment space, there is a recorded 97% occupancy rate which could lead one to assume that there is a high demand for smaller employment space that mirrors the aforementioned characteristics of the occupied premises that exist within the Southall.

The clear absence of traditional offices with larger floorplates implies that Southall is not considered as a suitable traditional workspace location for businesses within the immediate catchment as well as surrounding areas. This differs from nearby regions such as Hayes, Heathrow and Uxbridge where there is a plethora of serviced office spaces and private workspace buildings and larger footprint office floorplates. There is noted to be a substantial increase in supply levels over the last few years across the Western corridor, with 10.3million sq.ft being delivered included Grade A space at West London at White City Place, The Charter Building in Uxbridge, The Bower at Stockley Park and the Vinyl factory in Hayes

### Soft Market Testing – Employment Space Requirements

In order to accurately assess employment requirements within the immediate catchment to The Green, Forty Group carried out a robust soft market testing exercise that looked to assess both the preferred use and size of employment space amongst local businesses and operators in Southall. This involved contacting businesses located within nearby office hubs, business estates, and private high street accommodation in pursuit of relevant feedback in relation to user preference. For example, Forty Group were able to successfully survey numerous tenants that occupy premises at 'Charles House', which is a well-known employment estate that accommodated over 75 different businesses.

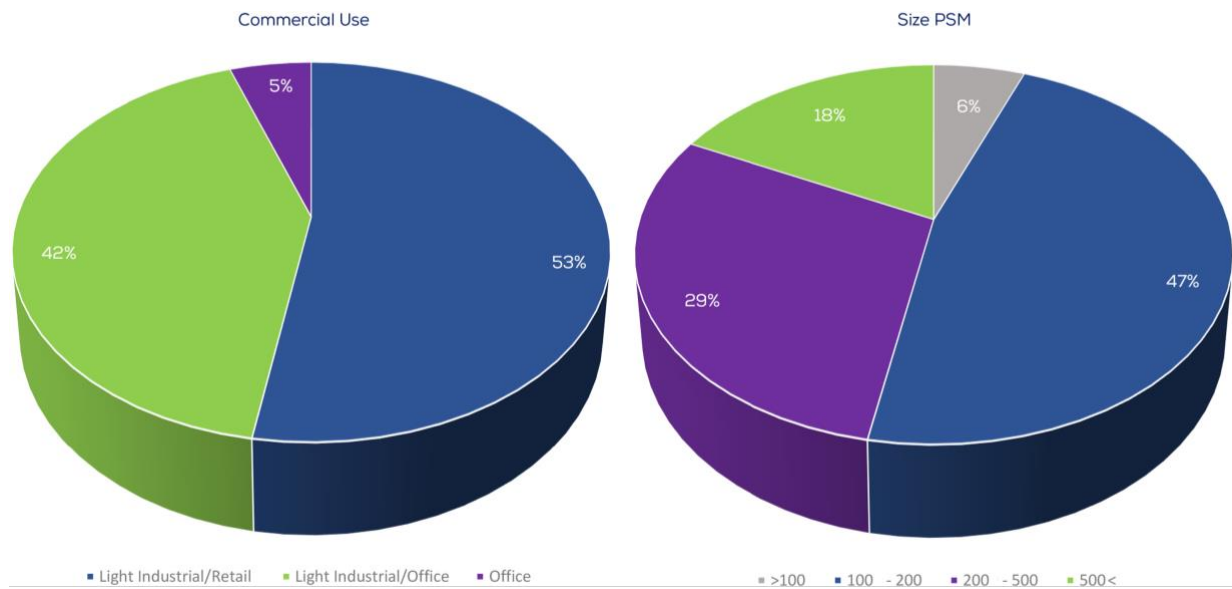


Fig 6: Soft Market Testing Pie Graphs

Other employment occupiers were contacted such as those that had previously tenanted The Arches Business Centre on Merrick Road, as well as additional occupants within close proximity to the scheme, as well as general office users requiring space in West London. Of the numerous businesses that were contacted, there was an overwhelming preference towards light industrial office (42%) and light industrial retail (53%) as opposed to larger footprint traditional office space which only achieved 5% of the vote.

Furthermore, when asked to specify their ideal unit size requirements 47% of businesses requested 100 - 200m<sup>2</sup>, whereas 29% sought spaces with 200-500m<sup>2</sup>, 18% for 500m<sup>2</sup> plus, and 6% of those survey opted for less than 100m<sup>2</sup>.

This provides further validation to the notion that the demand for traditional B1-office space amongst local businesses is limited, with a preference for smaller quasi light industrial spaces.

### Competing Schemes

A review of competing development sites is important to ensure that the proposed development delivers a viable and sustainable offer, particularly when concerning the non-residential element of the scheme. The success of any scheme providing a commercial environment has to be led by a research strategy mitigating any possible risks of saturation of uses (thus avoiding voids/vacancy rates) and delivering uses with the right level of affordability ratio for independent uses, whilst offering opportunities for tenants to occupy premises in areas with opportunity for growth and expansion. Whilst traditional office provision is limited in Southall as it stands, we must consider the numerous future developments proposed within close proximity to The Green in order to assess the risk of forthcoming competition.

One of the more notable anticipated schemes within close proximity would be 'The Green Quarter, Waterside' development which will consist of 3,750 new homes (30% affordable) in a range of different sizes and tenures and over 50,000m<sup>2</sup> of commercial featuring workspace and a curated mix of retail, food and leisure (Use Classes A1, A2, A3, A4, B1a, D1 & D2).

Whilst the provision of such a significant amount of commercial space at 'The Green Quarter' would appear daunting from a competition standpoint, it is important to consider that the majority of the proposed commercial space will be centred around satisfying the needs of the incoming residential tenants of the scheme itself, and any employment accommodation provided is likely to be in the form of traditional B1a office workspace.

Other nearby developments such as the 'Merrick Road' development has planning for over 2,100m<sup>2</sup> of B1a workspace at first floor level. Construction is shortly to commence on site and the floorplates are aimed at delivering workspace and new grade A office accommodation. The development that bears perhaps the most pertinent threat to The Green is the Galliard Homes scheme known as 'The Quayside Quarter' development, which

will see the introduction of 1197 residential units as well as approximately 30,000m<sup>2</sup> of light industrial and creative industrial space. Whilst we understand that a large proportion of the space is intended for use as a film studio, there is still a large quantum of light industrial and commercial floorspace proposed. In addition, we are aware of other projects, such as Greenwich Peninsula, where the proposals for TV & Film studios were scrapped due to the costs of delivering this use. It may well be that this floorspace pivots to light industrial and workspace which is akin to the planning description that states “22,311 sqm of creative industrial hub (Use Classes B1c and sui-generis)”

Whilst similarities can be drawn between the commercial offering proposed at ‘The Quayside Quarter’, what largely distinguishes the two sites is their location. There is an undeniable local attraction associated with The Green given that it is a well-established popular high street destination within touching distance of Southall Railway Station, at the heart of Southall and its community. Whereas it will be difficult for Peabody to compete with ‘The Quayside Quarter’ in terms of size and scale of commercial space, the location remains popular with the local community

### **Covid-19 Impact**

The true extent of the pandemic's impact on commercial real estate markets is still playing out, albeit that the immediate effects have been most felt in the workplace. Many companies have switched to work from home policies, with video calling receiving its great unveiling and testing as a modern means of communication.

The overall opinion is that this has been a great success and has fuelled a desire for many to see a blended mix of office and work from home. Whilst some large tech companies are widely reported to be implementing a full-time work from home policy, the general consensus is that a blended week of part work from home and office-based work is desirable.

However, concerns over travel continue to persist, and the most significant impact on employment space may well be felt in Central London and established employment areas such as Canary Wharf. This may see an uptrend in demand for new employment opportunities outside of Central or historically established areas, in locations that benefit from good transport links and are new to established or developing residential communities. The move away from large central head offices to several satellite or workspace environments is certain to be a key trend to watch.

In recent months, Shell energy have just announced such a plan, with head office buildings being sold and membership for staff being sought at workspace buildings. Whilst this may be a trend that Southall can capitalise on, we feel that this will be most appropriate within larger regeneration schemes in the area that can offer large floorplates adjoining new communities. The attraction of the Green is that it is a key area of local affection, and it will obtain interest from the local community in trades such as e-commerce and trading.

We cannot ignore the impact that Covid-19 has had on commercial rents, which will no doubt play out over the coming 12-18 months. Predictions of a 20-30% reduction in office rents in some locations may be premature, as the true impact will be seen by demand levels post lockdown and once the vaccination levels are such that herd immunity has been reached. However, it is notable that leading workspace and serviced office platforms are noting a 95% reduction in enquires since early 2020. It would be prudent to assume that there will be a proportion of demand pre-covid that does not return as business survival rates diminish due to economic impact of the pandemic. The businesses that do survive will most likely do so by keen cost cutting decisions, relocation to smaller sites with less staff or implementing a flexible working week with staff working in different shifts at the office, retaining an element of working from home. This will likely place a continued downward pressure on demand and achievable rent.

The ultimate effect on commercial real estate is fast moving and likely to change as the post pandemic environment unfolds. It is essential that schemes can flex and adapt to demand in a post Covid-19 world and provide commercial accommodation that is appropriate and considered. The up-to-date research carried out by this practice does identify sufficient demand for the proposed quantum of accommodation that should for the most part be located at ground floor. This is discussed further in the next section.



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### 3: Proposed Scheme Review & Recommendations

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The majority of the commercial accommodation is not visible from The Green due the current configuration of access. Therefore, the development lacks a landmark visual identifier, which would act as a focal point to draw people into the scheme.

This coupled with the identified changes to the office market brought about by the Covid-19 pandemic, as well as the delivery of competing schemes within close proximity to The Green, has prompted an updated commercial strategy.

The research provided to date and further analysis of the local market identifies a lack of demand for large footprint traditional office accommodation in the local area. What demand does arise post Covid will be ample covered at The Green Quarter, Merrick Place and Quayside Quarter. The Southall market is predominantly known for E-commerce and industry, and the type of accommodation that resonates with the local audience is concurrent with this type of use.

The continued redevelopment of industrial land has been a hot topic particularly with the GLA, who have actively looked to protect industrial areas such as park Royal and Alperton. We are aware that Ealing has released all of its benchmarked industrial land for alternative use (24ha Industrial land review GLA June 2018) which has further supported increased demand for light industrial spaces. With a recent surge in demand for last mile solutions and dark kitchens, demand for quasi industrial space has returned, which further supports the delivery of light industrial/workshop/studio spaced accommodation.

The success of short-term occupation in schemes such as The Arches Business Centre and Charles House points towards a light industrial led requirement for quasi light industrial office and storage/workshops. The soft market testing carried out of occupiers formerly occupying Charles House, The Arches Business Centre and other employment operators in the locale have identified modest requirement for units ranging from 100m<sup>2</sup> to 200m<sup>2</sup> (with the potential to absorb some larger footprint units if available).

These uses require access to servicing and loading and have a preference for being located at ground floor with a self-contained access, so as to combine an element of front of house retail/office with back of house function. The previous configuration of the scheme had a range of ground floor accommodation, in an attractive courtyard environment, located at the ground floors of blocks A and B as well as a large footprint space in Block B at first floor identified for workspace.

In light of the apparent comparative lack of demand for traditional Grade A employment space in Southall, Forty Group recommends that the proposed B1b/c workspace is focused on the ground floor of block A and B, in order to deliver a scheme that is better suited to the environment and to avoid potential commercial voids. This will focus the commercial into the primary thoroughfare within the scheme, allowing uses to cluster and to drive business partnership. This will also respond to likely well reported national reduction in demand for business space as companies look to streamline into smaller spaces, with less staff.

There is noted to be national demand for children's nurseries, particularly within regeneration areas seeing substantial increases in residential communities. Whilst it is noted that Southall is well known for generational care of children in the community, there is still a requirement for nursery operators and with the inflow of new residents, this is viewed as a positive addition to the scheme.

#### **Employment Density**

We understand that the current number of full-time employees on site is 66, which creates an employment density of 1 FTE per 124m<sup>2</sup>. The new opportunities created at The Green will provide employment opportunities at far higher densities. By way of an example, B1 is occupied at a range between 8m<sup>2</sup> and 16m<sup>2</sup> per job. As such, the renewal of existing employment sites for mixed use development with high densities enables the creation of increased job

numbers, while also enabling the release of less strategically located sites for residential use. The overall proposed quantum is 2922.8 m<sup>2</sup>. For the purpose of calculating the likely FTE creation we have assessed 2502 m<sup>2</sup> as former B1c use class and 420.7 m<sup>2</sup> as D1 use class for use as a nursery (both planning classifications are now captured under E class)

Standard people per space ratios continue to decline. Historically traditional office space may well have seen 30m<sup>2</sup> to 40m<sup>2</sup> per user. Today, that is expected to be in the sub 20m<sup>2</sup> per person range. Of course, that considers a multi-functional office building with a variety of uses (e.g. offices, meeting rooms). Today's B1c style of accommodation (now covered under E class), whilst defined as light industrial, does see an element of desk based design work. These spaces are often referred to as "studios" which combine light industrial and desk based work.

The most up to date guide on employment densities is the British Council for Offices (BCO) 2018 study on employment densities. This study does not specifically define E(g)iii, however it notes that employment densities have been increasing across all employment workplaces. Another source of employment density information is the GLA London Employments Database 2017.

Whilst this is older than the 2018 BCO document this provides an employment density for E(g)I as 11.3m<sup>2</sup> GIA per worker and E(g)iii at 47m<sup>2</sup> NIA per worker. The HCA Employment Density Guide 2015, whilst more historic, does provide some more useful guidance as it references "mixed B class" being small business workspace namely;

- Incubator - 30-60m<sup>2</sup>
- Maker Spaces - 15-40m<sup>2</sup>
- Co-working - 10-15m<sup>2</sup>
- Managed Workspace - 12-47m<sup>2</sup>

Densities have been increasing since 2017 (the GLA London Employments Database 2017 utilised research from 2016) and it is fair to assume that E(g)iii densities must certainly be greater than 47m<sup>2</sup> and that of historic planning B2 use at 36m<sup>2</sup>, due to the nature of business activity in modern premises.

Light industry spaces in mixed-use settings are increasingly home to starts ups and entrepreneurs that more often do not require large machinery and encompass a fair degree of desk-based work. Therefore, if we assume a hypothetical increased density against the GLA 2017 figure of 36m<sup>2</sup> for B2 this produces the following FTE numbers.

- 36m<sup>2</sup> at 10% increased density - 77 FTE
- 36m<sup>2</sup> at 20% increased density - 87 FTE
- 36m<sup>2</sup> at 30% increased density - 99 FTE

Another important consideration is not only the number of jobs created, but the quality of the jobs. The current employment offer on site is noted to incorporate "heavy" industrial uses. The new build accommodation will offer competitively priced units, with low service charges that will create long term employment opportunities in space that will no doubt be attractive to SME's.

Therefore, if we apply an employment density of 1 FTE per 30m<sup>2</sup> against 2,502m<sup>2</sup> and 1 FTE per 60m<sup>2</sup> against 420.7 m<sup>2</sup> this creates a total FTE figure of 90 jobs.

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## 4. Conclusion

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To conclude, Forty Group recommend that Peabody looks to deliver a 'tailor-made' employment environment that meets the specific requirements of local businesses and occupiers that will be drawn to the prime location that is The Green. This is due to the following observations:

- There is a distinct lack of demand for larger footprint employment space within Southall.

- A local requirement exists for quasi light industrial office and storage/workshop units with sizes ranging from 100m<sup>2</sup> to 250m<sup>2</sup>.
- The emergence of competing developments and impact of Covid-19 raises concerns of over-provision of traditional B1a workspace.

The above factors further substantiate the need for Peabody to differentiate their product from the standard employment model.

In light of the above factors, Forty Group make the following recommendations:

- To focus commercial activity within the scheme at the ground floor of blocks A & B , in the central courtyard area.
- To deliver an 'employment hub' whereby the majority of premises work within B1b/c use class planning (E(g) (ii) (iii)).
- To deliver 'tailor-made' commercial units with distinctive characteristics in order to target and attract local businesses that will operate as a curated mix of quasi office/retail and light industrial uses.
- To deliver employment units with floorplates that range from 100-200m<sup>2</sup>. Peabody may wish to deliver 1 or 2 units with larger floorplates ranging from 200-400m<sup>2</sup>.
- To consider a maximum commercial quantum for commercial employment (E(g) (ii) (iii)) uses of no more than 2500m<sup>2</sup> (excluding Block C proposed nursery accommodation).
- To define the first 1.5 meters of the premises as the 'design control zone' in order to ensure the delivery of a commercial environment that is both clean and inviting to members of the public as well as the residential tenants.

It is advised that by creating a commercial offering that connects to the very core of Southall's existing population whilst catering to the requirements of local industry, Peabody will be delivering a scheme that will likely withstand direct competition from neighbouring developments and demand for employment space. However, this must be tempered with the wider economic proposition which is seeing many business closures and national demand and rent levels reducing. It is estimated that some 6m small businesses will close due to the impact of the pandemic, with 16m jobs at risk. These are figures that cannot be ignored when delivering new business space into a location.

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