MAYOR OF LONDON

London Office Policy Review 2006

August 2006

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A Review of Office Market Trends 2004-2006 and
Their Implications for Strategic Planning Policy

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Professor Geoff Marsh, who led the research in all the London Office Policy Reviews since 1992, died during the preparation of the current Review. He combined rigorous statistical analysis and a unique understanding of the way the London office market worked. His independent advice and informative presentations will be deeply missed.

EXECUTIVE SUMMARY

Preamble

The London Office Policy Review (LOPR) 2006 is the latest in a series of reports that has been running since 1992[i], commissioned since 2001 by the Greater London Authority (GLA). The purpose of the LOPR is to provide policy makers with the most up to date information on the supply and demand for offices in London, including the planning pipeline, and to provide evidence-based analysis of the operation of the office market and its relationship with planning policy.

The series of Reviews exemplifies the "Plan, Monitor, Manage" approach and provided important inputs into the Mayor's London Plan 2004 and associated policy documents such as his Sub Regional Development Frameworks. LOPR 2006 provides the latest office market data and policy analysis for the review of the London Plan published in June 2006. That regular reviews of the office market are essential in informing policy makers is exemplified by Figure 2 which illustrates how rapidly the market has changed in the two years since LOPR 2004.

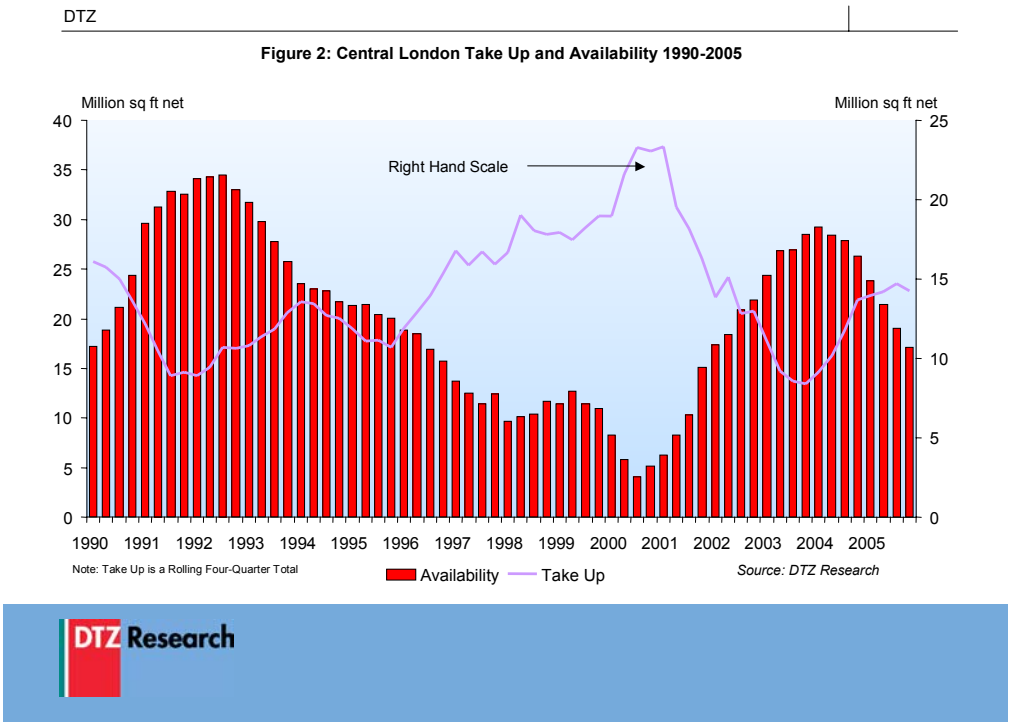


Figure 2: Central London Take Up and Availability 1990-2005

LOPR 2004 was written in the aftermath of "annus horribilis 2" in the London office market in 2003, when demand was at a ten year low and the market was once again over-supplied with space after a six year building boom, resulting in falling rents and a near cessation of construction activity from 2002 to 2004. The extent of over-supply was neither as great nor its impact as harsh as in the early 1990s – developers, by and large did not go bust (although some of the high profile occupiers like MCI and Enron did), and the banks held on to their shirts. To some extent this was due not only to the high

proportion of pre-committed space constructed, a feature largely absent in the late 1980s, but also, in our view, to the increasing sophistication of research and analysis into the central London office market, informing both developers and funding institutions.

The London office market will remain cyclical and volatile, driven by an economic cycle which is more exposed to exogenous global influence than the rest of the UK. The nature of the office development cycle, which normally lags the economic cycle by about two years, means that property often gets its timing "wrong", exacerbating the extremes of the cycle. In just two years from the end of 2003 the London market has gone from over-supply to localised under-supply, from falling or stagnant rents to rental growth, and from "no" development to "go" development.

The review of the London Plan is timely, given that London appears to be entering a growth phase in office employment and office stock over the next few years. Since the mid-1980s the London office market has operated in an environment where the development industry has brought forward, and local planning authorities have permitted, a very healthy potential capacity. The review of the London Plan adopts a provisional benchmark for an additional 510,000 office jobs between 2006 and 2026, implying the need for at least an additional 7.67 million sq metres net[1] (82.6 million sq ft net) offices over that period. That is an awful lot of business for London's office development, construction and associated industries. At an average rent of £45 per sq ft and a net initial yield of 6%, it represents an end value of over £60 billion. It is a crucial element of the LOPR to present empirical evidence in a transparent manner on the current capacity for offices in London and how this compares with the projected need.

That office employment and development are to be primary drivers of the London economy for the next twenty years might imply the need to maintain all of London's existing office stock and to promote new office development across the whole of the capital. Markets don't work like that. The review of the London Plan needs to be sensitive and flexible, allowing for an element of change from offices to other uses and the redefining of extant office planning consents, in certain types of locations and at particular times, where this meets other objectives of the Plan.

In other words, while the review of the London Plan must ensure that London's office stock has the overall capacity to increase in response to office employment growth, the rejuvenation of certain localities, especially in the fringes of central London and in the suburbs, is more likely to be driven by mixed use development that could, in some cases, involve a net loss of office space.

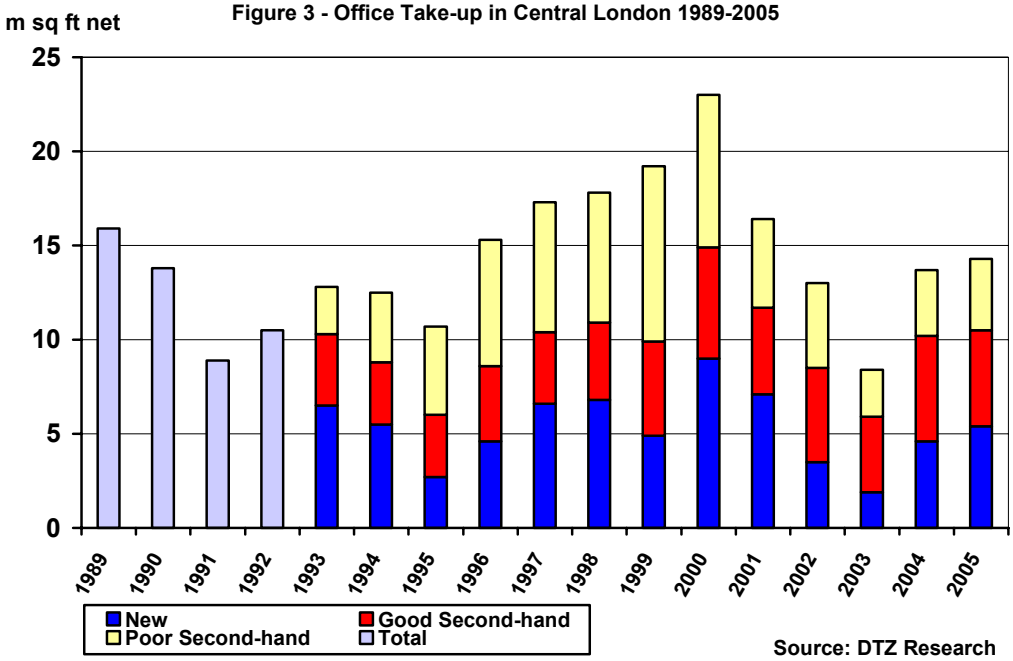
[1] Reference in this report to sq ft or sq metres ***net*** refers to the property market convention of measuring floorspace in terms of "net lettable", i.e. the space on which rent is charged, excluding common parts, corridors, lift lobbies etc. Planners work in sq ft or sq metres ***gross***, being the overall size of the building. In the most efficient large new buildings with regular floorplates, developers aim to achieve a net to gross ratio of 85%, but the net to gross ratio varies considerably by building.

SUMMARY: CHAPTER 1 – SUPPLY AND DEMAND IN CENTRAL LONDON

Office Demand in Central London and Docklands

After dismal demand of just 8.3 million sq ft net in 2003, central London staged an impressive recovery in take-up in 2004 and 2005, with take-up rising to 13.7 and 14.3 million sq ft net respectively – the latter figure exactly matching the annual average over the past 17 years (Figure 3). Demand for offices has recovered much more rapidly than after the recession of the early 1990s.

Figure 3 - Office Take-up in Central London 1989-2005



Source: DTZ Research

Just as the take-up of new and refurbished space slumped in 2003, the recovery of demand for new space was an important feature of the market in 2004 and 2005. Not least, after a moribund period in the early 2000s, there were nine major pre-lettings and pre-sales in 2004 and 2005, stimulating construction starts on 2.4 million sq ft of new pre-committed offices and helping to kick-start the emerging central London office construction boom.

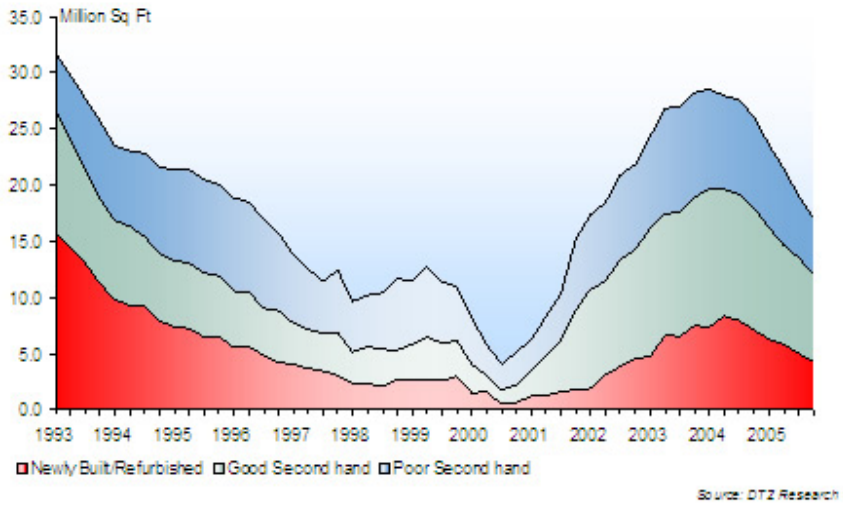
Increased demand was particularly marked in the City and Docklands in 2004, with take-up doubling and tripling respectively on 2003, and in the West End in 2005 when take-up exceeded 4 million sq ft net. After a quiet period in the early 2000s, the drivers of demand are once more the occupier sectors with international exposure including insurance, investment banking, clearing banks, investment management, stockbroking, and law firms (or solicitors as we used to call them). Government, under the strictures of Gershon and Lyons, is conspicuous in its absence, but ICT and dare we say it, dot.com, has picked up the slack in Government heartlands like Victoria.

Office Supply in Central London and Docklands

That the most recent peak of the supply cycle in 2004 was more muted than "last time" is illustrated in Figure 4. Indeed, given the growth of the total central London stock over the intervening period, peak supply at the end of 1st Quarter 2004 at 29.3 million sq ft net represented an availability rate of 13.5% compared to 18.5% in 1st Quarter 1992 – when the supply side was "half as high" again.

DTZ

Figure 4: Central London Availability by Quality 1993-2005



DTZ Research

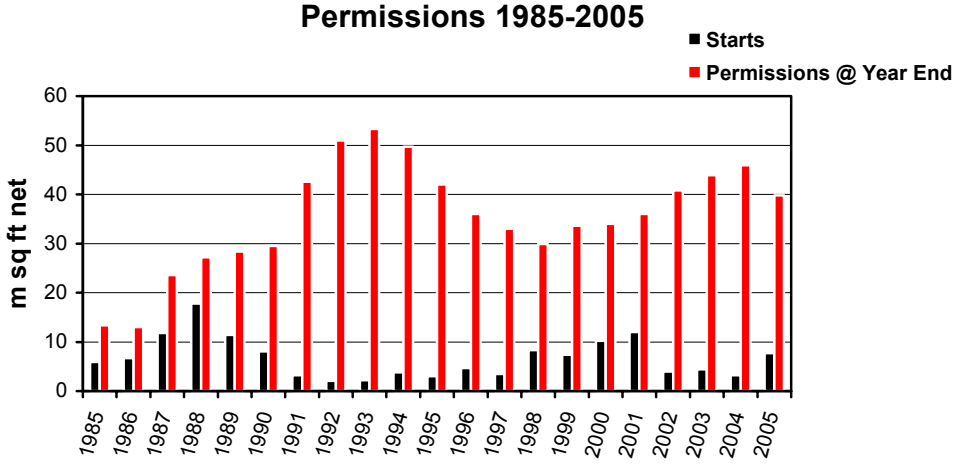
The other key feature of the central London supply data in 2004 and 2005 was the rapidity with which supply fell, such that at the end of 2005 the availability rate was at the "benchmark" market balance figure of 8%. Locally, in the West End and Mid Town availability rates were lower still at 6.4% and 5.3% respectively, leading to strong rental growth for the best space in the West End. In Mayfair developers of high profile new office developments vied to be the first to achieve a nominal rent of £100 per sq ft, with 25 Hanover Square, W1, securing the prize in May 2006.

Construction Levels and the Planning Pipeline

In 2005 office developers in central London started construction on 7.7 million sq ft net, marking the start of the next construction cycle for offices in London (Figure 7). Office starts were focused entirely on the Central Activities Zone (CAZ), especially the City of London (55% of all starts by floorspace) and Westminster, but with important starts in central London fringe locations such as the South Bank and, perhaps in a foretaste of things to come, King's Cross. Docklands, specifically Canary Wharf, was notable by its absence from the starts statistics, but that has already been corrected for 2006 with the commencement of a major pre-let building for a US bank at Canary Wharf.

The overall volume of office construction in the 11 central London boroughs was 9.7 million sq ft net at the end of 2005, and this represented over 90% of all office construction activity in London. The heavy weighting for central London reflects its dominance in terms of contemporary office demand patterns, but is also typical for the early period of the construction cycle when development is focussed on core locations where office rents have recovered most rapidly to levels at which development is viable. Office construction should ripple out of central London to the most viable outer London locations over the course of the cycle.

Figure 7 - Central London Office Starts and Year End Permissions 1985-2005



Source: London Property Research Ltd

In each year from 1999 to 2004 the pipeline of planning permissions in central London increased, even when the rate of starts was high in 2000 and 2001. In 2005, partly in response to the high level of starts, the amount of office space with planning permission fell by 13% to 39.8 million sq ft net (Table 5). Permissions were heavily concentrated in the City, Tower Hamlets (and within Tower Hamlets on the Isle of Dogs) and Westminster. Of the other fringe boroughs, Southwark had the highest capacity in terms of outstanding permissions – a spot that has in 2006 been snapped up by Camden following the approval of the comprehensive development of the King's Cross Railway Lands which includes 4 million sq ft net offices.

If we add in the amount of space in planning applications that were awaiting determination at the end of 2005, then there was a total 53.1 million sq ft in the planning pipeline – and most of the applications are likely to be approved. The fact that the volume of permissions fell in 2005 is a cause of slight concern, and the level of permissions should continue to be closely monitored.

Table 5 - The Office Development Pipeline in Central London End 2005			
Borough	**Development Status**		
	Permissions	**Applications**	**Total**
City	9,815	2,945	12,760
Camden	984	4,936	5,920
Islington	1,668	30	1,698
Hackney	1,898	335	2,233
Tower Hamlets	13,498	2,973	16,471
Southwark	2,926	1,154	4,080
Lambeth	1,169	204	1,373
Wandsworth	1,102	23	1,125
Hammersmith	977	0	977
Kensington	649	0	649
Westminster	5,096	735	5,831
Central London	**39,782**	**13,335**	**53,117**
Source: London Property Research			

SUMMARY: CHAPTER 2 – BENCHMARKING THE CENTRAL LONDON OFFICE MARKET

Purpose of Benchmarks

The London office market "benchmarking" process has now been running since 1999. The five defined benchmarks are each reviewed in depth in LOPR 2006, both in terms of the statistical outcomes for 2004 and 2005 and the possible policy implications of the benchmark result. Before looking at each office market benchmark, it is important to be clear about the role benchmarks are designed to play as part of the "Plan, Monitor and Manage" process.

Benchmarks are not designed to be an automatic policy review trigger, less still a formulaic approach to policy review and revision. They are however designed to highlight policy options on a systematic and transparent basis. In the language of diplomacy, benchmarks might be seen as playing the role of "talks about talks".

Benchmark 1 - Permissions versus Starts

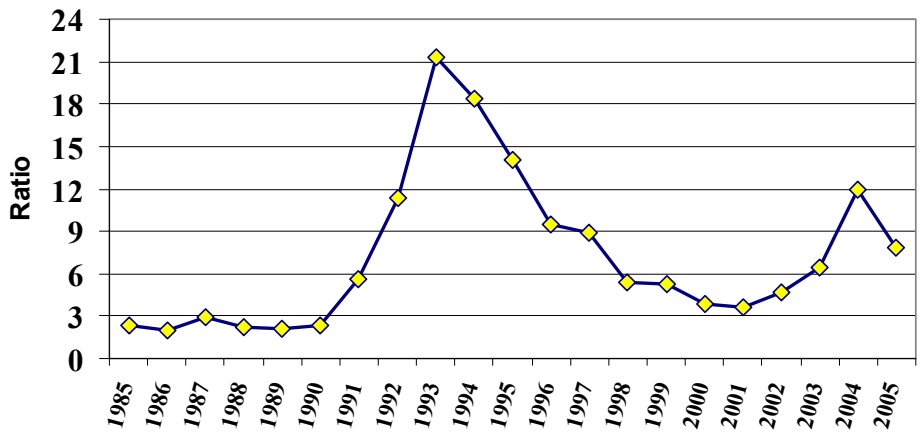
> **"The stock of permissions (measured as net lettable space) should be at least three times the average rate of starts over the preceding three years."**

Local planning authorities cannot guarantee implementation of development, but they ought to be able, first, to establish an appropriate and encouraging environment for the office development industry and second, to approve sufficient volume of development to give developers a choice and to promote healthy competition. This, in turn, should maintain choice for occupiers and a ceiling on their property costs.

Figure 8 shows how volatile the relationship between permissions and starts has been over the past 20 years. Over the recent past, the ratio moved out to as high as 12:1 at the end of 2004, but the diminution of permissions combined with high starts in 2005 brought the ratio back down to 8:1. This ratio is still well above the minimum desirable

ratio of 3:1 and if we set permissions against the high rate of starts in 2005, it is still above 3:1, at 5:1. The volume of permissions needs to be monitored over the next few years to ensure that the pipeline of permissions is maintained in the face of a likely high level of starts.

Figure 8: Benchmark 1 - Ratio of Planning Permissions to Average of Previous Three Years Starts



Source: London Property Research

Benchmark 2 – Availability versus Stock

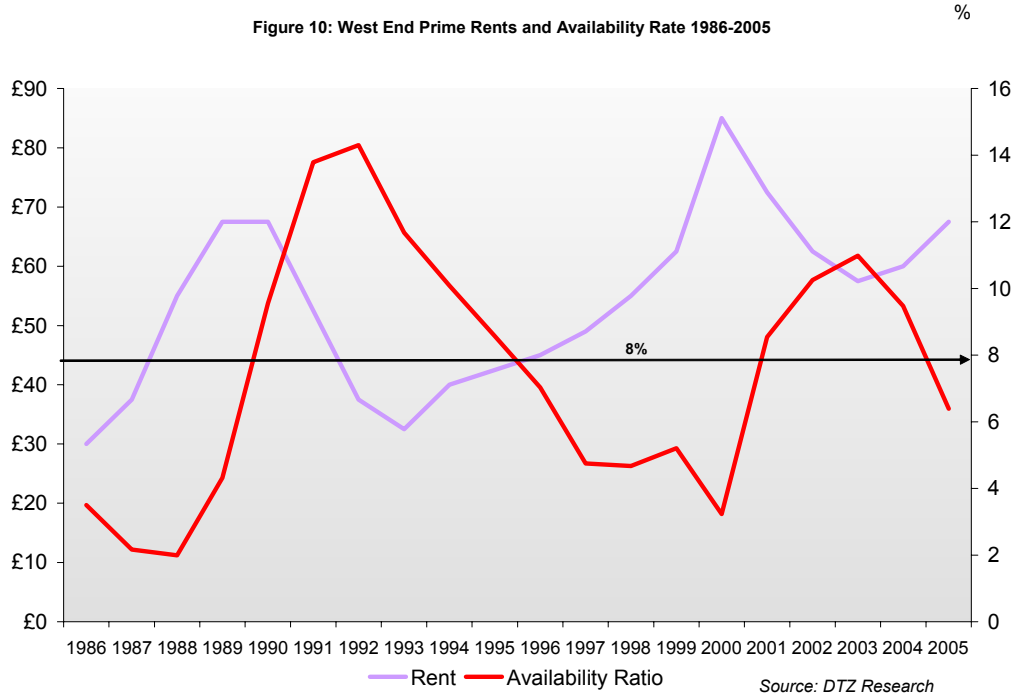
> **"When the central London availability rate is moving in a direction such that the 8% level seems likely to be crossed, particularly close attention should be paid to other market indicators, and the level of office supply should be reviewed."**

The traditional more mechanistic approach to monitoring used to suggest that policy should be automatically reviewed when the 8% threshold was crossed. It is more realistic, we believe, to use this threshold in combination with a range of other indicators, including the other four Benchmarks, to test the performance of the market and its relationship to planning policy. As we first suggested in LOPR 2004[ii], a louder alarm bell should sound when the 8% level is crossed by more than three percentage points either way, making availability rates of between 5% and 11% a realistic and acceptable range.

In the late 1980s and 1990s, the overall central London availability rate was in excess of 8% for ***seven years*** from the start of 1990 to the end of 1996. In the most recent cyclical supply peak, not only was availability, at 13.5%, five percentage points lower than in 1992's 18.5%, but also rates exceeded 8% for half that length of time at ***three and a half years*** from 1st Quarter 2002 to 3rd Quarter 2005. A better informed market is perhaps acting collectively to protect itself from the worst effects of over and under supply while maintaining the momentum given to the market by the classic property cycle.

Figure 10 shows the inverse relationship between the availability rate and prime rents in the case of the West End. It also illustrates the importance of the 8% benchmark level as a trigger for rising or falling rents. Evidently, the danger at the moment is that availability in the West End will fall further, perhaps generating a rental spike, akin to that seen briefly in 2000.

Figure 10: West End Prime Rents and Availability Rate 1986-2005

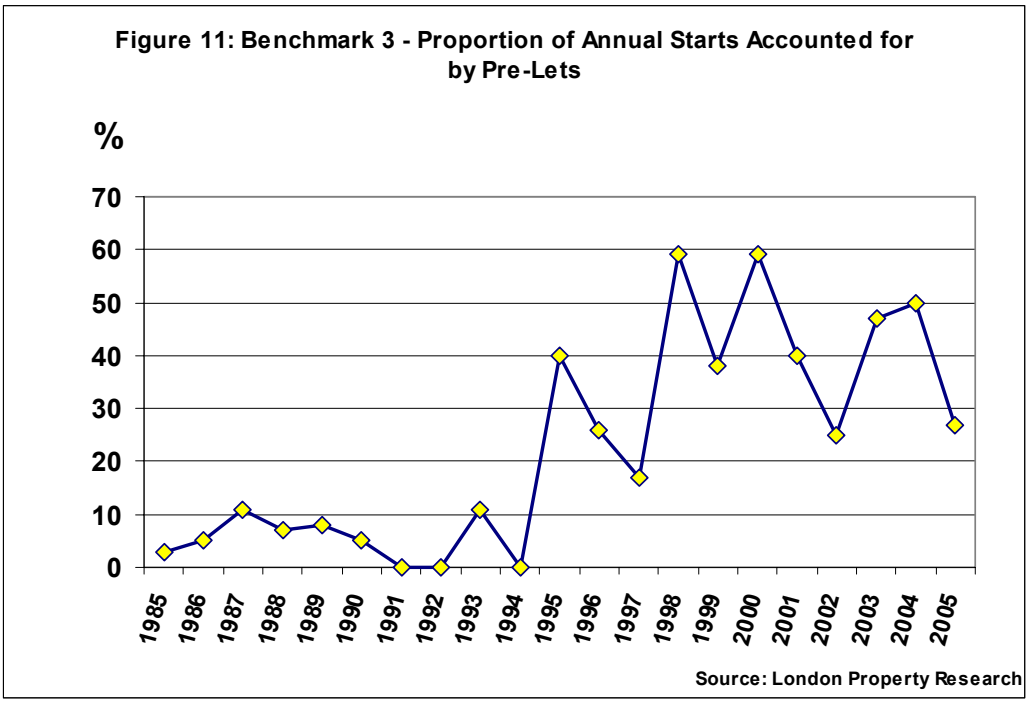


In such circumstances, policy makers ought to be encouraging the provision of additional office space, creating a policy environment that is encouraging to new office development. The policy environment for office developers in the West End is more testing for developers than other parts of London, and it is encouraging to see that the amount of speculative construction increased strongly in 2005 in the boroughs of Westminster and Camden to 1.85 million sq ft net. Elsewhere, availability rates are higher than in the West End, but reducing all the time, encouraging rental growth for the best space, stimulating a new round of office construction which will in turn enhance the stock and temper the rate of rental growth in the longer term.

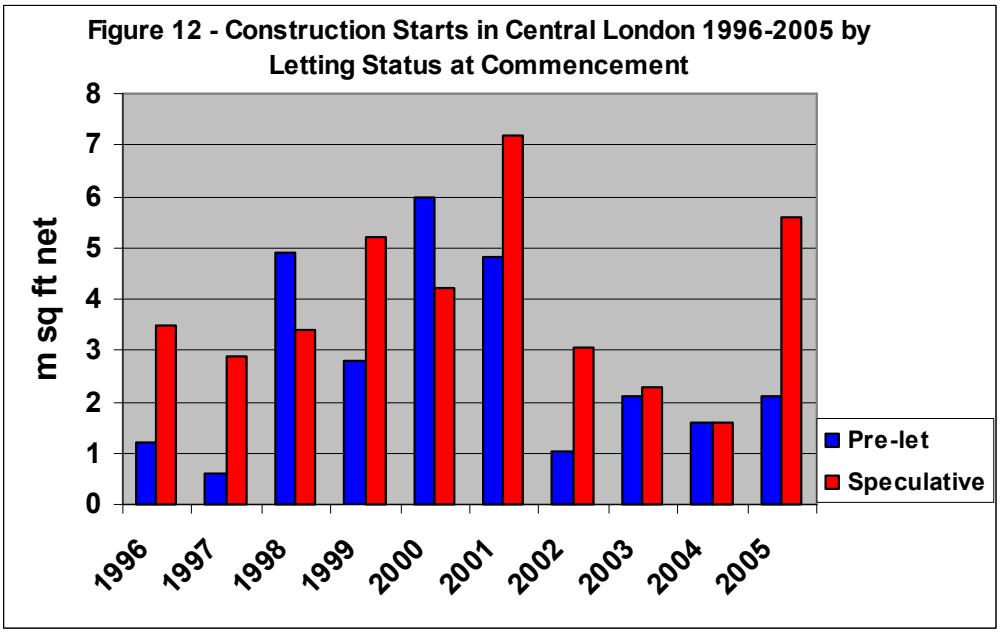
Benchmark 3 – Pre-lets versus Overall Starts

> **"Up to 50% of annual starts being comprised of pre-lets and owner-occupier schemes can be regarded as a normal and healthy market, provided the overall volume of starts is consistent with strategic policies to maintain London's World City role, as defined in Strategic Benchmark I".**

Pre-letting has become a much more important feature of the central London office market in the last ten years (Figure 11), which ought to mean that supply and demand are better aligned than in a market dominated by speculative development. A very high proportion of pre-letting, however, might be seen as unhealthy, if it reduced the amount of speculative space available to meet the needs of the vast majority of occupiers.



As Figure 12 more clearly illustrates, the proportion of speculative space in 2005 starts was over 70%, and given the phase of the market, that would appear to be a sign of health.



In the context of a market where pre-letting has become the procurement route of choice for many of the very largest occupiers, it is of crucial importance for London's global position that there is a wide choice of "oven ready" permissions suitable for them. In 2004 and 2005 nine pre-lets exceeding 100,000 sq ft net were agreed in central London in a variety of core and fringe locations. At the end of 2005 there were no less than 112 sites with permission for 100,000 sq ft net or more in London, 92 of which are located in central London and Docklands, suggesting that a stock of suitable and ready-to-go office permissions exists in locations where major occupiers want to be.

Benchmark 4 – A Range of Rent Levels

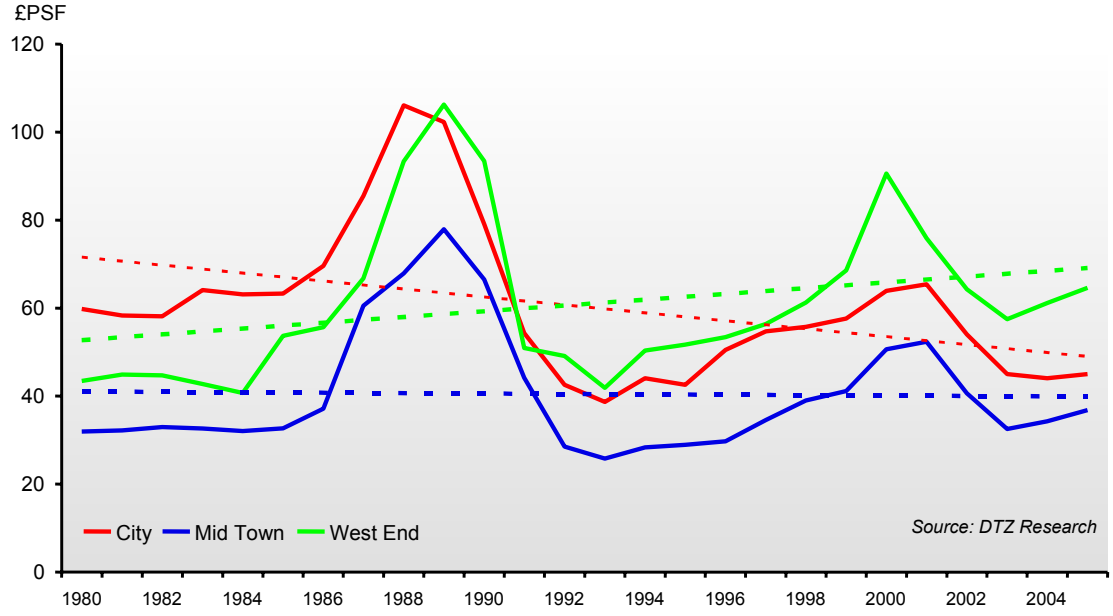
> **"In seeking to promote worthwhile choice for office occupiers, planning policy should seek to ensure that office development occurs in a range of established office locations which have good public transport, such that new office space should be available in non-prime locations at no more than 50% of top rents in central London".**

It is possible that some commentators will get hot under the collar over high rents after the West End breached £100 per sq ft for the first time in May 2006 at 25 Hanover Square, W1. While there is never room for complacency about office costs, such ire is probably misplaced.

First, rents at this level are likely to be achieved only in the best floors of the best buildings in the very heart of Mayfair and to be paid by "more money than sense" denizens of the booming (but somewhat opaque) hedge fund and derivatives industry (the letting above was to a US fund manager). Second, normal rents even for new buildings in the West End are more like £55-70 per sq ft even in prime locations. Third, central London as a whole offers a range of rents for comparable quality space that fulfils the criteria of Benchmark 4. Fourth, £100 per sq ft was always likely to be surpassed at some point just through the force of the RPI, and if we examine historic rents at "today's" prices then £100 psf was already breached in 1989 and 1990.

It remained the case in 2004 and 2005 that the long-term trend for office rents in London in ***real*** terms was upward in the West End, neutral in Midtown and downward in the City, reflecting the different relationships between supply, regulation and demand in each of these markets (Figure 14).

Figure 14: Office Rents in Central London at 2005 Prices



2.3 Benchmark 5 – Years' Supply of New Office Space

"Across central London as a whole, strategic planning policy should seek to ensure that there is at least 3.25 years supply of new office space in the development and planning pipeline. This strategic benchmark is not to be applied to small areas where capacity constraints effectively prevent significant gains to the office stock, but should be applied with a view to expanding the office development pipeline in locations with good public transport and substantial land capacity."

Benchmark 5 provides a crude expression of the capacity that exists in the office market when measured against historic rates of demand for new office space over the past 13 years.

For central London as a whole, at average rates of take up there was at the end of 2005:

- 1.1 years supply available for immediate occupation;
- 1.5 years supply available and under construction;
- 6.7 years supply permitted but not yet implemented.

In total there is 9.3 years supply in central London in these three categories of space.

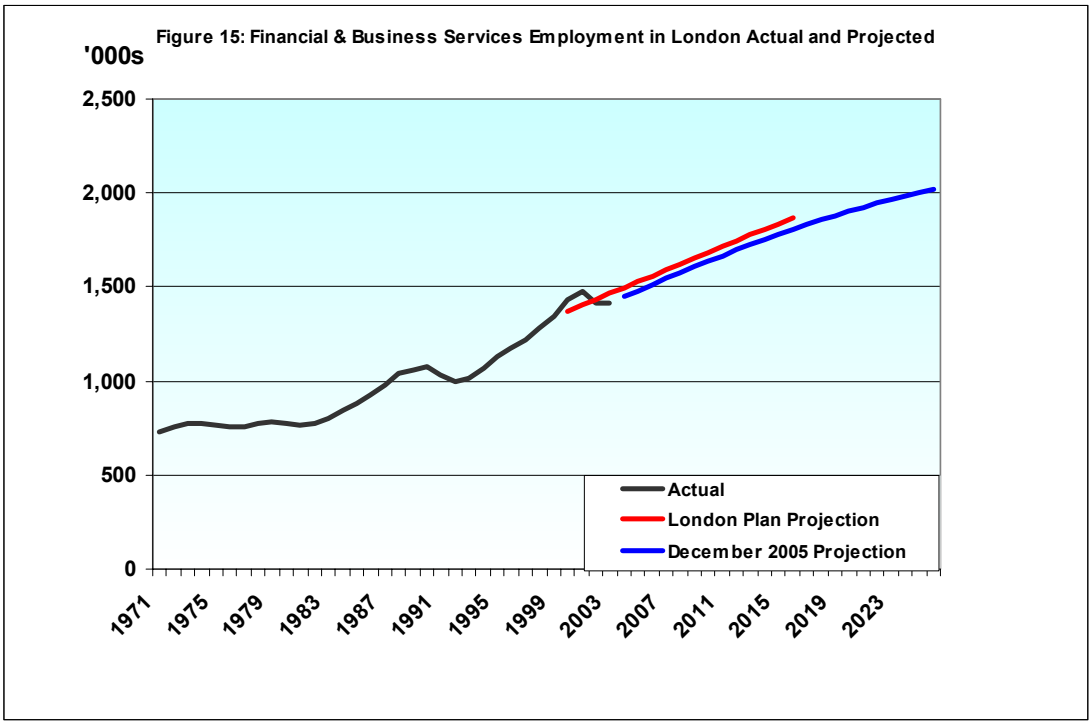
Broken down into DTZ Research's six sub-markets there is a clear distinction between the western and eastern halves of central London. In the western half, comprising Midtown (WC1, WC2), North & West (W2, NW1, SW3, SW7) and West End (W1, SW1), the number of years supply was "shorter" and hence the market for space tighter than in the eastern half, comprising South & East (E1, SE1), Docklands (E14) and City (EC1,

EC2, EC3 and EC4), where the years supply was "longer" and the market for space "looser".

We suggest that the more restricted level of permitted supply in the West End and Mid Town should continue to be monitored to ensure that sufficient capacity is maintained to meet future demand.

SUMMARY: CHAPTER 3 – FORECAST DEMAND AND THE CAPACITY FOR OFFICES IN LONDON

Although London experienced a cyclical downturn in employment in 2001 and 2002, all the indications are that in 2004 and 2005 jobs increased once more in London, especially in financial services and business services (FBS), on the back of the stock market revival and other factors. The review of the London Plan has revisited the employment forecasts made for the London Plan 2004 and tempered the rate of growth. FBS employment, however, is projected to grow by 510,000 over the period 2006 to 2026, an increase of more than a third, and is the main driver behind London's projected economic growth over the next twenty years (Figure 15).



There are two principal questions arising from the 510,000 office jobs projection: first, how much office space will be needed to accommodate the growth and, second, does London have the capacity to meet the need for office space over not only the long-term of the London Plan, but also in the short and medium terms.

Empirical evidence suggests that on average London offices are occupied at 16.3 sq metres (175 sq ft) net lettable per employee. This average coefficient has remained unchanged for at least twenty years, but conceals very wide variations mainly by business sector and office function, and to a lesser extent by other factors such as age of building and location. Density also varies over time, with higher densities often recorded in boom times and lower densities when the economy is slack. Since 2001 we have used the empirically researched average of 16.3 sq metres to impute the future need for office space in the LOPR series and it was also used in the adopted London Plan, subject to an appropriate variance.

Having reviewed the most recent evidence, it is clear that average densities in 2006 remain at around 16.3 sq metres net lettable per employee. We were persuaded, however, that the likely dissemination of alternative working strategies (AWS) enabled by innovations in ICT was likely to raise densities, especially in new office stock, over the next two decades. In order to provide some sensitivity to the floorspace projection, we examined three density scenarios: Scenario 1, no change; Scenario 2, no change to existing stock but higher density in new stock; Scenario 3, higher density in existing stock and new stock but at differential rates. In terms of the need for additional office space for London, these scenarios produced a range from 6.6 million sq metres net (71.3 million sq ft) under Scenario 3 to 8.9 million sq metres net (96.4 million sq ft) under Scenario 1.

Under our "preferred scenario", where the occupational density of the existing stock remains unchanged but the density of occupation of additional stock increases gradually over time (Scenario 2), we estimate that between 2006 and 2026 London will require 7.67 million sq metres (82.6 million sq ft) net lettable additional stock if the accommodation needs of 510,000 extra office workers are to be met (Table 13).

Table 13: The Need for Additional Office Space by Sub-Region[2] Based on FBS Employment Projections, Density Assumption and 8% Availability Rate

Sub-Region	2006-2011 @ 165 sf/person	2006-2016 @ 160 sf/person	2006-2021 @ 155 sf/person	2006-2026 @ 150 sf/person
North	9,736,219	16,889,833	22,353,230	26,376,819
North East	7,563,992	14,646,978	20,134,817	25,548,136
South East	2,043,106	4,595,886	7,224,267	9,638,787
South West	2,527,311	4,739,517	6,901,626	8,443,229
West	3,239,372	7,079,786	9,957,450	12,602,420
London	**25,110,000**	**47,952,000**	**66,571,391**	**82,609,391**
CAZ	14,322,346	21,851,522	26,904,131	31,003,694

Sources: London Property Research, Roger Tym & Partners

This implies an annual average growth in London's office stock of 0.38 million sq metres (4.1 million sq ft net) per annum over the next twenty years. By way of comparison, DTZ's central London stock database indicates that the central London stock has increased at a rate of 0.31 million sq metres (3.3 million sq ft) per annum over the last twenty years. Looking at the data from the point of view of demand, the last seven years data (to end 2005) from DTZ indicates take-up of brand new space at a rate of 0.39 million sq m (4.2 million sq ft) per annum. Valuation Office Agency (VOA) data which is

[2] Unless otherwise stated, all references to sub-regions in this report refer to the revised sub-regional boundaries agreed in 2006

used to compile central Government's "Commercial and Industrial Floorspace Statistics", and which is based on a different methodology, indicates a rather lower rate of growth in the commercial office stock for the whole of London at 0.18 million sq metres net (1.9 million sq ft net) per annum.

The potential need for additional offices at the rate of 4.1 million sq ft per annum over the next twenty years is evidently either close to recent historical experience (compared with the DTZ data) or comfortably higher (compared with the VOA data). We are confident that the level of projected stock growth will be capable of accommodating the level of office employment growth envisaged in the FBS employment forecast.

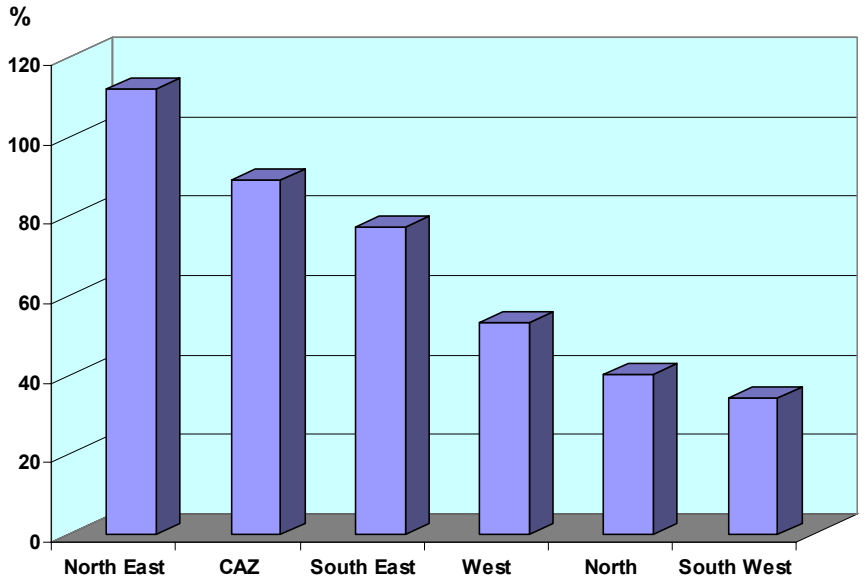
The greatest need for additional floorspace, arising from the geographical allocation of growth undertaken by GLAEconomics and Roger Tym & Partners, is in the revised North and North East sub-regions, which correspond broadly to the West End and City/Docklands sub-markets respectively. At borough level the "Big Six" are (in descending order) Tower Hamlets, Westminster, the City, Camden, Southwark and Islington, which between them account for 56% of potential office employment growth, and hence according to our methodology are likely to require the largest increases in office stock. The CAZ, which includes the City of London and the central parts of nine other boroughs, is expected to require an additional 31 million sq ft net, 37.5% of the London total.

We then examined the potential gain to stock currently in the planning pipeline in order to assess whether the need for additional office stock is capable of being met by the development industry and the planning system. Our very detailed examination of the gain to existing office stock, arising from both current construction and unimplemented planning permissions, indicates that London already has in place sufficient additional capacity to meet 68% of the need for space over the long term from 2006 to 2026 (Table 20). There are significant sub-regional variations (see also Figure 18), ranging from the North East sub-region, where potential gain to stock from construction and permissions already exceeds the potential long-term need, to the North sub-region where potential gain to stock would meet 40% of long-term need. In the all important CAZ, construction and outstanding planning permissions at the end of 2005 could provide an additional office capacity of 27.7 million sq ft, or 89% of the forecast need for office space.

Looking at the short-term, to 2011, the projection suggests that London requires 25.1 million sq ft additional office stock to accommodate employment growth. As at the end of 2005 there was 10.3 million sq ft additional stock under construction almost all of which was due to be completed before the end of 2007, capable of meeting 41% of the office need to 2011. Note, however, that almost 90% of offices under construction were in the CAZ. Taking into account the gain to stock from permissions in addition to construction, then the planning system provided 56.3 million sq ft of gain to stock at the end of 2005, capable of meeting the potential need to 2011 of 25.1 million sq ft twice over.

Table 20 - Employment Change, Potential Office Need and Office Capacity in London by Sub-Region 2006-2026							
Sub-Region	FBS Employment Change Projection		Office Need Based on Rising Density and 8% Availability Rate m sq ft net (m sq m net)	Gain to Stock Capacity End 2005 m sq ft net (m sq m net)			Total Capacity as % of Need 2006-2026
	000s	Sub-Region Share %		U/C	Permissions	Total	
North	163	32	26.4 (2.45)	3.3 (0.31)	7.3 (0.68)	10.6 (0.99)	40
North East	158	31	25.6 (2.38)	4.6 (0.43)	24.1 (2.24)	28.7 (2.67)	112
South East	59	12	9.6 (0.89)	1.7 (0.16)	5.7 (0.53)	7.4 (0.69)	77
South West	52	10	8.4 (0.78)	0.2 (0.02)	2.7 (0.25)	2.9 (0.27)	35
West	78	15	12.6 (1.17)	0.5 (0.05)	6.2 (0.58)	6.7 (0.63)	54
London	**510**	**100**	**82.6 (7.67)**	**10.3 (0.97)**	**46.0 (4.27)**	**56.3 (5.24)**	**68**
CAZ	191	37	31.0 (2.88)	9.1 (0.85)	18.6 (1.73)	27.7 (2.58)	90
Source: London Property Research							

Figure 18: Office Capacity (Gain from Construction and Permissions) At End 2005 Versus Potential Demand for Offices to 2026



Source: London Property Research

SUMMARY: CHAPTER 4 – SOME ISSUES FACING THE LONDON OFFICE MARKET

Offices to Other Uses

Change of use from offices to other uses, including residential, student accommodation and hotels, remains an important process in the London office market, although the loss of office stock in the period 2001 to 2005 has been at a lower rate than in the 1990s. In summary, across London as a whole:

- Between 2001 and 2005 3.3 million sq ft of office space was lost to other uses;
- In place of the offices, 6,024 housing units were created, in either new build or conversions, along with 314 hotel rooms, 214 student rooms and 146,500 sq ft of other uses, primarily retail;
- At the end of 2005, there were outstanding planning permissions and applications involving the loss of a further 3.4 million sq ft of office stock;
- In place of offices in proposed change of use schemes are a further 6,877 housing units, 2,125 hotel rooms, 996 student bedrooms, and 172,000 sq ft of other uses, again primarily retail.

Local market factors and the regulatory environment have an enormous influence on the viability of development for different uses. We highlight the contrast between Westminster, where the amount of change of use remained high over the past five years, and the City of London where it has been low and largely restricted to schemes below 15 units. The increasing acceptability of high buildings is helping to promote the change of use of some office sites to housing in locations like the South Bank and the Millennium Quarter of the Isle of Dogs. Whereas in much of central London the loss of offices to other uses has been abating, in outer London it remains an important feature of the market to the extent that in half a dozen boroughs we estimate that loss of offices to other uses has exceeded gains from office development over the period 2001 to 2005.

That London needs additional offices, and yet developers are seeking and planners are permitting change of use, might at first appear contradictory. In our view, however, it is a realistic response to local market conditions set against the overall growth of the office stock in locations where occupiers want to be and where office rents make development viable. Indeed, it is a hallmark of the growing maturity of the planning system that local planning authorities can operate flexibly in the light of both strategic and local conditions.

Mixed Use Development

In line with national policy the London Plan and its review promotes and encourages mixed use development, including housing. The London Plan is not prescriptive, however, and the detail of mixed use policy has been developed at the local level, following two broad approaches:

- a 50:50 approach, whereby increases in office floorspace must be matched by an equal increase in residential floorspace;

- a tariff approach, whereby increases in office floorspace attract a planning gain tariff, a proportion of which might be used for the provision of affordable housing.

Setting aside the detail of these approaches in individual boroughs, our findings indicate that a range of approaches, that reflect the diversity of the office and residential market conditions in London, is valid. It is equally fair to say that the 50:50 approach has a tendency to place limits on the increase of the local office stock, whereas a tariff approach can allow very significant increases in office stock, with planning gain including other uses being located off site.

Westminster pioneered the 50:50 approach to mixed use and it is instructive to examine the impact of the policy on the gain to office stock and the provision of other uses. In 27 consents approved since 2000 which involved an increase in office floorspace that triggered the mixed use policy, we found:

- a potential net increase in office stock of 86,034 sq metres gross (926,070 sq ft gross), which is around 750,000 sq ft net lettable;

- a potential net increase of 517 housing units (99 of which are affordable);

- commitments to provide £12.76 million to the borough's affordable housing fund.

And this is not just "potential", as the viability of these schemes is proved by the implementation of 14 of the 27 permissions during the past five years – a period when the office market was relatively weak.

The City of London has since mid-2004 operated a tariff approach, outlined in its Planning Obligations SPG of June 2004. Put simply, the SPG seeks a fixed rate of planning obligation at the rate of £70 per sq metre for additional gross floorspace, where the overall gross floorspace of the proposed development exceeds 10,000 sq metres gross (107,640 sq ft) and where the gain in gross floorspace is in excess of 2,000 sq metres gross (21,528 sq ft). In two years to the end of May 2006, developers have entered into section 106 agreements based on the SPG to provide £40 million.

Having reviewed the most recent evidence, we maintain the conclusion regarding Westminster that was reached in London Residential Research's and CBRE's Mixed Use Study for the GLA in 2004[iii] that:

> *The mixed use policy is not stopping office development, although it is decreasing the volume of offices which would otherwise get built in Westminster. (p.64)*

National, regional and local planning policies increasingly promote mixed use, whether it is expressed at the level of the individual site or the local quarter. London boroughs are evidently implementing different approaches based on local circumstances, including what the local office market can "bear". Although this may make for inequitable outcomes between areas, where for example the 50:50 approach weighs more heavily on a development than a simple tariff aimed at off site provision or other planning gain, it does reflect the very different office development environments encountered in parts of

London. Adopted London Plan Policy 3B.4 has been instrumental in encouraging London boroughs to analyse, develop and adopt mixed use and planning gain policies – and in our view that is a very positive outcome.

Outer London Office Markets

Outer London contains a diversity of office markets and the typology outlined in the adopted London Plan (paragraph 3.123) remains a valid classification. Office construction activity in outer London has been modest over the past few years, accounting for just 9% of completions between mid-2001 and end-2005 and only 7% of construction at the end of 2005. Construction activity is strongly focussed on favoured locations within the South East, South West and West sub-regions, with 12 boroughs having no offices under construction at the end of 2005.

The pipeline of permissions is also concentrated with only eight outer London boroughs having a total volume of permissions exceeding 100,000 sq ft net. In certain locations, especially the outer North and outer North East boroughs, developers have evidently "given up" on offices, favouring instead either residential or mixed use/retail led renewal schemes.

Outer London still has an important contribution to make to office development over the next twenty years, however, and we have identified the following five generic locations which provide a stock of potential offices subject to demand.

- Croydon. There is potential for significant office development as part of a renewal of the town centre also involving retail and residential development.
- Selected South West and West town centres. In locations such as Ealing, Wimbledon and Uxbridge speculative stand-alone office development has continued on modest scale over the past five years and more schemes should become viable as market conditions improve.
- Selected stand-alone schemes on linear routes. Stand alone office development along linear routes has declined over the past ten years, but significant planning consents remain extant and we do expect some implementation, or that offices can provide one element of the mixed use development of some of these arterial sites.
- Business parks in recognised office locations. Chiswick Park is leading the way with a major speculative building completed in May 2006 and another started. There is also capacity at London's pre-eminent business park, Stockley Park.
- Comprehensive office schemes in untried locations. In effect these are what we might term "the strategic reserve" for outer London and include Stratford, the Royals, Greenwich Peninsula and, perhaps, Park Royal and Wembley. If we extended our analysis to sites without planning permission then we could comfortably say that Cricklewood is an untried location as far as office development is concerned. London 2012 gives Stratford a significant boost as an office location in terms of infrastructure and market profile.

In Appendices 3-7 of LOPR 2004 we undertook a comprehensive analysis of the viability of office development in all of London's office centres, including the outer London boroughs. This analysis informed the development of a threefold typology for office

centres outside CAZ and the Opportunity Areas which was incorporated in the Sub Regional Development Frameworks (SRDFs) published in May 2006. The policy typology is as follows:

i. speculative office development could be promoted on the most efficient and accessible sites in the context of wider schemes to enhance the environment and offer of the centre as a commercial location. This might entail some long-term net loss of overall office stock through change of use of provision on less attractive sites.
ii. some office provision could be promoted as part of wider residential or residential and retail/leisure mixed use development. This would be likely to entail long-term net loss of overall office stock, partial renewal on the more commercially attractive sites and managed change of use provision on less attractive sites.
iii. there is "no purpose in promoting offices" and static or declining demand should be managed in the context of sensitive policies to sustain changes in employment type, to facilitate land use change, especially to housing and other town centre related uses and to enhance the attractiveness and wider offer of the centres.

Having reviewed the typology in the light of the analysis in LOPR 2006, we do not consider the need to make significant changes to the designations given in the SRDFs to the various office centres, but strongly recommend that the designations be monitored in the light of market conditions.

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[i] Tony Key (IPD) & David Chippendale (APR), The London Office Market Assessment & Prospects, London Planning Advisory Committee (LPAC) 1992; the London Office Policy Review series by London Property Research commissioned by LPAC commenced in 1995, with further publications in 1997, 1999, 2000 by LPAC and 2001, 2002 & 2004 by the GLA

[ii] London Property Research, London Office Policy Review 2004, GLA 2004

[iii] London Residential Research & CBRE, Mixed Use and Affordable Housing Study, GLA 2004

SUPPLY AND DEMAND IN CENTRAL LONDON

1.1 Introduction

The last edition of the London Office Policy Review (LOPR) was published in August 2004 based on data to the end of 2003. In this section of LOPR 2006, therefore, we undertake an analysis of the development of the central London office market for the years 2004 and 2005 encompassing market, construction and planning data. The subsequent sub-sections cover the following areas:

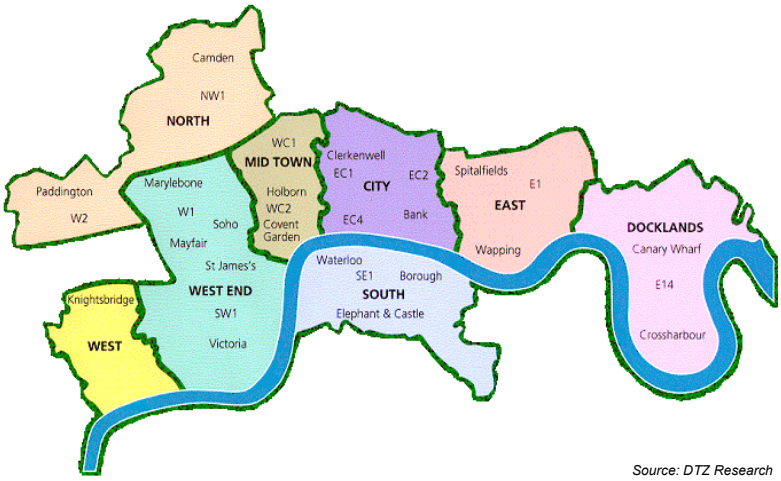
- Take-up in 2004 and 2005;
- Supply available for immediate occupation at the end of 2005;
- Construction starts in 2004 and 2005;
- Under construction (speculative and pre-let) at the end of 2005;
- Planning permissions at the end of 2005;
- Outstanding planning applications at the end of 2005.

In each sub-section the most recent market and development data is presented in the context of longer-term trends.

The report utilises two primary data sources for central London. Data on office take-up and current supply has kindly been provided once again by DTZ Research and we would like to thank Joe Valente, head of DTZ Research, for continuing to make this long running data series available to the London Office Policy Review. As is the market convention, this data is collected and analysed on the basis of postal codes and amalgamated into DTZ's central London sub-markets as illustrated in Figure 1.

DTZ

Figure 1: The Central London Office Market According to DTZ



Source: DTZ Research

DTZ Research

Data on potential supply, including construction activity, planning permissions and outstanding planning applications has its main source in Egi's London Office Database (LOD) and London Residential Research (LRR) databases, supplemented where necessary by original research. As in previous LOPRs, the report includes raw data on a building by building basis in order to provide transparency. The construction and planning data is presented and analysed by borough in order to provide a basis for policy analysis and contributes baseline data for the comparison of office capacity with revised office employment projections in Section 3.

1.2 Market Overview

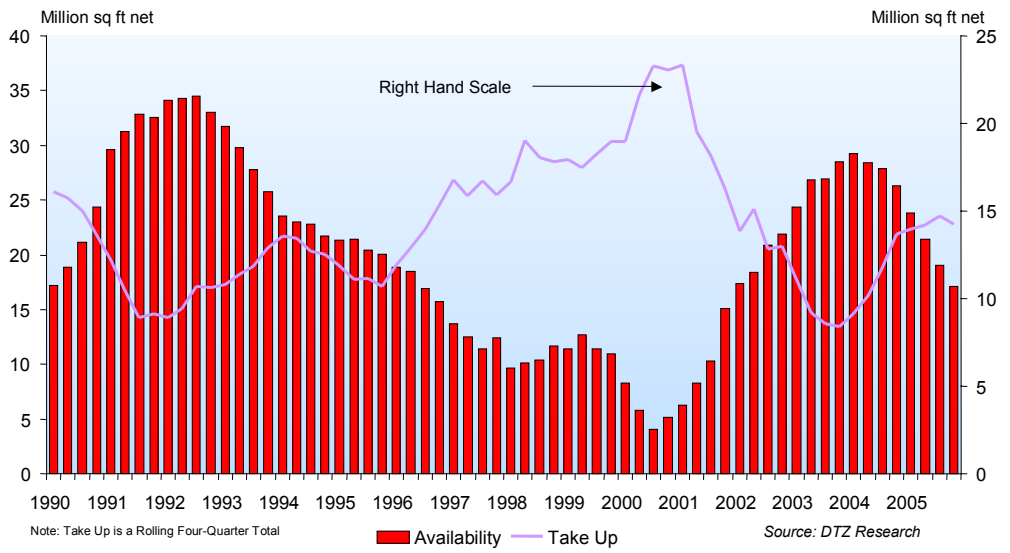
In LOPR 2004 we characterised 2003 as "Annus Horribilis 2" for the central London office market, "Annus Horribilis 1" being 1991, when the market also suffered a severe reduction in office take-up at a time of very high supply. Much has changed during 2004-2005 as the office cycle has moved from:

- generalised oversupply, low demand and low or falling rents at the end of 2003 to,
- localised undersupply, rising demand and selective rental growth for the best quality space.

Figure 2 summarises the supply and demand balance for central London as a whole at the end of 2005 in the context of the last two cycles.

DTZ

Figure 2: Central London Take Up and Availability 1990-2005



DTZ Research

What is most apparent from Figure 2 is the speed with which supply reduced over a 21 month period from 1st Quarter 2004 to 4th Quarter 2005, and that the reduction of supply accelerated sharply in 2005. This implies strong "net absorption" in 2005, in other words genuine growth in employment numbers leading to an overall increase in occupied stock. The take-up side of Figure 2 certainly illustrates increasing take-up over the two-year period, although not exceeding average historic demand levels, albeit with a slight downturn in the final quarter of 2004. The early indications in 2006 suggest this is a "blip" and that take-up rates will be sustained or enhanced through 2006. If the central London market follows its normal cyclical pattern, then we would expect to see supply continue to be reduced during 2006 as take-up continues at or above its prevailing level at the end of 2005. Rental growth, which was geographically limited over most of 2004-2005 to the West End, emerging in the City (for new space only) in the latter part of 2005, is likely to become more widespread during 2006 and into 2007.

Rental growth has important implications for the location of office development, making it increasingly viable in fringe locations, including the London Plan's defined areas of Intensification and Opportunity, which form a key element of the increased office capacity required to accommodate the projected growth in office employment. During 2004 and 2005, there were no strategically important office development starts within the official boundaries of London's "Opportunity Areas" as defined in the London Plan and the Sub-Regional Development Frameworks. Starts were made, however, in the immediate hinterland of Opportunity Areas at King's Cross (pre-let driven), London Bridge (pre-let and speculative) and Bishopsgate/South Shoreditch (speculative), in the latter two examples right on the Opportunity Area border. The fact that office development has started during 2004-2005 beside these three Opportunity Areas, including speculative development, bodes well. The examples above illustrate the critical combination of occupier confidence in the credibility of the location (in relation to its business sector, client base and staff) alongside developer confidence in the ability to attract further occupiers at an acceptable and viable rent level. Rental growth over the short to medium-term will be important in establishing that confidence outside traditional office locations.

Even if significant levels of office development are yet to percolate into fringe locations, market conditions prompted a step-change in the level of office construction activity in central London in 2005 which looks set to be maintained in 2006 and 2007. Depending on the strength of the demand side, the signs of a new construction boom emerging could have the effect of moderating excessive rental growth, especially in the City. The core West End, however, could exhibit high rates of rental growth into 2007 and beyond before the effect of enhanced supply is felt. High rents in the core West End normally creates conditions where occupiers with critical relocation decisions examine alternative lower cost locations, usually, although not exclusively, within central London. The West End's loss is a potential gain for less established sub-markets such as Paddington, Midtown, the South Bank, the City Fringe and Docklands, enabling these markets to broaden their occupier base.

One of the factors that strongly influenced the office market in 2005, and continues to do so in 2006, is the overwhelming strength of the office investment market. 2005 was a record year for the value of transactions in London offices, and values hit very high levels as the level of interest by purchasers led to "yield compression", with net initial yields falling as low as 4% in some cases. London office investments have a wide appeal, with traditional investors such as property companies, pension funds, insurance

companies and managed funds, competing with foreign institutions such as German funds, highly geared foreign investment syndicates such as the Irish exploiting pension tax breaks, and high net worth individuals.

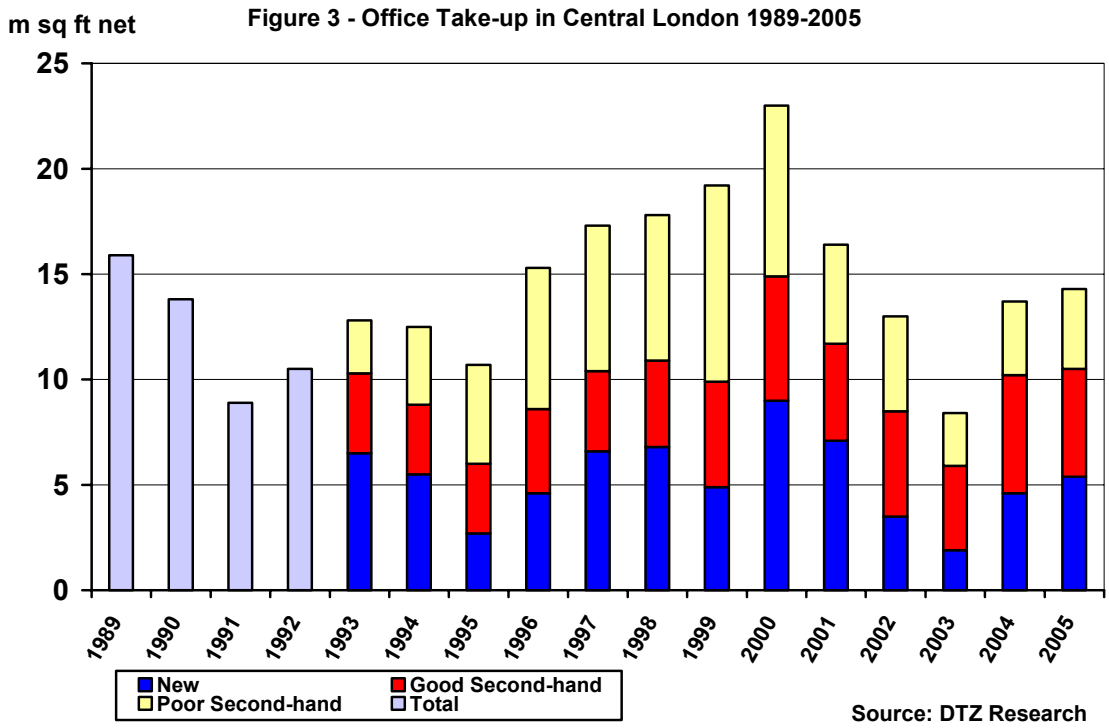
This record level of investment activity is based on rent levels that are in most markets only just beginning to recover from the early "Noughties" downturn. One of the factors supporting the very low yields for today's valuation is the expectation that rents will rise significantly over the next 2-3 years, supporting values even if yields soften, which seems likely given the unsustainable rate of growth recorded recently. IPD's returns for UK offices for 2005 were a heady 20.3% based on income returns of 6.1% and capital growth of 13.4%, but where rental value growth was only 1.9%. The combination of high values and rental growth prospects for central London offices is helping funding institutions to support the purchase of buildings and sites with short to medium term development angles, for both refurbishment and new building. That should contribute to the continuation of high levels of construction starts in the short term.

In conclusion the central London market is interestingly poised at the start of 2006. In terms of the supply side, the market is "half way down" the wave of the current cycle, and, one would hope, something like "half way up" the wave of the demand cycle. In terms of both rental growth and construction activity the market is at the start of the next wave of rising rents and a construction boom is getting underway. This is an opportune time, then, for a review of the fundamentals of supply and demand for central London offices.

1.3 Office Take-up in Central London in 2004 and 2005

In LOPR 2004 we highlighted that 2003 was the worst year for demand in central London offices in at least twenty years, with take-up plummeting to 8.3 million sq ft, not much more than a third of the highest ever take-up of 23 million sq ft in 2000. At the time our expectation was that 2003 would represent the low point in the demand side cycle, in part based on levels of active requirements and the return of large lettings in the first half of 2004. Since the end of 2003, it transpires, the central London office market has enjoyed a sustained recovery in demand, without yet showing signs of over-exuberance. Overall take-up for central London in 2004 was 13.7 million sq ft, an increase of 65% on the poor performance in 2003. In 2005 take-up rose marginally by 5% on 2004 to 14.3 million sq ft – exactly matching annual average take-up over the past 17 years (Figure 3).

Figure 3 illustrates the latest data in the context of the most recent cycles in the market going back to 1989. Over this 17 year period, the annual average take-up of offices in central London was 14.3 million sq ft, with clearly defined periods of boom (1989-1990, 1996-2001) and slump (1991-1995, 2002-2003). If anything, the data suggests that the demand side has recovered more rapidly this time than was the case in the early to mid-1990s, with only one year, 2003, when demand was significantly adrift of the long-run average.



Take-up for all grades of space was enhanced from the low point of 2003, but the emphasis in 2004 and 2005 has been a strong increase in take-up of brand new space. In 2004, for example, new space take-up was up 142% to 4.6 million sq ft, while both good and poor quality second-hand space take-up was up by a much lower rate of 40% on the 2003 figure. New space take-up increased by a further 18% in 2005, while the overall take-up of second-hand space remained unchanged, albeit masking a 9% reduction in the take-up of good quality second-hand space and a 10% increase in the take-up of poor quality space. Much of the increase in new space take-up can be attributed to a strong return of the pre-letting market, as we will see below.

Table 1 provides a detailed breakdown by postal code and grade of space for office take-up in 2004, including a comparison with 2003. In 2004 the highest levels of increase in take-up were to be seen in the City, Docklands, City Fringe (South & East) and West End Fringe (North & West) sub-markets. Midtown and the West End displayed greater consistency (indeed in 2003 take-up did not fall to as great an extent as in the City and Docklands), reflecting the much broader tenant bases attracted to these markets. In the City market, take-up almost doubled from 2.7 million sq ft to 5.2 million sq ft, as major requirements were once more crystallised against a background of employment growth in financial and business services employment. In Docklands (E14), take-up was up almost three-fold on the recent historic low of 400,000 sq ft in 2003. In the South and East Fringes, it was the South Bank that proved most attractive to major occupiers with several significant relocation announcements to two key schemes More London and Bankside 123. In E1, on the eastern fringes of the City, take-up actually fell between 2003 and 2004.

Table 1 - Take-up of Office Space in Central London by Location and Quality in 2004 ('000s sq ft net)					
Post Code / Sub-market	**New & refurbished**	**Good Second-hand**	**Poor Second-hand**	**Total**	**Change on 2003 Take-up (%)**
EC1	90,053	282,186	408,021	780,260	-4
EC2	776,613	756,420	315,661	1,848,694	114
EC3	737,370	512,993	211,912	1,462,275	104
EC4	477,779	563,856	115,950	1,157,585	230
City	**2,081,815**	**2,115,455**	**1,051,544**	**5,248,814**	**91**
E14/Docklands	**351,440**	**734,980**	**61,840**	**1,148,260**	**181**
E1	106,114	68,641	120,322	295,077	-19
SE1	929,764	316,152	297,254	1,543,170	153
South & East Fringe	**1,035,878**	**384,793**	**417,576**	**1,838,247**	**49**
WC1	142,416	160,217	282,550	585,183	-3
WC2	124,689	380,810	292,884	798,383	27
Midtown	**267,105**	**541,027**	**575,434**	**1,383,566**	**12**
W1	354,259	963,140	747,404	2,064,803	18
SW1	240,245	499,996	431,748	1,171,989	43
West End	**594,504**	**1,463,136**	**1,179,152**	**3,236,792**	**26**
NW1	160,226	283,739	91,851	535,816	159
SW3	38,264	81,319	28,652	148,235	58
SW7	0	8,826	7,025	15,851	1
W2	48,446	16,986	37,373	102,805	50
North & West Fringe	**246,936**	**390,870**	**164,901**	**802,707**	**108**
Central London	**4,577,678**	**5,630,261**	**3,450,448**	**13,658,387**	**64**
Source: DTZ Research					

Midtown saw a marginal 12% increase on 2003, with take-up at 1.4 million sq ft, in part a reflection of the lack of available new supply. The West End performed more strongly with a 26% increase on take-up in 2003, with take-up in SW1 (Victoria and St James's) rising more rapidly than in W1 (Mayfair, Soho, North Oxford Street).

Table 2 provides the same breakdown of take-up data for 2005. Compared to 2004, take-up continued to grow in the core markets of the City and West End, up 14% and 25% respectively. In the City, take-up of all grades of space increased, but the highest rate of growth was for new and refurbished space. The highest rates of increase in take-up on 2004 were in the main banking locations of EC2 and EC4, with a reduction in take-up in the EC3 market, traditionally dominated by the insurance industry. In the West End, the growth in take-up during 2005 was accounted for in W1, with SW1 neutral. Within W1 there was a huge increase in the take-up of new and refurbished space with 350,000 sq ft take-up in 2004 being followed by 1.1 million sq ft in 2005. This fuelled significant rental growth for new and refurbished buildings in 2005, with strong increases

in core locations such as Mayfair, rates of increase that look set to continue through 2006 and into 2007.

Table 2 - Take-up of Office Space in Central London by Location and Quality in 2005 ('000s sq ft net)					
Post Code / Sub-market	**New & refurbished**	**Good Second-hand**	**Poor Second-hand**	**Total**	**Change on 2004 Take-up (%)**
EC1	171,292	233,628	462,017	866,937	11
EC2	942,160	1,007,435	351,565	2,301,160	24
EC3	522,458	611,956	168,315	1,302,729	-11
EC4	853,915	471,938	169,308	1,495,161	29
City	**2,489,825**	**2,324,957**	**1,151,205**	**5,965,987**	**14**
E14/Docklands	**468,129**	**191,116**	**62,512**	**721,757**	**-37**
E1	159,255	98,831	353,700	611,786	107
SE1	169,217	299,386	259,083	727,686	-53
South & East Fringe	**328,472**	**398,217**	**612,783**	**1,339,472**	**-27**
WC1	116,200	210,478	247,872	574,550	-2
WC2	200,526	360,293	227,290	788,109	-1
Midtown	**316,726**	**570,771**	**475,162**	**1,362,659**	**-2**
W1	1,113,972	880,271	870,954	2,865,197	39
SW1	332,563	588,080	255,225	1,175,868	0
West End	**1,446,535**	**1,468,351**	**1,126,179**	**4,041,065**	**25**
NW1	186,834	117,219	268,643	572,696	7
SW3	54,315	20,230	20,532	95,077	-36
SW7	5,836	0	26,273	32,109	103
W2	92,226	24,583	44,595	161,404	57
North & West Fringe	**339,211**	**162,032**	**360,043**	**861,286**	**7**
Central London	**5,388,898**	**5,115,444**	**3,787,884**	**14,292,226**	**5**
Source: DTZ Research					

In Midtown, there was little change in 2005 and it is likely that the take-up of new and refurbished space in this market that includes Bloomsbury, Covent Garden, Strand and Holborn has been suppressed by the lack of available new and refurbished stock. As we will see in Section 1.4, there was only 190,000 sq ft new and refurbished space available at the end of 2005, representing well under a year's supply at recent rates of take-up.

Take-up in Docklands and the South and East Fringes was well down on 2004, at 37% and 27% lower respectively. In Docklands the market is dominated by Canary Wharf where there were no pre-let announcements during 2005. By the end of May 2006, however, Canary Wharf had announced a major pre-let of 300,000 sq ft to State Street Bank at 20 Churchill Place and assorted smaller lettings in existing buildings approaching 250,000 sq ft. Take-up in 2006 in E14 ought to be enhanced as a result.

In E1 take-up more than doubled in 2005, largely attributable to Royal Bank of Scotland's decision to occupy the 237,000 sq ft Aldgate Union building, while in SE1 take-up was halved, but this should not cause undue concern as it reflects the success of the market in attracting big pre-lets in 2004. In the somewhat disparate markets encompassed by the North and West Fringes, which take in an arc of the West End from Chelsea, through Knightsbridge, Paddington and Marylebone, to Euston, take-up overall was up 7% on 2004. The largest of these markets is NW1 where take-up was just under 600,000 sq ft in 2005, a 7% increase on 2004.

Table A1 (see Appendix 1) provides a list of all occupational transactions of 50,000 sq ft or more during 2004 and 2005. There are a number of significant points arising from the list of lettings.

- Whereas in 2003, the number of 50,000 sq ft plus lettings was only 20, totalling 1.8 million sq ft, over 2004-2005 there were 61 lettings of this size with a total take-up of 7.3 million sq ft.
- In 2003 the largest letting was of 189,000 sq ft in a second-hand building in the City to a national newspaper group. In 2004-5 the largest letting was 465,000 sq ft to an insurance company in a pre-let on a brand new City office complex, and there were nine lettings exceeding the largest letting in 2003.
- In 2003 the pre-letting market was moribund, but early in 2004 it returned strongly. Over 2004-5 there were nine major pre-lets, four in the City, three on the South Bank, one at King's Cross and one in the West End, stimulating a significant increase in the construction of offices in central London.
- Given the minimum size of the lettings in Table A1, there is a strong concentration in the City, City Fringes and Docklands, where the largest financial and professional occupiers prefer to locate. This should not understate the importance of the West End, where historically the size of the largest transactions tends to be smaller and there is a greater emphasis on deals of less than 50,000 sq ft. In Table 3 most of the West End lettings are less than 100,000 sq ft.
- In 2003 financial services and the professions were underweight in the largest transactions. In 2004-5 there was a strong emphasis on financial services including insurance, investment banking, clearing banks, investment management and stockbroking and a strong showing from the legal sector with six major transactions including two significant pre-lets to Norton Rose and Lawrence Graham bringing major legal players to the South Bank. As a result of the Lyons report, take-up by Government has largely dried up, with implications for sources of demand for the office market in Whitehall and Victoria, where there was some evidence in 2005 of the attractions of Victoria, in particular, for non-Government occupiers.
- With 21 of the 61 lettings involving the take-up of completed new and refurbished buildings (not including pre-lets), the take-up of large units in 2004-5 of just over 2 million sq ft made a significant impact on reducing the overhang of new space from the most recent construction boom, particularly in the City.

1.4 Office Supply in Central London at end 2005

Sustained demand over 2004-5 combined with a significant reduction in the rate of office completions as a result of low construction start rates from 2002 onwards led to a significant absorption of office space in the central London office market during the period. The withdrawal of space from the market by:

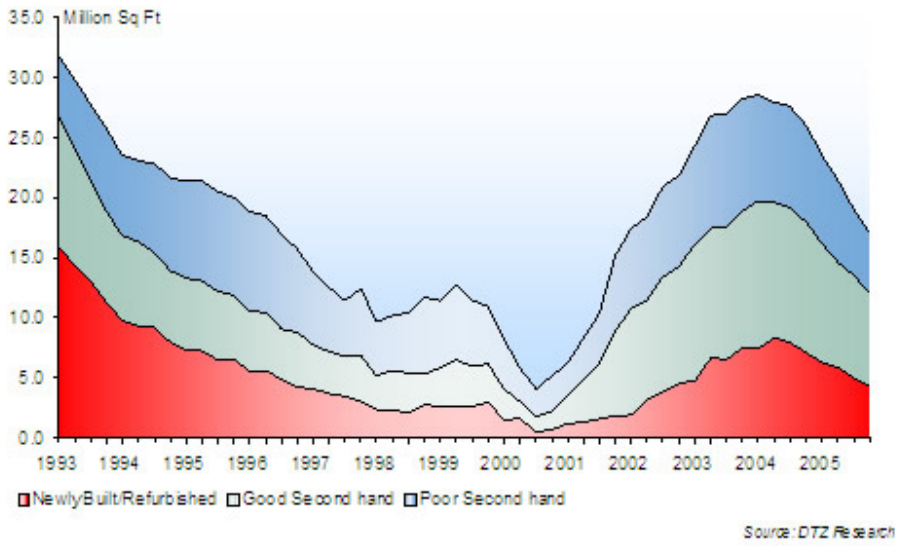
- occupiers re-assessing their occupational portfolios in the light of renewed staff growth,
- building owners deciding to refurbish and redevelop rather than continue to try to find occupiers for lower quality space at correspondingly lower rents,

has also been a factor in reducing headline rates of supply.

When we reported in LOPR 2004, office supply in London was actually very close to its cyclical peak. At the end of 2003 there was 28.9 million sq ft available in central London, and at the end of 1st Quarter 2004 availability in central London peaked at 29.3 million sq ft (Figure 4). Office supply has subsequently consistently fallen quarter by quarter, with 26.3 million sq ft available at the end of 2004 and 17.1 million sq ft at the end 2005. The rate of reduction in supply clearly accelerated during 2005, with a rate of reduction of 9% in 2004 being followed by a massive cut in availability of 9.2 million sq ft or 35% in 2005. As a result the availability rate in central London has been reduced by almost six percentage points during 2004-5 from a peak of 13.5% at the end of 1st Quarter 2004 to just 7.8% at the end of 2005. This has significant implications for the prospects for rental growth, given that we consider that an 8% availability rate is a pivotal figure for the market (see Benchmark 2 in Section 2.3).

DTZ

Figure 4: Central London Availability by Quality 1993-2005



DTZ Research

The peak rate of 13.45% is also significant, in that it is far lower than the record peak in availability of 18.5% in 1st Quarter 1992, when the market was chronically over-supplied and endured recessionary conditions for five years, contributing to a significant conversion of office stock and sites to other uses, principally hotels and residential. The lower rate of oversupply this time around, combined with the implementation of affordable housing policy on residential development has led to a much lower rate of office conversions in central London, albeit office to hotel and student residential change of use is in evidence in the central area, not least as these uses do not attract affordable housing provisions.

The overall composition of the supply side is also having an impact on the pace of the market's recovery and the prospects for a return to rental growth. In 1992 new space, by definition vacant, accounted for 50% of total supply. The balance of 50% second-hand space would have included a proportion of occupied space as part of the relocation process. When supply peaked in early 2004, new space accounted for only 25% of supply, leaving 75% in the second-hand market, a proportion of which is still occupied. Even without having precise data on vacant second-hand space, we can surmise that the proportion of available space that is actually vacant this time around is lower than in the early 1990s. Against a background of employment growth and sustained demand for office space, this has led to a more rapid absorption of space from the market.

Table 3 provides a detailed breakdown of central London office supply at the end 2005 by postal code, sub-market and quality, including the availability rate for each postal code and sub-market. The City continues to dominate the supply side with 7.2 million sq ft available out of a total central London supply of 17.1 million sq ft, a 42% share. There is a broad central London split between west and east, with the western sub-markets of the West End, Mid Town and North & West Fringes accounting for 6.6 million sq ft (35%) of supply, and the eastern sub-markets of the City, Docklands and South & East Fringes totalling 12.5 million sq ft (65%). Amongst other factors, this reflects the more restrictive development and planning policy environment in the western boroughs of Westminster, Kensington & Chelsea and Camden, set against long standing policies to promote offices in the City of London, Tower Hamlets, Southwark and, to some extent, Hackney.

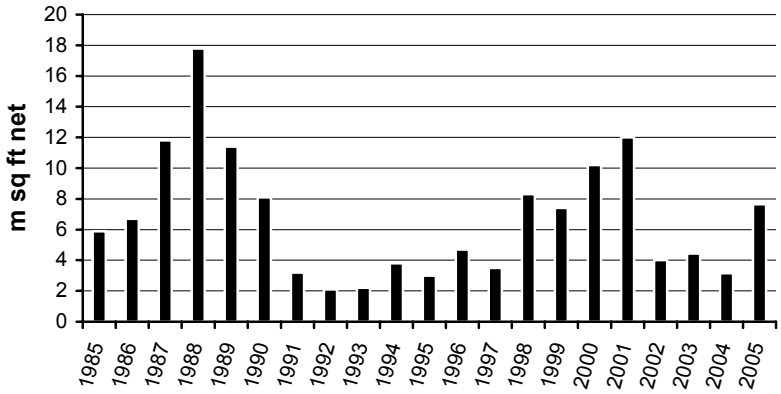
The most striking feature of Table 3 is the variation in availability rates between western and eastern sub-markets, a variation that has been reinforced over the past two years. Midtown had the lowest rate of the six sub-markets at the end of 2005 at just 5.3%, with the West End at 6.4% and the North and West End Fringes at 6.7%. In contrast, the City availability rate at the end of 2005 was 8.8%, the South and East Fringes 8.6% and Docklands 10.5%, the only sub-market with a rate in excess of 10%. It is no surprise, then, to find that while rental growth has been in evidence in the West End since early 2004, there was virtually nil growth in the City market until the second half of 2005, and then only for the best of the new and refurbished supply. The relationship between availability rates and rent levels in the City and West End is examined more fully in Section 2.3.

Table 3 - Available Office Space in Central London End 2005 ('000s sq ft net)					
Post Code / Sub-market	**New & Refurbished**	**Good Second-hand**	**Poor Second-hand**	**Total**	**Availability Rate %**
EC1	176,252	413,742	661,430	1,251,424	8.2
EC2	708,453	1,233,543	521,100	2,463,096	9.8
EC3	504,077	854,169	375,619	1,733,865	7.8
EC4	404,094	923,468	423,822	1,751,384	9.2
City	**1,792,876**	**3,424,922**	**1,981,971**	**7,199,769**	**8.8**
E14/Docklands	**857,733**	**891,009**	**126,686**	**1,875,428**	**10.6**
E1	202,797	567,037	311,763	1,081,597	16.3
SE1	318,505	280,889	453,902	1,053,296	5.8
South & East Fringe	**521,302**	**847,926**	**765,665**	**2,134,893**	**8.6**
WC1	151,050	310,345	353,873	815,268	8.7
WC2	40,849	318,213	201,362	560,424	3.4
Midtown	**191,899**	**628,558**	**555,235**	**1,375,692**	**5.3**
W1	247,780	1,023,040	866,880	2,137,700	7.0
SW1	505,216	512,708	490,385	1,508,308	5.7
West End	**752,996**	**1,535,748**	**1,357,264**	**3,646,008**	**6.4**
NW1	140,337	318,944	161,502	620,783	11.4
SW3	12,126	31,756	12,688	56,570	4.4
SW7	7,316	2,081	27,181	36,578	1.6
W2	17,435	32,545	67,890	117,870	3.8
North & West Fringe	**177,214**	**385,326**	**269,260**	**831,801**	**6.7**
Central London	**4,294,020**	**7,713,489**	**5,056,082**	**17,063,591**	**7.8**
Source: DTZ Research					

1.5 Office Starts in Central London 2004-5

After three years of low starts from 2002 to 2004, reflecting market conditions characterised by high supply, low demand and falling rents, 2005 saw a very significant increase in construction starts (Figure 5). In 2004 construction starts had fallen to 3.2 million sq ft net, the lowest level since 1995, but then more than doubled in 2005 to 7.7 million sq ft net. In 2003, we commented that the development industry had turned off the tap more rapidly in 2002 in response to market conditions than in the late 1980s and early 1990s. It appears from Figure 5 that developers have been quicker to turn the tap back on in this cycle in anticipation of the possibility of impending shortages.

Figure 5 - Central London Office Starts 1985-2005



Source: London Property Research

Tables A2 and A3 (see Appendices 2 and 3) list all office construction starts over 10,000 sq ft net in the eleven central London boroughs in 2004 and 2005. There were 58 starts in 2004 and a number of key characteristics are apparent.

- 27 of the 58 schemes were refurbishments rather than brand new buildings. This is typical of a weaker market, when developers defray the risk of building new by going down the refurbishment route.

- Starts in both the core boroughs of the Cities of London and Westminster were low, with just 640,000 sq ft in the former and 450,000 sq ft in the latter. In the City there were only two brand new starts and seven refurbishments. In Westminster, where rents were already strengthening in 2004, there were 13 starts of which seven were new, and the largest of which provided 77,000 sq ft offices and 33,000 sq ft retail at The Curve, Regent Street, W1 (since let to chartered surveyor King Sturge for its new HQ).

- By far the most important borough in terms of floorspace was Southwark, where three pre-lettings to IPC (a pre-sale of 500,000 sq ft), Norton Rose (325,000 sq ft) and Lawrence Graham (150,000 sq ft) stimulated major starts at Bankside 1 and More London, in addition to which was the speculative start at the Palestra scheme of 298,000 sq ft on Blackfriars Road. These four schemes, and a couple of resi-led tiddlers, took office starts in Southwark to 1.3 million sq ft in 2004, the highest of any borough and double the level in the City.

- In the fringe boroughs of Hackney, Tower Hamlets and Lambeth, almost all office starts were in much larger residential schemes where offices are only part of the mix as a result of UDP policies to protect employment uses. Typically this involves sites going from proper industrial and warehouse uses to residential (private and affordable) or live-work, with offices either on lower floors or in self-contained buildings. Office use is not viable in most of these locations at rents of

sub-£15 psf, and are being subsidised by the private housing. In the nature of things these developments are spread around the boroughs, often in locations that are remote from public transport, and they can be very slow to find occupiers. Empty ground floor units can attract vandalism and detract visually from completed developments.

- Apart from the South Bank, and setting aside residential-led developments, 2004 office starts were entirely focussed in traditional core locations, i.e. the West End, Midtown and the City, within the boroughs of Westminster, Camden and the City. There were no starts, for example, at Canary Wharf where the developer was awaiting pre-lets before commencing construction in the light of market conditions. Elsewhere on the Isle of Dogs, where 5 years ago the Millennium Quarter was viewed exclusively in development and policy terms as a strategic source of office capacity, developers were exploring change of use to mixed-use or residential schemes.

As an aside, it is perhaps interesting to examine the wider implications of the three pre-lettings on the South Bank in terms of the dynamics of the office development market. IPC is a local mover, relocating from the well-known landmark King's Reach Tower in Stamford Street, SE1, along with other locations, to Bankside 1, Southwark Street, SE1. The owner of King's Reach Tower has secured a planning permission to extend its height from 32 to 34 storeys and to add a major extension of 12 storeys around the base, taking the overall size from around 270,000 sq ft net to 400,000 sq ft net. The development of Bankside 1,2,3, itself representing a considerable increase in office stock from 580,000 sq ft to 860,000 sq ft net, is in turn opening opportunities to enhance and expand the office stock elsewhere on the South Bank.

In the pre-lets to Norton Rose and Lawrence Graham at More London, there is the added dimension of the relocation of two important occupiers in one of the most traditional sectors in terms of location, (notwithstanding Clifford Chance's pioneering decision in 2000 to eschew the familiar confines of Little Britain, EC1, for the brashness of Canary Wharf, E14). Norton Rose is set to relocate from Kempson House and Bishops House, Bishopsgate, EC2, amongst other locations. Its former headquarters is perhaps better known in planning circles as the site of the Heron Tower, increased in permitted size and height early in 2006, and where redevelopment if it occurs will considerably expand the office stock on the site from around 110,000 sq ft net to 360,000 sq ft net.

Lawrence Graham is also crossing the river to More London, vacating its long-standing HQ at Aldwych, 190 Strand, WC2. This too is set for redevelopment, but being located in Westminster, although redevelopment will enhance the quality of the office stock, there will be only a marginal increase in quantity, from around 200,000 sq ft net to 235,000 sq ft net, with the addition of 44 residential units on site in line with Westminster UDP mixed use policies. More London itself, of course, is all gain to stock and will have added 1.7 million sq ft net in Southwark once it is completed, on top of the 800,000 sq ft net first phase, known as London Bridge City, that was completed in the mid-1980s.

In 2005 there was a step change in construction activity in central London. Table A2 at Appendix 2 lists 83 starts over 10,000 sq ft net in the eleven central London boroughs. Looking at the data in detail, we highlight the following features of office construction starts in 2005.

- The number of starts increased from 58 in 2004 to 83 in 2005, and the proportion that were brand new buildings rather than refurbishments increased from 46% to 65% of schemes. In terms of floorspace, given the size of major new offices commenced especially in the City, new floorspace accounted for 73% of 2005 starts.

- Cranes are sprouting on the City of London skyline once more. No less than 4.2 million sq ft of offices in 20 schemes commenced in the City in 2005, representing 55% of all floorspace commenced in central London during the year.

- Only four of these schemes were driven by pre-lets, being The Willis Building, 51 Lime Street, EC3, (345,000 sq ft net pre-let to Willis, 120,000 sq ft available), 35 Basinghall Street, EC2 (230,000 sq ft pre-let to Standard Chartered), New Street Square, EC4, (249,000 sq ft pre-let to Deloitte, 195,000 sq ft available, 236,000 not started during 2005-but commenced speculatively April 2006), and 1 Coleman Street, EC2 (123,000 sq ft pre-let to Legal & General and the balance of 60,000 sq ft optioned and leased by L&G during construction in April 2006).

- The remaining 16 City starts commenced on a speculative basis, including the 735,000 sq ft final phase of the Broadgate development, possibly the largest speculative development ever commenced in the City of London, in the form of a "High and Thin" 36 storey Broadgate Tower suitable for multi-letting and a "Mid-rise and Fat" 12 storey groundscraper at 201 Bishopsgate, EC2. Other significant speculative starts included the refurbishment and major extension of the Stock Exchange Tower, 125 Old Broad Street, EC2, 5 Aldermanbury Square, EC2, 16-18 Finsbury Circus, EC2 and 1 Wood Street, EC2 (let to Eversheds in April 2006).

- One of the features of City developments is that they typically represent considerable gain to stock on the previous buildings on the site. The 735,000 sq ft at The Bishopsgate Tower and 201 Bishopsgate is all gain to stock, of course, being constructed on a raft above the Liverpool Street railway line. Even where previous buildings are being replaced, however, the gain to stock is significant. Taken together, the 4.2 million sq ft commenced in 2005 will add 2 million sq ft to the stock on these sites, doubling the stock.

- Starts in Westminster also increased significantly from 450,000 sq ft net in 2004 to 1.7 million sq ft in 2005, with the number of starts doubling from 13 to 27. As befits the profile of occupier demand in the West End, most 2005 starts were less than 100,000 sq ft net. There were two exceptions, one being the major refurbishment and extension of the former Marks & Spencer HQ at 55 Baker Street, W1, (following M&S's move to Paddington Basin, W2), where one of the largest West End pre-lets in recent years of 165,000 sq ft to local accountant Stoy Hayward has kick-started the development. The other was the refurbishment of the former Home Office at 50 Queen Anne's Gate, SW1, now that the Home Office has relocated to Marsham Street, SW1.

- The gain to office stock achieved through redevelopment in Westminster is far more modest than in the City, at no more than about 20%, given the greater level

of restriction on office development due to numerous factors, most notably Westminster's mixed use policy that requires increases in office stock to be matched by increases in residential stock, with only rare exceptions being made.

- Moving away from the traditional core, office starts remained fairly limited. At Bankside 1,2,3, the developer made a decision to commence Buildings 2 and 3 totalling 360,000 sq ft net on a speculative basis after the pre-sale of Building 1 to IPC. In Islington, at King's Cross, N1, a pioneering move by The Guardian which is taking 150,000 sq ft at King's Place overlooking the King's Cross Goodsyard site, has led to the commencement of a 300,000 sq ft office development. There were no starts at Canary Wharf, but this will change in 2006 as Canary Wharf had succeeded in attracting a new occupier by the end of February 2006.

- Fringe locations continued to witness small-scale office starts, but almost all within the confines of residential development as, in effect, planning gain. Once again this was most evident in Hackney, Tower Hamlets and Lambeth.

Evidently, the next office construction cycle is underway, but has not yet become so established to extend much beyond traditional and "safe" office locations. For offices to become a regenerative force in Fringe locations, including some of the GLA's Opportunity Areas, will probably require somewhat higher rent levels than those pertaining at the end of 2005. On this occasion the downturn in construction activity has been only three years or so from 2002 to 2004, compared to the long hiatus in the 1990s of seven years from 1991 to 1997. The danger in the long-term is that too much development will commence over the period say 2005-2009 leading to another cyclical downturn. Developers are currently falling over themselves to catch the rising market, and both they and their advisers will be monitoring the market closely for signs of future oversupply.

1.6 Offices Under Construction in Central London at End 2005

When we last reported in LOPR 2004, the volume of offices under construction in central London was still fairly high at 9.5 million sq ft net, with 5 million sq ft pre-let and 4.5 million sq ft net speculative. Starts in 2002 and 2003 had been fairly modest at around 4 million sq ft per annum, but some major developments that had commenced in the peak year of 2001, when 12 million sq ft commenced, were still under construction. By the end of 2004, however, the volume of office construction had fallen sharply to 6 million sq ft net, of which 2 million sq ft was available.

Table 4 brings the data to the end of 2005, and the rapid increase in starts reported above in Section 1.5 has increased the overall volume of construction to just under 9.7 million sq ft net. While the overall level of construction expanded in 2005, the amount of space pre-committed by occupiers fell from 4 million sq ft to 3.2 million sq ft. On the other hand, the amount of speculative space under construction increased more than threefold from 2 million sq ft to 6.5 million sq ft. This reflects growing confidence amongst developers and funding institutions that emerging shortages of supply in both the West End and the City will support rental growth during the time taken to deliver these speculative projects.

Table 4 - Offices Under Construction in Central London End 2005 (10,000 sq ft net plus)			
Borough	**Letting Status at Construction Start (000s sq ft net)**		
	Speculative	**Pre-let**	**Total**
City	3,227	1,280	4,507
Camden	307	204	511
Islington	331	150	481
Hackney	113	0	113
Tower Hamlets	82	0	82
Southwark	728	865	1,593
Lambeth	0	58	58
Wandsworth	74	0	74
Hammersmith	0	0	0
Kensington	65	24	89
Westminster	1,548	600	2,148
Central London	**6,475**	**3,181**	**9,656**
Source: London Property Research			

Aside from the balance of speculative and pre-committed space, there are a number of features of the current construction programme worth highlighting.

- Whereas at the end of 2003 the City accounted for only 24% of total construction, it now dominates with a 47% share of total central London construction activity, reflecting starts on a swathe of large new office buildings both pre-let and speculative.

- On the other hand the volume of construction in Westminster has actually fallen from 3.6 million sq ft to 2.1 million sq ft over two years from end 2003 to end 2005, in spite of this being the market with the highest rents and the highest rate of rental growth over the past two years. A large part of the reason for this, however, is the completion of three very large developments at Cardinal Place, Victoria Street, SW1 (560,000 sq ft speculative), 2 Marsham Street, SW1, (500,000 sq ft pre-let to The Home Office), and phase 2 of the refurbishment of the Treasury Building in Great George Street, SW1 (450,000 sq ft for continued occupation by the Treasury).

- Speculative construction in Westminster actually rose over the past two years from 1.3 million sq ft to 1.5 million sq ft – but this is a fairly modest increase in the light of market conditions. We would expect to see further starts during 2006 to take advantage of rental growth. One encouraging sign is further speculative starts at Paddington, where two new buildings totalling 355,000 sq ft commenced in March 2006. Given that these developments trade on offering top quality office space on large floorplates at a significant discount to core West End rents, this will help to enhance Westminster's office stock.

- The third significant borough in terms of current construction is, of course, Southwark. In terms of major office development Southwark is currently a model of an encouraging local planning authority working hand-in-hand with private sector champions to deliver world class office developments. The three major

schemes underway at the end of 2005 were the later phases of More London, where a major new office centre replaces long vacant land last used for riverside wharves and industry, Bankside 1,2,3, where state of the art offices for global occupiers replaces one of London's post-war eyesores, St Christopher House, previously occupied by various branches of HMG, and Palestra which has gone from British Library use to a major new architectural statement by Will Alsop with his trademark multi-coloured cladding – enough to cheer up any location – and which has attracted the London Development Agency. These developments have critical mass, bringing in thousands of office workers to support local services, and in the process are generating further interest in office development in their immediate penumbras.

- The only other two boroughs with a significant level of office construction at the end of 2005 were the central boroughs of Camden and Islington. Camden straddles the West End, Midtown and City markets and the three major developments underway at the year end were the 175,000 sq ft net owner-occupied refurbishment of The Wellcome building, Euston Road, NW1, 147,000 sq ft new space at The Johnson Building, Hatton Garden, EC1 (completed February 2006 and available at £40psf), and a 95,000 sq ft new building at The Qube, Tottenham Court Road, W1.

- In Islington, the numbers were dominated by two projects, King's Place of 300,000 sq ft (with 150,000 sq ft pre-let to The Guardian) and Durrant House, a new 65,000 sq ft office building on the north side of Chiswell Street, EC1, within a stone's throw of the City boundary.

Elsewhere office development is yet to ripple out from core locations, with much development in small pockets attached to residential schemes in often obscure locations for offices. If the market continues to strengthen, however, we would expect to see office development re-emerge in the City fringe areas of Hackney and Tower Hamlets, the Isle of Dogs, and to the west, in fringe locations within Westminster as well as in Hammersmith, where there has been precious little activity since the end of 2003.

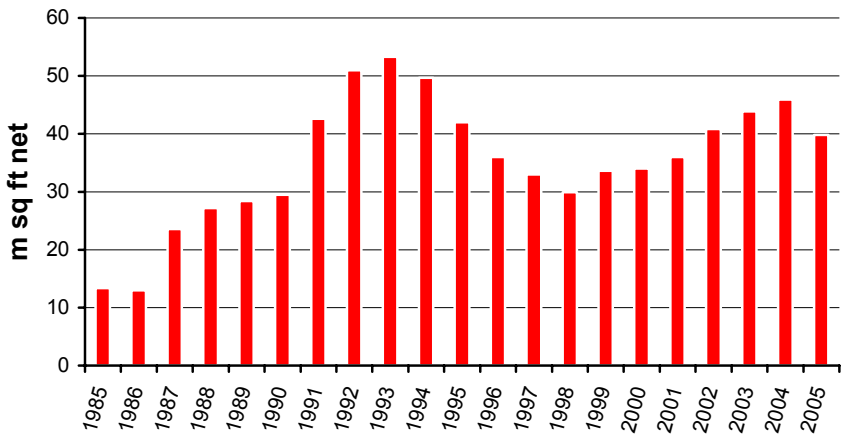
1.7 Office Permission and Applications in Central London at End 2005

During 2004 and 2005 the amount of permitted office space in London rose and then fell back (Figure 6). New schemes continued to be approved by planning committees throughout the two year period, and the overall stock of permissions was affected by the volume of construction starts in each year. At the end of 2003 the stock of permissions was 43.9 million sq ft and, with low starts in 2004, this had increased by 2 million sq ft to 45.9 million sq ft by the end of the year. In 2005, however, with office starts approaching 8 million sq ft, the amount of office space with outstanding consents fell back to 39.8 million sq ft, a reduction of 13%, and the first fall since 1998.

Should we be concerned that potential capacity in the central London office market, as measured by planning consents, had fallen during 2005? On balance we think not, given that at almost 40 million sq ft, this is five times the amount of space that commenced during 2005, suggesting that there is a reasonable choice in the market for developers, taking into account the fact that not all permissions are immediately capable of implementation for various reasons including achieving vacant possession, development

funding, demolition, pre-lettings in some cases, and so on. Looking at potential supply in relation to stock, then 39.8 million sq ft permissions was 18% of the total central London stock at end 2005 of 219 million sq ft. This is roughly double the ratio of permissions to stock in the mid-1980s, which was typically around 8%, based on 13 million sq ft of consents and a stock of around 156 million sq ft.

Figure 6 - Planning Permissions for Offices at Year End in Central London 1985-2005



Source: London Property Research

Table 5 provides a detailed breakdown by borough of both planning permissions and planning applications that had been submitted but were still awaiting determination at the end of 2005. If we go back two years to the data for end 2003 presented in the LOPR 2004, taking the total pipeline of permissions and applications together, the reduction in potential capacity has not been as marked as the permissions data would suggest. At end 2003 there was 10.2 million sq ft of applications in central London, but this had risen by the end of 2005 to 13.3 million sq ft. As a result, the overall pipeline of permissions and applications for central London stood at 53.1 million sq ft at the end of 2005, just 900,000 sq ft below the 54 million sq ft recorded at the end of 2003.

In terms of permissions, the three most important boroughs are Tower Hamlets (13.5 million sq ft), the City (9.8 million sq ft, and where the volume of permissions has been reduced by recent major construction starts), and Westminster (5.1 million sq ft). These three local planning authorities account for 71% of all outstanding permissions. Southwark, with 2.9 million sq ft of consents, is the 4th largest borough, followed by Hackney at 1.9 million sq ft, Islington at 1.7 million sq ft and Camden, Lambeth, Wandsworth and Hammersmith, each at around 1 million sq ft. Kensington has the smallest volume of permissions at 650,000 sq ft.

Table 5 - The Office Development Pipeline in Central London End 2005			
Borough	***Development Status***		
	Permissions	**Applications**	**Total**
City	9,815	2,945	12,760
Camden	984	4,936	5,920
Islington	1,668	30	1,698
Hackney	1,898	335	2,233
Tower Hamlets	13,498	2,973	16,471
Southwark	2,926	1,154	4,080
Lambeth	1,169	204	1,373
Wandsworth	1,102	23	1,125
Hammersmith	977	0	977
Kensington	649	0	649
Westminster	5,096	735	5,831
Central London	**39,782**	**13,335**	**53,117**
Source: London Property Research – NB where planning applications have been submitted on sites with extant permissions, only the net gain is included to avoid double counting			

Turning to planning applications, it is worth mentioning a couple of features of the latest data. First, the overall data is strongly influenced by a single scheme, the redevelopment of King's Cross Goodsyard in Camden, where the developer has applied to construct around 4 million sq ft net offices as part of a comprehensive mixed-use development. This represents almost a third of all space at application stage at the end of 2005. The scheme was approved by Camden in March 2006, subject to a section 106 agreement, and was not called in by central Government. Given the size of the scheme, it will have a significant impact on the permissions data. In strategic terms, if London's office employment is set to grow to the extent projected by Volterra, then developments on virgin territory (as far as offices are concerned) such as King's Cross will have an important role to play in providing capacity. That said, a development of this size will be phased over a decade or more and will enjoy and endure the vagaries of the property cycle during the development phase.

Second, it was apparent while compiling the data that the number of applications in some of the central London boroughs was low to say the least, and this is apparent in Table 5, with no significant outstanding applications in either Hammersmith or Kensington and very low totals for Islington, Wandsworth and, in the context of its size as an office market, Westminster. There were signs of a pick up in office applications in Westminster in the first quarter of 2006, with applications for the last phase of Paddington Basin (revised) totalling 670,000 sq ft net, Park House, Park Street, W1 (200,000 sq ft net), 20-21 St James's Square, SW1 (62,000 sq ft net), the former Dickens & Jones store, 224-244 Regent Street, W1 (85,000 sq ft net), and Horseferry House, Horseferry Road, SW1 (160,000 sq ft net). On the other hand, the level of planning applications is high in Camden, as mentioned earlier, the City of London and Tower Hamlets, at almost 3 million sq ft each, along with Southwark at 1.1 million sq ft.

Table 5 appears deceptively simple, but was compiled from a detailed analysis of 284 planning permissions and 56 planning applications in the central London boroughs, a total of 340 office developments. Interestingly in the light of the above comments, the number of permissions is down from 338 at the end of 2003, and applications from 80 schemes. (These schedules are available for inspection by the GLA).

In order to provide an indication of the nature of the development pipeline, Table A4 (see Appendix 4) lists all office planning permissions over 50,000 sq ft net in central London, including a comparison with the position on each site at mid-2001, the date of permission and the earliest possible start date. Taking this detailed data together with the summary data in Table 5, we make the following comments.

- **Tower Hamlets**, with 16.5 million sq ft in permissions and applications, accounts for a nearly one third of the planning pipeline in central London. Within Tower Hamlets, it is the Isle of Dogs in general and Canary Wharf in particular, which are the most significant locations of permitted and proposed office capacity. At Canary Wharf, the two recent consents for Riverside (2004) and North Quay (2005), together add a further 4.7 million sq ft net to the estate, with a further 1.6 million sq ft net in un-built phases of the original scheme at Churchill Place. Each of these sites is configured in the form of office towers with supporting uses at the lower levels. Incidentally, the planning gain packages for Canary Riverside and North Quay were valued at £20 million each. Note that the development of North Quay will only take place once it is no longer required as a working site by the promoters of CrossRail.

  In total 11.2 million sq ft (68%) of the Tower Hamlets office pipeline was located in the Isle of Dogs (where the stock is currently c.18 million sq ft), although we do expect to see some attrition of the office pipeline under the pressure for change of use to either residential, or mixed use with reduced office content, in the Millennium Quarter. During 2005 construction started on a pair of residential towers known as Pan Peninsula, which previously had planning permission for 600,000 sq ft net offices – a gain for the residential market of 660 private and 130 affordable units (plus 89 off-site) and an acceptable loss to the office planning pipeline, in our view. The site had been occupied until 1996 by two office buildings totalling 120,000 sq ft (occupied by The Builder Group and HSBC) when they were irrevocably damaged in the IRA's "Canary Wharf" bomb.

  The balance of the pipeline in Tower Hamlets is located in the City Fringe and includes major sites such as News International, Goodmans Fields, Aldgate Union and the DLR Site, Royal Mint Street, all of which have been around for many years, but new major sites have also come forward recently such as the Fruit and Wool Exchange opposite Spitalfields and Rodwell House on Petticoat Lane.

- The **City of London** had an overall pipeline of 12.8 million sq ft net at the end of 2005, comprising 9.8 million sq ft with consent and 3 million sq ft at planning application stage. The largest scheme permitted in the City, the Minerva Tower on the site of St Botolph House, Houndsditch, EC3, is capable of providing 1 million sq ft net lettable floorspace and if constructed would be the largest building in the City of London by floor area. It remains the case that the City is disadvantaged by the lack of 1 million sq ft net permissions, but we are encouraged by the application for the "Helter Skelter" at 6-8 Bishopsgate, EC2, which is reported to offer 860,000 sq ft net in its current form and, since the end of 2005, by an application for the "Walkie Talkie" at 20 Fenchurch Street, EC3, on the site of Dresdner Kleinwort Wasserstein's offices, for a 45 storey tower with 860,000 sq ft net office space.

These iconic towers are important to promoting the image of the City and providing options for major occupiers who might wish to locate in a single tower, as HSBC, Citibank, Barclays and Clifford Chance have done at Canary Wharf. Compared to Tower Hamlets, however, the City offers a far greater variety of sizes and configurations of office buildings in the planning pipeline, with 36 schemes at permission and application stages capable of producing building in excess of 100,000 sq ft net. The City is no one trick pony.

One of the features of the City office development market that is evident from examining the schedule of individual permissions at Appendix 4 is the extent to which office proposals in the City entail a significant gain to stock. Given its history most, but not all, City office sites were previously occupied by office buildings. In the largest redevelopment schemes it is not unusual to see the net lettable area increasing by 200-300%, with buildings of say 450,000 sq ft replacing those of say 150,000 sq ft. The City of London's planning gain and mixed use policies, which are much less stringent than Westminster's and Camden's, do not appear to have deterred developers applying for bigger office buildings, and the City is in the process of collecting tidy sums through s.106 agreements.

- Between them the City and Tower Hamlets account for 55% of permitted and application floorspace in central London. It is a big step down in size to the next largest borough, **Camden**, which by dint of the King's Cross planning application has leapt up the central London league table to surpass even Westminster. Camden has just less than 1 million sq ft permitted and 5 million sq ft at application stage, of which 4 million sq ft is at the Goods Yard.

  King's Cross is emerging from the shadows even before the approval of the Goods Yard proposal. The mixed use refurbishment and redevelopment of the old Stock Conversion site on the east side of York Way, including a substantial office component, has lifted the whole tone of the station hinterland and the red light area which dogged the area for so long is reported to have been displaced. The Guardian has chosen King's Cross as its new headquarters, joining well established design firms and other office occupiers around Battlebridge Basin and the Regent's Canal. The St Pancras CTRL terminus to the west also trumpets that the location is set for change. In office market terms, King's Cross is, however, detached from both the City and West End, belonging to neither, and for the development to succeed requires critical mass (which it has), market conditions that help to push occupiers to a new and cheaper location, never mind a bit of luck. If the development does go ahead this time around, it could take at least ten years for the office element to be fully built out.

  Aside from King's Cross, the development pipeline in Camden is in more conventional office locations including Fitzrovia, Euston, Bloomsbury, Holborn, Hatton Garden, the north side of Covent Garden and Camden Town itself. Camden has lately been employing mixed-use policies along the lines of Westminster, and it is possible that this might compromise the viability of some schemes that seek to significantly increase office floorspace. A number of recent permissions and applications such as Holborn Links, 125 High Holborn, WC1, St Giles Court, St Giles High Street, WC2, and the western end of Regent's Place, 360-376 Euston Road, NW1, suggest that on at least some major schemes

developers can include either off site or on site residential and increase both the quality and quantity of office stock on a site.

- By our reckoning, **Westminster**'s pipeline of permission and application fell during 2004 and 2005 from 6.9 million sq ft net to 5.8 million sq ft net, although the volume of permissions in isolation was more stable, going from 5.3 to 5.1 million sq ft net. By floorspace a very significant component of potential supply in the City of Westminster is located in the Paddington Special Policy Area, which saw significant new development on the Basin and Central sites in the construction boom of 1998-2002. The vast majority of this space is let and speculative development is reported to have recommenced in February 2006 on the Paddington Central site. Of the 5.1 million sq ft permitted in Westminster, 2.4 million sq ft (47%) is located in Paddington and aside from the redevelopment of the fire-damaged Telstar House, all this space is 100% gain to stock, and fulfils Paddington's role in terms of planning policy of a regeneration area which acts to some extent to relieve pressure on the West End.

  To prove that this is not simply theoretical, the example of Marks & Spencer is instructive. M&S used to occupy around 385,000 sq ft at its long-standing and well known HQ at Michael House, 55 Baker Street, W1. In 2001, it pre-leased a building at Paddington Basin, managing to slim down a few sizes to 240,000 sq ft through the adoption of alternative working strategies and other innovations, and in November 2005 leased a further 50,000 sq ft at Paddington in a neighbouring building. In the meantime, 55 Baker Street was sold to a developer who through a refurbishment and extension scheme is to increase the net lettable area to a reported 450,000 sq ft (plus 22 town houses), 165,000 sq ft of which has been pre-let to local accountant Stoy Hayward. Refurbishment has commenced and on completion Stoy Hayward will in turn vacate 77,000 sq ft further down Baker Street at no. 8 (along with 18,000 sq ft of overflow offices in the vicinity), which will provide a home for other occupiers.

  Outside of Paddington, the largest consent in Westminster is 290,000 sq ft, reflecting in part the difficulty of assembling large sites in the historic confines of the borough and also the nature of demand in Westminster, which tends to be concentrated in sub-100,000 sq ft lettings. No doubt Westminster's mixed use policies have also had an impact, where any increase in office floorspace must be matched by an equal increase in residential space either on or off site, and occasionally through commuted payments. The impact of mixed use policy is examined more fully in section 4.2.

- **Southwark** has enjoyed a very significant increase in office development of strategic importance over the past few years and at the end of 2005 the combined pipeline of permissions and applications measured 4.1 million sq ft. The focus of proposed development is London Bridge, including not only the high profile "Shard of Glass" London Bridge Tower, which includes 590,000 sq ft net offices in addition to hotel and residential use, but also the redevelopment of London Bridge station (525,000 sq ft net), New London Bridge House opposite the station concourse (450,000 sq ft net), and further elements of More London (400,000 sq ft net).

There is also some evidence that the influence of schemes like More London is encouraging developers to come forward with new office proposals in the immediate vicinity. At 154-172 Tooley Street, SE1, for example, located on the south side of Tooley Street opposite More London, planning permission was granted in November 2005 for a new office building of 220,000 sq ft net, replacing lower quality commercial buildings. Elsewhere in Southwark, as in other central London boroughs, a proportion of the office pipeline is dispersed amongst smaller proposals that often form an element of larger residential-led mixed-use developments.

- Offices in residential-led development are a significant feature of the development pipeline in **Hackney**, with small scale offices proliferating in the planning pipeline in residential schemes**.** In strategic terms, however, it is as an adjunct to the City office market that Hackney is of greatest significance and the majority of the 2.2 million sq ft of space with permission or application status is located close to the City of London. With the commencement of The Broadgate Tower and 201 Bishopsgate, EC2, just over the boundary in the City of London, the next big sites to be developed according to a City Fringe "domino theory", ought to be Northgate (773,000 sq ft net) and 233 Shoreditch High Street (230,000 sq ft net).

  Other sites in the vicinity within the ambit of Broadgate with significant proposals include 12-20 Paul Street, EC2, (230,000 sq ft net) and a new 19 storey tower approved early in 2006 at Crown Place, EC2. If the office development market really takes off again, then there is plenty of potential in the prime office market area south of Old Street for the redevelopment of tired office buildings, never mind the potential offered by Hackney's part of Bishopsgate Goodsyard. The fact that the East London Line Extension is now fully committed will help in this spread northwards by providing an alternative commuting route to Bishopsgate and South Shoreditch.

- **Islington** is, like Hackney, a strategically important overflow location for major City office buildings in the northern City Fringe from Clerkenwell to Finsbury Square and there were a total of 1.7 million sq ft net offices in the planning pipeline at the end of 2005. The largest permitted development was 500,000 sq ft net at Ropemaker Place, 25 Ropemaker Street, EC2, in the form of a 20 storey tower with large floorplates. As if to demonstrate how short the life cycle of some modern office buildings has become, the "old" offices, formerly the 250,000 sq ft net European HQ of Merrill Lynch were demolished in 2005, having been completed less than 20 years ago in 1987. Quite how this fits with sustainable development is hard to say. Islington is also attracting office to residential change of use proposals, such that the Guardian's headquarters due to be vacated in 2008, currently has permission for a new residential building with a residual office component of just 15,000 sq ft net on the lower floors.

- **Lambeth** has since the mid-1990s lost a significant amount of its office stock including County Hall, Shell Downstream, Century House, Lambeth Bridge House and so on. Unlike other central London boroughs, there has been little in the way of new office construction over the past ten years to compensate for the loss of stock. At the strategic level the planning pipeline is thin, with 1.4 million sq ft permitted or applied for at the end of 2005 and one of the largest extant

permissions for the County Hall Island block looks far more likely to go down the apart-hotel route. Shell won its Appeal in 2004 for the revamping of the lower levels of the Shell Tower, with the loss of some offices, but more than compensated for in the permission for a new 320,000 sq ft net office building alongside at Chicheley Street, SE1. There was also a renewed and larger consent approved in November 2005 for the former Ernst & Young offices at York House, 199 Westminster Bridge Road, SE1, for 280,000 sq ft net.

- Concluding this round robin of the central London boroughs, **Wandsworth**, **Hammersmith** and **Kensington** have a combined planning pipeline of 2.75 million sq ft net. Wandsworth is the largest at over 1.1 million sq ft, but this includes office space within the Battersea Power station redevelopment which could take many years to come to fruition in this residential and leisure led scheme. There are some stand-alone buildings proposed, but much of the pipeline comprises offices as part of mixed-use residential developments.

  In Hammersmith potential development of 977,000 sq ft is primarily located in the traditional town centre, the Hammersmith Embankment business park (where there is outstanding consent for 440,000 sq ft net offices) and in the White City corridor, where further development is likely to be encouraged by the completion of the major shopping centre.

  Kensington has the smallest potential pipeline of the central London boroughs at 650,000 sq ft net, reflecting the limited size of the office market that is focussed on Kensington High Street and the Kensington parts of Knightsbridge. The largest outstanding consent is, in fact, in “Frestonia”, north of Holland Park Avenue, where there is permission for 190,000 sq ft net at 91-121 Freston Road, W11.

1.8 Central London Supply and Demand Summary

- Office take-up recovered in 2004 and 2005 to match the long-run average with 13.7 million sq ft net and 14.3 million sq ft net leased respectively.

- Offices available for immediate occupation fell from 28.9 million sq ft net at the end of 2003 to 17.1 million sq ft net at the end of 2005, taking the overall availability rate from 13.3% to 7.8%.

- Office starts increased from 3.2 million sq ft net in 2004 to 7.7 million sq ft net in 2005.

- Offices under construction fell from 9.5 million sq ft at the end of 2003 to 6 million sq ft at the end of 2004, and then increased to 9.7 million sq ft at the end of 2005.

- At the end of 2005 the volume of permissions in the eleven central boroughs was 39.8 million sq ft net, and there was a further 13.3 million sq ft net at the planning application stage.

2.0 BENCHMARKING THE CENTRAL LONDON OFFICE MARKET

2.1 Introduction

Back in 2001, London Property Research and DTZ Research were commissioned by the Greater London Authority to provide a series of benchmarks on the performance of the London office market, in order to assist the GLA and boroughs to define and implement a robust policy for office development. Our report was published in July 2001[iv], building on an initial appraisal of possible benchmarks in the London Office Policy Review 1999, and suggested five strategic benchmarks for central London offices. The five benchmarks were subsequently incorporated in the market analysis in LOPR 2002[v] and LOPR 2004[vi], providing, we believe, a useful additional tool in monitoring the changing relationship between supply and demand for central London. Such a tool could be useful in informing policy makers whether they should be encouraging the provision of additional capacity or, on the other hand, whether in some locations existing or proposed office sites could "safely" be permitted to change to other uses without detracting from London's long-term office supply.

It is worth emphasising at this point that the five benchmarks are each intended to be both simplistic and strategic. The benchmarks ought to be easily understandable as coefficients between supply and demand data. Making the benchmarks too complex could make them opaque. The benchmarks are also best applied at a strategic rather than local level, ensuring that London's planning system is doing its bit to promote London's World City role. In other words, local and/or temporary shortages in particular sub-markets should be seen in the context of the overall capacity to provide office space to meet occupier demand.

Heroically we might assume that the increased availability of market data to all market players over the past twenty years, including reports such as the LOPR, would put an end to the extremes of the property cycle, tempering over and undersupply. Experience indicates that this is not the case and that development decisions by a myriad of owners, combined with the volatility of demand for space, continue to create significant mismatches between supply and demand, either stifling or promoting development (most recently in 2003, when peak supply once again coincided with historically low demand). That does not obviate the need to maintain the monitoring element of the "Plan, Monitor, anage" approach in order to inform policy makers or developers.

The five benchmarks are as follows:

1. **"The stock of permissions (measured as net lettable space) should be at least three times the average rate of starts over the preceding three years."** Monitors the relationship between development capacity as approved by local planning authorities and the demand for construction capacity by developers.

2. **"When the central London availability rate is moving in a direction such that the 8% level seems likely to be crossed, particularly close attention should be paid to other market indicators, and the level of office supply should be reviewed."** Monitors the relationship between supply and demand in the "current" market.

3. **"Up to 50% of annual starts being comprised of pre-lets and owner-occupier schemes can be regarded as a normal and healthy market, provided the overall volume of starts is consistent with strategic policies to maintain London's World City role, as defined in Strategic Benchmark I".** Monitors the relationship between speculative new supply and that pre-committed to occupiers.

4. **"In seeking to promote worthwhile choice for office occupiers, planning policy should seek to ensure that office development occurs in a range of established office locations which have good public transport, such that new office space should be available in non-prime locations at no more than 50% of top rents in central London".** Monitors office costs in a range of "acceptable" office locations.

5. **"Across central London as a whole, strategic planning policy should seek to ensure that there is at least 3.25 years' supply of new office space in the development and planning pipeline. This strategic benchmark is not to be applied to small areas where capacity constraints effectively prevent significant gains to the office stock, but should be applied with a view to expanding the office development pipeline in locations with good public transport and substantial land capacity."** Monitors the relationship between historic demand for new office space and short-term (completed), medium-term (under construction) and long-term (permitted) capacity.

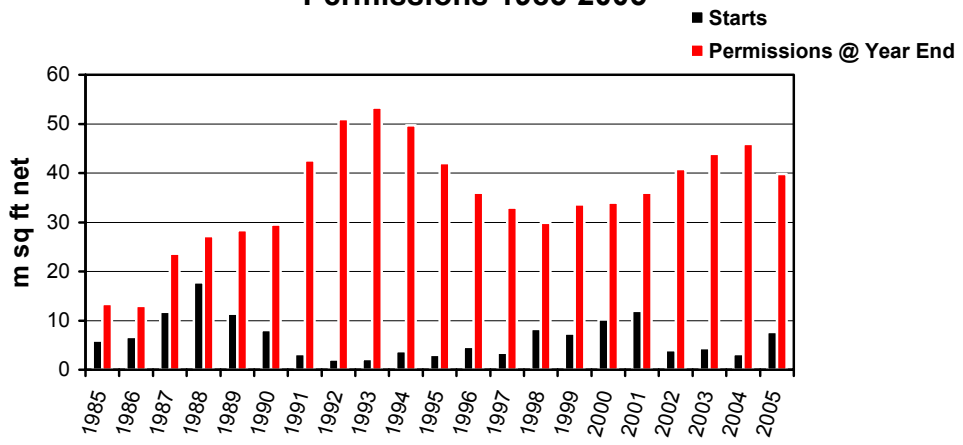
2.2 Benchmark 1 – Permissions versus Starts

"The stock of permissions (measured as net lettable space) should be at least three times the average rate of starts over the preceding three years"

The relationship between the amount of space with planning permission and the prevailing level of construction starts is perhaps the most straightforward and important of the benchmarks. Local planning authorities cannot guarantee implementation of development, but they ought to be able, first, to establish an appropriate and encouraging environment for the office development industry and second, to approve sufficient volume of development to give developers a choice and to promote healthy competition. This, in turn, should help to maintain choice for occupiers and a ceiling on their property costs.

Even in the most development friendly market conditions, planning permissions are not always immediately implementable due to factors such as achieving vacant possession, securing the necessary infrastructure, getting funding and so on, hence the need for the volume of permissions to outweigh the level of construction starts and, at times of high levels of construction starts, for the volume of permissions to be maintained. Figure 7 shows the relationship between construction starts and outstanding permissions over two decades from 1985 to 2005, a period covering two construction booms and two consequent slumps.

Figure 7 - Central London Office Starts and Year End Permissions 1985-2005



Source: London Property Research Ltd

Figure 7 demonstrates a number of interesting features in the relationship between planning permissions and construction starts.

- During the late 1980s construction boom starts peaked at 17.8 million sq ft in 1988, based on year end permissions at the end of 1987 of just 23 million sq ft. In the feverish market of that time, the volume of permissions actually increased in 1988, in spite of the high level of starts. 5 million sq ft of those 1988 starts were at Canary Wharf, and it is impossible to image the level of starts being achieved over the period 1987-1989 without the general "deregulation" of the planning system in London (advent of B1, LDDC, Canary Wharf, the City of London response etc).

- From 1993 to 1998 the amount of office space with planning permission fell from 53 million sq ft to 30 million sq ft as the office market endured a long recession and the flow of office consents to construction, alternative uses or just expiry was not fully replaced. At the time, the volume of consents was up to twenty times the prevailing level of starts.

- During the late 1990s construction boom four years of high starts from 1998 to 2001 when 38 million sq ft commenced, were more than matched by the granting of new consents maintaining and even enhancing the size of planning pipeline from 30 million sq ft at the end of 1998 to 36 million sq ft at the end of 2001.

- In the most recent office market recession from 2001 to 2004, the development market responded more rapidly to the downturn than in the early 1990s, with construction reduced to a trickle 2002 to 2004, and the volume of permissions more than keeping pace with construction starts (and other losses to office permissions from change of use, expired consents etc). Just as in the early 1990s the volume of permissions continued to increase as the level of starts was reduced, bringing permissions to a peak of 45.9 million sq ft at the end of 2004.

- In 2005, the size of the development pipeline as measured by planning consents fell for the first time since 1998, with 39.8 million sq ft net in outstanding permissions at the end of year. At the same time, and probably somewhat earlier than many analysts expected, the level of construction starts rose dramatically from 3.2 million sq ft to 7.7 million sq ft.

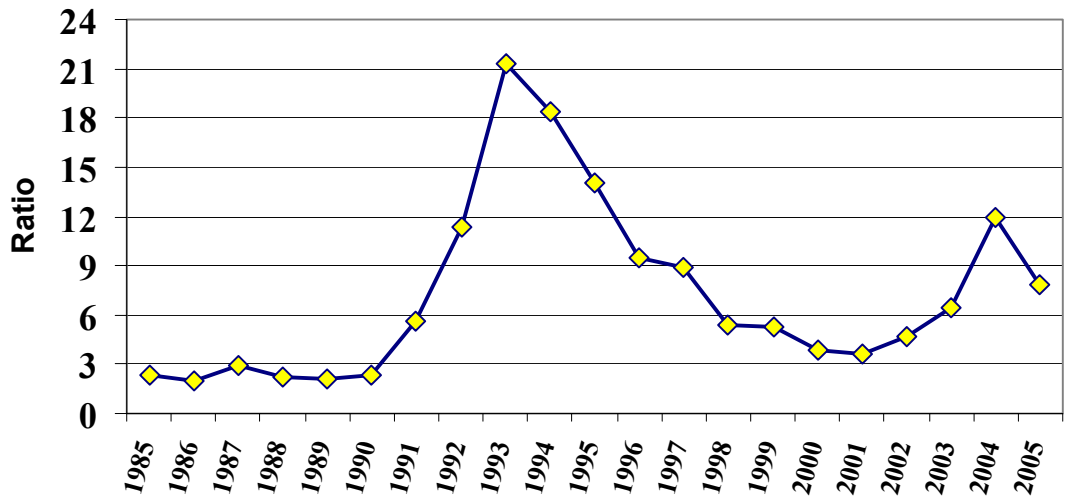
Figure 8 illustrates the ratio of planning permissions against the average rate of starts for the previous three years. After increasing from just over 3:1 in 2001 to 12:1 in 2004, the combination of a high level of starts in 2005 with a reduction in the volume of permissions has brought the ratio down to 8:1. The reduction in the ratio does not give undue cause for concern for a number of reasons.

- The reduction in the volume of consents in part reflects a rapid increase in office construction starts in 2005, especially in the City of London where over 4 million sq ft commenced.

- The ratio of 8:1 remains well above the minimum benchmark level of 3:1. Set against starts within 2005, rather than the average of the last three years, the ratio of permissions to starts is still acceptable at over 5:1.

- The amount of space at planning application stage awaiting approval is at the relatively high level of 13 million sq ft, a high proportion of which we would expect to see approved during 2006, helping to maintain capacity in the pipeline even if starts in 2006 continue at or above the rate in 2005.

Figure 8: Benchmark 1 - Ratio of Planning Permissions to Average of Previous Three Years Starts



Source: London Property Research

2.4 Benchmark 2 – Availability versus Stock

"When the central London availability rate is moving in a direction such that the 8% level seems likely to be crossed, particularly close attention should be paid to other market indicators, and the level of office supply should be reviewed."

An availability rate of 8% is pivotal in terms of the level of choice offered in the office market. Put simply, when the availability rate is higher than 8%, there is a tendency for office rents to fall because occupiers have a wide choice. As a corollary, when the availability rate is lower than 8%, there is a tendency for office rents to rise as choice becomes restricted. It is in the interests of policy makers to attempt to "protect" the office market from extreme availability rates that have negative impacts on its function. It is quite possible for the availability rate to be as low as 2%, leading to rental growth at the rate of 20-30% per annum, not only raising the cost of doing business in London, but also encouraging overeager developers to oversupply the market, with ultimately negative consequences. At the other end of the scale, availability rates of up to 20% lead to equally severe reductions in market rents, not only destroying the viability of office development but also damaging for occupiers who end up in over-rented property that can only be disposed of, if at all in an oversupplied market, by crystallising losses on their existing property.

We do not for a minute consider that either policy makers or the development industry can "do away with" the property cycle, and anyway life would be pretty dull if they did. The ups and downs of the cycle are an important motive force for office development. It ought to be possible, however, to try to ameliorate the extremes of the market for the benefit of developers, investors and occupiers. If we compare the last two cycles, then the most recent does appear to have been a less pronounced boom and slump than in the late 1980s and early 1990s, and indeed the early 1970s. Not least, in those slumps many developers went bust and the banks and funding institutions that lent to them lost a lot of money. That did not happen systematically in the aftermath of the dot.com, TMT induced stock market crash of the early 2000s.

Perhaps the industry *is* learning from its recent history. In the early 2000s, the amount of speculative construction was far less proportionately than in the late 1980s, with the availability of new space not exceeding 25% of all available space, compared with 50% in the early 1990s. The availability rate peaked at 13.5% at the end of 1st Quarter 2004, in contrast to the peak rate 12 years earlier of 18.5% in 1st Quarter 1992. In the late 1980s and 1990s, the availability rate was in excess of 8% for ***seven years*** from the start of 1990 to the end of 1996. In the present cycle, not only was peak availability five percentage points lower than in 1992, but rates exceeded 8% for half that length of time at ***three and a half years*** from 1st Quarter 2002 to 3rd Quarter 2005. A better informed market is perhaps acting collectively to protect itself from the worst effects of over and under supply while maintaining the momentum given to the market by the cycle.

Figures 9 and 10 illustrate the relationship between the availability rate and office rents in central London's primary sub-markets, the City and West End, with the 8% benchmark highlighted. Both figures illustrate the nuances of the 8% benchmark as discussed in earlier versions of the LOPR. When the availability rate is rising, as it passes through 8% rents tend to start falling almost immediately. When the availability rate is falling,

however, rents tend to start rising as the market anticipates tightening supply when the rate is around 10%. In LOPR 2004 we discussed whether it might be better to frame Benchmark 2 in terms of an acceptable range, from 5-11%, three percentage points either side of the 8% rate. A louder alarm bell should sound if the availability rate for central London moves beyond this range.

The publication of LOPR 2006 is timely in that across central London as a whole the availability rate at the end of 2005 was poised to pass through the 8% benchmark level, "heading south". Benchmark 2 suggests that this is the time to review office policy with a view to promoting supply. As we see elsewhere in this document, most central London local planning authorities have permitted office developments sufficient to meet the needs of the market over the short to medium term. It is up to developers and funding institutions to implement development, and the evidence of 2005 is that they have started construction in anticipation of shortages and rental inflation. Given that the rate of high starts is likely to be maintained in 2006 and perhaps beyond, the monitoring of construction and the planning pipeline can help to inform local planning authorities as new applications are submitted, in order to maintain an appropriate capacity for future office development.

Even though construction starts picked up strongly in 2005, it will take 18 months or so for these to be reflected in the availability data, and hence supply is likely to continue to fall further in the short-term. Given the nature of the supply in the West End and the City, clearly illustrated in Figures 9 and 10, rents are likely to continue to rise during this period, especially in the West End where the availability rate was 6.4% at the year end in contrast to 8.8% in the City. If demand in the West End is exceptionally strong there is the danger of a rental spike, before the next round of development reaches the market in 2007. We discuss rent levels further, as well as the emotive £100 psf West End rent, in Section 2.5 in relation to Benchmark 4.

None of the above implies that there should be a moratorium on change from offices to other uses that might either replace either a standing office building or a planning permission for offices on a non-office site. As office rents rise in certain locations, proposals for change of use are in any case less likely to come forward as office development becomes more viable. Looking at the London office market overall, however, the extent of potential capacity outlined elsewhere in this report implies that on particular sites and in certain locations office stock or permissions can, subject to all the usual caveats, safely be "lost".

Figure 9: City Prime Rents and Availability Rate 1986-2005

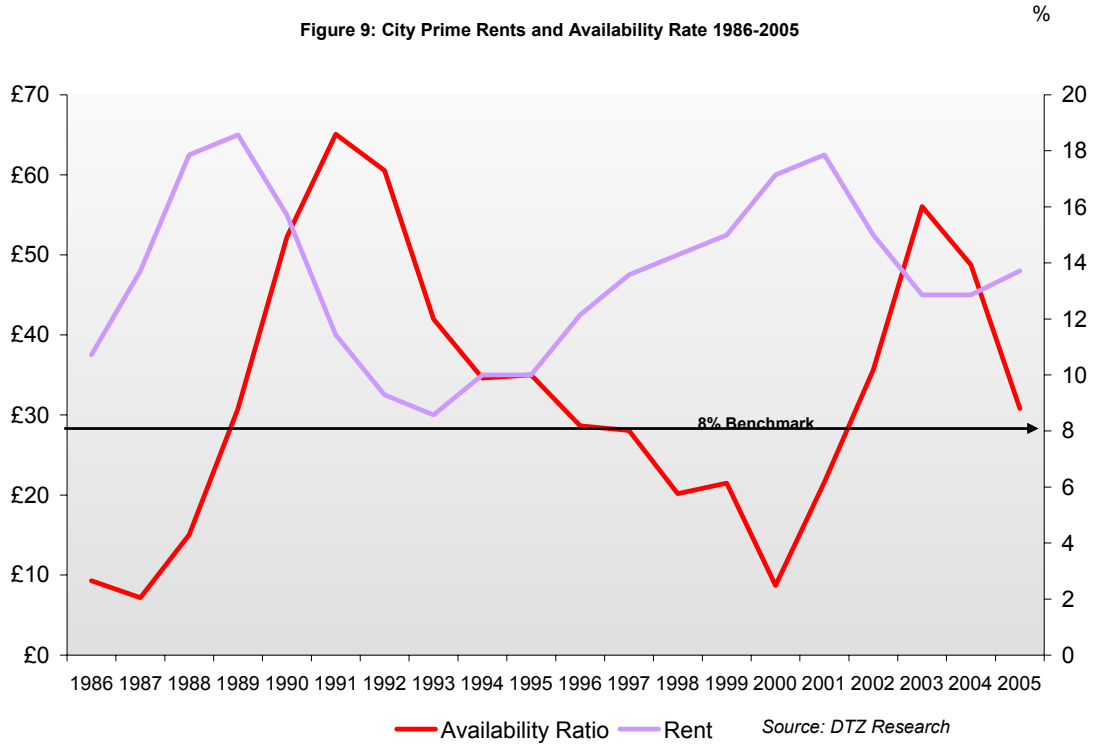
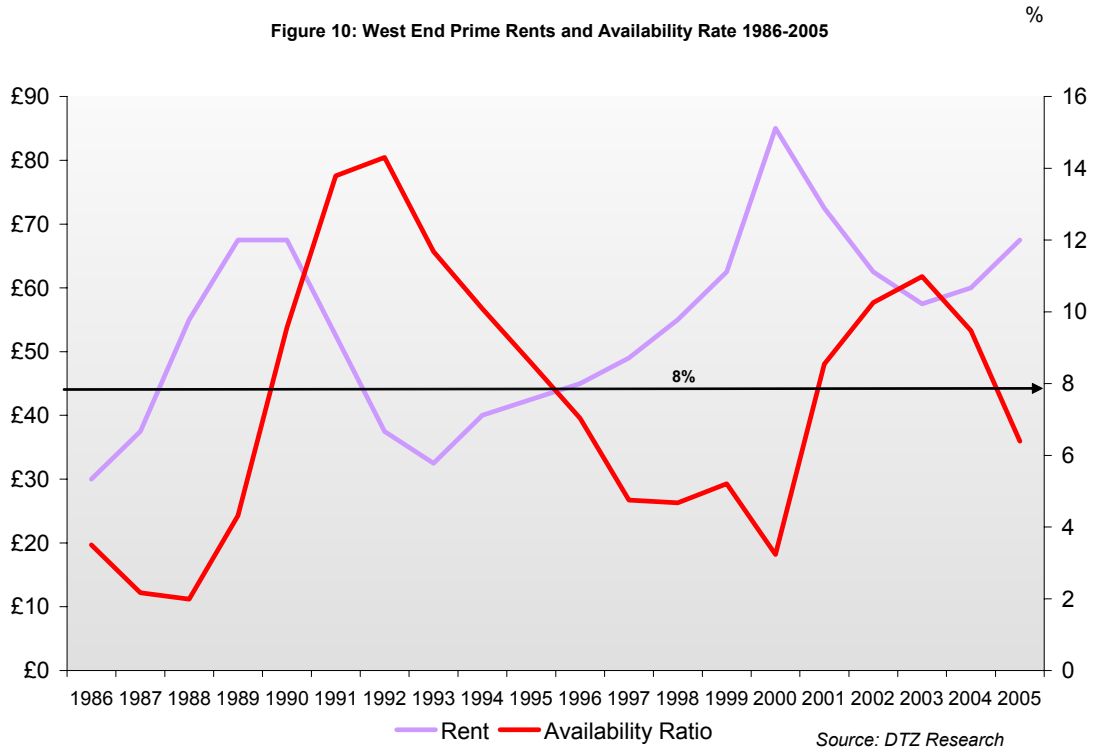


Figure 10: West End Prime Rents and Availability Rate 1986-2005

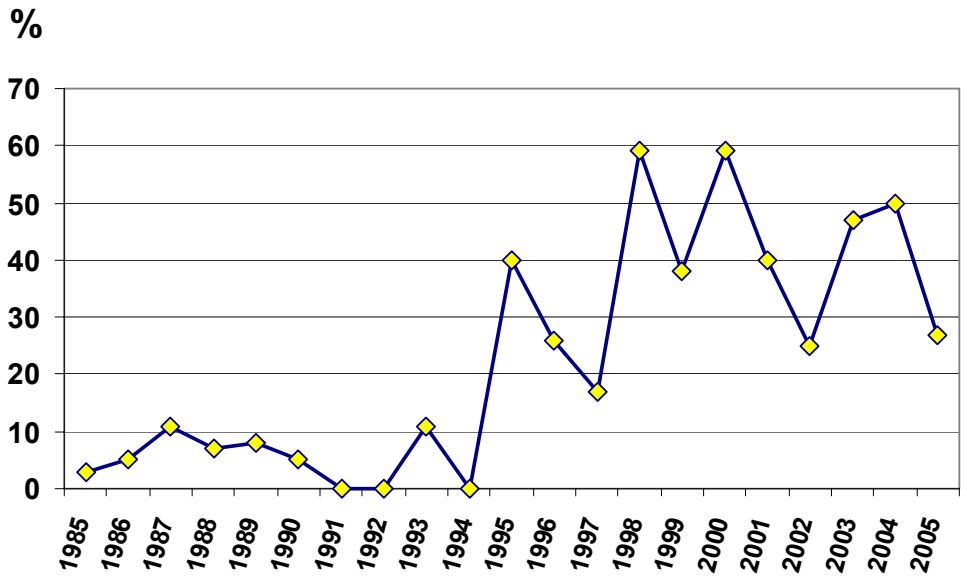


2.5 Benchmark 3 – Pre-lets versus Overall Starts

"Up to 50% of annual starts being comprised of pre-lets and owner-occupier schemes can be regarded as a normal and healthy market, provided the overall volume of starts is consistent with strategic policies to maintain London's World City role, as defined in Strategic Benchmark I".

In the aftermath of the office market recession of the early 1990s it became more difficult for developers to secure funding for speculative office development, especially for larger schemes. In a sign of the growing sophistication of banks and other lending institutions, even during the most recent office boom and accompanying surge in office construction, pre-letting remained an important feature of office construction activity. The recession that followed suggests that this was a wise strategy. A very high proportion of pre-letting and owner-occupier development, however, might be seen as unhealthy if it reduced the amount of speculative development available to meet the needs of the vast majority of occupiers. The nature of pre-letting is such that it lends itself to a small number of very large transactions and is only significant to that segment of the market seeking large units from 150,000 sq ft upwards. The market needs to ensure that there is sufficient new office space to meet the needs of the vast majority of occupiers once buildings that are pre-committed are taken into account. Benchmark 3 suggests that pre-letting ought not to exceed 50% of annual starts in order to maintain the flow of speculative space.

Figure 11: Benchmark 3 - Proportion of Annual Starts Accounted for by Pre-Lets

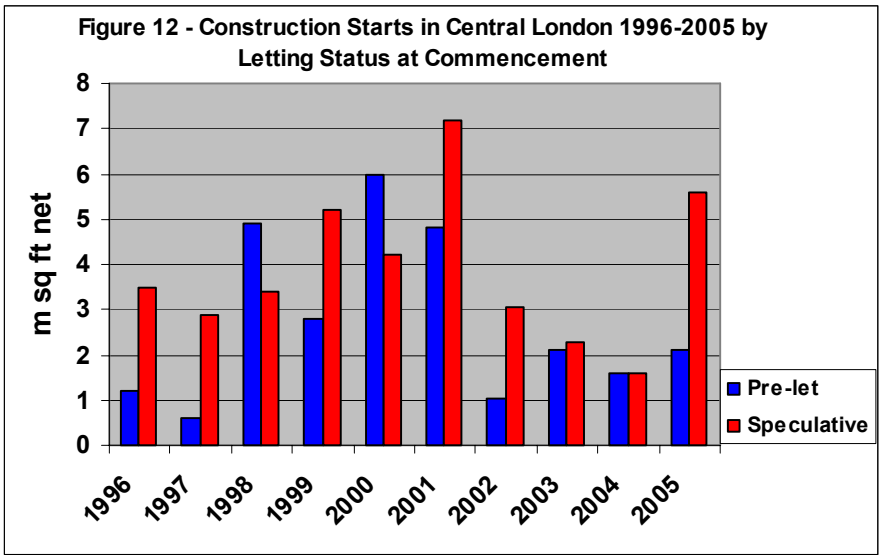


Source: London Property Research

Figure 11 clearly illustrates the increased importance of pre-letting and owner-occupied development over the past ten years. In the late 1980s and early 1990s, during central London's biggest ever construction splurge, pre-letting typically accounted for less than 10% of annual construction starts. During the last ten years, the proportion of starts

accounted for by pre-lets has ranged from 17% to 60%. In 1998 and 2000 pre-let starts exceeded the suggested 50% benchmark, albeit in each of these years the overall volume of speculative starts was reasonable in any case at 3.4 million sq ft net and 4.2 million sq ft net respectively.

The most recent construction data since the publication of LOPR 2004 shows two contrasting years (Figure 12). In 2004 starts were limited to just 3.2 million sq ft, but the proportion of pre-let starts was high at 50%, dominated by the three big South Bank pre-lets at Bankside 1 (IPC) and More London (Norton Rose and Lawrence Graham) which accounted for 975,000 sq ft between them. Speculative starts remained low at 1.6 million sq ft.



In 2005 a very different picture emerges. Pre-letting increased to 2.1 million sq ft, focussed this time on the City where four major pre-let schemes started at The Willis Building (Willis), 35 Basinghall Street (Standard Chartered), New Street Square (Deloitte) and 1 Coleman Street (Legal & General). A surge in speculative starts to 5.6 million sq ft, however, meant that pre-committed schemes accounted for a much reduced proportion of total starts at 27%.

To some extent the willingness to fund speculative development in 2005 reflects the interplay of the investment, development and occupier markets. The London (and UK) office investment market had a record year in 2005 in terms of the value of property changing hands and yields were “compressed”, as the jargon goes, by competition for property pushing prices higher. This has been on the back of “low” but rising market rents “now”, but the expectation is that rents will continue to rise over the next two years or so before either supply is enhanced or demand turns down (or both). Even if yields move out, values could be maintained by rental growth in the order of 10-15% per annum. As a result, funding institutions have been willing to back some very large (100,000 sq ft net plus) speculative schemes in the City, as well a raft of medium sized (20,000-100,000 sq ft net) speculative schemes in the West End.

2.5 Benchmark 4 – A Range of Rent Levels

"In seeking to promote worthwhile choice for office occupiers, planning policy should seek to ensure that office development occurs in a range of established office locations which have good public transport, such that new office space should be available in non-prime locations at no more than 50% of top rents in central London".

In May 2006 a rent of £100 per sq ft was agreed in the West End. Trade magazine Property Week's straw poll of market practitioners and analysts in its 10th February 2006 accurately predicted both that the threshold would be crossed and that it would be in a deal at 25 Hanover Street, W1. Whatever the arguments that surround £100 psf, and we will return to these later in this section, that the threshold has been crossed will no doubt focus attention on London, once again, as one of the most expensive cities in the world in terms of property costs. Research shows, of course, that property costs are a far less important consideration than labour cost and availability, access to markets and "agglomeration" factors, in terms of where firms choose to locate, but that does not mean we should be complacent about office costs.

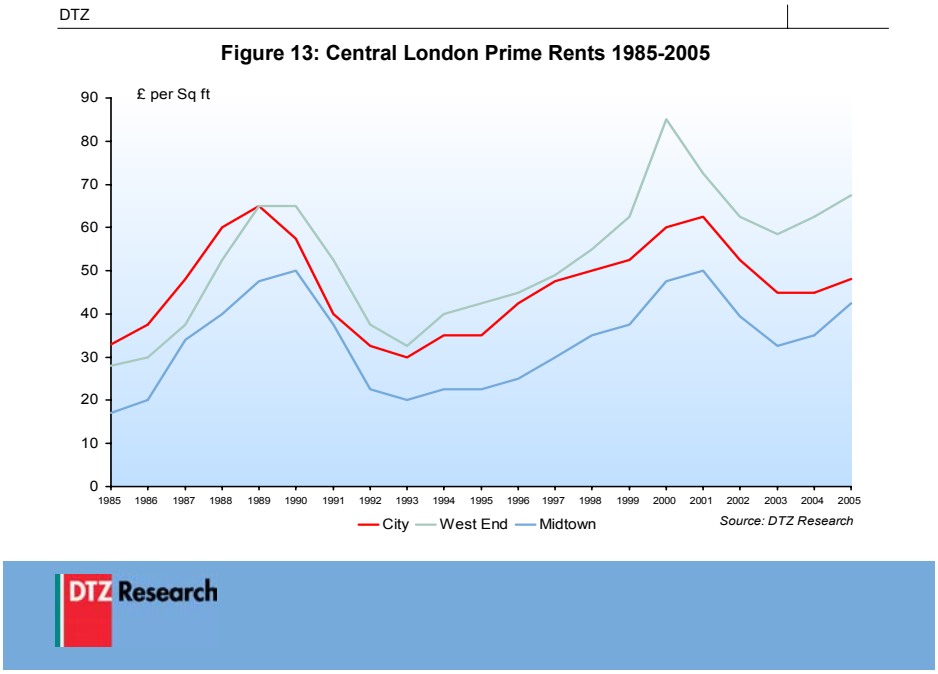
Benchmark 4 is worded in such a way as to explore the relative choice available to occupiers for new quality office space by location, rather than to make a judgement on the absolute level of top rents. Using DTZ Research's data (see Figure 13), top rents in central London's three main sub–markets at the end of 2005 were:

- West End - £67.50 psf
- City - £48.00 psf
- Mid Town – £42.50 psf

At Canary Wharf, market evidence in the second half of 2005 suggests that top rents are in the range £37.50-43.00 psf, comparable to Midtown. In other words, top rents in Midtown and Canary Wharf at the end of 2005 were 63% of the highest rents in central London, while City rents were 71% of West End top rents. If we also take into account the incentive packages attached to leases, then rents in the City and Midtown were relatively lower than these headline figures suggest. A tenant taking space in the City might expect to secure a rent free period of around 30 months on a 15 year term, or 24 months in Midtown, but only around 15 months in the best West End locations. Taking this differential into account, high quality space in a very acceptable location such as Midtown or Canary Wharf could be leased at the end of 2005 for around 50% of the cost in the prime West End.

Top rents are important to measure as they set the level for the rest of the market and make headlines in the property press. According to DTZ, however, top rents are only achieved in 3% of lettings, so in terms of occupier choice it is important to look at the range of rents for space of comparable quality within particular markets. In the West End, brand new space in Victoria could be leased at the end of 2005 for £52.50-55 psf, or 75% of the top rent in Mayfair and St James's. North of Oxford Street newly refurbished buildings could be leased for £40 psf in locations like Great Portland Street, W1, and Tottenham Court Road, W1. Over in Clerkenwell, EC1, in the northern City Fringe, a new office building could be leased for around £30 psf and at a similar level on the South Bank, SE1. In non–Canary Docklands, space could be taken on the Isle of Dogs in perfectly acceptable late 1980s offices for less than £20 psf. Across central

London as a whole and even within its various sub-markets, London does offer comparable quality office stock at rents significantly discounted to the highest rents in the market.



Returning to the issue of the £100 psf West End rent, we would make a couple of observations. First, all other things being equal, the general rate of inflation would one day have brought nominal rents over the £100 psf mark. Second, if we examine rents in real terms, in today's prices, then rents of over £100 psf have already been achieved in the 1989 in the City and 1990 in the West End (Figure 14). Third, if £100 psf is achieved it is likely to be for a top floor in a glitzy building to a hedge fund competing with other boutique financial sector occupiers for very best space and for whom the rent is insignificant in comparison with the salary bill. It is unlikely to set the tone for the normal run of the market.

As well as illustrating that £100 psf is not necessarily a novelty, Figure 14, which shows rents from 1980 to 2005 taking into account inflation by expressing rents in 2005 prices, indicates some very important trends.

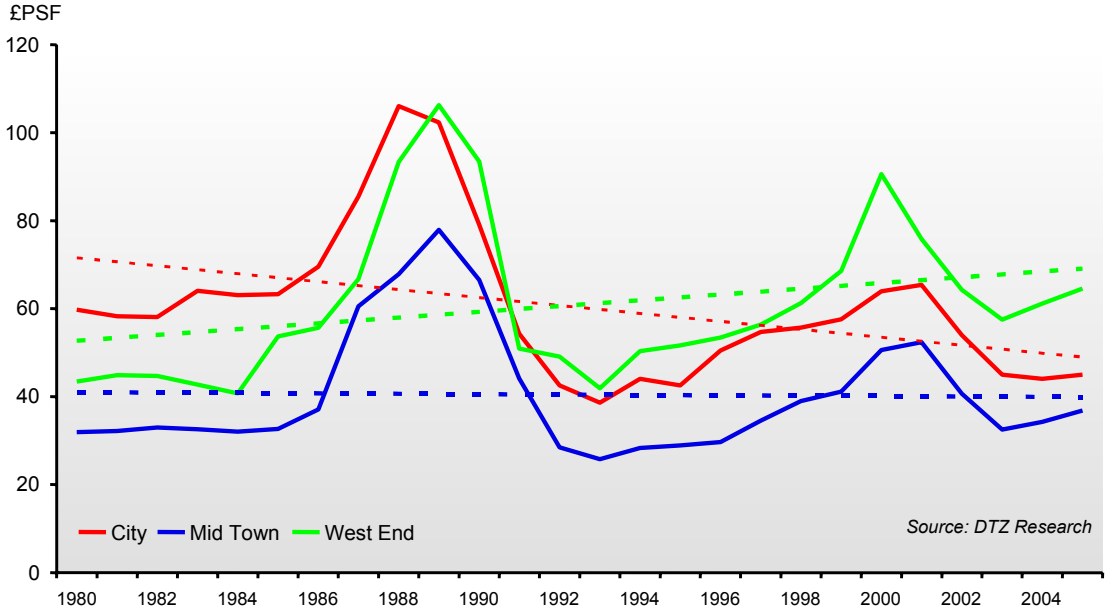
- In each sub-market the most recent peak in rents in 2000-2001 was lower than in 1989-1990, considerably lower in the cases of the City and Midtown. Only in the West End was there a pronounced rental "spike" in 2000 as demand exceeded supply, but even here top rents in 2005 prices were at 85% of the levels experienced ten years earlier.
- Since 1989, the West End has eclipsed the City of London as the most expensive office location in the capital. This we have long attributed to contrasting office policy regimes where since the mid-1980s office supply has

been strongly promoted in the City, Docklands and City Fringe locations, but more restrictive policies have applied in the West End and West End fringes.

- The dotted trend lines indicate that the effect of supply side deregulation in the eastern half of central London over the past quarter of a century has tended to reduce the real cost of office space in the City over time. Even if we discount the extremes of the market, City rents were 15% lower at the end of 2005 in real terms than they were in the early 1980s.

- On the other hand, the cost of office space in real terms in the West End has tended to increase over time faster than the rate of inflation, such that rent levels at the end of 2005 are around 50% higher in real terms than in the early 1980s. Midtown, which straddles office locations with both more and less restrictive office policies, has a flat trend line over the period, and rents in real terms at the end of 2005 were at around the same level as in the early 1980s.

Figure 14: Office Rents in Central London at 2005 Prices



London office rents are set to rise during 2006 and 2007 before the current round of office construction has an impact on levels of supply. There is the potential, as in 2000, for a rental spike to occur in the West End, but this is likely to be limited to the very best buildings within a tightly defined patch of Mayfair and St James's. Evidence of rental growth will be a spur to further development, renewing and enhancing the central London office stock. In any case, in terms of London's longer-term regeneration, rental growth is likely to be necessary in order to promote the office-led development of the Opportunity Areas that surround the Central Activities Zone.

2.6 Benchmark 5 – Years' Supply of New Office Space

"Across central London as a whole, strategic planning policy should seek to ensure that there is at least 3.25 years supply of new office space in the development and planning pipeline. This strategic benchmark is not to be applied to small areas where capacity constraints effectively prevent significant gains to the office stock, but should be applied with a view to expanding the office development pipeline in locations with good public transport and substantial land capacity."

Elsewhere in this report we compare actual and potential change in London's office stock with potential office demand implied by the GLA's financial and business services employment forecasts. Benchmark 5 is another way of examining office capacity, by comparing current and potential new office supply with recent historic rates of take-up of new office space.

Demand data for new and refurbished space in each of DTZ's postal code defined central London sub-markets is presented in Table 6 the sub-markets being:

- City (EC1-EC4)
- West End (W1,SW1)
- Mid Town (WC1,WC2)
- Docklands (E14)
- South & East (E1, SE1)
- North & West (NW1, SW3, SW7, W2)

Note that a distinction is made in Table 6 between the demand for pre-lets, where the occupier agrees to occupy the space prior to construction start, and other lettings which are agreed either during construction or after completion. For central London as a whole, the annual average take-up of new office space over the 13 years from 1993 to 2005 was 5.4 million sq ft, of which an average of 1.6 million sq ft per annum was pre-let and 3.8 million sq ft per annum was leased after a construction start (and usually after completion). By sub-market the rate of take-up has been highest in the City at 2.1 million sq ft per annum and lowest in the North & West Fringe at 0.2 million sq ft per annum. Both the West End and Docklands have averaged 1 million sq ft per annum, with Mid Town at 0.6 million sq ft per annum and the South & East Fringe at 0.5 million sq ft per annum.

Table 6: Annual Average Take-up of New and Refurbished Offices in Central London by Sub-Market 1993-2005 (millions sq ft net)

Sub-Market	New and Refurbished		
	Pre-leased	Leased	Total
City	0.6	1.5	2.1
West End	0.1	0.9	1.0
Mid Town	0.1	0.4	0.5
Docklands	0.5	0.5	1.0
South & East	0.2	0.4	0.6
North & West	0.1	0.1	0.2
Central London	**1.6**	**3.8**	**5.4**

Source: DTZ Debenham Thorpe, London Property Research (columns may not sum due to rounding)

Table 7 provides a summary of the supply position in each of the sub-markets at the end of 2005 for three categories of space:

- Completed and available
- Under construction, excluding space pre-committed to occupiers
- Planning permissions, not yet started

In each case the data is presented in sq ft net lettable, rather than sq ft gross, in order to make a direct comparison with the demand data. Note also that because the DTZ area is somewhat smaller than the 11 central boroughs that form the basis of our central London data for construction and permissions in sections 1.4 to 1.6, hence the totals are lower in the case of speculative construction and permissions. To summarise Table 7, at the end of 2005 there was:

- 4.3 million sq ft new and refurbished space completed and available for letting;
- 5.7 million sq ft offices under construction that were still available at the end of 2005;
- 36.3 million sq ft net offices in planning permissions that had not yet been implemented.

Table 7 - Actual and Potential New and Refurbished Office Supply in Central London by Sub-Market end 2005 (m sq ft net)

Sub-Market	New, Completed & Available	Under Construction & Available	Planning Permissions (New and Refurbished)	Total
City	1.8	3.5	12.5	16.9
West End	0.8	1.3	2.4	4.5
Mid Town	0.2	0.1	1.0	1.3
Docklands	0.9	0	10.5	11.4
South & East	0.5	0.7	7.0	8.2
North & West	0.2	0.1	2.9	3.2
Central London	**4.3**	**5.7**	**36.3**	**45.4**

Source: London Property Research, DTZ Debenham Thorpe (columns may not sum due to rounding)

Table 8 then converts the demand and supply data in Tables 6 and 7 into a crude measure of capacity in terms of "years supply at an average rate of demand". Note that in calculating the years supply of space either completed or under construction, availability is compared with demand for space excluding the demand represented by pre-lets. By definition space that is underway can no longer meet demand from the pre-letting market. On the other hand, the future capacity represented by unimplemented planning permissions could go down either the pre-letting or speculative routes and is therefore compared with overall take-up, including pre-lets. For central London as a whole, Table 8 indicates that at average rates of take up there was at the end of 2005:

- 1.1 years supply available for immediate occupation;
- 1.5 years supply available and under construction;
- 6.7 years supply permitted but not yet implemented.

In total there is 9.3 years supply in central London in these three categories of space.

Table 8 - Number of Years' Supply of New and Refurbished Office Space by Type, Measured Against Annual Average Take-up 1993-2005 (Years)				
Sub-Market	New/Refurbished and Completed (Years)	Under Construction & Available (Years)	Planning Permission (New and Refurbished) (Years)	Total New Office Supply (Years)
City	1.2	2.3	6.0	9.5
West End	0.9	1.4	2.4	4.7
Mid Town	0.5	0.3	2.0	2.8
Docklands	1.8	0	10.5	12.3
South & East	1.3	1.8	11.7	14.8
North & West	2.0	1.0	14.5	17.5
Central London	**1.1**	**1.5**	**6.7**	**9.3**
Source: London Property Research				

Benchmark 5 suggests that there should be a *minimum* of 3.25 years supply in the development and planning pipeline. This is based on the average length of time it takes to achieve a planning consent and implement construction of an office building of 100,000 sq ft net. If overall supply falls below this level then there is the potential for supply shortfalls if there is insufficient capacity in the planning pipeline capable of implementation. We should bear in mind that not all permissions are capable of immediate implementation and hence 3.25 years has been suggested as the bare minimum threshold.

That there is nine years supply in central London should give some comfort to policy makers, if not the market, as the central London office market tightens over the next few years. Given that there is almost seven years supply in the form of unimplemented planning permissions, planning committees have evidently been doing their bit to meet the needs of the market, notwithstanding all the usual caveats about whether either permissions are capable of implementation or provide "the right space in the right place". Having slogged through the lists of developments and visited the sites, anecdotally we are assured that the vast majority of permitted space is in good office locations.

It is of some concern, however, that the supply of new space that is either completed or under construction has fallen to just 2.6 years supply for central London, down from 3.1 years at the end of 2003. Evidently some markets are feeling the pinch more than others, as discussed elsewhere in this report, with less than a year's supply in the core West End and as little as six months in Mid Town. On the other hand, supply is somewhat looser in the City, especially given the surge in speculative construction in 2005, and in Docklands and both the Fringe markets (South & East, North & West).

A further concern is that although the years' supply of permissions for central London as a whole is a healthy 6.7 years, giving developers and occupiers plenty of choice, that choice is somewhat more limited in both the West End and Mid Town. The 2.4 years for the West End and 2 years supply for Mid Town compare unfavourably with 6 years supply in the City, and in our view is a reflection of the more demanding development and planning policy environment that developers operate within in Westminster and Camden. It was ever thus, some might argue, but the supply of space both on the ground and in planning in these markets must be closely monitored to ensure an adequate choice.

On the other hand in some of the further reaches of the central London market, such as the fringes of the West End, the South Bank, the eastern City Fringe and Docklands, the years supply data in the form of planning permissions at between 10 and 15 years would suggest that there is potential over-capacity in parts of these markets. While maintaining a close eye on office potential, there is no reason why some sites with unimplemented office permissions should not be considered for alternative uses such as housing and hotels, especially where this helps to secure positive outcomes for other regional and local planning policies.

[iv] London Property Research & DTZ Research, London Office Monitoring Project - Stage II (Benchmarks), SDS Technical Report Ten, GLA 2001

[v] London Property Research & EGi, London Office Policy Review 2002, GLA 2003

[vi] London Property Research, London Office Policy Review 2004, SDS Technical Report Nine, GLA 2004

3.0 FORECAST DEMAND AND THE CAPACITY FOR OFFICES IN LONDON

3.1 Methodology Synopsis

Benchmark 5 in Section 2.6 made a comparison between office supply and demand in central London, based on supply at the end of 2005 measured against average historic demand. In this section, we undertake a wider and deeper appraisal of projected demand for office space and potential capacity covering two decades from 2006 to 2026.

As in previous issues of the London Office Policy Review, commencing with LOPR 2001, we have utilised the Volterra employment projections for financial services and business services (FBS) as a proxy for office demand. Potential growth in FBS employment remains, in our view, the most robust proxy for future office demand. The original base date for these projections was 2001, for which there now exist "actual" data by borough for FBS employment (indeed there is actual data up to 2003 at the time of writing). Since the publication of the London Plan in February 2004, the projections have been revised, and we have amended our demand side data accordingly. Volterra's projection is for London as a whole, and the allocation of growth to individual boroughs that form the basic tables in this section is based on work undertaken by GLAEconomics[vii] and Roger Tym & Partners[viii].

In order to compare projected FBS employment change with potential office capacity from 2006 to 2026, our methodology includes the conversion of FBS employment gain to increases in the demand for office space based on average employment densities. This area of research has been under close scrutiny recently and we have reviewed the evidence and introduced greater sensitivity, compared to our previous use of a single density figure of 175 sq ft (16.3 sq m) net lettable / employee.

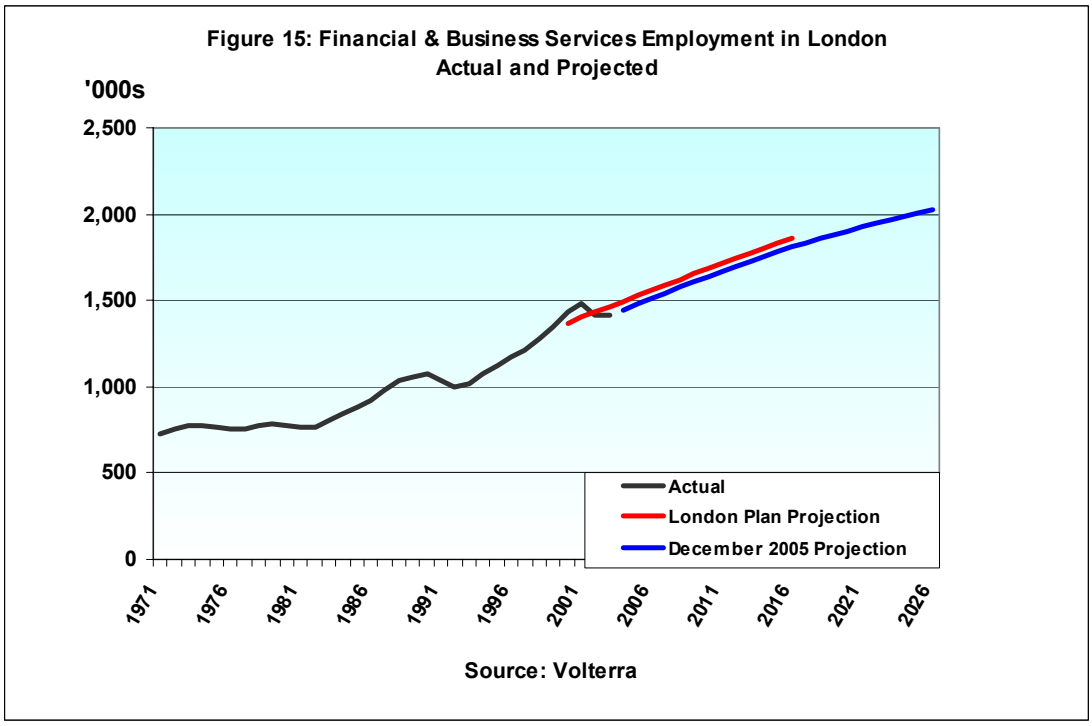
The data on office supply is derived from EGi's LOD and LRR databases which monitor office construction and planning activity on a daily basis. We have refined the data where appropriate for the purposes of this report. For London as a whole, this data includes all completions mid-2001 to end 2005, offices under construction at the end of 2005 and office permissions unimplemented at the end of 2005. In addition, for the first time in LOPR, we have included data for the loss of office stock to other uses by borough. For inner London (defined as 11 boroughs), we have also examined the potential gain to stock from outstanding planning applications, undetermined at the end of 2005.

Our office capacity data, reported in this section, is based on changes to office stock capable of occupation from a fixed point at the end of 2005, in order to provide the closest comparison with the fixed starting point of the employment forecast in 2006.

3.2 FBS Employment Projections for London

The starting point for the demand side of the office market equation is the overall projection for employment change by sector produced by Volterra for the GLA. Since the publication of the London Plan in February 2004, Volterra has refined its projections based on the emergence of actual data which demonstrated a cyclical reduction in FBS employment of 4.4% between 2001 and 2002 and changes in its assumptions regarding future rates of growth. The revised projection was most recently published in December

2005 and we refer to it here as the December 2005 Projection[ix]. Figure 15 shows actual FBS data from 1971 to 2003, the London Plan Projection to 2016 and the (latest) December 2005 Projection.



We make the following observations on the data and projections in Figure 15.

- In 2000 and 2001 the surge in office employment that has been caricatured as the "dot.com" boom (although it was a much wider phenomenon), pushed FBS employment levels 78,000 higher than the London Plan Projection suggested.

- Then came "dot.bomb", and the issuing of P45s (see "The P45 Table", LOPR 2002[x]). London's FBS employment fell by 65,400 in 2002 and remained virtually static in 2003 at 1,413,300, such that in 2003 it was just over 50,000 below the London Plan Projection.

- The December 2005 Projection takes 2003 "actual" as its starting point, and projects FBS growth at a slightly lower rate than the London Plan Projection to 2016, but clearly shows the growth rate reducing in the later years from 2016 to 2026. Put simply, in the early years annual growth is projected at around 30,000 jobs per annum, in the later years the rate is around 20,000 per annum.

- Anecdotally, the performance of the office market in 2005 suggests to us that rapid growth in employment has once again been in evidence and we would not be surprised to find that the actual growth rate in that year exceeds that in the December 2005 Projection.

Projections such as are illustrated in Figure 15 are as much art as science, and there are those who doubt the growth forecast and who delighted in the cyclical downturn of 2001. History, however, as illustrated in Figure 15 indicates that in periods of growth London has been capable of growing jobs at a far higher rate than is suggested by the Volterra/GLA projections. In its most recent bull run from 1992 to 2001, London's FBS employment grew by almost 50%, a massive 484,200 jobs at an annual average rate of 53,800. There are a myriad limits to growth, however, from London's infrastructure to competition from other locations nationally and internationally, and the tailing of growth in the latter period of the December 2005 Projection appears eminently sensible.

So much for the nuances. The December 2005 Projection continues to portray London's future including a very significant growth in FBS employment, such that by 2026 there could be an additional 543,000 office jobs compared to 2001. The annual average rate of the December 2005 Projection at 21,720 is a little over two-thirds of the annual average rate in the London Plan Projection for the shorter period 2001 to 2016. Table 9 summarises the projected growth in FBS jobs in five year periods from 2001 to 2026.

Table 9: Financial & Business Services Employment Projections for London 2001-2026 (000s)

Year	Financial services	Business services	FBS Total	Change on Previous Period		Cumulative Change on 2001	
				Number	%	Number	%
2001	360	1,120	1,480	N/A	N/A	N/A	N/A
2006	345	1,168	1,513	33	2.2	33	2.2
2011	358	1,310	1,668	155	10.2	188	12.7
2016	371	1,438	1,809	141	8.5	329	22.2
2021	382	1,542	1,924	115	6.4	444	30.0
2026	394	1,629	2,023	99	5.1	543	36.7

Source: Volterra

Although the December 2005 Projection posits a lower rate of growth than the London Plan, these numbers are still big. After a slow start in the first five year period 2001-2006, with a projected growth of just 2.2% (but which we expect to be exceeded in the actual data for 2006), office jobs in London are projected to increase cumulatively by more than a fifth over 15 years (2001-2016) and more than a third over 25 years (2001-2026). That is a lot of bodies and will require a significant increase in London's office stock.

FBS employment along with jobs in sectors covering retail, hotels and restaurants, health and education and "other services" are the key drivers of growth for London "World City", with manufacturing, construction and public administration set to fall. With overall construction jobs projected to reduce by 60,000 between 2001 and 2026, quite how everything will get built is another question, but we evidently need to build a lot of new offices, shops, restaurants, hotels, schools, colleges and hospitals (never mind homes, including student accommodation) to house the cappuccino drinking and Chablis sipping workers. In the remainder of this section we analyse how the potential growth in office employment could be divided amongst London's boroughs and sub-regions, how much office space might be required based on different density assumptions and the

capacity to meet that need that is either under construction or in the planning system, at the end of 2005.

3.3 Allocating Office Employment Growth by Borough

In order to undertake a more refined spatial analysis of office supply and demand, by London sub-region and by borough, we have utilised further work on the sectoral employment projections undertaken by both GLAEconomics and Roger Tym & Partners. The methodology employed to allocate growth by borough was prepared by GLAEconomics, with the sectoral borough breakdown, including FBS output, produced by Roger Tym & Partners[xi]. Suffice to report here, employment was allocated according to three weighted factors, being:

- accessibility,
- development capacity,
- existing economic structure,

with the sectoral split based on Volterra's projections for London as a whole.

Tables A5-A7 (see Appendix 5) reproduce the projected FBS employment data by borough and sub-region (including the former sub-regions), while Tables 10 (sub-region) and 11 (borough) below show the projected change over key periods from 2006 to 2026. Figure 16 presents the projected change by sub-region from 2006 to 2026 in descending order.

The main points to derive from the employment change projections are:

- The Central Activities Zone (CAZ) is expected to accommodate 191,000 additional FBS jobs over the twenty years, 38% of London's overall projected growth. The CAZ comprises the City of London and the central parts of Camden, Hackney, Islington, Kensington, Lambeth, Southwark, Tower Hamlets, Wandsworth and Westminster

- The "Big Six" boroughs of Tower Hamlets, Westminster, the City, Camden, Southwark and Islington between them account for 285,000, or 56% of London's projected growth.

- If we add in what we consider the other four inner London boroughs, in office market terms, being Hackney, Lambeth, Kensington and Wandsworth, then central and inner London accounts for 332,000, or 65% of projected growth.

- In terms of individual boroughs, Tower Hamlets has the biggest share of growth with a projected increase of 68,000 jobs, higher than either Westminster or the City of London, with projected growth of 59,000 and 56,000 respectively, followed by Camden at 38,000, Southwark at 35,000 and Islington at 28,000.

- The most significant of the outer boroughs are Barnet, Ealing, Hammersmith, Hillingdon, Hounslow and Newham, each with projected growth exceeding 10,000 FBS jobs.

- All the boroughs with modest growth projections of less than 5,000 jobs are in outer London.

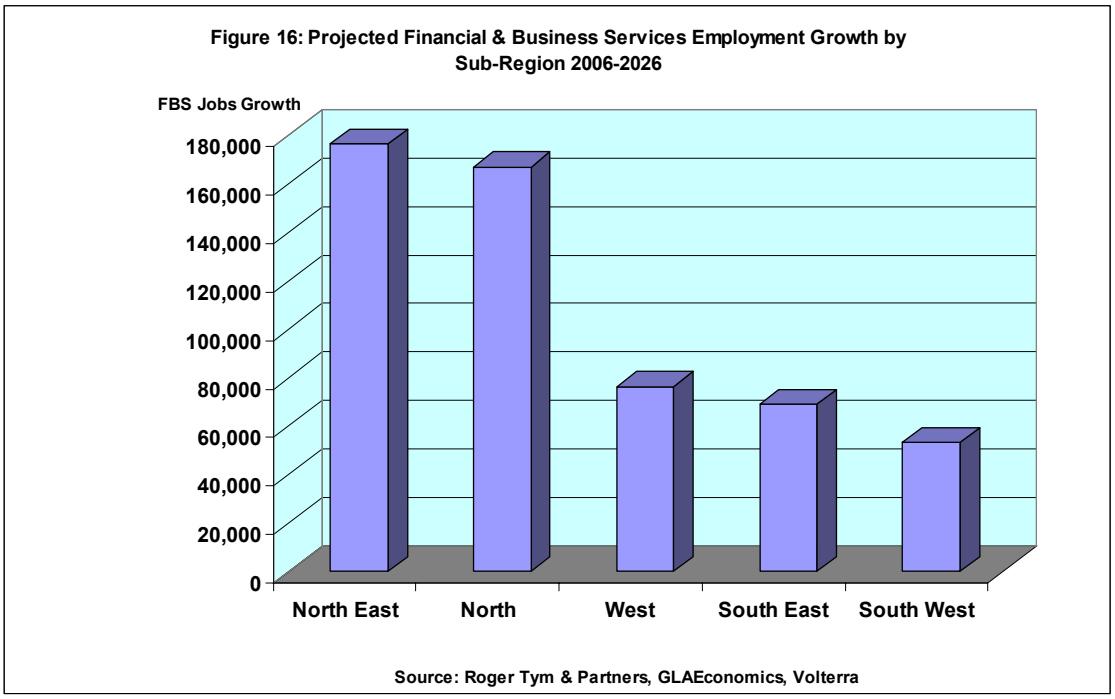


Table 10: Projected Growth in Financial & Business Services Employment by Sub-Region 2006-2026				
Sub-Region	**2006-2011**	**2006-2016**	**2006-2021**	**2006-2026**
North	60,100	104,258	137,983	162,820
North East	46,691	90,413	124,289	157,705
South East	12,612	28,370	44,594	59,499
South West	15,601	29,256	42,603	52,119
West	19,996	43,702	61,466	77,793
London	**155,000**	**296,000**	**410,935**	**509,935**
CAZ	88,410	134,886	166,075	191,381
Sources: Volterra, Roger Tym & Partners, GLA Economics				

Table 11: Projected Growth in Financial & Business Services Employment by Borough 2006-2026				
Borough	**2006-2011**	**2006-2016**	**2006-2021**	**2006-2026**
Barking & Dagenham	699	1,737	2,705	3,570
Barnet	2,829	5,545	8,541	11,074
Bexley	841	3,108	4,725	6,118
Brent	1,046	3,366	4,957	6,513
Bromley	1,344	3,095	4,869	6,206
Camden	9,519	22,859	32,290	38,205
City of London	32,033	43,355	50,228	56,452
Croydon	1,833	4,224	6,657	8,546
Ealing	2,610	6,649	8,623	12,999
Enfield	1,183	2,963	4,648	6,018
Greenwich	1,006	2,181	3,307	4,241
Hackney	2,955	6,933	10,575	13,912
Hammersmith & Fulham	4,881	10,081	13,559	15,045
Haringey	512	2,964	4,564	5,958
Harrow	1,376	3,496	5,714	7,665
Havering	760	3,014	4,650	6,005
Hillingdon	3,706	8,420	12,774	16,666
Hounslow	1,965	5,564	8,687	11,337
Islington	9,474	17,599	23,441	28,491
Kensington & Chelsea	4,412	6,126	7,152	7,569
Kingston upon Thames	843	1,948	2,982	3,720
Lambeth	6,386	9,568	12,304	13,464
Lewisham	2,227	3,744	5,730	7,520
Merton	1,740	3,048	4,599	5,840
Newham	1,876	7,091	11,146	14,809
Redbridge	1,012	3,368	4,787	5,878
Richmond upon Thames	957	2,355	3,583	4,418
Southwark	7,193	16,241	25,964	35,413
Sutton	1,112	2,482	3,805	4,834
Tower Hamlets	9,850	30,293	48,199	67,572
Waltham Forest	460	1,556	2,575	3,419
Wandsworth	2,729	5,632	8,672	11,296
Westminster	33,628	45,396	53,924	59,163
London	**155,000**	**296,000**	**410,935**	**509,935**
Sources: Volterra, GLA Economics, Roger Tym & Partners				

3.4 The Office Employment Density Issue Re-visited

In order to convert projected office employment growth into potential office floorspace, we need to apply a worker floorspace ratio. In LOPR 2001 we undertook a review of research into office employment densities and recommended utilising an average density of 175 sq ft (16.3 sq m) net lettable per employee for the period 2001 to 2016. This was directly derived from the widely acknowledged Gerald Eve/RICS Foundation Study, published in 2001[xii]. The 175 sq ft per employee co-efficient was utilised and referred to in the London Plan assessment of the potential demand for office floorspace to 2016 (The London Plan, p.89). The London Plan built in a range of plus or minus 13.5% around a central figure for potential demand of 87 million sq ft (8.1 million sq m) additional floorspace 2001-2006, from 75 million sq ft (7 million sq m) to 99 million sq ft (9.2 million sq m), in part to reflect possible variations in office occupational density.

In subsequent London Office Policy Reviews we have closely monitored new research into office employment density, most particularly the impact of "alternative working strategies" (AWS). As early as LOPR 2001[xiii] we commented:

> *On balance, we consider that as new ways of working are likely to be increasingly adopted over the next fifteen years, occupiers will have the ability to achieve higher densities in the future. Such increases in density are likely to reach a "ceiling" beyond which further improvements are unlikely in the light of current technology. One thing is for certain, that the highly specialised work of the space planning industry will continue to have as one of its aims to use office space with maximum efficiency, especially in high value locations such as London.*
>
> *Taking these factors into account, and bearing in mind the need for London to have sufficient office space in the pipeline to accommodate projected growth as well as a "strategic reserve", we feel that utilising today's average density is a reasonable and conservative approach. The most likely future scenario is that office employment densities will rise and that the required rate of growth of the net lettable stock in London will be reduced. Theoretically, if London occupiers were able to release just 5% of existing space through new ways of working, then 12 million sq ft of space could be surplus to their requirements and available for letting. Pragmatically, of course, releasing space is not that easy.*
>
> *Using the current average density is likely, therefore, to overstate the need for net additional offices over the period – perhaps in the order of 10%. Better that we over-estimate the need and continue to provide London with an adequate strategic reserve than under-estimate the need and be left short. (p.23)*

In LOPR 2002 we reviewed the issue, and reported one or two high density anecdotes from a seminar attended at the offices of Jones Lang Lasalle (JLL) where reference was made to densities of 95 sq ft (8.8 sq m) per employee (Deutsche Bank) and 97 sq ft (9 sq m) per employee (PwC). We produced a table courtesy of Canary Wharf that showed the average rate of occupancy on this state-of-the-art office estate at 140 sq ft (13 sq m) per worker, which we posited as a "best possible" average at that time. We also looked at data drawn from IPD Occupiers, where the average rate for central London of 167 sq ft (15.5 sq m) was very close to the adopted London Plan density. We again concluded

that 175 sq ft (16.3 sq m) per employee remained a valid and prudent average office occupational density.

In LOPR 2004[xiv], we commissioned Dr Rob Harris of Ramidus Consulting and Christina Howick of Roger Tym & Partners to write a brief paper on space utilisation and part of this was incorporated in the report (Section 4.4.2, pp.80-84). They highlighted issues such as outsourcing, offshoring, alternative working strategies, "spaceless growth", ICT and building design, and referred to individual occupier initiatives that had raised the density of occupation. We again stuck with our original figure of 175 sq ft (16.3 sq m) per worker, making the following comment:

> *Density is a key issue. Elsewhere in this paper we have continued to utilise 16 sq m (175 sq ft) per person in order to extrapolate the need for office stock from projected employment growth. The increasing adoption of Alternative Working Strategies (AWS) suggests that future densities could be significantly higher and specific occupiers are currently working off density standards of around 10 sq m (108 sq ft) per person. Certainly, we might expect brand new space to be occupied at higher than average densities, as it should represent the cutting edge of contemporary space management. General market studies, however, such as the Gerald Eve/RICS Foundation series continue to indicate densities across the board at around 16 sq m per head. Our own view is that densities are likely to rise as space is utilised more efficiently, but that it will take time for AWS to filter through to all occupiers and that variable rates of take-up will mean that average densities will still be some way adrift of "best practice". Density standards should continue to be kept under review.*
>
> *Looking ahead to future cycles, the logical conclusion of the following* [Harris and Howick] *paper is that the absolute need to increase the stock could be reduced. This does not imply the end of office development, but rather that development land and existing office stock need to viewed in a flexible manner, along the lines of "Plan Monitor and Manage", where the market could simultaneously construct new office stock in some locations and lose it in others. It does beg the question, however, of whether offices will be the main driver of regeneration on key opportunity sites across London where currently they are expected to take the lead. If it transpires that office stock growth is more limited in the future, some, or perhaps most, of these sites might have to be re-thought, to be led by alternative uses such as residential. (p.80)*

In the process of researching LOPR 2006, we have continued to remain abreast of the density issue and have consulted widely. The issue was one that was discussed at the London Office Policy Review Workshop on 8th December 2005, by a group comprising office developers and professional advisers. The general consensus of this group was that 175 sq ft (16.3 sq m) net lettable per employee was probably a good average for today, but that under the influence of AWS, the average density would rise over time.

The London Office Review Panel also discussed the issue at its meetings of 25th November 2005, 25th January 2006 and 22nd February 2006. The City of London provided recent evidence of average occupational densities in its territory of 248 sq ft gross (23 sq m gross) per head, which for direct comparison purposes with our figure would be in the region of 198 sq ft (18.4 sq m) net lettable per employee. This is somewhat less dense than the London Plan figure, and the City research also indicated

that the average density had only increased marginally in recent years, albeit that in the recent downturn in the City it was likely that firms under-occupied space for a period of time. Case studies and anecdotal evidence of far higher densities being achieved in individual cases were also reported, including a density of 86 sq ft (8 sq m) per employee at Barclays Bank and 118 sq ft (11 sq m) per employee at Ernst & Young.

A re-run of the IPD Occupiers data for its (admittedly small) central London sample showed that in 2004-5 the average density for office occupancy had risen from 167 sq ft (15.5 sq m) per head in 2001 to 140 sq ft (13 sq m) per head. In terms of both current data and future trends on employment density, the Harris and Howick team mentioned earlier, has recently produced a very useful report, "Jobs Land and Property", for the London Development Agency[xv]. An innovative sample survey of 675 businesses (including non-office) produced density figures for various geographical areas (Table 12).

Table 12: Average Floorspace/Worker Ratios for London 2005

Use	Central Activities Zone		Other Inner London		Outer London		London	
	Sq m	Sq ft	Sq m	Sq ft	Sq m	Sq ft	Sq m	Sq ft
Offices (net lettable)	14.4	155	14.7	158	20.6	222	16.2	174

Source: Roger Tym & Partners, Valuation Office

The average London density came out at almost exactly the same figure as we recommended in LOPR 2001 and that was utilised in the London Plan. This gave us some comfort that the coefficient we had recommended be adopted was still born out by empirical data five years later. On the other hand, the table also notes somewhat higher average densities in CAZ and Inner London than in Outer London and London as a whole. It is in CAZ and Inner London locations that two thirds of the potential increase in FBS employment over the next twenty years is expected to be located.

The report contains 17 case studies and we would strongly recommend Section 3 of the report to anyone with an interest in the density issue. This section highlights various strategies enabling organisations to support more people from less space through:

> *more efficient space planning and…flexible working patterns in which the number of people supported in any building is greater than the number of work stations.*

ICT innovation is to the forefront as the enabler of change, giving expression to management theories (jargon/buzz words) such as "mobility, virtual work, outsourcing, delayering and re-engineering" (q.v. Martin Lukes, perhaps?). Joking aside, the case studies clearly demonstrate that the very best current practice can force the floorspace per worker ratio as high as 71 sq ft (6.6 sq m) per employee in one extreme case, and more typically in a range from 85-120 sq ft (8-11 sq m) per employee. On the other hand, it is reported that both property and planning-led studies have provided no evidence to date that average office densities have been changing over time.

That “best practice” and average densities are very far apart should come as no surprise. There has always been a huge range in occupational densities of individual occupiers in every empirical study undertaken. The question now is whether best practice will become sufficiently widespread to have an impact on the average office occupational density across an entire metropolitan area. In our view, there is likely to be a gradual dissemination over time of AWS allowing more efficient use of office space. This is mirrored in the soundings received at the LOPR Workshop and from the London Office Review Panel. Higher densities are more likely to be achieved in new offices, not least as relocation is often the trigger for the adoption of AWS. Higher densities are also more likely to be achieved by larger organisations that have the means to meet the (often high) up-front costs, the economic imperative to drive down unit costs including property, and that now employ the burgeoning profession of facilities management that is busy developing benchmarks to measure performance and efficiency.

Significant increases in average density are likely to be at a considerably lower rate in the existing office stock compared to new buildings, in spite of the rate of “churn”, where an average of 9 million sq ft (or 4%) of central London’s office stock is leased second-hand each year. Indeed, it is quite possible that the phase of the business cycle has a far greater impact on average density than technological innovation. When the good times roll, firms employ more staff and “cram ‘em in” and conversely when recessions hit hard, staff get laid off and there’s more elbow room. Ever since we first researched office occupational densities in the mid-1980s there have been theories that office occupancy densities are changing (sometimes up, sometimes down). Twenty years later, empirical evidence from the larger sample surveys suggests that there has been next to no change.

In the light of the above analysis, we have run three density scenarios for this report and these are outlined in Tables A8-A13 (see Appendix 6). Our preferred scenario is that the existing stock will continue to be occupied at a density of 175 sq ft (16.3 sq m) per employee, but that newly built stock will be occupied at an average density increasing by 1 sq ft per annum from a base position of 175 sq ft (16.3 sq m) per head in 2001. Hence, by 2011, the projected density of occupation for new office space is 165 sq ft (15.3 sq m) per head, and by 2026 it is 150 sq ft (13.9 sq m) per head. This approach is less prudent in terms of office capacity that that in the London Plan 2004, implying a 14% reduction in the need for additional floorspace by 2026, but we consider that it is more likely to accurately reflect the workings of the market in the immediate future.

3.4 The Need for Additional Office Space

Taking our preferred office density scenario, Tables 13 (sub-region) and 14 (borough) apply this changing density coefficient to the projected gain in FBS employment space for five year periods from 2006 to 2026. Each figure has been inflated by 8% in order to maintain a market equilibrium availability rate of 8%. Note that for central London at the end of 2005, the availability rate of 7.8% was also at this benchmark rate, and hence we consider that there is no need on this occasion to adjust the data to take into account current oversupply or undersupply.

Table 13: The Need for Additional Office Space by Sub-Region Based on FBS Employment Projections, Density Assumption and 8% Availability Rate

Sub-Region	2006-2011 @ 165 sf/person	2006-2016 @ 160 sf/person	2006-2021 @ 155 sf/person	2006-2026 @ 150 sf/person
North	9,736,219	16,889,833	22,353,230	26,376,819
North East	7,563,992	14,646,978	20,134,817	25,548,136
South East	2,043,106	4,595,886	7,224,267	9,638,787
South West	2,527,311	4,739,517	6,901,626	8,443,229
West	3,239,372	7,079,786	9,957,450	12,602,420
London	**25,110,000**	**47,952,000**	**66,571,391**	**82,609,391**
CAZ	14,322,346	21,851,522	26,904,131	31,003,694

Source: London Property Research

Taking the capital as a whole, we estimate that London will require an additional 82.6 million sq ft of office stock to accommodate projected demand over the twenty years from 2006 to 2026. This represents a 27% increase on London's 2005 total office stock of 307 million sq ft, or a 31% increase on the somewhat lower "commercial office" stock of 268 million sq ft, that excludes local government offices, police stations and other quasi office buildings (National Statistics', "Commercial and Industrial Floorspace Statistics" annual surveys). The growth in FBS employment represents a 34% increase over the same period, the percentage increase in floorspace being lower, perhaps because new office space is occupied increasingly efficiently as time goes by.

In the intervening periods, London is projected to require:

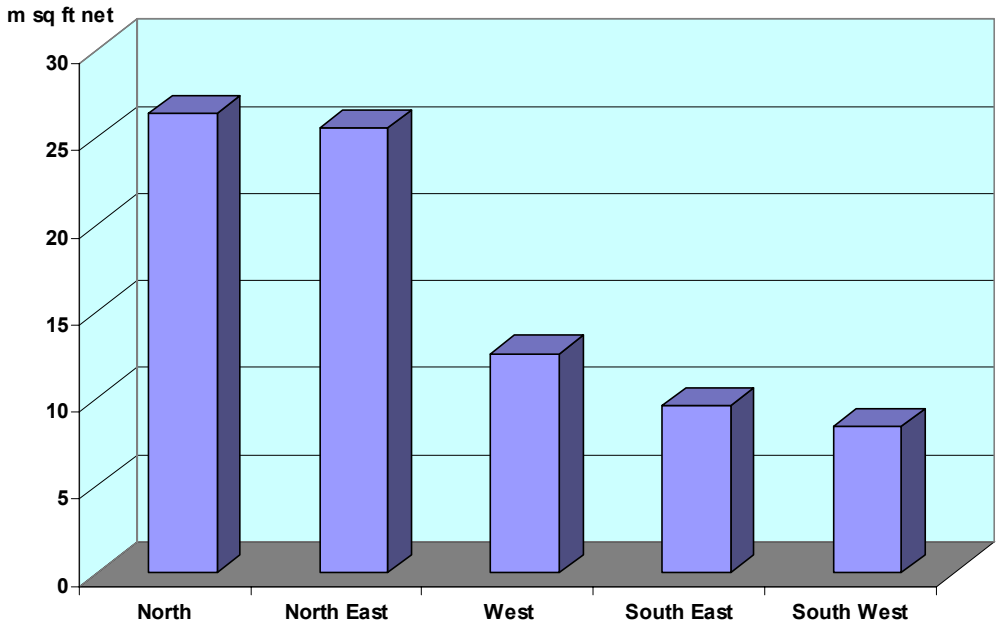
- 25 million sq ft additional stock by 2011;
- 48 million sq ft additional stock by 2016;
- 67 million sq ft additional stock by 2021.

The geographical split, being based on the FBS employment projections, is identical to that for employment analysed in the previous section (Figure 17). The North and North East sub-regions, which between them contain the main West End, Midtown, City and Docklands office markets, are each projected to require additional stock of 26 million sq ft each in order to accommodate forecast growth to 2026. CAZ, which includes parts of all five sub-regions (albeit a mere sliver of West) is projected to require an additional 31 million sq ft office stock over the period. The projected growth in office stock for the other three sub-regions is much lower, but significant nonetheless with 13 million sq ft

allocated to the West, 10 million sq ft to the South East and 8 million sq ft to the South West. To put these growth figures into context, 10 million sq ft is the size of the entire office stock of a city such as Bristol.

Table 14 presents the data at borough level and, naturally, this table follows the same pattern as Table 11 on employment change, with the “Big Six” boroughs to the fore. Due to the methodology adopted in the allocation of growth in FBS employment, which included current employment structure along with transport accessibility and potential development capacity, all boroughs get a share of future growth in employment and hence office stock. In our view, gain to stock even at the modest scale of 500,000 to 1 million sq ft envisaged in some of the outer London boroughs, is highly unlikely to be viable in terms of the economics of office development. In reality, growth in the stock is likely to be more heavily focussed on locations where demand and rents are highest, including central London, Docklands, the western corridor, the better outer London town centres and the best of the Opportunity Areas.

Figure 17: Projected Need for Additional Office Space by Sub-Region 2006-2026



Source: London Property Research

Table 14: The Need for Additional Office Space by Borough Based on FBS Employment Projections, Density Assumption and 8% Availability Rate				
Borough	**2006-2011 @ 165 sf/person**	**2006-2016 @ 160 sf/person**	**2006-2021 @ 155 sf/person**	**2006-2026 @ 150 sf/person**
Barking & Dagenham	113,223	281,368	438,146	578,327
Barnet	458,296	898,345	1,383,655	1,793,992
Bexley	136,237	503,563	765,446	991,146
Brent	169,420	545,359	803,019	1,055,060
Bromley	217,785	501,468	788,792	1,005,322
Camden	1,542,155	3,703,198	5,230,956	6,189,280
City of London	5,189,371	7,023,444	8,136,912	9,145,291
Croydon	296,944	684,359	1,078,507	1,384,456
Ealing	422,878	1,077,077	1,396,995	2,105,873
Enfield	191,593	479,939	753,021	974,843
Greenwich	163,038	353,273	535,715	687,058
Hackney	478,681	1,123,086	1,713,163	2,253,665
Hammersmith & Fulham	790,799	1,633,131	2,196,578	2,437,260
Haringey	82,912	480,204	739,364	965,213
Harrow	222,864	566,350	925,732	1,241,651
Havering	123,186	488,258	753,302	972,862
Hillingdon	600,372	1,364,038	2,069,348	2,699,838
Hounslow	318,303	901,386	1,407,231	1,836,614
Islington	1,534,803	2,850,966	3,797,450	4,615,486
Kensington & Chelsea	714,736	992,446	1,158,547	1,226,124
Kingston upon Thames	136,554	315,585	483,071	602,571
Lambeth	1,034,599	1,549,950	1,993,269	2,181,235
Lewisham	360,807	606,542	928,226	1,218,285
Merton	281,954	493,738	745,079	946,152
Newham	303,961	1,148,741	1,805,663	2,399,030
Redbridge	163,988	545,624	775,448	952,156
Richmond upon Thames	154,961	381,466	580,477	715,674
Southwark	1,165,239	2,631,040	4,206,088	5,736,975
Sutton	180,209	402,051	616,376	783,180
Tower Hamlets	1,595,771	4,907,390	7,808,219	10,946,624
Waltham Forest	74,492	252,153	417,127	553,846
Wandsworth	442,090	912,368	1,404,849	1,829,961
Westminster	5,447,779	7,354,095	8,735,622	9,584,339
London	**25,110,000**	**47,952,000**	**66,571,391**	**82,609,391**
Source: London Property Research				

Before concluding this section, it is worth summarising the headline data for potential office demand based on alternative office employment density scenarios (Table 15). If we had maintained the employment density coefficient of 175 sq ft (16.3 sq m) per employee used in the London Plan 2004, then over the period 2006 to 2026 the need for additional office stock increases to 96 million sq ft. Alternatively, if we apply higher density to London's existing office stock of 307 million sq ft over time at a rate of 1% every five years, alongside increasing density in additional stock at the rate of 1 sq ft per annum, then the need for additional office stock is reduced to 71 million sq ft. Our preferred scenario, where existing office stock continues to be occupied at the prevailing rate and additional stock at increasing density over time, sits in the centre of this potential range. It is, we consider, the most prudent approach to ensure that London maintains an adequate capacity for office development in the planning pipeline.

Table 15: Office Need for London 2006-2026 Based on Different Density Scenarios (sq ft)

Scenario	2006-2011	2006-2016	2006-2021	2006-2026
1: 175 sq ft / head constant	29,295,000	55,944,000	77,666,622	96,377,622
2: Existing stock constant, new stock rising to 150 sq ft/head	25,110,000	47,952,000	66,571,391	82,609,391
3: Existing stock rising by 1% every 5 years, new stock rising to 150 sq ft/head.	22,285,600	42,303,199	58,098,189	71,311,789

Source: London Property Research

3.6 Office Capacity at 2006 versus Need 2006-2026

In this section we make a comparison between the potential demand for additional office space, based on the preferred scenario, and actual office supply data as at the end of 2005. The data on office supply is based on a detailed analysis of offices under construction and with unimplemented planning permissions, the base data drawn from the independently researched LOD and LRR databases, supplemented by our own original research. Note that the data includes only bona fide offices and neither other categories of B1 space such as light industrial nor offices ancillary to other principal uses (see Tables A14-A16 in Appendix 7 for full details of capacity by borough, sub-region and the CAZ).

As we are seeking to compare office supply with projected employment growth from now (2006), the gain to stock arising from construction and permissions must have as its start date a fixed point, i.e. the end of 2005. By definition, all offices under construction at the end of 2005, once completed, will be additional to the stock that is available to occupiers at the fixed point. For office schemes with planning permission, however, we have to take into account offices on these sites that were capable of occupation at the fixed starting point. Hence, although there were planning permissions in London totalling 54 million sq ft at the end of 2005, these sites currently accommodate 8 million sq ft of offices either occupied or capable of occupation. Hence the additional capacity available to occupiers from the implementation of these permissions is 46 million sq ft.

Table 16: Office Capacity versus Potential Need in London by Sub-Region 2006-2026											
Sub-Region	Floorspace Need 000s sq ft net				Gain to Stock Capacity End 2005 000s sq ft net			Total Capacity as Proportion of Need			
	2006-2011	2006-2016	2006-2021	2006-2026	U/C	Permi-ssions	Total	2006-2011	2006-2016	2006-2021	2006-2026
North	9,736	16,890	22,353	26,377	3,253	7,317	10,570	109%	63%	47%	40%
North East	7,564	14,647	20,135	25,548	4,614	24,126	28,740	380%	196%	143%	112%
South East	2,043	4,596	7,224	9,639	1,724	5,668	7,392	362%	161%	102%	77%
South West	2,527	4,740	6,902	8,443	245	2,660	2,905	115%	61%	42%	34%
West	3,239	7,080	9,957	12,602	549	6,175	6,724	208%	95%	68%	53%
London	**25,109**	**47,953**	**66,571**	**82,609**	**10,385**	**45,946**	**56,331**	**224%**	**117%**	**85%**	**68%**
CAZ	14,322	21,852	26,904	31,004	9,127	18,594	27,721	194%	127%	103%	89%
Source: London Property Research											

Table 16 presents summary data from London, CAZ and London's sub-regions for the four time periods from 2006 to 2026, incorporating the potential need, current capacity and a comparison of actual capacity and potential need. For London as a whole at the end of 2005 there was 10.4 million sq ft office space under construction and 46 million sq ft of gain to stock in outstanding planning permissions, giving a total capacity of 56.3 million sq ft. Put simply, this is more than double the capacity required from 2006 to 2011, equivalent to the capacity required to 2016, four fifths of the capacity required to 2021 and two thirds of the capacity needed by 2026. Offices under construction at the end of 2005 could provide sufficient space to meet 41% of projected need during the five years from 2006 to 2011.

The fact that, according to our assumptions, current construction and permissions can meet the need for additional office space for London to 2016 without a further consent being granted, does not imply that developers and regulators can retire to enjoy an extended sabbatical for the next decade. For the market to operate efficiently developers and occupiers need to have a reasonable choice of potential office sites and locations. In other words, if capacity is merely equivalent to projected need, there is a danger of occupier choice being restricted over time. When office capacity merely matches projected need, this we would define as the absolute bare minimum capacity required by the market, with the danger of choking off choice and promoting unsustainable rental growth. The pipeline of planning permissions for London offices must be maintained, along the lines described in Benchmark 1 in Section 2.2, in order to maintain occupier choice and the strategic reserve.

The other thing to bear in mind, when analysing capacity versus need is the disjuncture between the supply and demand data in terms of timing. On the demand side we have a projection which is carried forward merrily into the distant future. On the supply side, however, we have a snapshot of current capacity in construction and permissions which in anybody's terms could not be expected to meet the needs of the market over two decades. It is far more realistic that capacity "now" in construction and permissions can adequately supply the market and provide a strategic reserve to meet choice and control office costs for the short-term, say five years. On this basis, London's office capacity

looks in reasonable health, with construction and permissions providing more than twice the additional floorspace required between 2006 and 2011. Construction starts, however, are likely to be close to 10 million sq ft per annum for 2006 and 2007, requiring the pipeline of permissions to be replenished at a similar rate in order for capacity to be maintained.

In order to give some degree of comfort with regard to the likely flow of sites from application to permissions, we analysed the gain to 2005 stock from planning applications in the eleven inner London boroughs analysed in section 1. The 13.3 million sq ft outstanding applications in central London at the end of 2005 could provide a gain to current office stock of 10 million sq ft, which suggests that the pipeline of permissions will, in the immediate future, maintain a significant element of additional office stock. If we go further "upstream", the pipeline of pre-application sites that we monitor informally and which includes major strategic sites such as Euston, Waterloo, Victoria, Bishospgate and Wood Wharf, to name but a handful, is capable of providing around 30 million sq ft of gain to stock over the coming decades.

Returning to the data in Table 16, there are, of course, important sub-regional variations. Current construction is almost exclusively concentrated in CAZ, where it represents 64% of the projected need for additional floorspace over the five years to 2011. The North, North East and South East sub-regions, being the regions covering the areas of CAZ where construction was under way at end 2005, also perform well on this measure. Note that Canary Wharf has been biding its time, with office construction recommencing in May 2006 on a 360,000 building pre-let to State Street Bank, while the only other scheme underway in E14 is the 120,000 sq ft Discovery Dock West.

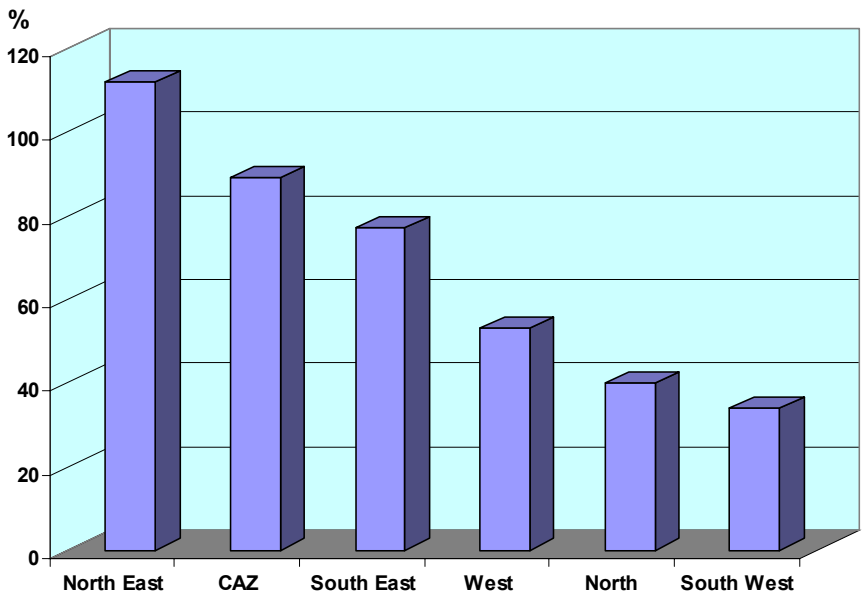
Looking at the longer term, the CAZ actually performs better than the London average with gain to stock from construction and permissions capable of meeting 89% of the projected need for additional space to 2026. In terms of the sub-regions, there is evidence of diversity. The North East sub-region, which encompasses the mature City, youthful Docklands and upstarts like Stratford City, has capacity to beat the band with the combination of construction and permissions exceeding the potential need for space to 2026 by 12%.

The North sub-region, where the regulatory environment is tougher for developers wishing to significantly expand the stock, has a current capacity that meets only 40% of projected need to 2026 (Figure 18). Bear in mind that one of London's largest office development sites, King's Cross, is located in the North sub-region but is excluded from Table 16 as permission had not been approved at the end of 2005. Permission was granted early in 2006, subject to a section 106 agreement, and this site alone is capable of adding a further 4 million sq ft to the North sub-region's office stock. Opportunity Areas such as Paddington, King's Cross and Bishopsgate/Shoreditch do offer potential to significantly expand the North region's office stock.

The South East sub-region also demonstrates a healthy level of committed capacity in relation to potential need, with the gain to stock from construction and permissions equivalent to demand until 2021, and 77% of potential demand to 2026. Note, however, that analysis of the detailed borough data (Table 17) reveals that almost all the sub-region's capacity is located in just two boroughs, Southwark and Greenwich.

The West and South West sub-regions display a broadly similar relationship between supply and potential demand, with the former somewhat better supplied. Note, however, that actual construction activity in these sub-regions is very much lower than in the other three sub-regions, raising doubts as to whether planning permissions will be implemented at a sufficient rate to meet potential demand. These sub-regions include strategically important office centres such as Uxbridge, Hammersmith and Croydon as well as out of centre locations like Stockley Park, Bedfont Lakes, Chiswick Park and the latest mid-urban business park, FirstCentral. The smaller office centres in these two regions, however, such as Wimbledon or Ealing, do seem to offer much higher hopes of viable office development than many centres in the outer areas of the North, North East and South East sub-regions.

Figure 18: Office Capacity (Gain from Construction and Permissions) At End 2005 Versus Potential Demand for Offices to 2026



Source: London Property Research

Table 17 provides a more detailed comparison of potential demand and actual capacity at the borough level. In the context of the very recent recovery of the London office construction market, it is worth noting that in 13 of the 33 local planning authorities there was no office construction under way at the end of 2005 (over our threshold of 10,000 sq ft net - 929 sq m net). In ten boroughs (mostly corresponding to the 13) there were also no extant permissions for (proper) office buildings over the threshold size at the end of 2005. This is unremarkable in terms of the actual operation of the office market and not, in our view, a cause for undue concern. As stated earlier in this section, the methodology of allocating growth in employment by borough means that all boroughs get a share of future growth. In our view, the allocation of growth is likely to be somewhat more concentrated based on locations where office development is viable and where contemporary occupiers actually “want to be”.

In three boroughs, Newham, Greenwich and Brent, capacity as at the end of 2005 far exceeds potential demand to 2026. These three boroughs contain large comprehensive office development sites at Stratford City and the Royal Docks (Newham), the Greenwich Peninsula (Greenwich), and FirstCentral/Park Royal and Wembley (Brent) which if successfully implemented could accommodate strategically significant numbers of office workers. There is an element of hope value in these largely "untested" office locations, to say the least.

In the central London boroughs, where the majority of potential demand is expected to be located, there are broad variations between high supply boroughs, such as the City of London and Tower Hamlets, where current capacity already exceeds potential demand to 2026, and lower capacity boroughs such as Camden (17%), Hammersmith & Fulham (39%) and Lambeth (38%). As stated earlier, the addition of King's Cross to Camden's potential capacity would transform its 17% as at the end of 2005 to 81%. Westminster lies at the centre of this central London range with identified capacity at the end of 2005 a very healthy 60% of potential demand to 2026.

Turning to some of the outer boroughs listed in Table 17, we do have some concerns that certain boroughs with historically important office centres such as Barking, Bromley, Havering, Redbridge, and Sutton have, according to the data, either nil or next to nil capacity. In the context of London as a whole, however, such concern is of local rather than strategic significance and reflects the underlying state of the market in these locations where there is little demand for office space. Other important outer London boroughs such as Hounslow, Brent, Croydon and Hillingdon have maintained capacity in the form of planning permissions, even if there is little in the way of current construction activity. We examine the operation of outer London markets in more detail in Section 4.3 of this report.

Table 17: Office Capacity versus Potential Need in London by Borough 2006-2026

Borough	Floorspace Need (Preferred Scenario) 000s sq ft net				Gain to Stock Capacity End 2005 000s sq ft net			Total Capacity as Proportion of Need			
	2006-2011	2006-2016	2006-2021	2006-2026	U/C	Permi-ssions	Total	2006-2011	2006-2016	2006-2021	2006-2026
Barking & Dagenham	113	281	438	578	0	0	0	0%	0%	0%	0%
Barnet	458	898	1,384	1,794	0	20	20	4%	2%	1%	1%
Bexley	136	504	765	991	19	0	19	14%	4%	2%	2%
Brent	169	545	803	1,055	101	1,721	1,822	1075%	334%	227%	173%
Bromley	218	501	789	1,005	35	27	62	28%	12%	8%	6%
Camden	1,542	3,703	5,231	6,189	511	517	1,028	67%	28%	20%	17%
City of London	5,189	7,023	8,137	9,145	4,507	5,695	10,202	197%	145%	125%	112%
Croydon	297	684	1,079	1,384	0	692	692	233%	101%	64%	50%
Ealing	423	1,077	1,397	2,106	239	102	341	81%	32%	24%	16%
Enfield	192	480	753	975	0	0	0	0%	0%	0%	0%
Greenwich	163	353	536	687	65	3,035	3,100	1901%	878%	579%	451%
Hackney	479	1,123	1,713	2,254	113	1,758	1,871	391%	167%	109%	83%
Hammersmith & Fulham	791	1,633	2,197	2,437	0	947	947	120%	58%	43%	39%
Haringey	83	480	739	965	0	0	0	0%	0%	0%	0%
Harrow	223	566	926	1,242	0	0	0	0%	0%	0%	0%
Havering	123	488	753	973	0	0	0	0%	0%	0%	0%
Hillingdon	600	1,364	2,069	2,700	0	842	842	140%	62%	41%	31%
Hounslow	318	901	1,407	1,837	120	1,964	2,084	655%	231%	148%	113%
Islington	1,535	2,851	3,797	4,615	481	1,421	1,902	124%	67%	50%	41%
Kensington & Chelsea	715	992	1,159	1,226	89	599	688	96%	69%	59%	56%
Kingston upon Thames	137	316	483	603	0	0	0	0%	0%	0%	0%
Lambeth	1,035	1,550	1,993	2,181	58	779	837	81%	54%	42%	38%
Lewisham	361	607	928	1,218	12	35	47	13%	8%	5%	4%
Merton	282	494	745	946	18	142	160	57%	32%	21%	17%
Newham	304	1,149	1,806	2,399	25	5,369	5,394	1775%	470%	299%	225%
Redbridge	164	546	775	952	0	0	0	0%	0%	0%	0%
Richmond upon Thames	155	381	580	716	95	0	95	61%	25%	16%	13%
Southwark	1,165	2,631	4,206	5,737	1,593	2,571	4,164	357%	158%	99%	73%
Sutton	180	402	616	783	0	10	10	6%	2%	2%	1%
Tower Hamlets	1,596	4,907	7,808	10,947	82	13,062	13,144	824%	268%	168%	120%
Waltham Forest	74	252	417	554	0	0	0	0%	0%	0%	0%
Wandsworth	442	912	1,405	1,830	74	1,037	1,111	251%	122%	79%	61%
Westminster	5,448	7,354	8,736	9,584	2,148	3,601	5,749	106%	78%	66%	60%
								`			
London	**25,110**	**47,952**	**66,571**	**82,609**	**10,385**	**45,946**	**56,331**	**224%**	**117%**	**85%**	**68%**

Source: London Property Research

3.7 Change to the Office Stock 2001-2005

Before concluding this section of the report, it is worth looking back to the original starting point of the London Plan in terms of construction and employment data, mid-2001, and to examine the changes that have taken place in the London office stock over period to end 2005. By way of reminder, the early part of this period saw an office construction boom in full swing in central London and Docklands and, to a lesser extent, along the western corridor. In order to give a complete picture of change in the office stock, we have through the examination of individual sites, undertaken an analysis of the loss of office stock to other uses. Table 18 provides a summary of the results by sub-region, including CAZ.

Table 18: Net Change in the London Office Stock mid-2001 to 2005 by Sub-Region (sq ft net lettable)

Sub-Region	Gross Completions 2001-2005	Gain to 2001 Stock	Loss to Other Uses	Gain to 2001 Stock Comps-Losses
North	13,651,000	6,024,000	1,253,000	4,771,000
North East	18,803,000	15,963,000	525,000	15,438,000
South East	1,880,000	1,830,000	438,000	1,392,000
South West	1,029,000	851,000	574,000	277,000
West	4,230,000	3,716,000	486,000	3,230,000
London	**39,593,000**	**28,384,000**	**3,276,000**	**25,108,000**
CAZ	23,646,500	13,076,500	1,074,000	12,002,500

Sources: London Property Research

Overall, the four and half year period saw the completion of 39.6 million sq ft net offices across London as whole, which represents a gain to the mid-2001 stock of 28.4 million sq ft. Over the same period, 3.3 million sq ft of office stock was lost through change of use – encompassing both the conversion of offices to residential, hotels, student accommodation etc. and the demolition of office buildings in order to construction new buildings comprising other uses. The loss data is based on a building by building survey covering all other use completions over the period and all other use buildings under construction at the end of 2005 (see Section 4.1 for more details on the methodology). Hence, we estimate that the actual change in the office stock over the period was a gain of 25.1 million sq ft net.

It is interesting to compare this figure for London as a whole with DTZ Research's stock data for central London. DTZ's data indicates that the central London office stock increased by 21.8 million sq ft between mid-2001 and the end of 2005. A detailed examination of our borough data (Table 19) for the same area as DTZ's central London office market (see Figure 1), indicates a gain to stock of 21.2 million sq ft. These figures, independently derived albeit utilising a similar methodology logging actual demolition, construction and changes of use through street survey and other research methods, provide corroboration of the extent of gain to stock in London deriving from the most recent construction boom.

Returning to Table 18, it is worth noting some of the distinctions between sub-regions. The North sub-region, centred on the mature West End and Midtown markets, displays a relatively low gain to stock in comparison with completions as most sites already comprise office use, on top of which the rate of loss of stock to other uses has remained significant, especially in the West End. In the North East sub-region, most office development is gain to stock, reflecting that almost all development in Docklands is on non-office land and that in the City of London very high levels of gain to stock are possible on individual sites under an encouraging planning regime.

The NorthWest sub-region, straddling the western corridor from Hammersmith to Heathrow, also saw a very significant increase in stock centred on schemes like the BBC at White City (Hammersmith) and Chiswick Park (Hounslow). In the South East sub-region, the gain to stock was more modest and if we examine the borough data almost entirely dependent on the More London scheme in Southwark. Gain to stock was negligible in the South West region, where the data suggests that boroughs such as Croydon and Sutton were net losers of office stock over the period.

Table 19, which shows change to the office stock by borough 2001-2005, provides valuable empirical evidence on the locations where office development is viable and occupiers “want” to be. Top of the gain to stock league is Tower Hamlets, where 9.7 million sq ft (39% of the London total gain) is located, mostly at Canary Wharf, but with a significant 1 million sq ft gain on the various Spitalfields sites. Next largest is the City of London, with gain to stock of 5.3 million sq ft – an impressive figure given the maturity of the office market, and reflecting the needs of major occupiers for large self-contained buildings.

Camden had a gain to 2001 stock of 2.1 million sq ft, most located in Midtown, but with some development along the Euston Road corridor and in warehouse/industrial to office conversions in Camden Town. Hammersmith gained 1.5 million sq ft between 2001 and 2005, more than half of which was the new White City complex constructed for occupation by the BBC. Three further boroughs recorded gains in excess of 1 million sq ft, being Southwark (More London), Hounslow (Chiswick Park) and Islington (widely spread across King’s Cross, Clerkenwell and Finsbury Square).

Westminster saw completion of 7.8 million sq ft over the period, but the gain on the 2001 was very low at just 900,000 sq ft. Most of the gain on individual sites is accounted for by completions in the Paddington Special Policy Area, although there was also a significant gain in the net lettable area at the Cardinal Place scheme in Victoria, replacing Esso House and Glen House. These gains were tempered by significant losses of stock to residential use (858,000 sq ft) in a small number of very high profile residential developments (see Section 4.1).

Table 19: Net Change in the London Office Stock mid-2001 to 2005 by Borough (sq ft net lettable)				
Sub-Region	**Gross Completions 2001-2005**	**Gain to 2001 Stock**	**Loss to Other Uses**	**Gain to 2001 Stock Comps-Losses**
Barking & Dagenham	24,000	24,000	18,000	6,000
Barnet	149,000	149,000	73,000	76,000
Bexley	0	0	0	0
Brent	262,000	262,000	100,000	162,000
Bromley	188,000	188,000	90,000	98,000
Camden	3,516,000	2,286,000	144,000	2,142,000
City of London	8,220,000	5,460,000	127,000	5,333,000
Croydon	100,000	100,000	260,000	-160,000
Ealing	208,000	208,000	131,000	77,000
Enfield	20,000	20,000	20,000	0
Greenwich	64,000	64,000	120,000	-56,000
Hackney	738,000	702,000	10,000	692,000
Hammersmith & Fulham	1,834,000	1,484,000	0	1,484,000
Haringey	0	0	80,000	-80,000
Harrow	25,000	25,000	132,000	-107,000
Havering	50,000	50,000	8,000	42,000
Hillingdon	387,000	387,000	20,000	367,000
Hounslow	1,100,000	1,100,000	64,000	1,036,000
Islington	1,442,000	1,118,000	68,000	1,050,000
Kensington & Chelsea	414,000	250,000	39,000	211,000
Kingston upon Thames	123,000	123,000	5,000	118,000
Lambeth	336,000	220,000	106,000	114,000
Lewisham	162,000	162,000	53,000	109,000
Merton	156,000	156,000	10,000	146,000
Newham	458,000	458,000	100,000	358,000
Redbridge	100,000	100,000	115,000	-15,000
Richmond upon Thames	113,000	113,000	0	113,000
Southwark	1,466,000	1,416,000	175,000	1,241,000
Sutton	12,000	12,000	121,000	-109,000
Tower Hamlets	9,941,000	9,861,000	157,000	9,704,000
Waltham Forest	10,000	10,000	0	10,000
Wandsworth	189,000	127,000	72,000	55,000
Westminster	7,786,000	1,749,000	858,000	891,000
London	**39,593,000**	**28,384,000**	**3,276,000**	**25,108,000**
Sources: Volterra, GLA Economics, Roger Tym & Partners (Projections)				

Other boroughs with significant gains were Hackney at 700,000 sq ft (and not just in South Shoreditch, as the borough sought offices in mixed use residential-led development across the borough), Newham at 350,000 sq ft (Royal Docks business park which has been very slow to let), and Hillingdon (370,000 sq ft).

The remainder of London's boroughs showed either very modest gains due to a combination of low rates of office development and loss of stock to other uses, or a loss of stock in those instances where loss of stock exceeded gains through construction, being Croydon, Haringey, Harrow Redbridge, and Sutton.

The distribution of development by location demonstrated in Table 19 is likely, in our view, to form the basis for the location of gain to stock over the coming two decades: in other words, the Central Activities Zone, the wider Central London area, Docklands (especially E14), the western corridor and the most favoured outer London town centres. It is possible that the favourable market conditions that would ensue if the employment projections came to pass could promote strategic office development in a small number of currently non established office locations, perhaps most prominently White City in the west and Stratford and the Royal Docks in the east.

3.8 Long-Term Demand and Capacity Summary

Table 20 provides a summary of the long-term outlook for office employment change in London, the need for additional office space arising based on our preferred density scenario, and the capacity that exists in the form of gain to 2006 office stock in current construction and unimplemented planning permissions. The figures are given in both imperial, which the old fashioned property market stubbornly favours, and metric.

Table 20: Employment Change, Potential Office Need and Office Capacity in London by Sub-Region 2006-2026

Sub-Region	FBS Employment Change Projection		Office Need Based on Rising Density and 8% Availability Rate m sq ft net (m sq m net)	Gain to Stock Capacity End 2005 m sq ft net (m sq m net)			Total Capacity as % of Need 2006-2026
	000s	Sub-Region Share %		U/C	Permissions	Total	
North	163	32	26.4 (2.45)	3.3 (0.31)	7.3 (0.68)	10.6 (0.99)	40
North East	158	31	25.6 (2.38)	4.6 (0.43)	24.1 (2.24)	28.7 (2.67)	112
South East	59	12	9.6 (0.89)	1.7 (0.16)	5.7 (0.53)	7.4 (0.69)	77
South West	52	10	8.4 (0.78)	0.2 (0.02)	2.7 (0.25)	2.9 (0.27)	35
West	78	15	12.6 (1.17)	0.5 (0.05)	6.2 (0.58)	6.7 (0.63)	54
London	**510**	**100**	**82.6 (7.67)**	**10.3 (0.97)**	**46.0 (4.27)**	**56.3 (5.24)**	**68**
CAZ	191	37	31.0 (2.88)	9.1 (0.85)	18.6 (1.73)	27.7 (2.58)	90

Source: London Property Research

Over twenty years, the employment forecast and density assumptions suggest that the office stock needs to grow at an annual average rate of 4.1 million sq ft net (3.8 m sq metres) per annum in order to accommodate employment growth.

Looking back at the historical record, the data collected from rating returns by the Valuation Office shows that London's stock of "commercial" offices grew by 6.6 million sq metres net from 18.3 million sq metres net (197 million sq ft) to 24.9 million sq ft metres net (268 million sq ft net) in 2005. In 2000, however, central Government offices were added to the commercial offices category, and the data for London for 1999 and 2000 suggests that this created a one-off increase in the region of 3 million sq metres net. Hence, comparing like with like, the commercial office stock growth in London over 20 years from 1985 to 2005 was in the order of 3.6 million sq metres net (38.75 million sq ft), an annual average of 0.18 million sq metres (1.9 million sq ft net).

The data collected for central London by DTZ Research for its stock database suggests a somewhat higher rate of growth in office stock has been achieved over the last twenty years. DTZ's stock figure for the area defined in Figure 1 grew by 63.4 million sq ft net (5.9 m sq metres) from 155.3 million sq ft (14.4 m sq metres) in December 1986 to 218.7 million sq ft (20.3 m sq metres) in December 2005. Over 19 years this is an annual average increase of 3.3 million sq ft (0.31 m sq metres per annum). We are rather more inclined to towards the DTZ growth figure than the VOA's based on our own twenty year experience of monitoring office construction and the office stock in London.

Whichever set of data chosen for comparative purposes, the potential need for additional offices at the rate of 4.1 million sq ft per annum over the next twenty years is evidently either close to recent historical experience (compared with the DTZ data) or comfortably higher (compared with the VOA data). We are confident that the level of projected stock growth will be capable of accommodating the level of office employment growth envisaged in the FBS employment forecast.

[vii] GLA Economics Current Issues Note 9, Borough Employment Projections to 2026, GLA 2006
[viii] Roger Tym & Partners, Small Area Employment Projections, GLA 2006
[ix] GLA Economics Working Paper 14, Employment Projections for London by Sector, December 2005
[x] London Property Research & EGi, London Office Policy Review 2002, GLA 2003
[xi] Roger Tym & Partners, op. cit.
[xii] Gerald Eve & RICS Foundation, Overcrowded, Under-utilised or Just Right? Office Space: How Much is Enough?, 2001
[xiii] London Property Research, SDS Technical Report Nine, London Office Policy Review 2001, GLA 2002
[xiv] London Property Research, London Office Policy Review 2004, GLA 2004
[xv] Roger Tym & Partners, Ramidus Consulting & King Sturge, Jobs Land and Property: The Use of Business Space in London, London Development Agency 2006

4.0 SOME ISSUES FACING THE LONDON OFFICE MARKET

4.1 Offices to Other Uses

4.1.1 Offices to Other Uses in the 1990s

The emergence of pressure for the change of use of offices to residential and other uses in the early 1990s was a novel phenomenon. During this period, market conditions prompted substantial changes in planning policy. Local planning authorities accepted, in principle, the change of use of employment space to housing (as well as other uses such as student housing, nursing accommodation and hotels). In part, this reflected a sea change in attitudes to the composition of the urban environment, away from rigid zoning and towards flexible mixed-use integration. This was also apparent in the choices being made by individuals and the colonisation of "cool" inner city quarters in a ring around the City of London clockwise from Hatton Garden to Bermondsey, first in small-scale converted warehouses and offices and then on a larger scale including stylish new residential buildings replacing tired old offices. As in all gentrification stories, the artful pioneers were followed at a safe distance by lawyers, bankers and other professionals.

Change of use also reflected the parlous state of the London office market after the boom years of the late 1980s. The aftermath of London's biggest ever speculative office splurge was a period of low demand for offices from 1991 to 1995, just at the time when supply peaked in 1992. Previous booms had neither been so pronounced, nor previous slumps so protracted. For half a decade, office rents were at a level that barely made development viable in the very best core locations, never mind run of the mill places, the fringes of central London, or its suburban office centres. Policy makers were faced with a choice between dereliction and (private) residential-led renewal and, with some notable exceptions, London's local planning authorities chose the latter.

Hence, in the second half of the 1990s, office to residential development involving either the conversion of office buildings to residential or the demolition of office buildings and the construction of new residential buildings as replacements, were in evidence even in what would normally be considered the most prime office territory including the hearts of the Cities of London and Westminster. The process began under a benign planning gain environment, but under the influence of Government Circulars 13/96 and 6/98 and the adoption of various affordable housing SPGs by local planning authorities, residential development operated under increasingly tight affordable housing criteria, going from 25% in the early years to 35% and above today.

Then, as we have highlighted in Sections 1 and 2 of this report, the office development market returned strongly from 1998 to 2001. Many sites that might have gone down the residential route a few years earlier became viable once more for office development. And unlike residential development, office development in the 1998-2001 construction boom did not attract the significant planning gain requirements for affordable housing that private residential schemes were required to provide (except in Westminster where "mixed use" planning policies were already being applied), a further spur to chose offices over residential in situations where differences in value between the two uses were marginal. The process of change of use from offices to other uses by no means ceased, but it was curtailed in the strongest office locations such as the City of London and Midtown.

4.1.2 Offices to Other Uses 2001-2005

The office market has experienced another downturn in the aftermath of the late 1990s boom. In the development market, as we saw in Section 1.5 above, that led to a very low rate of office starts from 2002 to 2004. In this section we analyse the extent of the change of use from offices to other uses during the London Plan period from 2001 onwards. As we saw earlier in Section 3.6, this has some bearing on office capacity albeit the gain to stock through office redevelopment far outweighs the loss of stock to other uses.

Table 21 provides a borough summary of the net loss of office space on change of use sites, with the left hand side of the table covering schemes where development on the alternative use commenced in the five year period between the beginning of 2001 and the end of 2005, and the right hand side of the table covering schemes with outstanding permissions and applications for change of use at the end of 2005. The data is based on an analysis of the London Residential Research database for schemes in excess of ten housing, hotel, student residential or other units where the previous use was a genuine B1 office building. It does not include other B1 uses such as light industrial, including industrial sites that have ancillary offices, or scrappy sites with a mix of uses some of which might be construed to be B1. Space lost, in other words, must be “proper” offices. This is a tricky area for development databases and although the dataset may not be completely comprehensive, we are confident that we have captured the majority of examples of changes of use.

As Table 21 illustrates, the more flexible approach to change of use that emerged in the mid-1990s has remained a feature of planning policy and development control decisions over the past five years, as illustrated by the following headline figures for London as a whole:

- Between 2001 and 2005 3.3 million sq ft of office space was lost to other uses;
- In place of the offices, 6,024 housing units were created, in either new build or conversions, along with 314 hotel rooms, 214 student rooms and 146,500 sq ft of additional uses, primarily retail;
- At the end of 2005, there were outstanding planning permissions and applications involving the loss of a further 3.4 million sq ft of office stock;
- In place of offices in proposed change of use schemes are a further 6,877 housing units, 2,125 hotel rooms, 996 student bedrooms, and 172,000 sq ft of additional uses, again primarily retail.

By way of comparison, it is interesting to note that in the six years from 1995 to 2000, there were 7,941 residential units plus hotel space created in the eleven central London boroughs (as defined in section 1.5), involving either the conversion or redevelopment of 10.5 million sq ft offices[xvi]. During the five years from 2001 to 2005, the number of residential units completed in the same 11 boroughs was only 2,982 at the expense of just 1.75 million sq ft offices. This tends to support the thesis that the combination of a strong office development market at the start of the period and increasingly tough affordable housing policies militated against more widespread and intense change of use in central London during the most recent period.

Table 21: Office Conversions Summary Table 2001-2005 (Schemes over 10 housing or hotel units)						
Borough	**Completed 2001-2005 or Under Construction at end 2005**			**Permissions and Applications Outstanding at End 2005**		
	Net Loss of Office Space **Sq ft net**	**Housing Gain** **Units**	**Other gains**	**Net Loss of Office Space** **Sq ft net**	**Housing Gain** **Units**	**Other Gains**
North Sub Region						
Barnet	73,000	134	-	33,000	61	-
Camden	144,000	112	184 hotel rooms	121,000	299	0
Enfield	20,000	157	-	51,000	101	-
Hackney	10,000	12	6,000 gsf retail	20,000	113	9,000 gsf retail
Haringey	80,000	146	10,000 gsf retail 8,000 gsf leisure	10,000	14	-
Islington	68,000	128	-	324,000	508	839 student rooms 52 hotel rooms 20,000 gsf D1
Westminster	858,000	1,007	169 student rooms 50,000 gsf retail	733,000	678	157 student rooms 33,000 gsf retail 196 hotel rooms
North	***1,253,000***	***1,696***	***184 hotel rooms 169 student rooms***	***1,292,000***	***1,774***	***42,000 gsf retail 996 student rooms 52 hotel rooms 20,000 gsf D1***
North East Sub Region						
Barking & Dagenham	18,000	40	-	-	-	-
City	127,000	145	130 hotel rooms, 10,000 gsf retail	112,000	104	77 hotel rooms 2,000 gsf retail
Havering	8,000	10	-	14,000	60	-
Newham	100,000	210	15,000 gsf retail	38,000	161	20,000 gsf retail
Redbridge	115,000	184	-	230,000	392	-
Tower Hamlets	157,000	1,101	16,000 gsf retail	82,000	663	18,000 gsf retail, 150 hotel rooms
Waltham Forest	-	-	-	22,000	20	-
North East	***525,000***	***1,690***	***130 hotel rooms 41,000 gsf retail***	***498,000***	***1,400***	***227 hotel rooms 40,000 gsf retail***
South East Sub Region						
Bexley	-	-	-	20,000	95	13,000 gsf retail 7,000 gsf library
Bromley	90,000	190	-	69,000	152	-
Greenwich	120,000	224	-	-	-	-
Lewisham	53,000	63	45 student rooms	-	-	-

Table 21: Office Conversions Summary Table 2001-2005 (Schemes over 10 housing or hotel units)						
Borough	**Completed 2001-2005 or Under Construction at end 2005**			**Permissions and Applications Outstanding at End 2005**		
	Net Loss of Office Space **Sq ft net**	**Housing Gain** **Units**	**Other gains**	**Net Loss of Office Space** **Sq ft net**	**Housing Gain** **Units**	**Other Gains**
Southwark	175,000	132	-	186,000	671	12,000 gsf retail 395 hotel rooms
South East	***438,000***	***609,000***	***45 student rooms***	***275,000***	***918***	***25,000 gsf retail 7,000 gsf library 395 hotel rooms***
South West Sub Region						
Croydon	260,000	534	-	126,000	268	860 gsf retail
Kingston	5,000	14	-	53,000	82	-
Lambeth	106,000	126	-	322,000	282	1,002 hotel rooms 60,000 gsf retail 13,000 gsf D1
Merton	10,000	10	-	85,000	226	5,000 gsf retail, 7,000 gsf library
Richmond	-	-	-	20,000	21	-
Sutton	121,000	169	-	113,000	571	12,000 gsf retail
Wandsworth	72,000	175	6,000 gsf retail	46,000	94	-
South West	***574,000***	***1,028***	***6,000 gsf retail***	***765,000***	***1,544***	***77,860 gsf retail 1,002 hotel rooms 13,000 gsf D1 7,000 gsf library***
West Sub Region						
Brent	100,000	245	-	50,000	-	120 hotel rooms
Ealing	131,000	250	12,000 gsf retail 10,000 gsf leisure	27,000	144	-
Hammersmith & Fulham	-	-	-	-	-	-
Harrow	132,000	277	-	114,000	237	-
Hillingdon	20,000	85	3,500 gsf retail	30,000	70	133 hotel rooms
Hounslow	64,000	100	-	266,000	552	-
Kensington & Chelsea	39,000	44	-	72,000	238	-
West	***486,000***	***1,001***	***15,500 gsf retail 10,000 gsf leisure***	***559,000***	***1,241***	***253 hotel rooms***
London						
London	**3,276,000**	**6,024**	**128,500 gsf retail 18,000 gsf leisure 314 hotel rooms 214 student rooms**	**3,389,000**	**6,877**	**125,000 gsf retail 33,000 gsf D1 14,000 gsf library 2,125 hotel rooms 996 student rooms**
Source: London Property Research						

Incidentally, the loss of 10.5 million sq ft in central London between 1995 and 2000 was equivalent to about 5% of the stock at the time, albeit office completions (including refurbishments) averaged 5 million sq ft per annum over the same period and the gain to stock in these schemes outweighed the loss of stock in change of use. If we estimate the gain to stock on the 30 million sq ft completed 1995-2000 at, say, 20 million sq ft, then the net gain in offices over the period was in the region of 9.5 million sq ft. This is corroborated by DTZ's central London data, which records central London office stock changes on a quarterly basis, showing an increase in office stock of 8 million sq ft over the six years, an annual average gain to stock of 1.3 million sq ft.

Nevertheless it is evident from Table 21 that the process of change of use from offices to residential and other uses during the period 2001-2005 occurred in most generic types of London location, including central London, inner London centres, the Millennium Quarter on the Isle of Dogs, radial routes in outer London and outer London town centres. In only one borough, Hammersmith & Fulham, were we unable to identify any examples, which may well relate to the borough policies to protect employment sites and to seek 100% affordable housing on the majority of housing sites, whereas office to other use conversions normally require a proportion of higher value use such as market housing or hotels to support lower value uses, such as affordable housing.

4.1.3 Office to Other Uses in Westminster

While change of use from offices might have been suppressed in most of central London during 2001 to 2005, the exception has been Westminster. Both the amount of office space lost over the period and the gain in residential and other uses is head and shoulders above any other borough. Between 2001 and 2005 858,000 sq ft of offices was lost in Westminster to create over 1,000 homes, 169 student rooms and retail space. As at the end of 2005, outstanding permissions and applications for change of use, if implemented, could lead to the loss of a further 733,000 sq ft and a gain of 678 homes, 157 student rooms, 196 hotel rooms and more shops. Why all this change from offices in the borough with the best performing office sub-markets and the highest office rents?

The answer lies in the complex interplay of market values for office, residential and other uses and the planning policy environment particularly for affordable housing and mixed use. In Westminster residential values can be as high as £2,000 per sq ft, compared with, say, £1,200 per sq ft for a let office investment based on a rent of £60 per sq ft and a initial yield of 5%. Even in the "worst" locations in Westminster, residential prices are typically in the range of £500 to £1000 per sq ft, broadly comparable with office values. In planning policy terms, Westminster is broadly encouraging of additional housing provision, and at Westminster residential market values developers can viably provide either on site, off site or commuted payments for affordable housing. Equally, Westminster's mixed use policy might be a deterrent from pursuing a typical office refurbishment and extension, or full-scale redevelopment, due to the need to provide residential floorspace equal to the increase in office space, preferably although not necessarily, on site.

Looking at Table A17 in Appendix 8, we list a sample of 11 major Westminster change of use schemes with examples from each stage of the development pipeline, accounting for the actual or prospective loss of 1.2 million sq ft. A number of comments arise:

- Some of these schemes such as Chantrey House, Eccleston Street, SW1, 119-128 Wilton Road, SW1, and Neville House, Page Street, SW1, are in fact residential swaps relating to the increase in office space on other buildings in the borough – so the "loss" of offices is in fact neutral.

- Some schemes are in what we define as "ultra prime" residential locations, such as Bowater House and The Knightsbridge in Knightsbridge, where residential new build at the very highest values replaces tired 1950s offices in a place where even brand new office stock would not command the highest central London rents, and hence values.

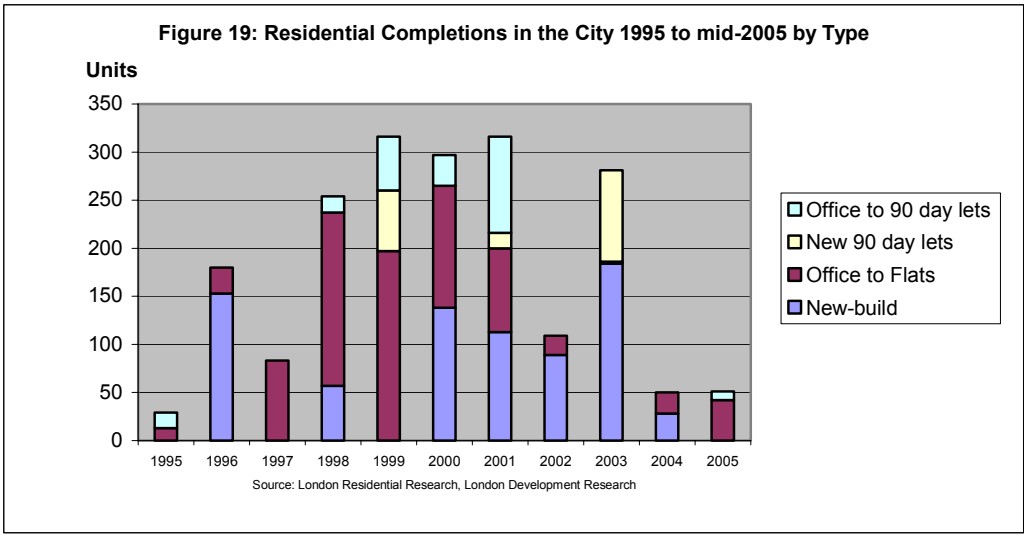
- There are a number of changes of use of former Government office buildings, such as Neville House, Page Street, Romney House, Marsham Street and 60 Vauxhall Bridge Road, all in the Westminster government heartland and where Government in the Lyons/Gershon era is no longer seeking space.

- Whether it is Millbank, Covent Garden or Regent's Park, anywhere is Westminster is a good residential location, whereas for offices demand might be a little more equivocal.

The extent of change of use from offices in Westminster, set alongside the impact on office development of Westminster's mixed use policy, has as we saw in Section 3 limited the growth of office stock in the Borough over the period 2001 to 2005. To recap, office completions (2001-2005) and construction (at end 2005) were 9.9 million sq ft generating a gain to stock of 2.2 million sq ft. Table 19 indicated that if we take into account the loss of major office buildings of 858,000 sq ft where other use schemes were either completed between 2001 and 2005 or under construction at the end of 2005, then the gain to stock in Westminster was as low as 1.3 million sq ft. If we further examine the location of development in more detail, given that 800,000 sq ft of the gain to stock between 2001 and 2005 was located in the Paddington Central and Basin developments then it emerges that stock in the core West End, arguably the most sought after office location in the capital, increased by only 500,000 sq ft during the period.

4.1.4 Office to Other Uses in the City of London

It is particularly notable that in spite of the weakness of the City of London office market from 2001 to 2004, the last five years has seen a very low level of change of use activity. This we attribute to its active discouragement by the City of London through various planning policy changes. Figure 19, taken from an in-depth study of the City residential market by the authors of this report and London Development Research for the Corporation of London, illustrates residential and short-let accommodation completions in the City from 1995 to 2005[xvii]. During the 1990s there was extensive office to residential change of use in the City at a time when the office market was weaker than in 2001-2004, and when the City of London did not implement any site specific affordable housing policy. Policy makers became concerned, however, that the pepper-potting of residential across the City might stymie site assembly for office buildings and also generate a multiplicity of "nimby" objectors to major office redevelopment schemes.



Hence the 2002 Unitary Development Plan sought to focus residential development into specific City locations, while the subsequent adoption of the Planning Obligations SPG in June 2004 has led to the City seeking affordable housing either on site, off site or through commuted payment on schemes in excess of 14 units. These affordable housing provisions are, in the case of the City, typically more onerous than its fixed rate planning gain supplement of £70 per sq m (£6.50 psf) for each additional gross sq ft in an office development, which in any case only applies to schemes over 10,000 sq metres gross where there is an increase in floorspace of 2,000 sq metres gross. As a result, there have been only two recent schemes brought forward in excess of 14 units, being the part conversion and new build development of Sir John Lyon House, 5 High Timber Street, EC4, into 67 residential units (with £312,000 commuted payment) now under construction and the controversial redevelopment of Three Quays, Lower Thames Street, EC3, beside the Tower, where permission for 64 apartments and 77 apart-hotel apartments was approved in February 2006, with a commuted payment of £2.6 million.

For the reasons outlined above, we expect most office to residential development in the City in the foreseeable future to be limited to small scale conversions at or below the 14 unit threshold for affordable housing. Change of use from offices to hotel, however, does remain a viable option for some major office buildings in the City of London. Hotels have advantages for developers over residential in not attracting affordable housing commitments, and also help to meet policy objectives to provide a broader range of employment in the City. From a long term redevelopment point of view, hotel use does not prevent the “return ticket” to office use, in the way that a multiplicity of residential owners and/or tenants could do. In terms of the City’s primary international finance role, hotels are important elements in the supporting infrastructure for office occupiers, adding to the City’s appeal as a business location.

In February 2005 construction started on the conversion of 1 Seething Lane, EC3, in the insurance quarter from 40,000 sq ft net offices to a 130 room hotel. The site also had a permission dating from 2003 for a brand new office development that would have doubled the size of the building to 80,000 sq ft net. Although not yet in the planning

system (at March 2006), market intelligence and recent press reports suggest that both 10 Trinity Square, EC3, the current home of Willis Group set to move The Willis Building, and the historic HQ of HSBC (Midland Bank) at 27 Poultry, EC2, at Bank, are set to be converted to hotels. Both are listed buildings, Grade II* and Grade I respectively, which no doubt contributed to the decision to consider change of use over office refurbishment. Close to St Paul's a further hotel is currently under construction, although this does not involve a loss of office space as the brand new building is replacing a redundant telephone exchange dating from the First World War at Faraday Buildings, Carter Lane, EC4. The site did have planning permission, however, for a major office redevelopment before the hotel development commenced.

4.1.5 High Towers as a Factor in Change of Use from Offices

Height is back in fashion in London, of course, in both residential and office development. Planning policy is broadly encouraging as height is normally associated with higher density and that fits the sustainability agenda. London's new iconic tower is The Swiss Re Tower, a.k.a. "The Gherkin", and is set to be followed by others with imaginative monikers like "The Helter Skelter", "The Shard", "The Walkie-Talkie", "The Cheese Grater" and so on, as developers vie to provide the skyline with sculptural "post post-modern" towers. We like towers, but one cannot help but wonder whether London will end up defined by these buildings as a curious architectural zoo.

That is a question of aesthetics on which we are probably no more qualified than any other lay person to comment. With regard to the competition between uses, however, it is worth pointing out at this stage a couple of important distinctions between office and residential towers in the London context. First, because "acceptable" office locations, as far as occupiers are concerned, are very much more tightly drawn than acceptable residential locations, the geographical options for high residential towers are much wider than for offices. Second, in any location the price or rent premium attributable to height is far greater in residential buildings than office buildings. In residential towers high floors are typically at least 50% more expensive than the lowest floors and penthouses can be twice the price of the cheapest units. In an office building, we might expect to see an occupier pay a height premium of say 10% for the top or a very high floor, say £55 psf instead of £50 psf in the City market at present.

Hence, high residential tower proposals are springing up in locations where office redevelopment is perhaps marginal, certainly for a very large office building or high office tower, and where a high residential tower can allow the developer to maximise the utilisation of the site. The fact that the developer will have to meet the usual affordable housing obligations is also promoting height in order to have enough private housing space at premium prices to cross subsidise the affordable housing. Inevitably, some of these high residential tower proposals are on existing office sites, and Table A14 in Appendix 7 suggests they are particularly prevalent on the South Bank and in the Millennium Quarter on the Isle of Dogs.

Along the South Bank, there have been a number of high profile residential tower proposals on office sites, including:

- Eileen House, 80-94 Newington Causeway, SE1 – application refused in 2005 to demolish 85,000 sq ft government offices close to The Elephant, to be replaced with a 22 storey tower with 198 private housing units and 131 affordable.

- 185 Park Street, SE1 – application to replace 85,000 sq ft former National Grid low-rise office bunker with a mixed use development on five, eight and 24 storeys incorporating 40,000 sq ft net offices, 10,000 sq ft net retail, 90 private housing units and 48 affordable units. Gone to Appeal April 2005.

- 10 Blackfriars Road, SE1 – application on a site where the former office building was demolished in 2002, being the long-standing headquarters of J Sainsbury until its move to 33 Holborn, EC1, and where planning consent for a 470,000 sq ft gross office tower on 20 storeys has been trumped by a proposal from a new owner for a giant 68 storey tower with 143 private housing units, 77 affordable units and a 395 bedroom hotel.

It will be interesting to see how these are dealt with by the local planning authority and the Inspectorate and how much weight is attached to the loss of either existing or potential office space. On the flip side of this argument, we note the comments made recently by Peter Rees, the Chief Planner in the City of London, on the dangers of the "Benidorm Effect" whereby glitzy towers in either pure residential or aparthotel/90 day letting use end up standing empty or accommodating a highly transient cohort of occupiers, without creating a genuine local community.

The Millennium Quarter, so designated by Tower Hamlets in its late 1990s master plan for the area, is in the centre of the Isle of Dogs where the "first generation" of low-rise office and light industrial buildings and "second generation" of mid-rise fully specified offices was constructed between 1984 and 1990. The office and light industrial stock in the Millennium Quarter was around 3 million sq ft by 1990. In 1991 the office market collapsed leaving at least 300,000 sq ft partly finished after which further blighting followed from the February 1996 "Canary Wharf" bomb which in fact exploded on Marsh Wall in the heart of the Millennium Quarter, damaging buildings such as South Quay Plaza and Great Eastern House, Millharbour.

Canary Wharf casts a long shadow over the Millennium Quarter. The Millennium Quarter master plan initially envisaged that the late 1990s office boom would allow office development to be viable once more, but this turned out not to be the case. Developers brought forward major proposals, but in terms of office development the strength of the local competition from the well oiled construction and marketing team at Canary Wharf was too intense. Only one significant office building was constructed in the Millennium Quarter in the last 15 years, a 70,000 sq ft net office on five storeys at Sovereign House, Marsh Wall, E14, completed in 2001.

As the office construction boom receded in 2001, developers in the Millennium Quarter turned their attention to pursuing high rise residential development, where the principal of height had already been established at around 20 storeys in the master plan. The 120,000 sq ft net blown out buildings of Great Eastern House, Millharbour, E14, that had achieved permission for a 600,000 sq ft net office tower, is now under construction as twin residential towers under the name Pan Peninsula on 40 and 48 storeys and with a massive 786 residential units. (Note that Pan Peninsula is not included in the data in Tables 22 and A14 as the offices on the site were rendered incapable of occupation in 1996 and had effectively ceased to be measured as office stock by 2001). Other residential developments and proposals on office sites in the Millennium Quarter include:

- 41 Millharbour, E14 – 15 storey residential tower completed in 2005, with 264 private housing units and 88 affordable units, which replaced two storey 1984 Northern & Shell offices of 13,500 sq ft net, one of the first pure office buildings constructed in the Enterprise Zone.

- Ability Place, 31 Millharbour, E14 – 22 storey residential tower with 361 private and 151 affordable housing units under construction at the end of 2005, replacing 25,000 sq ft net three storey offices constructed in the mid-1980s.

- Lanterns Court, 22 Millharbour, E14 – permission outstanding at end 2005 for a 21 storey residential tower with 509 private, 130 affordable units and 18,000 sq ft gross retail, to replace 12 light industrial/office units constructed in 1984.

We fully expect to see further major residential proposals coming forward on other sites in the Millennium Quarter, which will see this part of the Isle of Dogs evolve into a mixed use zone with the retention of the mid-rise "second generation" office buildings alongside the new residential led development on "first generation" sites. Office development will remain focussed at Canary Wharf, where significant capacity remains to be built out as discussed elsewhere in this report, and perhaps on the Wood Wharf site immediately to the east of Canary, albeit this is already being promoted as a mixed use site incorporating major office and residential elements.

High residential towers will not be acceptable in many London locations, for various planning policy and other reasons. In the central London fringes, however, as outlined above, the fact that residential towers are seen as acceptable in policy terms will probably continue to attract developers to pursue change of use from office to residential or other uses on particular sites. This may also apply in a small number of outer London town centres such as Croydon where there is a precedent for height.

4.1.6 Office to Other Uses in Outer London

Whereas in central and inner London, there has been a move from office conversions to new build in order to achieve higher densities, in outer London centres office conversions are still the predominant form of change of use. In many outer centres the majority of the office stock dates from the 1950s and 1960s when there was demand for space from local government, statutory undertakers, central government, back offices for financial service occupiers such as banks and insurance companies, as well as private sector firms in particular sectors such as construction, engineering and so on.

Where the existing office buildings are high in the local context, such as Brown & Root in Colliers Wood (LB Merton), then it is unlikely that a replacement building of the same height would be permitted under present planning policy. Hence, in this case, the developer has applied to convert the existing tower into 176 private and 50 affordable units with 12,000 sq ft gross of retail and library use in the podium. Conversions and extensions of lower rise office buildings are also a common form of outer town centre development, with perhaps a ten storey office stripped back to the frame and three storeys added in the residential conversion. A good example is Cavalier House in Ealing, an interesting outer London centre where new office construction has occurred alongside residential conversion. Here, a typically dour 51,000 sq ft net 1960s seven storey block, formerly the headquarters of retailer Dixons, was converted and extended in 2005 into a ten storey white and shiny residential block with 132 private flats and

10,000 sq ft leisure space. Office rents in Ealing for brand new space are currently £25 psf, giving a capital value of around £350 psf at a 7% yield, and rents for tired 1960s stock are barely into double figures. Cavalier House is achieving an average price of £500 psf for residential.

Another feature of outer London change of use, has been the loss of office buildings along radial routes, such as London Road, Norbury (LB Croydon). In this admittedly odd location there were a number of 1960s offices that accommodated the likes of Wates Construction. Various offices have been converted on the strip, the most recent being Wates' own headquarters, an office we visited often on the long haul out from central London in the 1980s, and which in 2004 was converted to 57 private and 34 affordable housing units known as Anderson Heights.

Change of use is now a feature of the so-called "Golden Mile" in Hounslow, long recognised as a radial office location or strip along the Great West Road marking the eastern end of the western corridor. Here there have been recent permissions to change the use of iconic commercial sites representing elements of London's economic history including the expansion of consumer-led manufacturing in the 1930s and the first era of IT expansion in the 1970s and 1980s. Hence, the former SmithKlineBeecham site on the Great West Road, which had a 1990s permission for a major 1 million sq ft office-led redevelopment, has most recently achieved consent for a mixed-use but residential-led scheme with 755 housing units, 176,000 sq ft gross offices, 125,000 sq ft hotel and aparthotel use and 16,000 sq ft retail. Further out along London Road, the well known and highly visible Wang House (vacant since 2001) was demolished in 2005 and since the end of the 2006 construction has started on a ten storey residential development of 62 private and 128 affordable homes.

The relationship between offices and other uses in outer London is further explored in Section 4.3 which deals with the office development market in outer London. Suffice to say here that there are elements of the office stock in many outer London locations for which there is effectively no demand at present. Often such buildings date from the 1950s and 1960s and if left vacant can have a significant blighting effect on local communities. Evidently, local planning authorities should closely monitor the sub and micro markets of outer London, but re-use for residential or other uses will continue to be one of the key options for town centre renewal.

4.1.7 Office to Other Uses Which Minimise Planning Gain

As stated earlier in this section, the planning policy environment for the provision of affordable housing has since 1996 become increasingly strict. In the 1990s some major office buildings were converted to uses that did not generate affordable housing commitments, particularly hotels, including budget and aparthotels and student accommodation. In the last five years, developers have continued to pursue these uses on appropriate sites, but the nature of demand for such uses is such that they are not as extensive as residential. They are important nevertheless.

One of the most interesting developer ruses of recent years has been to apply for serviced accommodation or aparthotel use, in other words for accommodation that is defined in planning terms as being for temporary accommodation for occupation periods of less than 90 days. Some of these are being marketed as units to individual investors rather than to a single operator, such as the Westminster Bridge Park Plaza, which is set

to replace the Island Block at County Hall, Westminster Bridge Road, SE1, whereby the units will be managed for letting as serviced apartments on behalf of the owner who will also reserve some weeks for owner-occupancy. As this is not permanent residential accommodation, affordable housing provisions do not apply. Given London's World City role, it is important for the capital to maintain a stock of high quality temporary accommodation for workers and visitors requiring short to medium term accommodation. No doubt there will be some interesting issues around monitoring and enforcement, however, to ensure these units do not become "permanent".

"Straight" hotel conversions also continue to be a limited feature of the market, as in the 1 Seething Lane, EC3, example mentioned earlier in this section. In Camden, the former Forte headquarters at Selkirk House, 166 High Holborn, WC1, which comprised an NCP car park and 86,000 sq ft net office tower, is currently being converted into a budget hotel and 11 penthouses. Hotels are also a feature of mixed use buildings with residential, such as at 10 Blackfriars Road, SE1, Three Quays, 50 Lower Thames Street, EC3 and Citibank House, 336 Strand, WC2, effectively reducing the amount of floorspace on which affordable housing provisions apply.

Student accommodation is another important element of London's World City offer, with colleges and students seeking a quality of accommodation that most graduates of a "Young Ones" generation or earlier would find totally unrecognisable and far too good for mere students. The author's first digs in the all male Commonwealth Hall, Cartwright Gardens, WC1, in 1980 still had communal washrooms and a policy of not allowing female visitors after 11 pm! No doubt these conditions will not apply in the latest high profile office to student accommodation scheme at the so called "twin towers" in Islington at 200 Pentonville Road, N1. Here, the austere black glass clad 1975 and 1981 towers, formerly a key back office of 180,000 sq ft for Nat West Bank, are being converted to 839 student rooms, 42 private housing units, 22 affordable units and a whole raft of facilities for the students.

4.1.8 Office to Other Uses Conclusions

Planning policy in London has moved a long way from blanket protection of "employment generating" uses and a zoning approach. Cities, by definition, are not set in aspic – change is one of their defining characteristics. Since the mid-1990s planners have adopted increasingly sophisticated approaches to land use and the acceptability of the change of use of some of London's office stock to other uses reflects that maturity. Monitoring reports such as the London Office Policy Review have an important role to play in ensuring that change of use decisions can be made in the light of up to date information on current and future capacity in the office market.

4.2 Mixed Use Development

The London Plan policy on mixed use is in line with national policy statements that since the mid-1990s have promoted the benefits of mixed use development, especially in city and town centre locations, such as PPG 3 Housing (March 2000) and PPG 1 General Policy and Principles (August 2001).

The London Plan of 2004 explicitly promoted mixed use development on office development sites through Policy 3B.4 "Mixed use development":

> *Within the Central Activities Zone and the Opportunity Areas, wherever increases in office floorspace are proposed they should provide for a mix of uses including housing, unless such a mix would demonstrably conflict with other policies in this plan. Sub-Regional Development Frameworks…will give further guidance on the relevant proportions of housing and other uses to be sought.*

Policy 3B.4 is further explained in paragraph 3.125 which states:

> *The approach to mixed use development will be developed in the Sub Regional Development Frameworks, although implementation of Policy 3B.4 should not await the frameworks. Exceptions to the policy will only be permitted where the requirement for such a mix would demonstrably undermine strategic policy for other developments, including parts of the City and the Isle of Dogs. In such areas, off-site provision of housing elsewhere on suitable land will be required as part of a planning agreement.*

It is important to note that as a result of the Examination in Public into the London Plan, Policy 3B.4 does not specify the quantum of housing (or indeed other uses) to be provided where there are increases in office space. It is also notable that parts of the City of London and the Isle of Dogs are specifically mentioned as locations where on site housing is likely to undermine strategic policies to promote office development and that in these two (and perhaps other) locations, off site provision is acceptable. The Sub Regional Development Frameworks, published in 2006, do not provide explicit targets or thresholds for residential development in office schemes.

The absence of specific targets has led to a range of approaches by local planning authorities, but those local planning authorities that have adopted or are in the process of adopting mixed use development policies are taking two broad approaches, which we might term:

- the 50:50 approach, whereby increases in office floorspace must be matched by an equal increase in residential floorspace;

- the tariff approach, whereby increases in office floorspace attract a planning gain tariff, a proportion of which could be used for the provision of affordable housing.

At the local level, the City of Westminster has long promoted balancing increases in office space with residential space through "swaps", which found expression in the Adopted Unitary Development Plan of 1997. In Westminster's Replacement UDP (RUDP), accepted by the Council in December 2004, but which at the time of writing awaited adoption while the Secretary of State deliberated on its affordable housing

policies, policies CENT 3 and COM 2 elaborate what is broadly a 50:50 approach, whereby increases in office floorspace must be matched by increases in residential space. Although provision is preferred on site, policy nuances allow for the provision of residential in the vicinity or an equivalent financial contribution to the affordable housing fund.

In Camden, an Alteration to the UDP adopted in June 2005 also adopts the 50:50 approach, following a public inquiry in 2003. Lambeth's Replacement UDP, that was placed on deposit in 2002 and has not yet been formally adopted, includes mixed use policies along the lines of the 50:50 approach, but with a more encouraging policy for office development in the Waterloo Office Regeneration Area, where only 25% will be sought.

In contrast to the 50:50 approach, the City of London has adopted a tariff approach based on an "informal planning obligation figure of £70 per square metre of additional gross floorspace"[xviii]. In the City the threshold is far higher than in either Westminster or Camden, with a minimum size of 10,000 sq metres gross (107,640 sq ft) provided there is an increase in floorspace of at least 2,000 sq metres gross (21,528 sq ft). The indicative general distribution of benefits laid out in the SPG is local community facilities and environment (50%), affordable housing (30%), transport (15%) and training and skills provision (5%).

By way of example, the recent permission for the so-called "Helter Skelter", a.k.a. 22-24 Bishopsgate, 38 Bishopsgate and 4 Crosby Square, EC2, garnered a planning obligation of £6,922,300, broken down according to the formula proposed in the SPG (City of London Planning & Transportation Committee, 25th April 2006). As many City schemes generate very significant increases in gross office space, the tariff is likely to generate a considerable fund for the City Corporation. Note, however, that only part of the tariff is going towards the provision of housing, and the "receiving" sites are typically not specified in the planning permission.

In just under two years between June 2004 and the end of May 2006 developers have entered into section 106 agreements with the City of London to provide £40 million in planning gain, of which £10 million is earmarked for affordable housing. The significant increases in office stock on individual sites, in turn, meet the strategic policy objectives of enhancing London's office stock and meeting the specific needs of individual office occupiers. On average, therefore, the City of London at the current rate of planning activity and development is securing around £5 million per annum for affordable housing.

As Westminster has been applying the 50:50 formula for a considerable period of time, it is instructive to examine the effects on the operation of the office market. Anecdotally, we know that some office development schemes have not been brought forward due in part to these policies, although the effect is difficult to quantify. Office development in Westminster, however, has proceeded apace under the CENT 3 / COM 2 policies, and Table A18 (see Appendix 9) provides a schedule of office permissions approved over the past five years where an increase in office stock has triggered the provision of housing. Table A18 is fairly complex, identifying gain to office and residential stock, but also indicating the provision of affordable housing, the loss of office stock on housing sites and the amount of commuted payments to compensate for housing shortfalls.

In summary, over the five years taking into account the loss of stock through swaps, the 27 schemes entail:

- a potential net increase in office stock of 86,034 sq metres gross (926,070 sq ft gross), which is around 750,000 sq ft net lettable;
- a potential net increase of 517 housing units (99 of which are affordable);
- commitments to provide £12.76 million to the borough's affordable housing fund.

And this is not just "potential", as the viability of these schemes is proved by the implementation of 14 of the 27 permissions during the past five years – a period when the office market was relatively weak.

Having reviewed the most recent evidence, we maintain the conclusion regarding Westminster that was reached in LRR and CBRE's Mixed Use Study for the GLA in 2004[xix] that:

> *The mixed use policy is not stopping office development, although it is decreasing the volume of offices which would otherwise get built in Westminster. (p.64)*

Of the other central London boroughs with significant exposure to the central London office market, Camden has been operating the 50:50 policy since 2002, and evidence from planning decisions and implementation is somewhat limited at this stage. We would highlight the following schemes of interest, where developers have been able to achieve consents (and in some cases commence construction) under the strictures of the 50:50 approach.

- Qube, 101-108 Tottenham Court Road, W1. New build permission dating from 5th September 2002, with increase in office space of 1,376 sq metres gross (14,811 sq ft gross), and 5 residential units. Construction started December 2005 and residential being offered to the rental market in 2007.
- The Johnson Building, 80 Hatton Garden, EC1. New build permission dating from July 2003, with increase in office space of 3,077 sq metres gross (33,121 sq ft gross) and 14 (private) residential units converted from low grade B1 space on a site within the curtilage of the development but with vertical separation known as "The Sweeps Building" – so called because it used to be swept to gather gold shavings in its time as part of the Hatton Garden jewellery trade. Offices completed March 2006, residential completed in 2005 and mostly sold by May 2006. (Note lower residential proportion applied here, because the site is in Hatton Garden Special Policy Area).
- 21 Stephen Street, W1. New build permission dated 4th September 2003 for 7 storey building with increase in offices of 762 sq metres gross (8,202 sq ft gross), and 5 residential units horizontally separated on 5th and 6th floors. Not implemented as at May 2006.

- 264-267 Tottenham Court Road, W1. New build permission dating from September 2004 (after earlier refusal at Appeal) with increase in offices of 899 sq metres gross (9,677 sq ft gross), and 8 residential units. Not implemented at May 2006.

- 125 High Holborn, WC1. New build permission dating from July 2005 with increase in offices of 2,723 sq metres gross (29,310 sq ft gross), and provision of an estimated 32 off-site affordable housing units at three neighbouring sites (17-19 Barter Street-9 units, 21 Barter Street-13 units and 130-132 High Holborn-10 units estimated), which in turn brings the gain for office down from 2,723 sq metres gross to virtually zero. Off site solution made easier as applicant owns Holborn Links estate, of which all four related buildings are part. Press reports this will be starting construction in the short term.

- St Giles Court, 1-13 St Giles High Street, WC2. New build application submitted January 2005 with increase in offices of 18,455 sq metres gross (198,649 sq ft gross), and 109 residential units in two vertically separated blocks (one private, one affordable) on the same site. Application not determined at May 2006.

As in Westminster, the office stock in Camden is being upgraded through this process, and a limited amount of residential (including affordable housing) is being added to the stock. It remains the case, however, that the office stock on these sites could have been further increased if the mixed use policy did not apply.

There is very little evidence to date from Lambeth, where the application of the mixed use policy is relatively recent. We do note, however, that an important office permission was approved at York House, 199 Westminster Bridge Road, SE1, increasing the office floorspace by in the region of 21,000 sq metres gross (226,044 sq ft gross), and where Lambeth secured a commuted payment of £3,000,000 towards affordable housing along with a further £800,000 in other planning gain (an overall rate of £180 per square metre, compared to £70 per square metre in the City of London).

The fact that the 50:50 approach works in Westminster and arguably in Camden, however, may not make it applicable in other boroughs where the office and residential markets are different. Westminster, in particular, is unique in that:

- The highest office and residential values in central London and high value office and residential markets often exist side by side, making off-site solutions in close proximity attainable.

- Residential values that can be as high, or higher, than office values, making the provision of both market and affordable housing (and commuted payments) likely to be more viable than in other London boroughs.

- There is a small number of developers with extensive landholdings, making it relatively easy for them to arrange use swaps between different sites within the borough. This is a much more unusual situation in other London boroughs, where developers would probably have to specifically acquire a site to facilitate an “off site” solution.

In the Mixed Use and Affordable Housing Study, LRR & CBRE concluded that:

> *for the City, City fringe locations in Islington, Hackney, Tower Hamlets and Southwark, and the Isle of Dogs, an 'off site commuted payment' policy be applied, which can be calibrated through 'Plan Monitor Manage', to ensure that office developers remain incentivised to build the largest possible office schemes, such that profitability increases with size (p.9)*

Tower Hamlets has included mixed use policies in its draft Local Development Framework, but these do not appear from our reading to be prescriptive, at this stage, in terms of thresholds and targets. It is notable that in line with a "tariff approach" and the exclusion of "parts of the Isle of Dogs" from on site mixed use in Policy 3B.4 and paragraph 3.125 of the London Plan, Tower Hamlets recently negotiated very significant planning gain agreements on the "last two" major components of the Canary Wharf site: Riverside South and North Quay.

Taken together, the contributions on these two sites are £40 million. Interestingly, the combined increase in gross floorspace on these two cleared brownfield sites is 582,760 sq metres (6,272,829 sq ft), so that the planning gain equates to £68.64 per square metre (£6.38 per sq ft). This is almost identical to the tariff suggested in the City of London's Supplementary Planning Guidance of £70 per sq metre, which is surely no accident, and suggests that there is a "level playing field" between the City and Canary Wharf where planning gain is concerned. Like the City, Tower Hamlets is also earmarking the commuted payment for a wide variety of environmental, education and other initiatives and only a proportion is to be committed towards affordable housing.

Before concluding this section, it is worth mentioning in passing that where residential use is to be provided on site, vertical separation is far preferable in terms of viable development than horizontal separation. There are some examples of horizontal separation between residential and commercial uses in central London, but all other things being equal, commercial development is typically more viable if it can "stand alone" from residential. Not only does this enhance the prospects of redevelopment taking place and the value of the commercial element of the scheme once completed, but also it permits the future renewal and redevelopment of the commercial element that might be stymied by the presence of residential tenants or owner-occupiers.

National, regional and local planning policies increasingly promote and favour mixed use, whether it is expressed at the level of the individual site or the local quarter. London boroughs are evidently implementing different approaches based on local circumstances, including what the local office market can "bear". Although this may make for inequitable outcomes between areas, where for example the 50:50 approach weighs more heavily on a development than a simple tariff aimed at off site provision or other planning gain, it does reflect the very different office development environments encountered in London's sub markets. Policy 3B.4 has been instrumental in encouraging some London boroughs to analyse, develop and adopt mixed use and planning gain policies – and in our view that is a very positive outcome.

4.3 Outer London Office Markets

In the context of this report, outer London is defined as the 22 boroughs beyond the core of 11 inner boroughs which we examined in detail in Section 1. According to the revised division of London into sub-regions in the London Plan review, outer London comprises:

North:	Barnet, Enfield and Haringey
North East:	Barking & Dagenham, Havering, Newham, Redbridge and Waltham Forest
South East:	Bexley, Bromley, Greenwich and Lewisham
South West:	Croydon, Kingston, Merton, Richmond and Sutton
West:	Brent, Ealing, Harrow, Hillingdon and Hounslow

Data on the capacity for offices in outer London in terms of current construction and outstanding planning permissions can also be found in Section 3 of this report.

Table 22 presents office supply data for the 22 outer Boroughs ordered by sub-region. The following points arise:

- Of the 39.6 million sq ft offices completed mid-2001 to end 2005, only 3.7 million sq ft (9%) was located in outer London;
- Of the 10.4 million sq ft under construction at the end of 2005, only 700,000 sq ft (7%) was in outer London;
- In 12 of the 22 outer London boroughs there were no offices under construction at the end of 2005 (in schemes over 10,000 sq ft, 929 sq m net);
- Of the 54 million sq ft outstanding planning permissions at the end of 2005, 14 million sq ft (26%) was located in outer London;
- In ten of the 22 outer boroughs there were no significant extant planning permissions for office development at the end of 2005;
- Of the losses to office stock of 3.3 million sq ft in London over the same period, 1.4 million sq ft (42%) were located in outer London;
- In terms of both construction activity and the planning pipeline, office capacity is at its weakest in the outer North and outer North east sub-regions and at its strongest in the outer West sub-region.

Table 22: Office Capacity in Outer London 2001-2005				
Borough	**Gross Completions mid-2001 to 2005**	**Loss of Office Stock mid-2001 to end 2005**	**Under Construction End 2005**	**Planning Permissions End 2005**
Outer North				
Barnet	149,000	73,000	0	20,000
Enfield	20,000	20,000	0	0
Haringey	0	0	0	0
Sub-total	**169,000**	**93,000**	**0**	**20,000**
Outer North East				
Barking & Dagenham	24,000	18,000	0	0
Havering	50,000	8,000	0	0
Newham	458,000	100,000	25,000	5,369,000
Redbridge	100,000	115,000	0	0
Waltham Forest	10,000	0	0	0
Sub-total	**642,000**	**241,000**	**25,000**	**5,369,000**
Outer South East				
Bexley	0	0	19,000	0
Bromley	188,000	90,000	35,000	27,000
Greenwich	64,000	120,000	65,000	3,035,000
Lewisham	162,000	53,000	12,000	35,000
Sub-total	**414,000**	**263,000**	**131,000**	**3,097,000**
Outer South West				
Croydon	100,000	260,000	0	692,000
Kingston	123,000	5,000	0	0
Merton	156,000	10,000	18,000	142,000
Richmond	113,000	0	95,000	0
Sutton	12,000	121,000	0	10,000
Sub-total	**504,000**	**396,000**	**113,000**	**844,000**
Outer West				
Brent	262,000	100,000	101,000	1,721,000
Ealing	208,000	131,000	239,000	102,000
Harrow	25,000	132,000	0	0
Hillingdon	387,000	20,000	0	842,000
Hounslow	1,100,000	64,000	120,000	1,964,000
Sub-total	**1,982,000**	**447,000**	**460,000**	**4,629,000**
Outer London	**3,711,000**	**1,440,000**	**729,000**	**13,959,000**
Source: London Property Research				

That there is such a low level of office construction in outer London should come as no surprise at this early stage in the construction cycle, when even within inner London boroughs there have been very few construction starts beyond the CAZ boundary. Office development across the wider London area requires higher rental values than those currently achievable in most outer London office markets. In part this is due to the local balance of supply and demand in any given market, but there is also a macro effect driven by rental values in central London. When the West End and City markets overheat and rents increase two or three-fold in short order, then certain outer London markets can benefit by offering new office space at rents which are viable in terms of development and offer considerable savings to occupiers.

That so many boroughs have an empty office development pipeline (as defined by permissions of 10,000 sq ft net or more) might appear to be a cause for concern if London's future economic success is dependent first and foremost on business sectors that require office accommodation. The absence of potential office development in these boroughs may well be of local concern, but in most cases it arises from the recognition by developers (and indeed local planning authorities) that over a long period of time there has been insufficient demand for offices in these locations to make development viable.

Where there is capacity in the planning pipeline, as at the end of 2005, appears to fall into a number of discreet categories of site, along the lines of the typology that we initially suggested in LOPR 1997[xx] (p. viii) and which was eventually adapted to form the typology of suburban office locations in the London Plan (p.91). We would suggest the following five generic locations where office capacity currently exists and is most likely to be implemented in a favourable market environment:

- Central Croydon. In spite of all its problems as an office market over the last ten to fifteen years, Croydon remains the only full scale "city centre" office market with critical mass outside central London. The rate of implementation of office consents has been very low over the past ten years, but Croydon retains an office development pipeline that is around 10% of its current stock. We remain of the view that regardless of the shenanigans between rival schemes, the major development site at East Croydon is a worthy "World City" location for substantial new office development – a view we first expressed publicly in LOPR 1997 (p. 10). Recent news such as long-standing occupier Nestlé's decision to review its HQ location is, of course, unhelpful to Croydon, but office development is likely to form an important component of central Croydon's regeneration over the next 20 years.

- South West and West sub-region town centres. Almost all the capacity in what we would consider to be "town centre" locations is in the South West and West sub-regions, with almost zero capacity in what in the past have been important office centres in the North East and South East regions such as Barking (Barking & Dagenham), Romford (Havering), Ilford (Redbridge) and Bromley (Bromley). The town centres that retain office development capacity in the pipeline are places such as Wimbledon (Merton), Wembley (Brent), Ealing (Ealing), Uxbridge (Hillingdon), Brentford (Hounslow) and Hounslow (Hounslow).

- Stand-alone schemes on linear routes. Ribbon development of offices along London's main radial routes, especially in west and south west London, forms an important component of outer London's office market. Although there has been little development activity of late, as recently as 2001 GSK relocated to 670,000 sq ft purpose-built offices on the Great West Road in Brentford (Hounslow) – a classic arterial office site. Over the past five years, however, as we noted in Section 4.1, there has been some erosion of office stock and development capacity on linear routes, with hotel and residential development finding favour over offices. Exemplifying this trend is the former Smithkline headquarters on the Great West Road, whence GSK relocated. In the mid-1990s this site had consent for a comprehensive 1 million sq ft office scheme. The most recent permission in December 2005 is for a mixed-use development of 755 housing units, hotels and just 160,000 sq ft net offices. Capacity for offices on arterial routes such as the

"golden mile" in Brentford remains, however, and may provide scope for office development in a strong market.

- Business parks in recognised office locations. Developed in phases since the late 1980s, London's classic business parks are Stockley Park and Bedfont Lakes in Hillingdon, each offering largely car-based low-rise offices in the vicinity of Heathrow and which are in competition with business parks outside London at the blunt end of the "golden triangle". Each scheme has extant capacity, although in the case of Bedfont Lakes' "Technopark West", this is fairly small. Meanwhile Stockley Park has been grappling with the best use to put its final phase of 500,000 sq ft with both data centres (low employment) and residential (no employment) being considered. Parking provision will probably be an important determinant of the success of the last phase of Stockley in attracting tenants – and indeed for other schemes at the eastern end of the western corridor, where parking provision is much tighter than in most of the Home Counties.

  The late 1990s office development cycle added Chiswick Park to the west London business park stable, in the form of a slightly less car-dependent "mid-urban" business park, close to Chiswick town centre. Chiswick Park suffered in the ICT downturn, which left much of the first phase empty in the early 2000s, but the Park recovered strongly in 2004 and 2005 and the first phase is now virtually full. A major new speculative office (Building 5 of 120,000 sq ft) is nearing completion – one of the few genuine Grade A developments in outer London under construction at the end of 2005 – and planning has been re-jigged to raise the density of two of the final phase buildings backing on to the railway from four storeys to nine and 12 storeys respectively. Chiswick Park is physically close to the West End and has successfully marketed itself to both western corridor and West End occupiers and no doubt the denizens of Chiswick Park follow the marketing dictum of the development's web marketing tag-line: www.enjoy-work.com (sic!).

  The next in line for mid-urban business park status is, of course, FirstCentral at Park Royal, a 1 million sq ft park set on brewer and distiller Diageo's former industrial landholding within the sprawling industrial estate. Diageo has set the pace by occupying a 155,000 sq ft "proper" seven storey office building, and marketing is underway for 941,000 sq ft in eight buildings also on seven storeys. This is an untried location for offices on this scale, however, and FirstCentral straddles the boundary with our final category, as perhaps does the 550,000 sq ft net office element of the Wembley Arena site.

- Comprehensive office schemes in untried locations. As Table 22 indicates there is very considerable capacity in both the outer North East and outer South East sub-regions, indeed, the outer North East has a higher capacity than the outer London parts of the other four sub-regions. Almost all this capacity, however, is located in just three comprehensive office developments being Stratford City (4 million sq ft net), Greenwich Peninsula (2.8 million sq ft net) and the later phases of the Royal Docks Business Park (1 million sq ft net). Just three baskets for the outer east's eggs.

  The Royals Business Park has a track record of construction with 252,000 sq ft in Building 1000 built on five storeys in 2004, but at the time of writing (May 2006)

had failed to secure any tenants at very low asking rents. No doubt this built space will eventually find occupiers (the latest strategy being to sell off small units), but the experience has not been encouraging for the implementation of further office phases in the medium term.

Stratford City's fortunes are now inter-twined with London 2012 and the Olympics "Legacy", with part of the site housing the Olympic Village. Whatever the outcome of the highly publicised disagreements between the landowner and development team, the profile given to the location by the Olympics and the huge boost to transport and other infrastructure that the Olympics will set in train, gives Stratford a much better chance of capturing a share of office demand over the long term, than as a lonely and unsupported east London pioneer.

As we stated in LOPR 2004, the success of Stratford City may well militate against the development of the Greenwich Peninsula site in Greenwich, which might be viewed as the "strategic reserve" of the "strategic reserve". The Peninsula site has transport in place through the JLE and leisure development of The O2 (Dome to you and I) and residential development on related Millennium sites is already underway. Its success as an office location may be hampered, however, by the continuing development of Canary Wharf/Wood Wharf, highly visible just across the Thames, and the possibilities offered by Stratford just a couple of miles to the north.

In Appendices 3-7 of LOPR 2004 we undertook a comprehensive analysis of the viability of office development in all of London's office centres, including the outer London boroughs. This analysis informed the development of a threefold typology for office centres outside CAZ and the Opportunity Areas which was incorporated in the Sub Regional Development Frameworks (SRDFs) published in May 2006. The policy typology is as follows:

i. speculative office development could be promoted on the most efficient and accessible sites in the context of wider schemes to enhance the environment and offer of the centre as a commercial location. This might entail some long-term net loss of overall office stock through change of use of provision on less attractive sites.
ii. some office provision could be promoted as part of wider residential or residential and retail/leisure mixed use development. This would be likely to entail long-term net loss of overall office stock, partial renewal on the more commercially attractive sites and managed change of use provision on less attractive sites.
iii. there is "no purpose in promoting offices" and static or declining demand should be managed in the context of sensitive policies to sustain changes in employment type, to facilitate land use change, especially to housing and other town centre related uses and to enhance the attractiveness and wider offer of the centres.

Having reviewed the typology in the light of the analysis in LOPR 2006, we do not consider the need to make significant changes to the designation of the various office centres at this stage, but strongly recommend that the designations be kept under review in the light of market conditions.

[xvi] London Property Research, DTZ Research, SDS Technical Report Ten, London Office Market Monitoring Project – Stage II Benchmarks, GLA 2001
[xvii] London Development Research, Residential Development Market Trends in the City of London, Corporation of London, 2005
[xviii] Corporation of London, City of London Unitary Development Plan 2002, Supplementary Planning Guidance on Planning Obligations, June 2004
[xix] London Residential Research & CBRE, Mixed Use and Affordable Housing Study, GLA
[xx] London Property Research, London Office Policy Review 1997, LPAC 1997

APPENDIX 1 - Table A1 - Office Lettings and Sales to Owner-Occupiers in Central London 2004–2005

Table A1 - Office Lettings and Sales to Owner-Occupiers in Central London 2004–2005							
Occupier	**Sector**	**FBS Yes/No**	**Space Taken (sq ft net)**	**Post Code**	**Type**	**Pre-let Yes/No**	**Country of Origin**
Willis Group Ltd	Insurance Broker	Yes	465,000	EC3	New	Yes	UK
IPC Media Ltd	Publishing	Part	460,000	SE1	New	Yes	UK
Dresdner Kleinwort Wasserstein Ltd	Investment Banking	Yes	376,000	EC2	New	No	Germany
Norton Rose	Law Firm	Yes	343,000	SE1	New	Yes	UK
Reuters Group plc	Publishing	Part	283,000	E14	Second-hand Grade A	No	UK
Royal Bank of Scotland plc	Clearing Bank	Yes	237,000	E1	Second-hand Grade B	No	UK
Standard Chartered Bank	Merchant Bank	Yes	227,000	EC2	New	Yes	UK
Deloitte	Accountant	Yes	209,000 (+42,000 Option Bldg C)	EC4	New	Yes	UK
Metropolitan Police Service	Police	No	203,000	SW6	Refurbishment	No	UK
SJ Berwin	Law Firm	Yes	176,000	EC4	Second-hand Grade A	No	UK
Stoy Hayward	Accountant	Yes	165,000 (+50,000 Option)	W1	Refurbishment	Yes	UK
Guardian Newspaper Group	Publishing	Part	150,000	N1	New	Yes	UK
BP plc	Oil Company	Part	125,000	E14	New	No	UK
University College London Hospitals NHS Trust	Hospital Trust	No	145,000	NW1	Second-hand Grade B	No	UK
London Borough of Tower Hamlets	Local Government	No	140,000	E14	Second-hand Grade A	No	UK
Treasury Solicitor's Department	Government Department	No	130,000	WC2	Second-hand Grade B	No	UK
Lawrence Graham LLP	Law Firm	Yes	125,000 (+25,000 Option)	SE1	New	Yes	UK
Legal & General	Insurance Company	Yes	123,000	EC2	New	Yes	UK
London Fire Brigade	Government Agency	No	120,000	SE1	Second-hand Grade B	No	UK
Lloyds TSB Bank plc	Clearing Bank	Yes	105,000	EC2	New	No	UK
UBS Investment Bank	Investment Banking	Yes	111,000	EC2	Second-hand Grade A	No	Swiss
Barclays Capital Finance	Investment Banking	Yes	110,000	E14	Second-hand Grade A	No	UK
Cantor Fitzgerald	Stockbroker	Yes	100,000	E14	New	No	USA
Future Publishing	Publishing	Part	100,000	NW1	Second-hand Grade B	No	UK

Table A1 - Office Lettings and Sales to Owner-Occupiers in Central London 2004–2005							
Occupier	**Sector**	**FBS Yes/No**	**Space Taken (sq ft net)**	**Post Code**	**Type**	**Pre-let Yes/No**	**Country of Origin**
HypoVereinsbank	Investment Banking	Yes	100,000	EC2	New	No	Germany
Reynolds Porter Chamberlain	Law Firm	Yes	100,000	E1	New	No	UK
London Olympic Games (2012) Ltd	Event Organiser	No	98,000	E14	New	No	UK
London School of Economics	Education	No	96,000	WC2	Second-hand Grade B	No	UK
Kaupthing Ltd	Foreign Bank	Yes	90,000	W1	New	No	Iceland
King Sturge	Property Advisors	Yes	90,000	W1	New	No	UK
Stonemartin Office Centres	Serviced Offices	Yes	90,000	EC2	Second-hand Grade A	No	UK
Sumitomo Mitsui Banking Corporation	Foreign Bank	Yes	86,000	EC4	New	No	Japan
BMS Special Risk Services Ltd	Insurance Broker	Yes	74,000	EC3	Second-hand Grade A	No	UK
Robson Rhodes	Accountant	Yes	73,000	EC2	Second-hand Grade A	No	UK
The College of Law	Education	No	71,000	EC1	Second-hand Grade A	No	UK
Google UK Ltd	Internet Services	Part	69,000	SW1	New	No	USA
Smith & Williamson Ltd	Accountant	Yes	69,000	EC2	New	No	UK
Yahoo! UK Ltd	Internet Services	Part	67,000	WC2	Refurbishment	No	USA
ABN Amro Bank	Investment Banking	Yes	66,000	EC3	Second-hand Grade A	No	Netherlan ds
Lowe & Partners	Advertising Agency	Yes	65,000	SW3	Second-hand Grade A	No	USA
3i plc	Venture capital	Yes	64,000	SW1	New	No	UK
Wellington Management International	Financial Services	Yes	64,000	SW1	New	No	?
UBS Investment Bank	Investment Bank	Yes	64,000	EC2	Second-hand Grade A	No	Swiss
Dechert LLP	Law firm	Yes	64,000	EC4	New	No	USA
Transport for London	Transport/ Government Agency	No	64,000	SW6	Refurbishment	No	UK
Universal Music UK Ltd	Publishing	Part	63,000	W14	Second-hand Grade B	No	USA
HQ Executive Offices	Serviced Offices	Yes	63,000	EC3	Second-hand Grade B	No	UK
Bank of America	Bank	Yes	60,000	E14	Second-hand Grade A	No	USA
Petro-Canada UK Ltd	Oil Company	Part	56,000	SE1	Second-hand Grade A	No	UK/ Canada?
Alliance Capital Ltd	Investment Management	Yes	55,500	W1	Second-hand Grade A	No	USA
London Development Agency	Local Government Agency	No	55,000	SE1	New	No	UK

Table A1 - Office Lettings and Sales to Owner-Occupiers in Central London 2004–2005							
Occupier	**Sector**	**FBS Yes/No**	**Space Taken (sq ft net)**	**Post Code**	**Type**	**Pre-let Yes/No**	**Country of Origin**
UBS AG	Investment Banking	Yes	55,000	W1	Refurbishment	No	Swiss
Marriott Group Ltd	Hotel Operator	Part	55,000	EC4	Second-hand Grade A	No	UK
Ince & Co Ltd	Law Firm	Yes	54,000	E1	Second-hand Grade A	No	UK
QBE International Insurance Ltd	Insurance Company	Yes	53,000	EC3	New	No	Australia
GE Capital	Financial Services	Yes	52,000	W1	Second-hand Grade A	No	USA
Mitsui & Co plc	Trading Company	Yes	51,000	EC4	Second-hand Grade A	No	Japan
Instinet	?	?	50,000	E14	Second-hand Grade A	No	?
Xchanging Ltd	Insurance Company	Yes	50,000	EC3	Second-hand Grade A	No	UK
Corporation of Church House	Association	No	50,000	SE1	Second-hand Grade B	No	UK
British Red Cross Society	Charity	No	50,000	EC2	Second-hand Grade A	No	UK
Source: DTZ Research, London Office Database, London Property Research							

APPENDIX 2 - Table A2 - Office Development Starts in Central London in 2004

Table A2 - Office Development Starts in Central London in 2004							
Address	**Post Code**	**Location Type**	**Size (sq ft net)**	**Pre-let? (sq ft net)**	**New/ Refurb**	**Mixed use?**	**Comment**
City – 639,500 sq ft net							
Unilever House, 100 Victoria Embankment	EC4	Established Central	250,000	150,000	Refurb.	No	Major refurbishment of Unilever's 1930s headquarters, with Unilever to retain around 150,000 sq ft
Thames Exchange, 10 Queen Street Place	EC4	Established Central	198,000	198,000	Refurb.	Yes (8,000 sq ft D2 leisure, 3,000 sq ft retail)	Refurbishment of low-rise riverside 1991 offices, formerly occupied by HSBC and pre-let to law firm SJ Berwin
Wren House, 15 Carter Lane	EC4	Established Central	48,000	48,000	Refurb.	No	Refurbishment outside the planning system of KIO owned office building, KIO relocating from development site at 150 Cheapside, EC2
59-61 Mark Lane	EC3	Established Central	32,000	0	Refurb.	No	Minor refurbishment
Walbrook Wharf, 23-28 Cousin Lane	EC4	Established Central	31,000	31,000	New	No	New office building for owner-occupation by the City of London Corporation for the Environmental Services Dept.
140-144 Leadenhall Street	EC3	Established Central	31,000	0	Refurb.	Yes (15,000 sq ft bar/rest, 10,000 sq ft health club)	Major refurbishment of Grade II listed building vacated by HSBC for Canary Wharf
6 Broad Street Place	EC2	Established Central	22,000	0	New behind façade	Yes (4,000 sq ft retail)	New office building behind retained façade with fancy retail units on ground opposite Liverpool Street station
180 Fleet Street	EC4	Established Central	22,000	22,000	Refurb.	No	Refurbishment pre-let to barristers Landmark Chambers

Table A2 - Office Development Starts in Central London in 2004							
Address	**Post Code**	**Location Type**	**Size (sq ft net)**	**Pre-let? (sq ft net)**	**New/ Refurb**	**Mixed use?**	**Comment**
2 Greystoke Place	EC4	Established Central	5,500	0	Refurb.	Yes (10 housing units)	Residential led refurbishment of Grade II listed YRM designed 1960s offices, with offices retained on ground and lower ground
Camden – 377,000 sq ft net							
The Johnson Building, 71-80 Hatton Garden	EC1	Established Central	148,000	0	Refurb.	Yes (14 housing units in s/c building in Leather Lane; sf net retail)	Major reconstruction of former New Garden House, subject to a mild version of Camden's mixed-use policy
Centro Blocks 1-2, 40 Camden Street	NW1	Edge Central	82,000	0	Refurb.	?	Part of major phased refurbishment of former industrial space in heart to Camden Town
Camden Studios, 106-110 Kentish Town Road	NW1	New Office Location	54,000	0	Refurb.	No	Refurbishment of former Dunn & Co HQ into warehouse style office building. March 2005 permission for 14 resi units to replace 14,500 nsf on 5th and 6th floors
55 New Oxford Street	WC1	Established Central	45,000	0	Refurb. & Exten	Yes (5,500 sq ft net A3 or A4)	Refurbishment and new 8th floor offices in former Albion House previously occupied by Rank Xerox
35 Red Lion Square	WC1	Established Central	34,000	34,000	Refurb.	No	Refurbishment of former Hill & Knowlton offices for owner-occupation by Royal College of Anaesthetists
54-74 Holmes Road	NW5	New Office Location	14,000	0	New	Yes (33 student resi units)	Student housing-led development in Kentish Town with ground floor offices
Islington – 82,000 sq ft net							
Clerkenwell Workshops, 27-31 Clerkenwell Close	EC1	Edge Central	58,000	0	Refurb.	No	Existing multi-let workspace building, being refurbished for small unit flexible business space

Table A2 - Office Development Starts in Central London in 2004							
Address	**Post Code**	**Location Type**	**Size (sq ft net)**	**Pre-let? (sq ft net)**	**New/ Refurb**	**Mixed use?**	**Comment**
15-18 White Lion Street	N1	Edge Central	15,000	0	New	Yes (19 housing units)	Mixed-use development with 14 housing units and 5 live-work units. Construction stopped in 2005
Knight's Court, 6-8 St John's Square	EC1	Edge Central	4,500	0	Refurb.	Yes (11 housing units)	Residential led refurbishment of vacant offices in Clerkenwell with offices retained on ground and basement
26 Bastwick Street	EC1	Edge Central	4,500	0	New	Yes (12 housing units)	Residential led redevelopment replacing three storey office building
Hackney – 108,000 sq ft net							
17-25 New Inn Yard	EC2	Edge Central	36,000	36,000	Refurb.	No	Former disaster recovery office, acquired by Amnesty International for owner-occupation
261-269 Mare Street	E8	New Office Location	17,000	0	Refurb.	Yes (25 resi units, 5,000 gsf retail)	Mixed use scheme part of the East Central comprehensive redevelopment site just south of the Town Hall
8-14 Orsman Road	N1	New Office Location	16,000	0	New	Yes (71 housing units, 2,000 sq ft restaurant, 3,000 sq ft creche)	Residential-led redevelopment of canal-side industrial site on south side of Kingsland Basin
Britannia Walk Apartments, 11-13 Britannia Walk	N1	Edge Central	11,000	0	New	Yes (18 live-work units, 14 resi units)	Live-work and residential-led new development just off City Road, granted on appeal, with offices on ground floor
Hoxton Works, 128 Hoxton Street	N1	New Office Location	8,000	0	Refurb.	No	Public sector supported refurbishment of nurses home to provide "cultural industry workspace" for cool Hoxtonites

Table A2 - Office Development Starts in Central London in 2004							
Address	**Post Code**	**Location Type**	**Size (sq ft net)**	**Pre-let? (sq ft net)**	**New/ Refurb**	**Mixed use?**	**Comment**
21-29 Shore Road	E9	New Office Location	7,000	0	New	Yes (17 resi units)	Residential-led development with 11 office units on ground and 1st
Andrew's Wharf, 16 Andrew's Road	E8	New Office Location	7,000	0	New	Yes	Residential-led development of canalside apartments with 12 small office units on ground and 1st
6-12 Triangle Road	E8	New Office Location	6,000	0	Refurb	Yes (8 resi units)	Small-scale residential-led development of former office building, offices retained on ground and 1st
Tower Hamlets – 40,000 sq ft net							
Omega 4 (Fish Island & Crown Wharf)	E3	New Office Location	18,000	0	New	Yes (86 live-work units)	Live-work led development in challenging industrial, if canalside, location, with high office component
Copenhagen Place	E14	New Office Location	14,000	0	New	Yes (111 resi units)	Residential-led development close to Limehouse Cut in form of 4 buildings around courtyard
417 Riverside, Wick Lane	E3	New Office Location	8,000	0	New	Yes (75 live-work units)	Live-work led scheme in defined industrial area over-looking the luvverly Lea. Offices on ground – live-work sold out.
Southwark – 1,285,000 sq ft net							
Bankside 1, Southwark Street	SE1	Established Central	500,000	500,000	New	Yes (28,000 sq ft retail, 10,000 sq ft leisure)	Part of Bankside 1,2,3, the redevelopment of St Christopher House, pre-sold to local occupier publisher IPC, as its new headquarters.
3 More London, Tooley Street	SE1	Established Central	325,000	325,000	New	No	Major new office building pre-let to Norton Rose relocating from Bishopsgate, EC2 in pioneering move for City lawyer

Table A2 - Office Development Starts in Central London in 2004							
Address	**Post Code**	**Location Type**	**Size (sq ft net)**	**Pre-let? (sq ft net)**	**New/ Refurb**	**Mixed use?**	**Comment**
Palestra, 197 Blackfriars Road	SE1	Edge Central	298,000	0	New	No	Major new speculative office development in somewhat pioneering location. 55,000 sq ft let to the LDA Sept. 2005
4 More London, Tooley Street	SE1	Established Central	150,000	150,000	New	No	Major new office building pre-let to Lawrence Graham relocating from Aldwych, WC2
The Bench, 20-24 King's Bench Street	SE1	New Office Location	6,000	0	New	Yes (12 resi units)	Small-scale residential-led development with offices on ground
Leather Works Phase 2, 59-65 Tanner Street	SE1	New Office Location	6,000	0	New	Yes (14 resi units)	Residential-led development with two office units on ground

Table A2 - Office Development Starts in Central London in 2004							
Address	**Post Code**	**Location Type**	**Size (sq ft net)**	**Pre-let? (sq ft net)**	**New/ Refurb**	**Mixed use?**	**Comment**
Lambeth – 50,000 sq ft net							
Brabham House, Intero, Savoy Hotel Laundry site, 13-19 Union Road	SW4	New Office Location	25,000	0	New	Yes (102 resi units, 5,000 nsf retail)	Residential-led mixed use scheme in Clarm, with self-contained office building, Brabham House
Royal Festival Hall, Belevedere Road	SE1	Established Central	16,000	16,000	New	Yes (19,000 gsf retail)	Extension to the RFH for offices and retail with office element to be occupied by RFH administration
33 Stannary Street	SE11	New Office Location	9,000	0	New & Refurb.	Yes (14 housing units, 4 live-work units)	Residential-led mixed-use development of former industrial buildings
Westminster –453,750 sq ft net							
The Curve, 150 Regent Street	W1	Established Central	77,000	0	New	Yes (33,000 sq ft net retail)	New mixed-use office and retail development replacing Chesham House with residential off-site and offices let in October 2005 to agent King Sturge
35 Portman Square	W1	Established Central	70,000	0	Refurb. & Exten.	No	Refurbishment and new 7th floor extension to former Carlton TV offices on the south side of Portman Square
172 Buckingham Palace Road	SW1	Established Central	48,000	48,000	Refurb.	No	Refurbishment of offices outside the planning system for re-occupation by TfL on the site of Victoria coach station
W5, 185-191 Regent Street, 13-17 New Burlington Place	W1	Established Central	47,000	35,000	New	Yes (18,000 sq ft retail A1, 5,000 sq ft retail A3)	New mixed-use office and retail development on the west side of Regent Street (6,000 sq ft residential off-site). Offices new Crown Estate HQ

Table A2 - Office Development Starts in Central London in 2004							
Address	**Post Code**	**Location Type**	**Size (sq ft net)**	**Pre-let? (sq ft net)**	**New/ Refurb**	**Mixed use?**	**Comment**
70-76 Brompton Road	SW3	Established Central	40,000	0	New	Yes (53 housing units, 25,000 sq ft retail)	Mixed-use redevelopment of former Camelot House and 10 Lancelot Place on former "Prudential" Knightsbridge site
Princes House, 37-39 Kingsway	WC2	Established Central	35,000	0	Refurb.	No	Refurbishment of former DLE offices on the west side of Kingsway
25-27 St George Street	W1	Established Central	35,000	0	New	Yes (5 Housing Units)	Redevelopment of former Healey & Baker offices just south of Hanover Square, after the agent relocated north to Portman Square
20 Grafton Street	W1	Established Central	25,000	0	New	Yes (3,300 sq ft gross A2)	Redevelopment of office building in the heart of Mayfair with A2 retained of ground
19 Hanover Square	W1	Established Central	25,000	0	Refurb.	No	Refurbishment of former Jones Lang Lasalle offices on the west side of Hanover Square on a site that could be required for complete redevelopment for CrossRail
1 Old Queen Street	SW1	Established Central	20,000	0	New & Refurb	No	Part new build, part refurbishment opposite Queen Elizabeth II Conference Centre
25 Hanover Square, 18 St George Street	W1	Established Central	14,000	0	New	Yes (2,500 sq ft net A3)	Redevelopment of former Baker Lorenz (latterly Dunlop Heywood Lorenz) offices on prominent corner site on south side of Hanover Square
26 Soho Square	W1	Established Central	10,000	0	Refurb.	No	Refurbishment of small office building tucked away in the south east corner of Soho Square

Table A2 - Office Development Starts in Central London in 2004							
Address	**Post Code**	**Location Type**	**Size (sq ft net)**	**Pre-let? (sq ft net)**	**New/ Refurb**	**Mixed use?**	**Comment**
19 Harcourt Street	W1	Edge Central	7,750	0	Refurb.	Yes (2 Housing Units)	Office to residential conversion of the 1st and 2nd floors with offices retained and refurbished below
Kensington & Chelsea – 79,000 sq ft net							
364-366 Kensington High Street	W14	Established Central	63,000	0	Refurb.	Yes (7,000 nsf retail)	Refurbishment and re-cladding of existing office building on corner with Holland Road, last refurbished in 1987
23-31 Bramley Road	W10	New Office Location	10,000	0	New	Yes (30 resi units)	Affordable housing planning gain site for the Philimores, continuing a long-standing relationship between the nobs on the hill and the poor in the vale
14-24 Norland Road	W11	New Office Location	6,000	0	Refurb	Yes (3 resi units)	Small-scale mixed use scheme with change of use of retail to offices on lower floors
Hammersmith & Fulham – 23,500 sq ft net							
Block C, Imperial Wharf, Townmead Road	SW6	New Office Location	12,500	0	New	Yes (Major housing development)	Mezzanine floor of offices in one of the many buildings at the strategic Imperial Wharf residential-led development
Klc House, 1 Springvale Terrace	W14	New Office Location	11,000	0	Refurb.	No	Educational to office conversion
Wandsworth – 27,000 sq ft net							
Falcon Wharf, Lombard Road	SW11	New Office Location	27,000	0	New	Yes (145 resi units, 8,000 nsf retail A3)	New 15 storey residential tower with cool 25m penthouse on three levels, humbler offices on the lower floors
Central London Total – 3,164,750 sq ft net							
Source: London Property Research							

APPENDIX 3 - Table A3 - Office Development Starts in Central London in 2005

Table A3 - Office Development Starts in Central London in 2005							
Address	**Post Code**	**Location Type**	**Size (sq ft net)**	**Pre-let? (sq ft net)**	**New/ Refurb**	**Mixed use?**	**Comment**
City – 4,214,000 sq ft net							
201 Bishopsgate & The Broadgate Tower, Primrose Street	EC2	Established Central	735,000	0	New	Yes (retail)	One of the largest speculative starts in the City of London in the form of a 36 storey tower to the west and 12 storey mid-rise and fat to the east, with each having roughly the same floorspace
The Stock Exchange Tower, 125 Old Broad Street	EC2	Established Central	550,000	0	New & Refurb	Yes (77,900 sq ft gross retail)	Major refurbishment of the famous tower and construction of new buildings at the base to both east and west
The Willis Building, 51 Lime Street	EC3	Established Central	465,000	320,000	New	Yes (9,000 sq ft gross retail)	New 29 storey office tower replacing 1950s Old Lloyds Building. Entire scheme pre-let to insurer Willis, but 120,000 sq ft to be sub-let at 20 Fenchurch Avenue, a ten storey building
5 Aldermanbury Square (Royex House)	EC2	Established Central	260,000	0	New	Yes (10,000 sq ft gross retail)	New 19 storey office tower on the site of 1960s Royex House
16-18 Finsbury Circus, 18-25 Eldon Street	EC2	Established Central	245,000	0	New behind façade	Yes (19,000 sq ft gross retail)	New behind façade office development with dual frontage to Finsbury Circus and Eldon Street, where the retail will be located
1 Wood Street (120-122 Cheapside)	EC2	Established Central	235,000	0	New	Yes (21,000 sq ft gross retail)	New office and retail building on the site of three former buildings fronting Cheapside, Wood Street and Milk Street. Construction start imminent at November 2005

Table A3 - Office Development Starts in Central London in 2005							
Address	**Post Code**	**Location Type**	**Size (sq ft net)**	**Pre-let? (sq ft net)**	**New/ Refurb**	**Mixed use?**	**Comment**
35 Basinghall Street, 16 Coleman Street	EC2	Established Central	230,000	230,000	New	No	New office development pre-sold to occupier Standard Chartered, who then undertook sale and leaseback, on a 20 year lease. Site cleared and start expected by end 2005.
New Street Square B, New Fetter Lane	EC4	Established Central	209,000	209,000	New	Yes (33,000 sq ft gross retail in whole scheme)	New office building, one of four replacing windswept 1950s office desert, on NE corner of the site fronting Bartlett Court, pre-let to local occupier Deloitte
New Street Square A, New Fetter Lane	EC4	Established Central	195,000	0	New	Yes (33,000 sq ft gross retail in whole scheme)	New speculative office building, one of four replacing windswept 1950s office desert, on NW corner of the site fronting New Fetter Lane
1 Coleman Street (former Austral House)	EC2	Established Central	180,000	123,000	New	No	New office development replacing 1960s office building with levels 3-9 pre-let to Legal & General
40 Holborn Viaduct, 2 Charterhouse Street	EC1	Established central	180,000	0	New	Retail (1,400 sq ft gross)	New office building at Holborn Circus replacing 1950s offices
Bow Bells House, Bread Street	EC4	Established Central	170,000	0	New	Retail (20,645 sq ft gross)	New office building replacing 1950s office building, originally Balfour Beatty's HQ
14 Cornhill, 71 Lombard Street	EC3	Established Central	117,000	0	New behind façade	Yes (95,000 sq ft gross retail)	Major redevelopment including retention of Grade II* listed former Lloyds Bank banking hall in Lombard Street – very large retail element

Table A3 - Office Development Starts in Central London in 2005							
Address	**Post Code**	**Location Type**	**Size (sq ft net)**	**Pre-let? (sq ft net)**	**New/ Refurb**	**Mixed use?**	**Comment**
Knollys House, 47 Mark Lane	EC3	Established central	85,000	0	Refurb.	No	Major refurbishment and re-cladding of 1960s office building
Reuters, 85 Fleet Street	EC4	Established Central	82,000	0	Refurb.	No	Refurbishment of the historic home of Reuters news agency on the south side of Fleet Street, occupied by them since the 1930s, now relocated to Canary Wharf, a far cry from Fleet Street indeed
15 Fetter Lane (Winchmore House)	EC4	Established Central	82,000	0	Refurb.	No	Refurbishment of early 1980s blue mirror glass office building on the east side of Fetter Lane and overlooking the New Street Square redevelopment site
Serjeant's Inn, 1-2 Fleet Street	EC4	Established Central	82,000	0	Refurb.	No	Refurbishment of former Dechert offices vacated in 2005 for Times Square development in Queen Victoria Street. Refurbishment due to commence December 2005
Heron House, 322 High Holborn	WC1	Established Central	55,000	0	Refurb.	No	Refurbishment of office floors outside the planning system
New Street Square C, New Fetter Lane	EC4	Established Central	42,000	0	New	Yes (33,000 sq ft gross retail in whole scheme)	New office building, one of four replacing windswept 1950s office desert, on SW corner of the site fronting East Harding Street and Printer Street, and subject to a leasing option by Deloitte
35 Vine Street	EC3	Established Central	15,000	15,000	Refurb.	No	Refurbishment of Field Fisher Waterhouse's existing building for continued occupation

Table A3 - Office Development Starts in Central London in 2005							
Address	**Post Code**	**Location Type**	**Size (sq ft net)**	**Pre-let? (sq ft net)**	**New/ Refurb**	**Mixed use?**	**Comment**
Camden – 365,000 sq ft net							
Wellcome Building, 183-193 Euston Road	NW1	Established Central	175,000	175,000	Refurb.	No	Refurbishment of Wellcome Trust's long-standing HQ, following construction of new HQ next door
Qube, 101-108 Tottenham Court Road	W1	Established Central	95,000	0	New	Yes (5 resi units, 12,000 gsf retail)	Major new office and retail building with residential at rear in Whitfield Street under Policy RE5
Former Bakery, Carlow Street	NW1	Edge Central	29,000	29,000	New	No	Redevelopment of former bakery for new offices thought to be pre-let
77-79 Farringdon Road	EC1	Established Central	22,000	0	Refurb. & Exten	No	Refurbishment and extension of modest office building on the west side of Farringdon Road, opposite the "wailing wall"
Rear of Meridian House, 202-204 Finchley Road	NW3	New Office Location	22,000	0	New	No	Office redevelopment on 2 storeys replacing single storey B1 building
17-23 Farringdon Road	EC1	Established Central	12,000	0	New	Yes (14 housing units, 9,000 sq ft gross retail)	Genuine mixed-use development of housing, offices and retail on the site of long-standing Crowsons cheese building, long vacant
8 Fitzroy Road	NW1	New Office Location	10,000	0	Refurb. & Exten.	No	Refurbishment and extension of existing B1 building
Islington – 385,000 sq ft net							
King's Place, 82-96 York Way	N1	Edge Central	300,000	150,000	New	Yes (425 seat theatre, art gallery, A3, A4)	Major new office development at King's Cross, part pre-let to Guardian and Observer newspapers
Durrant House, 8-13 Chiswell Street	EC1	Established Central	65,000	0	New	No	New office building replacing 1950s Durrant House, overlooking the HAC grounds, previous application for 17 storeys (this is 8) was refused

Table A3 - Office Development Starts in Central London in 2005							
Address	**Post Code**	**Location Type**	**Size (sq ft net)**	**Pre-let? (sq ft net)**	**New/ Refurb**	**Mixed use?**	**Comment**
Swift House, Block D Regent Quarter, 5 Railway Street	N1	Edge Central	12,000	0	New	Yes (part of major phased mixed-use scheme)	Self-contained office building forming part of phase D of the major Regent Quarter scheme at King's Cross
Wallpaper Factory, 142-144 Offord Road	N1	New Office Location	8,000	0	New	Yes (14 resi and 10 live-work units)	Residential-led redevelopment of former factory
Hackney – 118,500 sq ft net							
2-26 Somerford Grove	N16	New Office Location	42,000	0	Refurb.	Yes (64 resi units, 23 live-work units,	Major refurbishment of former Simpsons factory with very large office component in a challenging location for offices
Estilo, 5-7 Wenlock Road	N1	Edge Central	27,000	0	New	Yes (57 resi units)	Residential-led mixed-use scheme with high office content, replacing warehouses formerly in use as office/conf. centre
236-240 Kingsland Road	E2	New Office Location	16,000	0	New	Yes (73 resi units, 2,000 gsf A3)	Major new social housing development half way up the Kingsland Road, with significant office component
21-31 Shacklewell Lane	E8	New Office Location	8,000	0	Refurb.	Yes (13 resi units, 8 live-work units, 7,000 gsf retail, 5,000 gsf B8)	Refurbishment and extension to 3 storey industrial building
South Stable Building, 138 Kingsland Road	E2	New Office Location	8,000	0	New	Yes (9 resi units)	New office building replacing single storey shed, with residential in refurbished Victorian building to rear
14 Triangle Road	E8	New Office Location	7,000	0	New	Yes (21 resi units)	Keyworker scheme with offices on ground and 1st

Table A3 - Office Development Starts in Central London in 2005							
Address	**Post Code**	**Location Type**	**Size (sq ft net)**	**Pre-let? (sq ft net)**	**New/ Refurb**	**Mixed use?**	**Comment**
16-26 Westgate Street	E8	New Office Location	7,000	0	New	Yes (14 resi units)	New residential-led development with offices on ground and 1st
179 Shoreditch High Street	E1	Edge Central	3,500	0	New	Yes (13 housing units, 6,000 sq ft retail)	New residential-led 5 storey extension on single storey long-established Post Office in Shoreditch
Tower Hamlets – 340,000 sq ft net							
Aldgate Union (Marsh Centre), 10 Whitechapel High Street	E1	Established Central	270,000	270,000	Refurb.	No	Former Sedgwick and latterly Marsh offices acquired for owner-occupation in 2005 by RBS, relocating from nearby Goodmans Fields back office, in turn a mixed-use development
The Wool House, 74 Back Church Lane	E1	New Office Location	30,000	0	Refurb.	Yes (116 resi units & 38 off site)	Resi-led refurbishment of massive 19th century warehouse backing on to elevated rail lines.
British Gas site, Harford Street	E1	New Office Location	18,000	0	New	Yes (532 resi units)	Very large residential development of canal-side gas site in Stepney with a significant office element
279-301 Commercial Road	E1	New Office Location	17,000	0	New	Yes (38 resi units)	Social housing-led redevelopment with substantial office component on ground and basement
35-37 Bethnal Green Road	E1	Edge Central	5,000	0	Refurb.	Yes (7 live-work units)	Residential-led refurbishment of former commercial buildings over-looking Bishopsgate Goodsyard
Southwark – 451,000 sq ft net							
Bankside 2 and 3, 80-112 Southwark Street	SE1	Established Central	360,000	0	New	Yes (Retail 44,000 gsf, Leisure 10,000 gsf)	Major speculative office development on the site of St Christopher House, where Bankside 1 was pre-sold to IPC

Table A3 - Office Development Starts in Central London in 2005							
Address	**Post Code**	**Location Type**	**Size (sq ft net)**	**Pre-let? (sq ft net)**	**New/ Refurb**	**Mixed use?**	**Comment**
134-138 Queens Road	SE15	New Office Location	54,000	8,000	New	Yes (158 housing units)	Redevelopment of office and warehouses for social and private housing with large office component, where 8,000 sq ft to be occupied by developer Wandle HA
98-118 Southwark Bridge Road	SE1	Edge Central	28,000	0	New	Yes (99 resi units)	Residential-led development with offices on ground
193-197 Long Lane	SE1	Edge Central	9,000	0	New	Yes (89 resi units)	Residential-led development with modest office content
Lambeth – 60,000 sq ft net							
8 Leake Street	SE1	Edge Central	26,000	26,000	New	No	New office development pre-let to Prospect trade union, on site where hotel devt. Refused in 1999.
405 Kennington Road	SE1	New Office Location	16,000	0	Refurb. & Exten	Yes (14 resi units)	Mixed-use refurbishment and extension of existing office building
9-13 Valentia Place	SW9	New Office Location	7,000	0	New	Yes (60 resi units)	New residential development in Brixton with 9 small office units
Augustus Square, 378 Clapham Road	SW9	New Office Location	6,000	0	New	Yes (14 resi units)	Redevelopment of former single storey light industrial for residential with modest office component
37 Old Town	SW4	New Office Location	5,000	0	New	Yes (7 resi units)	Redevelopment of printing works for town houses and 6 small office units

Table A3 - Office Development Starts in Central London in 2005							
Address	**Post Code**	**Location Type**	**Size (sq ft net)**	**Pre-let? (sq ft net)**	**New/ Refurb**	**Mixed use?**	**Comment**
Westminster – 1,711,000 sq ft net							
55 Baker Street (former Michael House)	W1	Established Central	450,000	165,000	Refurb.	Yes (22 Residential units, 67,000 sq ft gross retail)	Refurbishment of former M&S HQ for mixed uses, led by offices
Home Office, 50 Queen Anne's Gate	SW1	Established Central	305,000	305,000	Refurb.	No	Refurbishment of former Home Office (gone to Marsham Street) for Dept. of Constitutional Affairs
York House, 45 Seymour Street	W1	Established Central	91,000	0	New	Yes (12,000 gsf casino, 10,000 gsf retail, 22 resi units)	Important office-led mixed use speculative development at the southern end of Edgware Road
40 Eastbourne Terrace	W2	Edge Central	80,000	0	Refurb.	No	Speculative refurbishment opposite Paddington station, where 50 was refurbished for continued occupation by Dept. of Health
178-202 Great Portland Street	W1	Established central	77,000	0	Refurb.	Yes (30,000 gsf retail)	Major refurbishment of office and retail building on the west side of GPS, where the great Villandry shop and restaurant was located
Block W1, 83-97 Regent Street	W1	Established Central	70,000	0	New behind façade	Yes (26,000 gsf retail, 7 resi units)	Major mixed-use redevelopment as part of Crown Estate's upgrade to Regent Street holdings
77 Grosvenor Street	W1	Established Central	58,000	0	New	No	New prime office building to replace long-standing HQ of Hillier Parker (latterly CBRE)
20 North Audley Street	W1	Established Central	56,000	0	Refurb.	No	Refurbishment in prime Mayfair
1 Church Place, 198-206 Piccadilly	SW1	Established Central	54,000	0	New	Yes (41,000 gsf retail)	Mixed use office and retail development in prime St James's fronting Piccadilly

Table A3 - Office Development Starts in Central London in 2005							
Address	**Post Code**	**Location Type**	**Size (sq ft net)**	**Pre-let? (sq ft net)**	**New/ Refurb**	**Mixed use?**	**Comment**
Caxton Hall, Caxton Street	SW1	Established Central	50,000	0	New behind façade	Yes (13 resi units)	25 year saga after Westminster Registry office closed in 1979. Housing in Grade II listed refurbished front and new offices behind
21 Clifford Street	W1	Established Central	44,000	0	New	Yes (9 resi units, 16,000 gsf retail)	Major mixed use redevelopment also including 30-32 Savile Row, 10-13 Old Burlington Street
22-25 Bedford Street	WC2	Established Central	41,000	0	Refurb.	No	Refurbishment of former Capital International offices above Tesco Metro Covent Garden

Table A3 - Office Development Starts in Central London in 2005							
Address	**Post Code**	**Location Type**	**Size (sq ft net)**	**Pre-let? (sq ft net)**	**New/ Refurb**	**Mixed use?**	**Comment**
33-34 Soho Square	W1	Established Central	38,000	0	Refurb.	No	Refurbished office building in SW corner of Soho Square
112-130 Edgware Road, 136-138 George Street, 24 Nutford Place	W1	Established Central	38,000	0	New	Yes (22 resi units, 3,000 nsf retail)	New comprehensive redevelopment with increase of 14 resi units, hence no affordable housing
13 Hanover Street	W1	Established Central	36,000	0	Refurb.	No	Refurbishment of former long-standing Eli Lilly HQ on north side of Hanover Square
28-29 St George Street	W1	Established Central	25,000	0	New	No	Redevelopment of part of former Healey & Baker HQ after move to Portman Square
Melrose House, 4-6 Savile Row	W1	Established Central	28,000	0	New	Yes (5,000 gsf retail)	New office development with retail on ground and basement
23-25 Maddox Street	W1	Established Central	25,000	0	New	Yes (4,000 gsf A3, 7 resi units)	New mixed use development with retail and residential
26-28 Dorset Square	NW1	Established Central	23,000	0	Refurb.	No	Office refurbishment north of Marylebone Road, after vacation by temporary occupier Woolies.
15-16 Bedford Street	WC2	Established Central	22,000	0	New behind façade	Yes (1,700 gsf retail)	New behind façade development of former offices of solicitor Wedlake Bell
151-153 Wardour Street	W1	Established Central	21,000	0	Refurb.	No	Refurbishment of the former long-standing HQ of the Estates Gazette Group
Bond Street House, 14 Clifford Street	W1	Established Central	16,000	0	Refurb.	No	Refurbishment of office and retail building, with retail fronting New Bond Street
215-219 Oxford Street	W1	Established Central	16,000	0	New	Yes (28,000 gsf retail)	New office and retail development on south side of Oxford Street, close to Oxford Circus

Table A3 - Office Development Starts in Central London in 2005							
Address	**Post Code**	**Location Type**	**Size (sq ft net)**	**Pre-let? (sq ft net)**	**New/ Refurb**	**Mixed use?**	**Comment**
9-11 Grosvenor Gardens	SW1	Established Central	16,000	16,000	Refurb	No	Minor refurbishment for occupation by Dawnay Day
The Orwell Studios (ex. C&A), 200 Oxford Street	W1	Established Central	14,000	0	Refurb	Yes (25,000 gsf retail, 11 resi units)	Break up of the former C&A department store for retail units, offices and residential
62 New Cavendish Street	W1	Established Central	11,000	0	New behind façade	No	New behind façade office development in Marylebone
77 Baker Street	W1	Established Central	6,000	0	New behind façade	Yes (A2 on ground and basement)	New behind façade office development on the west side of Baker Street
Kensington & Chelsea – 65,000 sq ft net							
196-208 Kensal Road	W10	New Office Location	38,000	38,000	New	Yes (28 resi units)	New mixed-use of social housing and new HQ offices for developer Octavia Hill Housing Trust.
120-122 Sloane Street	SW1	Established Central	15,000	0	Refurb.	Yes (1 resi unit)	Re-jigging of uses across wider site, with conversion of this building from residential to offices- overall change of use is neutral
Chelsea Wharf, Lots Road	SW10	New Office Location	12,000	0	New	Yes (11 resi units)	Redevelopment of former Spillers flour silo for mixed use residential and office scheme
Hammersmith & Fulham - None							
Wandsworth – None							
Central London Total –7,709,500 sq ft net							
Source: London Property Research							

APPENDIX 4 – Table A4 Permissions over 50,000 sq ft net in Central London at End 2005

Table A4 - Office Permissions over 50,000 sq ft net in Central London by Borough at End 2005

Scheme	*Pre- Redevelopment Offices – Mid 2001 Situation*				Proposed Offices • gsm (gross sq m) • gsf (gross sq ft) • sq ft net	• Permission dates • Earliest Start Date
	Demolished (i)	Existing Vacant (ii)	Existing Occupied (iii)	Total Pre-Redevelopment (ie i+ii+iii)		
CAMDEN						
Haddon House, 2-4 Fitzroy Street, 6-10 Fitzroy Street, W1	Nil	Nil	110,000	110,000	• 14,256 gsm • 153,451 gsf • 130,000 sq ft net	• Dec 2005 • Early 2006
BHS Warehouse Building, 132-140 & 142 Hampstead Road, NW1	Nil	Nil	Nil	Nil	• 13,050 gsm • 140,000 gsf • 110,000, sq ft net	• February 2001 • 2007
19-29 Woburn Place, WC1	Nil	Nil	101,000	101,000	• 12,779 gsm • 137,553 gsf • 105,000 sq ft net	• NK • 2006
Holborn Links, 121-126 High Holborn, WC1	Nil	Nil	60,000	60,000	• 10,033 gsm • 107,995 gsf • 90,000, sq ft	• July 2005 • 2007
227-233 Tottenham Court Road, W1	Nil	Nil	30,000	30,000	• 5,989 gsm • 64,465 gsf • 55,000 sq ft net	• Oct 2004 • 2007
21 Stephen Street, W1	Nil	Nil	37,000	37,000	• 5,650 gsm • 60,816 gsf • 50,000 sq ft net	• NK • 2006
CITY OF LONDON						
St Botolph's House, 138-139 Houndsditch, EC3	Nil	84,000	46,000	130,000	• 135,931 gsm • 1,463,154 gsf • 1,000,000 sq ft net	• Permitted Jan 2004 • 2007
122 Leadenhall Street, EC3	Nil	Nil	160,000	160,000	• 67,044 gsm • 721,658 gsf • 575,000 sq ft net	• October 2004 • 2009
21 Moorfields, Moorfields High Walk, EC2	Nil	Nil	168,000	168,000	• 55,494 gsf • 597,335 gsf • 480,000 sq ft net	• October 2004 • 2007
"Societe Generale Site", 41 Tower Hill, EC3	Nil	Nil	164,000	164,000	• 53,641 gsm • 577,000 gsf • 450,000 sq ft net	• March 2001 (renewed Jan 2006) • 2007+
Fleet Building, 70 Farringdon Street, EC4	Nil	Nil	200,000	200,000	• 53,905 gsm • 580,000 gsf • 450,000 sq ft net	• July 2004, renewal of 1999 permission • 2007
Walbrook House, 19-37 Walbrook, St Swithin's House, 11-12 St Swithin's Lane EC4	Nil	Nil	250,000 (St Swithins + Granite + Walbrook) on leases until at least 2005	250,000	• 48,163 gsm • 518,000 gsf • 440,000 sq ft net	• November 2004 • 2008
British Rail Cannon Street Phase 2	Nil	Nil	144,000	144,000	• 49,749 gsm • 535,496 gsf • 430,000 sq ft net	• Jan 2005 (revised enlarged permission) • 2007

Table A4 - Office Permissions over 50,000 sq ft net in Central London by Borough at End 2005

Scheme	*Pre- Redevelopment Offices – Mid 2001 Situation*				Proposed Offices • gsm (gross sq m) • gsf (gross sq ft) • sq ft net	• Permission dates • Earliest Start Date
	Demolished (i)	Existing Vacant (ii)	Existing Occupied (iii)	Total Pre-Redevelopment (ie i+ii+iii)		
International House, 1 Mitre Square, 22-24 Creechurch Lane, 10-14 Mitre Street, EC3	Nil	Nil	150,000	150,000	• 47,206 gsm • 508,123 gsf • 400,000 sq ft net	• July 2005 • 6-20 storey tower proposal
Heron Tower, 106-126 Bishopsgate, EC2	Nil	Nil	Nil	85,000 (Kempson & Bishop)	• 56,355 gsm • 606,605 gsf • 360,000 sq ft net	• July 2002 • 2007 for 2010 completion. Heron trying to raise funding at the end of 2005
Rolls House, 7 Rolls Buildings, 8 Breams Buildings and Arnold House,18 Bream's Buildings, EC4	Nil	Nil	80,000	80,000	• 34,968 gsm • 376,000 gsf • 300,000 sq ft net	• Feb 2004 • 2007
Clements House, 14-18 Gresham Street, + 25 Milk Street, EC2	Nil	38,000	135,000	173,000	• 32,022 gsm • 344,684 gsf • 280,000 sq ft net	• December 2005 • Not known
Drapers Gardens, 12 Throgmorton Avenue, EC2	Nil	Nil	185,000	185,000	• 37,270 gsm • 401,000 gsf • 270,000 sq ft net	• Oct 2002 • Has been vacant for a good while
Mariner House, Pepys Street, EC3	Nil	Nil	108,000 (HSBC lease expiry 2013, not on HSBC disposal website)	108,000	• 28,394 gsm • 305,632 gsf • 244,000 sq ft net	• Various since 1980s, last renewal July 2003 for enlarged scheme • 2006
New Street Square Building D, New Fetter Lane, EC4	Nil	Nil	See A-C record	See A-C record	• 26,334 gsm • 283,458 gsf • 236,000 sq ft net	• April 2004 • Note A-C are under construction • 2006 (awaiting pre-let)
Mermaid House, 2 Puddle Dock, EC4	Nil	40,000?	Nil	40,000?	• 24,653 gsm • 265,000 gsf • 210,000 sq ft net	• Nov 2003 • Long-term 30,000 sq ft available short-term late 2005
2-14 St Martin's-le-Grand, 150 Cheapside, EC1	Nil	120,000	30,000	150,000	• 26,009 gsm • 279,960 gsf • 200,000 sq ft net	• Various since 1992 (latest app Sep 2002) • Demolition proceeding late 2005 for 2006 start
27-35 Poultry, EC2	Nil	Nil	200,000	200,000	• 28,716 gsm • 309,099 gsf • 200,000 sq ft net	• April 2003 • Lapur acq from HSBC Jan 2005 for £26m

Table A4 - Office Permissions over 50,000 sq ft net in Central London by Borough at End 2005

Scheme	*Pre- Redevelopment Offices – Mid 2001 Situation*				Proposed Offices • gsm (gross sq m) • gsf (gross sq ft) • sq ft net	• Permission dates • Earliest Start Date
	Demolished (i)	Existing Vacant (ii)	Existing Occupied (iii)	Total Pre-Redevelopment (ie i+ii+iii)		
Tenter House, 45 Moorfields, EC2	Nil	Nil	93,000 ?? (BT)	93,000	• 22,015 gsm • 237,000 gsf • 190,000 sq ft net	• February 2002 • Refurbishment floor by floor short-term
64-74 Mark Lane, 5-12 New London Street, EC3	Nil	Nil	70,000	70,000	• 22,016 gsm • 236,980 gsf • 190,000 sq ft net	• May 2002 • 2006
Bath House, 52-60 Holborn Viaduct, EC1	Nil	Nil	160,000	160,000	• 20,755gsm • 223,000 gsf • 180,000 sq ft net	• Sep 2002 • 2007 • Favermead tried to sell 2068 leasehold but not proceeding. Being let short-term
107 Cheapside, EC2	Nil	Nil	128,000	128,000	• 19,765 gsm • 212,749 gsf • 180,000 sq ft net	• April 2005 • 2006 – start imminent contract awarded
62-63 Threadneedle Street, 1 Bartholomew Lane, EC2	Nil	Nil	100,000	100,000	• 19,814 gsm • 213,278 • 170,000 sq ft net	• Aug 2002 • (Note PPG exists for 1 B Lane on its own – latest 1BL application as recent as Nov 2005 for 11,018 gsm offices behind retained facade)
Stone House, 128-140 Bishopsgate, EC2	Nil	Nil	130,000	130,000	• 18,650 gsm • 200,000 gsf • 160,000 sq ft net	• July 2004 • Little Brother to Heron Tower – The Egret perhaps?
Ludgate West (Caroone House), 14 Farringdon Street, EC4	Nil	75,000	Nil	75,000	• 17,266 gsm • 185,851 gsf • 150,000 sq ft net	• July 2004 • 2006 – demolished 2005 and substructure underway late 2005, but not a full start
36 and 37-41 Gracechurch Street, EC3	Nil	Nil	104,000	104,000	• 14,076 gsm • 151,513 gsf • 120,000 sq ft net	• April 2002 • 2008 – short-term lettings of existing building
Becket House 81-90 Cheapside, 36-37 Old Jewry, EC2	Nil	Nil	50,000	50,000	• 14,383 gsm • 154,818 gsf • 120,000 sq ft net	• Feb 2002 • 2006

Table A4 - Office Permissions over 50,000 sq ft net in Central London by Borough at End 2005

Scheme	*Pre- Redevelopment Offices – Mid 2001 Situation*				Proposed Offices • gsm (gross sq m) • gsf (gross sq ft) • sq ft net	• Permission dates • Earliest Start Date
	Demolished (i)	Existing Vacant (ii)	Existing Occupied (iii)	Total Pre-Redevelopment (ie i+ii+iii)		
Fur Trade House, 25 Little Trinity Lane/Queensbridge House, EC4	Nil	75,000	Nil	75,000	• 13,715 gsm • 148,000 gsf • 115,000 sq ft net	• Jan 2002 • 2007
Ellerman House, 12-20 Camomile Street, EC3	Nil	Nil	80,000 (multi-occ, leases until 200x)	80,000	• 12,599 gsm • 135,619 gsf • 110,000 sq ft net	• Jan 2005 – time period extended by 5 years to 2009
67 Lombard Street, EC3	Nil	Nil	50,000	50,000	• 12,692 gsm • 136,617 gsf • 110,000 sq ft net	• Oct 2001
Lonsdale Chambers, 25-32 Chancery Lane, 2 Bream's Buildings, EC4	Nil	Nil	91,000	91,000	• 11,159 gsm • 120,115 gsf • 96,000 sq ft net	• July 2002 • 2007
Serjeant's Inn, 1-2 Fleet Street, EC4	Nil	Nil	70,000	70,000	• 10,664 gsm • 114,787 gsf • 90,000 sq ft net	• August 2005 • 2006 (early)
Buckingham House, Prince Rupert House, 62-63 Queen Street, EC4	Nil	Nil	60,000	60,000	• 10,236 gsm • 110,000 gsf • 88,000 sq ft net	• Sept 2004 • 2006
7-10 Old Bailey, EC4	Nil	Nil	60,000	60,000	• 8,783 gsm • 95,000 gsf • 75,000	• March 2004 • 2006
1 Tudor Street, EC4	Nil	Nil	30,000	30,000	• 8,606 gsm • 92,635 gsf • 70,000 sq ft net	• October 2004 • 2007 (after Unilever finishes)
20 St Mary At Hill, EC3	Nil	Nil	35,000	35,000	• 8,023 gsm • 86,359 gsf • 70,000 sq ft net	• July 2003
36-43 Poultry, 1-6 Old Jewry, EC2	Nil	15,000	24,000	39,000	• 7,149 gsm • 76,952 gsf • 60,000 sq ft net	• October 2004 • Demolition proceeding late 2005 • 2006
70 Chancery Lane, 311-318 High Holborn, WC1, 2 Southampton Buildings, , WC2	Nil	Nil	30,000	30,000	• 7,325 gsm • 78,846 gsf • 63,000 sq ft net	• Sept 2002 • 2006 (Demolition underway late 2005)
1-2 King's Arms Yard, 19 Tokenhouse Street, EC2	Nil	Nil	Nil	Nil	• 7,322 gsm • 79,000 gsf • 60,000 sq ft net	• July 2000 • Demolished in 2002
Seacoal House, 9 Limeburner Lane, EC4	Nil	20,000	Nil	20,000	• 7,890 gsm • 84,928 gsf • 67,000 sq ft net	• July 2003

Table A4 - Office Permissions over 50,000 sq ft net in Central London by Borough at End 2005

Scheme	*Pre- Redevelopment Offices – Mid 2001 Situation*				Proposed Offices • gsm (gross sq m) • gsf (gross sq ft) • sq ft net	• Permission dates • Earliest Start Date
	Demolished (i)	Existing Vacant (ii)	Existing Occupied (iii)	Total Pre-Redevelopment (ie i+ii+iii)		
91-109 Moorgate, EC2	Nil	Nil	41,000 Norton Rose lease to 2006	41,000	• 6,568 gsm • 71,000 gsf • 56,000 sq ft net	• Nov 2004 • Renewal submitted late 2004 to keep 1999 permission alive
30-32 Lombard Street, EC3	Nil	45,000 (Available)	Nil	45,000	• 5,511 gsm • 59,000 gsf • 50,000 sq ft net	• March 2004 • Occupied as at 2005 -
54-60 Gresham Street, Refuge House, 66 Gresham Street, 26 Old Jewry, 13 Ironmonger Lane, EC2	Nil	Nil	20,000	20,000	• 6,586 gsm • 71,000 gsf • 55,000 sq ft net	• Dec 2002
8-13 Lime Street, EC3	Nil	Nil	40,000	40,000	• 6,467 gsm • 70,000 gsf • 55,000 sq ft net	• June 2002 • Revised application for similar Nov 2005
15 Bishopsgate, EC2	Nil	Nil	45,000	45,000	• 6,169 gsm • 66,403 gsf • 50,000 sq ft net	• Jan 2004 •
2-18 St Bride Street, 87-89 Farringdon Street, EC4 (Wates Construction)	Nil	40,000 (since late 1980s)	Nil	40,000	• 5,962 gsm • 64,000 gsf • 50,000 sq ft net	• Various since 1980s, renewal application 2004 also has resi permission • Not known
HACKNEY						
Northgate Worship Street, Hearn Street Curtain Road, Plough Yard & Bowl Court EC2	Nil	Nil	Nil	Nil	• 95,000 gsm • 1,022,580 gsf • 773,000 sq ft net	• Feb 2003 • Hammerson has taken over the option on this and will probably re-plan with its 233 site next door – over 1m sq ft net on both
Synter BMW etc (old permission-still valid), 12-20 Paul Street, 83-105 Clifton Street, EC2	Nil	Nil	Nil	32,000	• 26,870 gsm • 289,227 gsf • 230,000 sq ft net	• March 2005 • Previous consent for smaller scheme of 7,025 gsm offices in June 2000

Table A4 - Office Permissions over 50,000 sq ft net in Central London by Borough at End 2005

Scheme	*Pre- Redevelopment Offices – Mid 2001 Situation*				Proposed Offices • gsm (gross sq m) • gsf (gross sq ft) • sq ft net	• Permission dates • Earliest Start Date
	Demolished (i)	Existing Vacant (ii)	Existing Occupied (iii)	Total Pre-Redevelopment (ie i+ii+iii)		
233 Shoreditch High Street, E1	Nil	Nil	Nil	Nil	• 23,634 gsm • 254,000 gsf • 200,000 sq ft net	• December 2004 • 2007 • 17-23 storeys
151-157 City Road, EC1	Nil	Nil	Nil	Nil	• 8,151 gsm • 87,737 gsf • 70,000 sq ft net	• Permitted on Appeal Oct 2003 • 11 storeys
65-75 Scrutton Street, 45 Curtain Road, EC2	Nil	16,000	Nil	16,000	• 6,600 gsm • 71,000 gsf • 55,000 sq ft net	• March 2002 • NK
50-60 Wharf Road, N1	Nil	Nil	20,000	20,000	• 5,879 gsm • 63,281 gsf • 50,000 sq ft net	• Feb 2005 • Mixed use with 77 resi units, Workspace sold to United House Dec 2005
HAMMERSMITH						
BBC White City, (Gateway Office Building), W12		Nil	Nil	Nil	• 230,000 gsf E • 189,000 sq ft net	• July 2001 • 2006
Hammersmith Embankment Phases 3-6, Winslow Road Site, W6	Nil	Nil	Nil	Nil	• 48,370 gsm • 520,654 gsf • 440,000 sq ft net	• February 2001 • 2006
Imperial Wharf & Nacovia Wharf (Blocks D,H&J1), Townmead Road, SW6	Nil	Nil	Nil	Nil	• 100,000 sq ft net	• May 2000 • 2002
Former Co-operative Dairy Site, 68-84 Parsons Green Lane, SW6	Nil	Nil	Nil	Nil	• 7,848 gsm • 85,000 sq ft gross • 70,000 sq ft net	• Feb 2002 • 2006
Hammersmith Palais (Po Na Na), 242 Shepherd's Bush Road, W6	Nil	Nil	Nil	Nil	• 5,725 gsm • 61,623 gsf • 50,000	• July 2001 • 2006
ISLINGTON						
Ropemaker Place, 25 Ropemaker Street, EC2 (DB Real Estate & Helical Bar)	Nil	250,000	Nil	250,000	• 67,984 gsm • 731,776 gsf • 500,000 sq ft net	• December 2003 • 2006 • (20 storey tower)

Table A4 - Office Permissions over 50,000 sq ft net in Central London by Borough at End 2005

Scheme	*Pre- Redevelopment Offices – Mid 2001 Situation*				Proposed Offices • gsm (gross sq m) • gsf (gross sq ft) • sq ft net	• Permission dates • Earliest Start Date
	Demolished (i)	Existing Vacant (ii)	Existing Occupied (iii)	Total Pre-Redevelopment (ie i+ii+iii)		
11-23 City Road, 2-6 Epworth Street, EC1	Nil	Nil	30,000	30,000	• 19,530 gsm • 210,000 gsf • 165,000 sq ft net	• May 2003 • Now to be superseded by hotel permission (Sept 2005) which looks likely to be implemented, Travelodge having taken a lease
Arsenal FC, Ashburton Grove, N5	Nil	Nil	Nil	Nil	• 21,000 gsmE • 220,000 gsf • 185,000 sq ft net	• Dec 2001 • 2004 (are the offices U/C?)
Charter House, 2 Farringdon Road, EC1	Nil	Nil	38,000	38,000	• 18,429 gsm • 198,693 gsf • 160,000 sq ft net	• May 2004 • 2008 • (Also 16,000 gsf retail)
City Forum New Unit, 250 City Road, EC1	Nil	Nil	Nil	Nil	• 11,948 gsm • 128,000 gsf • 110,000 sq ft net	• Nov 2002 • (Land Sec acquired Jan 2005)
Maple House, 37-45 City Road, EC1	Nil	Nil	57,000	57,000	• 9,699 gsm • 104,400 gsf • 80,000 sq ft net	• June 2005 • 2006
Farmiloes site, 28-36 St John Street, EC1	Nil	Nil	Nil	Nil	• 6,250 gsm • 67,275 gsf • 50,000 sq ft net	• April 2005 • 2006
36-43 Great Sutton Street, EC1	Niil	Nil	50,000	50,000	• 5,574 gsm • 60,000 gsf • 50,000 sq ft net	• Sept 2003 • 2007
Inmarsat Extension, Albert House, 250-254 Old Street, EC1	Nil	Nil	Nil	60,000	• 6,982 gsm • 75,000 gsf • 60,000 sq ft net	• 2004 • Not Known
KENSINGTON & CHELSEA						
Land at rear of 91-121 Freston Road, W11 (Monsoon)	Nil	Nil	Nil	Nil	• 21,961 gsm • 236,387 gsf • 190,000 sq ft net	• Sept 2004
Kensal Green Gasworks site, Canal Way, W10	Nil	Nil	Nil	Nil	• 15,989 gsm • 182,000 gsf • 140,000 sq ft net	• 2002
167-185 Freston Road, W10	Nil	Nil	Nil	Nil	• 9,225 gsm • 99,297 gsf • 80,000 sq ft net	• May 2002
Units 1-4, 43 Bard Road, W10	Nil	Nil	Nil	Nil	• 7,875 gsm • 86,766 gsf • 70,000 sq ft net	• Sept 2004
Duke of Yorks TAVR Phases 2-3, King's Road, SW3	Nil	Nil	Nil	Nil	• 76,000 sq ft net estimated	• Sept 2002
LAMBETH						

Table A4 - Office Permissions over 50,000 sq ft net in Central London by Borough at End 2005

Scheme	*Pre- Redevelopment Offices – Mid 2001 Situation*				Proposed Offices • gsm (gross sq m) • gsf (gross sq ft) • sq ft net	• Permission dates • Earliest Start Date
	Demolished (i)	Existing Vacant (ii)	Existing Occupied (iii)	Total Pre-Redevelopment (ie i+ii+iii)		
One Westminster Bridge (County Hall Island Block), SE1	Nil	150,000	Nil	150,000	• 31,216 gsm • 336,000 gsf • 270,000 sq ft net	• Aug 2002 • Going apart hotel
One Belvedere Court, Shell Upstream, Chicheley Street, SE1	Nil	Nil	Nil	Nil	• 34,837 gsm • 375,000 • 320,000 sq ft net	• August 2004 • 2007
York House, 199 Westminster Bridge Road, SE1	Nil	Nil	80,000	80,000	• 31,562 gsm • 339,732 gsf • 280,000 sq ft net	• Nov 2005 • 2007
Westminster Business Square, 1-45 Durham Street, SE1	Nil	Nil	65,000	65,000	• 14,639 gsm • 157,573 gsf • 115,000 sq ft net	• May 2005 • NK
Bennie Lifts Site, 2-14 Tinworth Road, SE11	Nil	Nil	Nil	Nil	• 7,694 gsm • 82,818 gsf • 69,000 sq ft net	• Aug 2003 • 2006
44 Clapham Common South Side, SW4	Nil	Nil	30,000	30,000	• 6,590 gsm • 70,934 gsf • 55,000 sq ft net	• Dec 2005 • 2006
SOUTHWARK						
London Bridge Tower (Southwark Towers), 32 London Bridge Street, SE1	Nil	Nil	200,000	200,000	• 75,943 gsm, • 817,447 gsf • 590,000 sq ft net	• Nov 2003 • 2008
London Bridge Station, Tooley Street, Thomas More Street, SE1	Nil	Nil	Nil	Nil	• 62,374 gsm, • 670,000 gsf • 525,000 sq ft net	• July 2003 • 2008
7 More London Riverside, Tooley Street, SE1	Nil	Nil	Nil	Nil	• 42,921 gsm • 461,999 gsf • 400,000 sq ft net	• April 2002 • 2006
Ten Blackfriars Road, (J Sainsbury HQ), 10 Blackfriars Road, Stamford Street, SE1	Nil	Nil	150,000	150,000	• 43,856 gsm • 472,000 gsf • 375,000 sq ft net	• Dec 2002 • Now subject to resi hotel application on 63 storeys
154-172 Tooley Street, SE1	Nil	Nil	60,000	60,000	• 25,833 gsm • 278,065 gsf • 220,000 sq ft net	• November 2005
Site E, Canada Water, Surrey Quays Road, SE1	Nil	Nil	Nil	Nil	• 20,000 gsm • 215,000 gsf • 170,000 sq ft net	• Jun 2002
Lumina, 135 Park Street, SE1	Nil	Nil	34,000	34,000	• 11,148 gsm • 119,997 gsf • 100,000 sq ft net	• Nov 2001
Southwark Station, 68-71 Blackfriars Road, SE1	Nil	Nil	Nil	Nil	• 96,000 sq ft net	• April 2002
70-82 St Thomas Street, SE1	Nil	Nil	Nil	Nil	• 7,278 gsm • 78,000 gsf • 60,000	• Feb 2000 •

Table A4 - Office Permissions over 50,000 sq ft net in Central London by Borough at End 2005

Scheme	*Pre- Redevelopment Offices – Mid 2001 Situation*				Proposed Offices • gsm (gross sq m) • gsf (gross sq ft) • sq ft net	• Permission dates • Earliest Start Date
	Demolished (i)	Existing Vacant (ii)	Existing Occupied (iii)	Total Pre-Redevelopment (ie i+ii+iii)		
Paris Gardens, Hatfields vacant site, SE1	Nil	Nil	Nil	Nil	• 72,000 sq ft net	• Several renewals latest in 2000. Outline application Oct 2003.
Blink Point (Riverside Workshops), 28-32 Park Street, SE1	Nil	Nil	20,000	20,000	• 5,574 gsm • 59,998 gsf • 50,000 sq ft net	• April 2002
Nicholas House, 181-193 Union Street, SE1	Nil	Nil	Nil	Nil	• 5,400 gsm • 58,125 gsf • 50,000 sq ft net	• Nov 2001
TOWER HAMLETS						
North Quay (Shed 35), Aspen Way, E14	Nil	Nil	Nil	Nil	• 372,660 gsm • 4,011,294 gsf • 3,000,000 net sq ft	• July 2005 • 37 & 43 storey towers linked by 23 storeys • 20m in PG
Canary Riverside Phases 2 & 3, Canary Wharf, E14	Nil	Nil	Nil	Nil	• 198,872 gsm • 2,140,648 gsf • 1,700,000 net sq ft	• Sept 2004 • 20m in PG = 11.75 psf
Canary Wharf BP – 2-4 Churchill Place E14	Nil	Nil	Nil	1m	• 111,482 gsm • 1,200,000 gsf • 950,000 net sq ft (Barclays has call option on BP-2)	• June 1991 • 300,000 sq ft pre-let to State Street early 2006
Goodmans Fields, E1	Nil	Nil	300,000E	300,000E	• 85,220 gsm • 917,304 gsf • 730,000 net sq ft	• Jan 2004 • May have been bought late 2005 by Morgan Stanley Real Estate Fund with rest of RBS's portfolio
London Millharbour, (Former Guardian Printworks) 2 Millharbour E14	Nil	Nil	Nil	Nil	• 93,000 gsm • 1,001,052 gsf • 728,000 net sq ft	• 21 May 2001 • Now in 2 phases 1(west) of c.460K and 2(east) of c.300K
Aldgate Union, Whitechapel High Street, E1	Nil	Nil	Nil	Nil	• 54,998 gsm • 592,000 gsf • 560,000 sq ft net	• 2002 • This is new-build element to the east of the existing building, RBS due to occupy the refurb. bit

Table A4 - Office Permissions over 50,000 sq ft net in Central London by Borough at End 2005

Scheme	*Pre- Redevelopment Offices – Mid 2001 Situation*				Proposed Offices • gsm (gross sq m) • gsf (gross sq ft) • sq ft net	• Permission dates • Earliest Start Date
	Demolished (i)	Existing Vacant (ii)	Existing Occupied (iii)	Total Pre-Redevelopment (ie i+ii+iii)		
Canary Wharf - DS3, 15 Churchill Place, E14	Nil	Nil	Nil	Nil	• 66,890 gsm • 720,000 gsf • 650,000 net sq ft	• June 1991 • 2001 ground works started but not full construction (up to street level 2004)
Arrowhead Quay (Phase II) Marsh Wall E14	Nil	Nil	Nil	Nil	• 57,830 gsm • 622,000 gsf • 500,000 net sq ft	• 14 May 2001 • 2003 (Pre-lets sought) • New app for 298 flats and 473,991 sq ft gross offices Dec 2002 – not determined early 2006
Site bounded by Nutmeg lane, Coriander Ave, etc, E14	Nil	Nil	Nil	Nil	• 55,000 gsm • 590,000 gsf • 475,000 sq ft net	• April 2001 • This is a data centre PPG, but could equally go office with massing established
World Trade Centre (WTC 1-3) Marsh Wall E14	Nil	Nil (but note that steel frame was built for offices on this site)	Nil	Nil	• 51,000 gsm • 549,000 gsf • 440,000 net sq ft	• May 2001 • 2002
DLR Site Royal Mint Street, Mansell Street E1	Nil	Nil	Nil	Nil	• 69,344 gsm • 746,419 gsf • 600,000 net sq ft	• June 1998, renewed Feb 2004 • Not known
Indescon Court, 20 Millharbour, E14	Nil	Nil	50,000	50,000	• 45,680 gsm • 493,635 gsf • 400,000 sq ft net	• Dec 2002 • No change early 2006
Rodwell House, 100 Middlesex Street, E1	Nil	Nil	75,000	75,000	• 42,609 gsm • 458,641gsf • 370,000 sq ft net	• May 2004 • 2,094,820 PG in lieu of mixed uses • 29 storeys GE/Abstract sold to Blackstone Dec 2005
New Providence Wharf (Charrington Wharf -Charrington Fuel Depot) Blackwall Way, Gasle Street E14	Nil	Nil	Nil	Nil	• 42,600 gsm • 458,000 gsf • 350,000 net sq ft	• April 2001 • Resi-led scheme, 767 resi units, 4,900 retail, 400 hotel rooms, U/C,

Table A4 - Office Permissions over 50,000 sq ft net in Central London by Borough at End 2005

Scheme	*Pre- Redevelopment Offices – Mid 2001 Situation*				Proposed Offices • gsm (gross sq m) • gsf (gross sq ft) • sq ft net	• Permission dates • Earliest Start Date
	Demolished (i)	Existing Vacant (ii)	Existing Occupied (iii)	Total Pre-Redevelopment (ie i+ii+iii)		
Quadratic (South Point)(former Passmore's site) 4 Mastmaker Road E14	Nil (Ancillary offices to warehouse only)l	Nil	Nil	Nil	• 31,364 gsm • 337,000 gsf • 275,000 net sq ft	• May 2001 • 2002 (Pre-let sought) • Leased by Daimler Chrysler as after sales centre in 2002 • 31,000 industrial space
Columbus Tower (Hertsmere House), Hertsmere Road, E14	Nil	Nil	52,000	52,000	• 30,085 gsm • 323,833 gsf • 260,000 sq ft net	• March 2004 • 63 storeys with hotel (sold by Abu Dhabi royal family to CEG Nov 2005)
London Arena, 36 Millharbour, E14	Nil	Nil	Nil	Nil	• 26,500 gsm • 285,245 gsf • 230,000 sq ft net	• was 500k net May 2002 • Sept 2005 permission for 1.5msf devt in 8 bldgs, 7-43 storeys, 972 resi, offices, 167,000 sfg hotel, 51,775 gsf retail, community facility, fitness club
Aldgate East Station, 112-120 Whitechapel High Street, E1	Nil	Nil	Nil	Nil	• 25,000 gsm • 269,000 gsf • 200,000 sq ft net	• Oct 2002 with 95,000 sq ft hotel • March 2005 revised application of 23 storey tower with 90,000 gsf offices, 217 resi and 22,800 gsf retail
Telehouse Phase 2, Coriander Avenue, E14	Nil	Nil	Nil	Nil	• 220,000 sq ft net	• Renewed in 2003? • Not really office space, but could easily be switched
Canary Wharf -1 Park Place E14	Nil	Nil	36,000	36,000	• 25,000 gsm • 269,000 gsf • 210,000 net sq ft	• April 2001 • Occupied on long lease by Littlejohn Fraser

Table A4 - Office Permissions over 50,000 sq ft net in Central London by Borough at End 2005

Scheme	*Pre- Redevelopment Offices – Mid 2001 Situation*				Proposed Offices • gsm (gross sq m) • gsf (gross sq ft) • sq ft net	• Permission dates • Earliest Start Date
	Demolished (i)	Existing Vacant (ii)	Existing Occupied (iii)	Total Pre-Redevelopment (ie i+ii+iii)		
44-65 Prescot Street 2-32 South Tenter Street E1	Nil	NIl	Nil	Nil	• 19,350 gsm • 208,282 gsf • 166,000 net sq ft	• March 2003 • Revised non-office application Jan 2005 – up to 20 storeys with 256 bed hotel and 156 serviced apts
Tower House 34-40 Trinity Square, Trinity Place EC3	Nil	Nil	45,000	45,000	• 10,000 gsm • 107,600 gsf • 86,000 net sq ft	• Dec 2003 • Mercer vacated Oct 2005 and space being re-let as is
Eden House 5-14 Spital Square E1	• Nil	Nil	Nil	Nil	• 6,856 Gr Sq M • 73,798 Gross sq Ft • 60,000 Net Sq Ft	• 2003 • No change 2005
WANDSWORTH						
Battersea Power Station, Battersea Park Road, SW8	Nil	Nil	Nil	Nil	• 55,000 gsm • 592,000 gsf • 500,000 sq ft net	• September 2000 • 2007
Wandsworth Riverside Quarter (Shell Oil Terminal)	Nil	Nil	Nil	Nil	• 15,860 gsm • 70,000 • (30,000 additional completed)	• June 2001 •
Stewart's Lane Depot, Silverthorne Road, SW8	Nil	Nil	Nil	Nil	• 107,000 sq ft net	• NK
Albion Wharf (rear part for Foster own occ), 17-35 Battersea High Road, SW11	Nil	Nil	Nil	Nil	• 75,000 sq ft net	• May 2003
Chelsea Bridge Wharf, Queenstown Road, SW8	Nil	Nil	Nil	Nil	• 8,791 gsm • 94,626 gsf • 70,000 sq ft net	• Sept 2000
Former Thames Water Riverside Site, Cringle Street, Kirtling Street, SW8	Nil	Nil	Nil	Nil	• 6,700 gsm • 58,000	• April 2000
Battersea Reach (Guinness Distillery Site/Gargoyle Wharf), York Road, SW18	Nil	Nil	Nil	Nil	• 6,694 gsm • 72,054 gsf • 50,000 sq ft net	• May 2000
WESTMINSTER						
Paddington Central Phase 2b (Building 4), Bishops Bridge Road, W2	Nil	Nil	Nil	Nil	• 46,451 gsm • 500,000 gsf • 400,000 sq ft net	• June 2003 • Construction start on this and Building 3 below expected early 2006.

Table A4 - Office Permissions over 50,000 sq ft net in Central London by Borough at End 2005

Scheme	*Pre- Redevelopment Offices – Mid 2001 Situation*				Proposed Offices • gsm (gross sq m) • gsf (gross sq ft) • sq ft net	• Permission dates • Earliest Start Date
	Demolished (i)	Existing Vacant (ii)	Existing Occupied (iii)	Total Pre-Redevelopment (ie i+ii+iii)		
Paddington Central, Phase 2a Building 3, Bishops Bridge Road, W2	Nil	Nil	Nil	Nil	• 27,871 gsm • 300,000 gsf • 250,000 sq ft net	• June 2003 • Construction start on this and Building 4 above expected early 2006.
Paddington Central, Future Phases, Bishops Bridge Road, W2	Nil	Nil	Nil	Nil	• 35,302 gsm • 380,000 gsf • 300,000 sq ft net	• Not entirely clear what the planning status is of these last two buildings at the western apex of the Paddington Central site – space enough for c.300,000 sq ft net.
Paddington Station - Span 4 Site, Praed Street, W2	Nil	Nil	Nil	Nil	• 85,842 gsm • 923,999 gsf • 600,000 sq ft net	• Permission in principle Aug 2003 • Redevelopment of listed and non-listed parts of Paddington plus 60,000 sq ft gross retail. No start likely until 2010 apparently. • EH states 3/3/06 that it sanctions demolition of Grade I listed structure on grounds of benefit to rest of station.

Table A4 - Office Permissions over 50,000 sq ft net in Central London by Borough at End 2005

Scheme	*Pre- Redevelopment Offices – Mid 2001 Situation*				Proposed Offices • gsm (gross sq m) • gsf (gross sq ft) • sq ft net	• Permission dates • Earliest Start Date
	Demolished (i)	Existing Vacant (ii)	Existing Occupied (iii)	Total Pre-Redevelopment (ie i+ii+iii)		
Merchant Square (Grand Union Building Office+Hotel) Paddington, W2	Nil	Nil	Nil	Nil	• 79,895 gsm • 860,000 gsf • 660,000 sq ft net	• 2003 in principle • Also included 268 resi units (81 AH), and 3 screen cinema in base of the 30 storey tower. • Revised application early 2006 for 3 office buildings and other uses (total 1.8 msf gross) under the name Merchant Square. Offices c. 280, 210,180K sf net)
Selfridges Store and Hotel site, 400 Oxford Street, W1	Nil	Nil	Nil	Nil	• 33,444 gsm • 360,000 gsf • 290,000 sq ft net	• 2003 • Unlikely to proceed in this form – office development unlikely, but permission extant
190 Strand, Arundel Street, Milford Lane, WC2	Nil	Nil	200,000	200,000	• 27,244 gsm • 293,253 gsf • 235,000 sq ft net	• Nov 2005 • Major mixed use redevelopment with 44 residential units and 12,000 gsf retail. Main occupier Lawrence Graham is vacating for More London.

Table A4 - Office Permissions over 50,000 sq ft net in Central London by Borough at End 2005

Scheme	*Pre- Redevelopment Offices – Mid 2001 Situation*				Proposed Offices • gsm (gross sq m) • gsf (gross sq ft) • sq ft net	• Permission dates • Earliest Start Date
	Demolished (i)	Existing Vacant (ii)	Existing Occupied (iii)	Total Pre-Redevelopment (ie i+ii+iii)		
Regent Palace Hotel, Glasshouse Street, 10-12 Sherwood Street, 65-75 Brewer Street, W1	Nil	Nil	Nil	Nil	• 23,984 gsm • 258,163 gsf • 200,000 sq ft net	• July 2004 • Major redevelopment of the hotel with 76 social housing units being offered in the Annex against the resi requirement on this scheme. 62,000 gsf retail as well.
Crown House, 51-53 Aldwych, 1Kingsway, Ingersoll House, 3-9 Kingsway & Awdry House, 11 Kingsway, WC2	Nil	Nil	125,000E	125,000E	• 18,952 gsm • 204,000 gsf • 160,000 sq ft net	• July 2003 • Permission also includes 12 resi units, 14,445 gsf A1 retail and 12,325 gsf A3 retail.
43-55 Mortimer Street, 55-58 Well Street, 20-34 Great Titchfield Street, W1	Nil	Nil	100,000	100,000	• 18,618 gsm • 200,403 gsf • 167,000 sq ft net	• April 2005 • Titchmor scheme from GPE, with 13 resi units, plus 13 units off site at 79-83 Great Portland Street, plus 178,000 cash in lieu and 30,000 sq ft net retail A1 and 4,650 sq ft gross A3.
St Mary's Hospital, Praed Street, W2	Nil	Nil	Nil	Nil	• 14,120 gsm • 151,987 gsf • 120,000 sq ft net	• Aug 2002 • Complex saga as the costs of creating Paddington Health Campus got out of control and putative land deal between various parties criticised by government. This office content reflects 2002 consent unlikely to be implemented

Table A4 - Office Permissions over 50,000 sq ft net in Central London by Borough at End 2005

Scheme	*Pre- Redevelopment Offices – Mid 2001 Situation*				Proposed Offices • gsm (gross sq m) • gsf (gross sq ft) • sq ft net	• Permission dates • Earliest Start Date
	Demolished (i)	Existing Vacant (ii)	Existing Occupied (iii)	Total Pre-Redevelopment (ie i+ii+iii)		
Howick Place Post Office, Howick Place, SW1	Nil	Nil	Nil	Nil	• 13,378 gsm • 144,000 gsf • 120,000 sq ft net	• June 2005 • Demolition underway late 2005, also has 123 resi units, 11,377 gsf retail
Telstar House, Eastbourne Terrace, W2	Nil	Nil	86,000	86,000	• 12,593 gsm • 135,500 gsf • 110,000 sq ft net	• Oct 2004 • Fire damaged in 2003, necessitating redevet. Demolition well advanced late 2005 – early start 2006 expected
39-40 Portman Square, W1	Nil	Nil	60,000	60,000	• 12,028 gsm • 129,469 gsf • 100,000 sq ft net	• May 2003 • Also includes 20 resi units. British Horseracing Board surrendered in 2004
Film House, 142 Wardour Street, W1 (Threadneedle – long lease)	Nil	100,000	Nil	100,000	• 14,215 gsm • 153,000 gsf • 120,000 sq ft net	• May 2003 • Threadneedle acquired the long lease in 2005. Office size shown here also includes 2,087 gsm "light industrial" and 6 flats
Fortess House, 23 Savile Row, W1	Nil	Nil	80,000	80,000	• 11,199 gsm • 120,545 gsf • 84,000 sq ft net	• March 2004 • Long time HQ of English Heritage, also includes 6 resi units, and 8,277 gsf retail. Revised application with smaller office content of 9,365 gsm Feb 2005.
84-90 Regent Street, 27-29 Glasshouse Street, W1	Nil	Nil	70,000	70,000	• 10,002 gsm • 107,661 gsf • 80,000 sq ft net	• July 2004 • New build scheme with major retail component of 61,581 gsf.

Table A4 - Office Permissions over 50,000 sq ft net in Central London by Borough at End 2005

Scheme	*Pre- Redevelopment Offices – Mid 2001 Situation*				Proposed Offices • gsm (gross sq m) • gsf (gross sq ft) • sq ft net	• Permission dates • Earliest Start Date
	Demolished (i)	Existing Vacant (ii)	Existing Occupied (iii)	Total Pre-Redevelopment (ie i+ii+iii)		
5-10 Denman Street, 35-39 Great Windmill Street, W1	Nil	6,000	Nil	6,000	• 8,007 gsm, • 86,187 gsf • 70,000 sq ft net	• Mar 2002 • No change during 2004/5
Abford House, 15 Wilton Road, SW1	Nil	Nil	55,000	55,000	• 10,294 gsm • 110,804 gsf • 90,000 sq ft net	• Feb 2005 • Commuted payment of 1m to transport improvements – no AH
Grosvenor Gardens House, 35-37 Grosvenor Gardens, SW1	Nil	Nil	60,000	60,000	• 7,927 gsm • 85,326 gsf • 70,000 sq ft net	• March 2004 • Refurbishment and extension of existing office retail building
Wellington House, 6-8 Upper St Martin's Lane, WC2	Nil	Nil	45,000 (Check leases)	45,000	• 7,756 gsm • 84,000 gsf • 65,000 sq ft net	• June 2001, various since 1980s • Long standing consent dating back to 1980s. Also has 20 resi units
77-95 Victoria Street, SW1	Nil	Nil	40,000 (Leases till 2004)	40,000	• 6,995 gsm • 75,294 gsf • 60,000 sq ft net	• April 2001 • Letting short-term 2004
16-19 Gresse Street, 7-9 Rathbone Place, W1	Nil	Nil	45,000	45,000	• 7,002 gsm • 75,369 gsf • 60,000 sq ft net	• April 2005 • Also includes 11 resi units at 7-8 Rathbone Place
Elliott House, 10-12 Arlington Street, SW1	Nil	Nil	30,000	30,000	• Check • 60,000 sq ft net	• December 1997, renewed Nov 2002. • 2004
Knighton House, 56 Mortimer Street, W1	Nil	Nil	25,000	25,000	• 6,625 gsm • 71,311 gsf • 60,000 sq ft net	• April 2005 • Off site resi has 2 flats in 79-83 Great Portland Street, with further 14 units on site

Table A4 - Office Permissions over 50,000 sq ft net in Central London by Borough at End 2005

Scheme	*Pre- Redevelopment Offices – Mid 2001 Situation*				Proposed Offices • gsm (gross sq m) • gsf (gross sq ft) • sq ft net	• Permission dates • Earliest Start Date
	Demolished (i)	Existing Vacant (ii)	Existing Occupied (iii)	Total Pre-Redevelopment (ie i+ii+iii)		
Collingwood House, 99-111 New Cavendish Street, W1	Nil	Nil	45,000	45,000	• 6,063 gsm • 65,262 gsf • 53,000 sq ft net	• Feb 2003 Revised permission Nov 2005 for change of use to 88 residential units in compensation for loss of 37 elsewhere in office or medical developments.
Davis House, 129 Wilton Road, SW1	Nil	Nil	20,000	20,000	• 6,044 gsm • 65,000 gsf • 50,000 sq ft net	• April 2000 • Revised application with 38 housing units (up from 17) Dec 2004. Not determined end 2005.
Premier House, 44-48 Dover Street, W1	Nil	Nil	20,000	20,000	• 5,518 gsm • 59,395 gsf • 50,000 sq ft net	• Oct 2005 • Scheme also includes 2 resi units and 725 gsm retail

Source: London Property Research, London Office Database

APPENDIX 5 – ACTUAL AND PROJECTED FBS EMPLOYMENT BY BOROUGH AND SUB-REGION 2001-2026

Table A5 - Financial & Business Services Employment Projections by Borough 2001-2026 (thousands)							
Borough	**2001 Actual**	**2003 Actual**	**2006**	**2011**	**2016**	**2021**	**2026**
Barking & Dagenham	7,503	7,221	7,865	8,564	9,602	10,570	11,435
Barnet	37,130	35,792	37,862	40,691	43,407	46,403	48,936
Bexley	15,872	16,760	17,513	18,354	20,621	22,238	23,631
Brent	21,412	17,610	19,008	20,054	22,375	23,965	25,521
Bromley	30,597	32,581	33,665	35,009	36,760	38,534	39,870
Camden	101,988	98,299	105,452	114,972	128,312	137,742	143,658
City of London	268,835	255,524	268,101	300,134	311,455	318,328	324,553
Croydon	44,457	43,337	44,795	46,628	49,019	51,452	53,341
Ealing	32,652	31,072	33,231	35,842	39,880	41,855	46,231
Enfield	24,771	21,186	22,358	23,540	25,320	27,006	28,375
Greenwich	10,708	10,661	11,445	12,451	13,626	14,752	15,686
Hackney	31,905	30,696	32,758	35,712	39,690	43,333	46,669
Hammersmith & Fulham	33,471	34,161	37,679	42,560	47,760	51,238	52,723
Haringey	13,158	13,225	14,435	14,947	17,400	18,999	20,393
Harrow	23,082	21,680	23,395	24,771	26,891	29,109	31,059
Havering	19,491	21,166	22,036	22,797	25,050	26,686	28,042
Hillingdon	38,560	38,306	40,781	44,487	49,201	53,554	57,446
Hounslow	41,940	34,199	36,767	38,732	42,331	45,453	48,104
Islington	64,456	62,125	67,465	76,940	85,064	90,907	95,956
Kensington & Chelsea	36,722	32,855	35,618	40,030	41,745	42,770	43,187
Kingston upon Thames	24,217	20,477	21,275	22,118	23,223	24,257	24,995
Lambeth	35,892	38,164	41,996	48,382	51,563	54,300	55,460
Lewisham	16,212	17,489	18,542	20,769	22,286	24,272	26,062
Merton	23,533	17,769	18,820	20,561	21,868	23,420	24,661
Newham	17,433	14,712	16,104	17,980	23,195	27,250	30,913
Redbridge	22,522	20,657	21,679	22,691	25,047	26,465	27,556
Richmond upon Thames	27,536	25,101	26,275	27,232	28,630	29,858	30,693
Southwark	57,293	52,796	59,299	66,491	75,540	85,262	94,712
Sutton	17,976	19,877	20,800	21,912	23,282	24,605	25,635
Tower Hamlets	61,605	68,735	81,545	91,395	111,837	129,744	149,116
Waltham Forest	12,782	10,977	11,759	12,219	13,315	14,334	15,178
Wandsworth	31,170	29,624	31,886	34,615	37,518	40,558	43,182
Westminster	233,473	218,164	230,793	264,421	276,188	284,716	289,955
London	**1,480,354**	**1,413,000**	**1,513,000**	**1,668,000**	**1,809,000**	**1,923,935**	**2,022,935**
Sources: Experian (Actual), Volterra, Roger Tym & Partners (Projections)							

Table A6 - Financial & Business Services Employment Projections by Sub-Region 2001-2026 (thousands)							
Sub-Region	**2001 Actual**	**2003 Actual**	**2006**	**2011**	**2016**	**2021**	**2026**
North	506,881	479,487	511,123	571,223	615,381	649,106	673,943
North East	410,171	398,992	429,088	475,779	519,502	553,377	586,793
South East	130,682	130,288	140,463	153,075	168,833	185,057	199,962
South West	204,781	194,350	205,847	221,448	235,103	248,450	257,966
West	227,839	209,882	226,479	246,475	270,181	287,945	304,272
London	**1,480,354**	**1,413,000**	**1,513,000**	**1,668,000**	**1,809,000**	**1,923,935**	**2,022,935**
Sources: Experian (Actual), Volterra, Roger Tym & Partners (Projections)							

Table A7 - Financial & Business Services Employment Projections by Former Sub-Region 2001-2026 (thousands)							
Sub-Region	**2001 Actual**	**2003 Actual**	**2006**	**2011**	**2016**	**2021**	**2026**
Central	560,994	532,027	572,509	645,851	695,929	736,255	766,110
East	472,086	463,622	497,586	550,847	602,409	643,637	683,663
West	191,117	177,027	190,861	206,445	228,437	245,175	261,085
North	87,841	81,181	86,414	91,397	99,442	106,742	112,882
South	168,316	159,143	165,630	173,460	182,782	192,126	199,194
London	**1,480,354**	**1,413,000**	**1,513,000**	**1,668,000**	**1,809,000**	**1,923,935**	**2,022,935**
Sources: Experian (Actual), Volterra, Roger Tym & Partners (Projections)							

APPENDIX 6 – ALTERNATIVE OFFICE EMPLOYMENT DENSITY SCENARIOS

Scenario 1 Constant Density

Under this scenario employment office density remains unchanged in the future either for existing or newly built offices. Empirical evidence indicates that average office employment density in London is 175 sq ft (16.3 sq m) net lettable per employee and this is the coefficient developed in LOPR 2001 and utilised in the London Plan 2004. Scenario 1 generates the following office need by borough and sub-region.

Table A8 - The Need for Additional Office Space by Borough Based on Scenario 1, Constant Density and 8% Availability Rate

Borough	2006-2011	2006-2016	2006-2021	2006-2026
Barking & Dagenham	132,094	328,263	511,170	674,714
Barnet	534,678	1,048,070	1,614,264	2,092,991
Bexley	158,943	587,490	893,020	1,156,337
Brent	197,656	636,252	936,855	1,230,904
Bromley	254,082	585,046	920,258	1,172,876
Camden	1,799,181	4,320,398	6,102,782	7,220,827
City of London	6,054,266	8,194,018	9,493,064	10,669,506
Croydon	346,435	798,419	1,258,258	1,615,199
Ealing	493,357	1,256,590	1,629,828	2,456,852
Enfield	223,526	559,928	878,524	1,137,317
Greenwich	190,211	412,151	625,001	801,568
Hackney	558,461	1,310,267	1,998,690	2,629,276
Hammersmith & Fulham	922,599	1,905,320	2,562,674	2,843,470
Haringey	96,731	560,237	862,591	1,126,082
Harrow	260,008	660,741	1,080,020	1,448,593
Havering	143,717	569,634	878,852	1,135,006
Hillingdon	700,434	1,591,377	2,414,240	3,149,811
Hounslow	371,354	1,051,617	1,641,770	2,142,716
Islington	1,790,604	3,326,127	4,430,358	5,384,734
Kensington & Chelsea	833,859	1,157,854	1,351,639	1,430,478
Kingston upon Thames	159,313	368,183	563,583	702,999
Lambeth	1,207,032	1,808,275	2,325,481	2,544,774
Lewisham	420,942	707,632	1,082,930	1,421,332
Merton	328,946	576,028	869,258	1,103,844
Newham	354,621	1,340,198	2,106,607	2,798,868
Redbridge	191,320	636,561	904,689	1,110,849
Richmond upon Thames	180,788	445,043	677,223	834,953
Southwark	1,359,445	3,069,547	4,907,102	6,693,138
Sutton	210,244	469,059	719,105	913,710
Tower Hamlets	1,861,733	5,725,289	9,109,589	12,771,062
Waltham Forest	86,908	294,178	486,649	646,153
Wandsworth	515,772	1,064,430	1,638,990	2,134,955
Westminster	6,355,742	8,579,777	10,191,559	11,181,729
London	**29,295,000**	**55,944,000**	**77,666,622**	**96,377,622**

Sources: Volterra, GLA Economics, Roger Tym & Partners

Table A9 - The Need for Additional Office Space by Sub-Region Based on Scenario 1, Constant Density and 8% Availability Rate				
Sub-Region	**2006-2011**	**2006-2016**	**2006-2021**	**2006-2026**
North	11,358,923	19,704,805	26,078,768	30,772,955
North East	8,824,657	17,088,141	23,490,620	29,806,158
South East	2,383,624	5,361,867	8,428,311	11,245,251
South West	2,948,529	5,529,437	8,051,897	9,850,434
West	3,779,267	8,259,751	11,617,025	14,702,824
London	**29,295,000**	**55,944,000**	**77,666,622**	**96,377,622**
CAZ	16,709,404	25,493,442	31,388,152	36,170,976
Sources: Volterra, Roger Tym & Partners				

Scenario 2 Constant Density in Existing Stock, Rising Density in New Stock

Under Scenario 2, London's existing stock continues to be occupied at the prevailing average density of 175 sq ft (16.3 sq m) net lettable per employee, but additional stock is occupied at density closer to "best practice". The scenario suggests that the average occupational density of new offices will rise by 1 sq ft per annum from a base position of 175 sq ft (16.3 sq m) net lettable per employee in 2001 to 150 sq ft (13.9 sq m) by 2026. As time progresses all of the additional stock will reflect the prevailing rate, given that as the most efficient modern stock it will be able to accommodate state of the art space planning practices. Maintaining the existing (2006) stock at the prevailing rate reflects empirical evidence to date that average office employment density in London has not changed in at least twenty years, and tempers the impact of rising densities.

Table A10 - The Need for Additional Office Space by Borough Based on Scenario 2 Rising Density for Additional Stock and 8% Availability Rate

Borough	2006-2011 @ 165 sf/person	2006-2016 @ 160 sf/person	2006-2021 @ 155 sf/person	2006-2026 @ 150 sf/person
Barking & Dagenham	113,223	281,368	438,146	578,327
Barnet	458,296	898,345	1,383,655	1,793,992
Bexley	136,237	503,563	765,446	991,146
Brent	169,420	545,359	803,019	1,055,060
Bromley	217,785	501,468	788,792	1,005,322
Camden	1,542,155	3,703,198	5,230,956	6,189,280
City of London	5,189,371	7,023,444	8,136,912	9,145,291
Croydon	296,944	684,359	1,078,507	1,384,456
Ealing	422,878	1,077,077	1,396,995	2,105,873
Enfield	191,593	479,939	753,021	974,843
Greenwich	163,038	353,273	535,715	687,058
Hackney	478,681	1,123,086	1,713,163	2,253,665
Hammersmith & Fulham	790,799	1,633,131	2,196,578	2,437,260
Haringey	82,912	480,204	739,364	965,213
Harrow	222,864	566,350	925,732	1,241,651
Havering	123,186	488,258	753,302	972,862
Hillingdon	600,372	1,364,038	2,069,348	2,699,838
Hounslow	318,303	901,386	1,407,231	1,836,614
Islington	1,534,803	2,850,966	3,797,450	4,615,486
Kensington & Chelsea	714,736	992,446	1,158,547	1,226,124
Kingston upon Thames	136,554	315,585	483,071	602,571
Lambeth	1,034,599	1,549,950	1,993,269	2,181,235
Lewisham	360,807	606,542	928,226	1,218,285
Merton	281,954	493,738	745,079	946,152
Newham	303,961	1,148,741	1,805,663	2,399,030
Redbridge	163,988	545,624	775,448	952,156
Richmond upon Thames	154,961	381,466	580,477	715,674
Southwark	1,165,239	2,631,040	4,206,088	5,736,975
Sutton	180,209	402,051	616,376	783,180
Tower Hamlets	1,595,771	4,907,390	7,808,219	10,946,624
Waltham Forest	74,492	252,153	417,127	553,846
Wandsworth	442,090	912,368	1,404,849	1,829,961
Westminster	5,447,779	7,354,095	8,735,622	9,584,339
London	**25,110,000**	**47,952,000**	**66,571,391**	**82,609,391**

Sources: Volterra, GLA Economics, Roger Tym & Partners

Table A11 - The Need for Additional Office Space by Sub-Region Based on Scenario 2 Rising Density for Additional Stock and 8% Availability Rate				
Sub-Region	**2006-2011 @ 165 sf/person**	**2006-2016 @ 160 sf/person**	**2006-2021 @ 155 sf/person**	**2006-2026 @ 150 sf/person**
North	9,736,219	16,889,833	22,353,230	26,376,819
North East	7,563,992	14,646,978	20,134,817	25,548,136
South East	2,043,106	4,595,886	7,224,267	9,638,787
South West	2,527,311	4,739,517	6,901,626	8,443,229
West	3,239,372	7,079,786	9,957,450	12,602,420
London	**25,110,000**	**47,952,000**	**66,571,391**	**82,609,391**
CAZ	14,322,346	21,851,522	26,904,131	31,003,694
Sources: Volterra, Roger Tym & Partners				

Scenario 3 Rising Density in Existing and Additional Stock

Under this scenario, the increase in density a the rate of 1 sq ft per annum from 2001 to 2026 is maintained, but the benefits of AWS percolate into the existing office stock as well. We consider that this will most likely be at a much lower rate than the projected increase in density in brand new space, due to inertia and the difficulty in actually releasing space in the real world. The scenario therefore suggests that office employment density will rise by 1%, or 1.75 sq ft (0.16 sq m) every five years. Given an occupied stock in 2005 for London in the region of 282,000,000 sq ft (26 million sq m), we estimate that in the region of 2.8 million sq ft (0.26 million sq m) might be released as the density rises. In this scenario, therefore, office need is reduced each five years by 2.8 million sq ft for London as a whole, and proportionately for each borough and sub-region according to their share of London's office stock based on National Statistics' "Commercial and Industrial Floorspace Statistics".

Table A12 - The Need for Additional Office Space by Borough Based on Scenario 3, Rising Density In Existing & Additional Stock & 8% Availability Rate

Borough	2006-2011	2006-2016	2006-2021	2006-2026
Barking & Dagenham	101,637	258,196	403,386	531,981
Barnet	414,327	810,408	1,251,749	1,618,117
Bexley	120,095	471,279	717,021	926,580
Brent	135,651	477,821	701,712	919,985
Bromley	184,313	434,525	688,377	871,435
Camden	1,325,777	3,270,442	4,581,822	5,323,768
City of London	4,688,285	6,021,272	6,633,655	7,140,948
Croydon	216,137	522,744	836,084	1,061,226
Ealing	380,097	991,516	1,268,654	1,934,751
Enfield	168,322	433,395	683,205	881,756
Greenwich	143,331	313,859	476,595	608,231
Hackney	427,384	1,020,492	1,559,272	2,048,477
Hammersmith & Fulham	708,704	1,468,942	1,950,293	2,108,880
Haringey	58,353	431,085	665,686	866,976
Harrow	195,235	511,092	842,845	1,131,135
Havering	104,568	451,023	697,450	898,393
Hillingdon	457,869	1,079,033	1,641,841	2,129,829
Hounslow	241,259	747,297	1,176,098	1,528,436
Islington	1,398,738	2,578,835	3,389,253	4,071,224
Kensington & Chelsea	656,606	876,186	984,158	993,604
Kingston upon Thames	102,587	247,652	381,170	466,703
Lambeth	969,933	1,420,618	1,799,272	1,922,571
Lewisham	343,378	571,684	875,939	1,148,568
Merton	254,127	438,084	661,597	834,844
Newham	278,708	1,098,237	1,729,906	2,298,021
Redbridge	143,192	504,031	713,060	868,972
Richmond upon Thames	118,816	309,175	472,040	571,092
Southwark	1,051,158	2,402,878	3,863,844	5,280,651
Sutton	158,522	358,676	551,314	696,431
Tower Hamlets	1,383,849	4,483,547	7,172,454	10,098,938
Waltham Forest	61,420	226,009	377,912	501,558
Wandsworth	405,548	839,285	1,295,224	1,683,795
Westminster	4,887,672	6,233,881	7,055,301	7,343,912
London	**22,285,600**	**42,303,199**	**58,098,189**	**71,311,789**

Sources: Volterra, GLA Economics, Roger Tym & Partners

Table A13 - The Need for Additional Office Space by Sub-Region Based on Scenario 3, Rising Density In Existing & Additional Stock & 8% Availability Rate				
Sub-Region	**2006-2011**	**2006-2016**	**2006-2021**	**2006-2026**
North	8,680,572	14,778,539	19,186,289	22,154,231
North East	6,761,661	13,042,315	17,727,823	22,338,810
South East	1,842,275	4,194,225	6,621,776	8,835,465
South West	2,225,669	4,136,234	5,996,701	7,236,662
West	2,775,422	6,151,886	8,565,601	10,746,621
London	**22,285,600**	**42,303,199**	**58,098,189**	**71,311,789**
CAZ	N/A	N/A	N/A	N/A
Sources: Volterra, Roger Tym & Partners				

Note: CAZ not available under this scenario, as comparable National Statistics office stock data not available for this geographical area

APPENDIX 7 – Tables A14-A16 Office Capacity in London by Borough, Sub-Region and in The Central Activities Zone

Table A14 - Office Capacity in London by Borough at End 2005				
Borough	**Under Construction End 2005 (sq ft net)**	**Permitted End 2005 (sq ft net)**	**Gain to 2006 Stock from Permissions (sq ft net)**	**Total Potential Gain from 2006 (sq ft net)**
Barking & Dagenham	0	0	0	0
Barnet	0	20,000	20,000	20,000
Bexley	19,000	0	0	19,000
Brent	101,000	1,771,000	1,721,000	1,822,000
Bromley	35,000	47,000	27,000	62,000
Camden	511,000	984,000	517,000	1,028,000
City of London	4,507,000	9,815,000	5,695,000	10,202,000
Croydon	0	922,000	692,000	692,000
Ealing	239,000	115,000	102,000	341,000
Enfield	0	0	0	0
Greenwich	65,000	3,035,000	3,035,000	3,100,000
Hackney	113,000	1,898,000	1,758,000	1,871,000
Hammersmith & Fulham	0	997,000	947,000	947,000
Haringey	0	0	0	0
Harrow	0	0	0	0
Havering	0	0	0	0
Hillingdon	0	842,000	842,000	842,000
Hounslow	120,000	1,964,000	1,964,000	2,084,000
Islington	481,000	1,668,000	1,421,000	1,902,000
Kensington & Chelsea	89,000	599,000	599,000	688,000
Kingston upon Thames	0	0	0	0
Lambeth	58,000	1,169,000	779,000	837,000
Lewisham	12,000	35,000	35,000	47,000
Merton	18,000	142,000	142,000	160,000
Newham	25,000	5,369,000	5,369,000	5,394,000
Redbridge	0	0	0	0
Richmond upon Thames	95,000	0	0	95,000
Southwark	1,593,000	2,926,000	2,571,000	4,164,000
Sutton	0	20,000	10,000	10,000
Tower Hamlets	82,000	13,498,000	13,062,000	13,144,000
Waltham Forest	0	0	0	0
Wandsworth	74,000	1,102,000	1,037,000	1,111,000
Westminster	2,148,000	5,096,000	3,601,000	5,749,000
London	**10,385,000**	**54,034,000**	**45,946,000**	**56,331,000**
Sources: London Property Research				

Table A15 - Office Capacity in London by Sub Region at End 2005				
Sub Region	**Under Construction End 2005 (sq ft net)**	**Permitted End 2005 (sq ft net)**	**Gain to 2006 Stock from Permissions (sq ft net)**	**Total Potential Gain from 2006 (sq ft net)**
North	3,253,000	9,666,000	7,317,000	10,570,000
North East	4,614,000	28,682,000	24,126,000	28,740,000
South East	1,724,000	6,043,000	5,668,000	7,392,000
South West	245,000	3,355,000	2,660,000	2,905,000
West	549,000	6,288,000	6,175,000	6,724,000
London	**10,385,000**	**54,034,000**	**45,946,000**	**56,331,000**
Sources: London Property Research				

Table A16 - Office Capacity in The Central Activities Zone by Borough at End 2005				
Sub Region	**Under Construction End 2005 (sq ft net)**	**Permitted End 2005 (sq ft net)**	**Gain to 2006 Stock from Permissions (sq ft net)**	**Total Potential Gain from 2006 (sq ft net)**
Camden CAZ	450,000	814,000	347,000	797,000
City of London CAZ	4,507,000	9,815,000	5,695,000	10,202,000
Hackney CAZ	0	1,566,500	1,426,500	1,426,500
Islington CAZ	459,000	1,404,000	1,157,000	1,616,000
Kensington CAZ	0	0	0	0
Lambeth CAZ	42,000	1,099,000	709,000	751,000
Southwark CAZ	1,543,000	2,691,000	2,486,000	4,029,000
Tower Hamlets CAZ	0	2,980,000	2,544,000	2,544,000
Wandsworth CAZ	0	693,000	628,000	628,000
Westminster CAZ	2,126,000	5,096,000	3,601,000	5,727,000
Central Activities Zone	**9,127,000**	**26,158,500**	**18,593,500**	**27,720,500**
Sources: London Property Research				

APPENDIX 8 - Table A17 – Selected Office Conversions in London At End 2005

Table A17 – Selected Office Conversions in London At End 2005								
Scheme/Address	Location Type	Develop-ment Type	Timing/ Planning Status at End 2005	Office Space Lost Net Sq Ft	Resi Units Created		Other Uses Created	Comment
					Private	AH		
North Sub-Region								
Barnet								
Comer House (Enterprise House), 19 Station Road, New Barnet, EN5	Outer London	Conversion	Completed 2003	30,000	48	-	8,000 nsf offices	Conversion of 1960s office block with offices retained on ground and upper ground floors and private residential above – no AH provision
Groupama House, 17 Station Road, New Barnet, EN5	Outer London	Conversion	Permission	21,000	25	11	3,000 nsf offices	Proposed conversion of ten storey office building to 36 residential units with retention of offices on ground and part 1st
Camden								
166 High Holborn, WC1	Central London	Conversion	Under Construction	86,000	11	-	184 hotel rooms	Major office and public car park to budget hotel
Banderway House & Kingsgate House, 146-162 Kilburn High Road, NW6	Town Centre Inner London	New build	Permission	25,000	56	25	21,000 gsf retail	Proposed demolition of office and retail building for residential and retail mix
100 Park Village East, NW1	Central London Fringe	New build	Application	20,000	-	41	-	Proposed demolition of former PSI offices for 10 storeys social housing
Duchess House, 18-19 Warren Street, W1	Central London	Conversion	Application	10,000	14	-	-	Proposed change of use of offices and 1 flat to 14 residential units
Enfield								
Tower Point Phase 2, 52 Sydney Road, Enfield, EN2	Outer London Town Centre	Conversion	Application	40,000E	58	19	-	Proposed development is the second phase of Tower Point, the conversion of former British Gas property into residential. This latest application after earlier refusal for 7storeys is for refurbishment of existing 3 storeys and addition of 4th floor.
Hackney								
50 Wenlock Street, N1	Central London Fringe	New build	Application	7,000	17	7	-	Proposed demolition of small office building are replacement with residential block
Haringey								

Table A17 – Selected Office Conversions in London At End 2005								
Scheme/Address	Location Type	Develop-ment Type	Timing/ Planning Status at End 2005	Office Space Lost Net Sq Ft	Resi Units Created		Other Uses Created	Comment
					Private	AH		
The Exchange (Telecom House), 71 Crouch End Hill, N8	Outer London Town Centre	Conversion	Completed 2004	50,000E	55	29	10,000 gsf retail, 8,000 gsf leisure	Conversion of 4 storey 1960s former BT offices to residential block with commercial space (M&S and Fitness First gym) on the ground floor.
Islington								
The Courtyard, 150-164 Goswell Road, EC1	Central London	Conversion	Completed 2003	32,000	38	12	8,000 nsf offices	Conversion of Toyota showroom and offices to residential with residual office component
King's Cross House, 200 Pentonville Road, N1	Central London	Conversion	Permission	180,000	42	22	839 student resi, 20,000 gsf D1	"Twin towers" formerly Nat West back office, built '75 & '81. Construction start on conversion Feb 2006
119-141 Farringdon Road, EC1	Central London	New build	Permission	62,000	90	30	15,000 nsf offices	Proposed demolition of "The Guardian" and replacement with new homes plus residual offices
261 City Road, EC1	Central London	New build	Permission	70,000	201	107	9,000 gsf retail	Proposed demolition of former London Electricity offices and replacement with 36 storey residential tower
Westminster								
Chantrey House, 2-4 Eccleston Street, SW1	Central London	Conversion	Completed 2003	40,000	27	9	12,000 gsf retail, 1,000 gsf leisure	Conversion of former BT office to residential and retail, linked to the increase in offices at neighbouring Belgrave House redevelopment
Pimlico Apartments, 60 Vauxhall Bridge Road, SW1	Central London	New build	Completed 2005	60,000	77	24	-	Demolition of 1920s former government offices and construction of new residential block
The Knightsbridge, 199 Knightsbridge, SW7	Central London	New build	Completed 2005	265,000	205	-	-	Demolition of 1950s offices on north side of Knightsbridge and replacement with serious luxury flats prices up to £2,000 psf. £3.6m AH commuted payment

Table A17 – Selected Office Conversions in London At End 2005

Scheme/Address	Location Type	Develop-ment Type	Timing/ Planning Status at End 2005	Office Space Lost Net Sq Ft	Resi Units Created		Other Uses Created	Comment
					Private	AH		
Neville House, Page Street, SW1	Central London	New build	Completed 2005	56,000	71	30	2,000 gsf retail	Demolition of former Home Office offices (vacant since early 1990s) and replacement with 101 residential units. Loss of offices to compensate for office gain on Cardinal Place site
Grosvenor House, 141-143 Drury Lane, WC2	Central London	Conversion	Completed 2005	40,000	-	-	169 student rooms	Conversion of former offices in Covent Garden to student rooms for LSE, including key worker units for visiting profs and the like
Ability Parkview (Abbey House), 215-231 Baker Street, W1	Central London	New build	Under Construction	100,000	92	40	-	Demolition of former Abbey National HQ and redevelopment with retained clock tower, with AH in Siddons Lane, the former Annex. Construction start Dec 2005.
Romney House, 43 Marsham Street, SW1	Central London	Conversion	Under Construction	156,000	169	-	3,000 gsf retail	Conversion of former government offices (briefly home to GLA) to private flats with £2.2 m AH commuted payment
Citibank House, 336-337 Strand, WC2	Central London	New build	Permission	160,000	92	-	166 hotel rooms	Demolition of offices completed February 2006, to be replaced with private residential and hotel, with £4m commuted payment for AH
Bowater House, 68-114 Knightsbridge, SW1	Central London	New build	Application	265,000	86	-	15,500 gsf retail	One of the highest profile sites in London. Proposed demolition of 1960s eyesore and replacement with extremely high value residential with talk of £25 m flats. Permitted Feb 2006. £7.5m for AH

Table A17 – Selected Office Conversions in London At End 2005								
Scheme/Address	Location Type	Develop-ment Type	Timing/ Planning Status at End 2005	Office Space Lost Net Sq Ft	Resi Units Created		Other Uses Created	Comment
					Private	AH		
119-128 Wilton Road, SW1	Central London	New build	Application	40,000	37	74	157 student rooms	Proposed demolition of mixed use terrace (approved Feb 2006) to be replaced with new buildings forming a residential land bank relating to other devts in Westminster
1 Vincent Square, SW1	Central London	New build	Application	28,000	19	8	-	Proposed demolition of 1950s offices and replacement with residential block
North East Sub-Region								
Barking & Dagenham								
Central House, 14 Cambridge Road, Barking, IG11	Town centre	Conversion	Completed 2003	18,000	40	-	-	Demolition of 1960s offices, previously DHSS and vacant since 1999. Replaced with block of 40 private flats
City of London								
94-97 Fetter Lane, EC4	Central London	Conversion	Completed 2004	6,000	14	-	-	Typical small-scale office to residential under the AH threshold – sold quickly
1 Seething Lane, EC3	Central London	Conversion	Under Construction	40,000	-	-	130 hotel rooms	Change of use of former Alexander Forbes offices to 130 room Apex 4* hotel. Had permission for office redevt in 2003
Sir John Lyon House, 5 High Timber Street, EC4	Central London	Conversion and new build	Under Construction	44,000	67	-	-	Conversion and redevelopment of riverside offices to private housing. One of the few recent larger office to resi conversions in the City with £2.2m for AH
Three Quays, 50 Lower Thames Street, EC3	Central London	New build	Application	80,000	64	-	77 hotel rooms	Proposed demolition of 1950s offices in sensitive location near the Tower and replacement with private housing and 77 apart hotel suites (and £2.9 m AH contribution). Permitted Feb 2006.
Havering								

Table A17 – Selected Office Conversions in London At End 2005								
Scheme/Address	Location Type	Develop-ment Type	Timing/ Planning Status at End 2005	Office Space Lost Net Sq Ft	Resi Units Created		Other Uses Created	Comment
					Private	AH		
Queensbury House, 12-14 Western Road, RM1	Outer London Town Centre	New build	Application	20,000	39	21	6,000 nsf offices	Proposed demolition of Romford town centre offices for residential block with residual office component. Permitted February 2006
Newham								
Empire House, 57 Broadway, E15	Inner London Town Centre	New build	Permission	20,000	16	49	-	Proposed demolition of Stratford town centre office building and replacement with social housing led block
Redbridge								
The Regency (Fenchurch House), 89-111 High Road, South Woodford, E18	Outer London Town Centre	New build	Under construction	100,000 E	120	40	-	Demolition of 1950s town centre office complex and replacement with residential block – competion August 2006, all sold Nov 2005.
Peachey House, 39 Ilford Hill, IG1	Outer London Town Centre	Conversion	Permission	150,000	168	55	-	Proposed conversion of vacant 17 storey office tower slap bang in Ilford town centre
City Gate House, 399-425 Eastern Avenue, Ilford, IG2	Outer London Town Centre	Conversion	Permission	60,000E	72	24	-	Proposed conversion of 12 storey tower at Gants Hill roundabout to residential
Tower Hamlets								
Discovery Dock East, South Quay Square, E14	Isle of Dogs Millennium Quarter	New build	Completed 2005	103,000	191	-	-	Formerly South Quay Plaza 1, a 103,000 sq ft 1987, 7 storey office building, damaged by IRA in 1996. Lay empty and then demolished to make way for this part of Discovery Dock – a residential led scheme covering this site and Waterside complex to the west which was built to office shell in the early 1990s and abandoned

Table A17 – Selected Office Conversions in London At End 2005								
Scheme/Address	Location Type	Develop-ment Type	Timing/ Planning Status at End 2005	Office Space Lost Net Sq Ft	Resi Units Created		Other Uses Created	Comment
					Private	AH		
41 Millharbour, E14	Isle of Dogs Millennium Quarter	New build	Completed 2005	14,000	264	88	6,000 gsf retail	Demolition of former Northern & Shell low-rise offices from 1984 and construction of 15 storey residential tower
Ability Place, 31 Millharbour, E14	Isle of Dogs Millennium Quarter	New build	Under construction	25,000	361	151	10,000 gsf retail	Demolition of 3 storey offices built for owner occupation in first flush of EZ in early 1980s and replacement with 22 storey residential tower
Lanterns Court, 22 Millharbour, E14	Isle of Dogs Millennium Quarter	New build	Permission	20,000	509	130	18,000 gsf retail	Proposed demolition of one of the earliest 1st generation low-rise B1 units built in the EZ in early 1980s and construction of 21 storey residential tower
Juno Court, 24 Prescot Street, E1	Central London Fringe	Conversion	Application	54,000	-	-	150E	Proposed conversion of vacant 1989 office building in the eastern City fringe to hotel in outline (number of rooms not indicated in application)
Waltham Forest								
6-10 Church Hill, E17	Outer London	Conversion	Application	22,000	13	7	-	Proposed conversion of vacant 4 storey government offices to 20 flats
South East Sub-Region								
Bexley								
Erith Small Business Centre, Erith High Street, DA8	Town Centre	New build	Permission	15,000E	20	63	13,000 gsf retail 7,000 gsf library	Part of major town centre renewal scheme, phase 1 of which completed in 2005
Bromley								
PointCentral, 1 Albemarle Road, Beckenham, BR3	Outer London Town Centre	Conversion	Under construction	75,000	122	-	-	Former LB Bromley owned six storey office block beside Beckenham Junction station, converted to private residential block. No AH provision.

Table A17 – Selected Office Conversions in London At End 2005								
Scheme/Address	Location Type	Develop-ment Type	Timing/ Planning Status at End 2005	Office Space Lost Net Sq Ft	Resi Units Created		Other Uses Created	Comment
					Private	AH		
Maunsell House, 160 Croydon Road, Elmers End, BR3	Outer London	Conversion	Permission	30,000	38	17	-	Proposed conversion of isolated 7 storey office block, formerly Maunsell engineering HQ (moved to Croydon).
Greenwich								
The Vista Building, 30 Calderwood Street, SE18	Inner London Town Centre	Conversion	Completed 2005	120,000	224	-	-	1970s office monstrosity in Woolwich, vacant since late 1990s and converted to 224 private residential units (£1m AH contribution)
Lewisham								
Eros House, Brownhill Road, SE6	Outer London Town Centre	Conversion	Completed 2001	43,000	63	-	-	Conversion of 9 storey office block in Catford town centre to private housing
Southwark								
Aston Webb House, 115-121 Tooley Street, SE1	Central London	Conversion	Completed 2002	15,000	14	-	-	Conversion of former warehouse in office use to residential cheek by jowl with More London
Trinity Wharf, 305-309 Rotherhithe Street, SE16	Inner London	Conversion	Completed 2003	30,000	27	9	-	Conversion of new office building to residential after failure to let
Eileen House, 80-94 Newington Causeway, SE1	Central London	New build	Refused	85,000	198	131	-	Proposed demolition of aesthetically challenged 1960s offices, occupied by D of Health and replacement with 22 storey residential tower, refused 2005
185 Park Street, SE1	Central London	New build	Application	85,000	90	48	40,000E nsf offices, 10,000E nsf retail	Proposed demolition of 1960s island block occupied by Energis, and replacement with 3 blocks of 24, 8 and 5 storeys, residential-led. Gone to Appeal.

Table A17 – Selected Office Conversions in London At End 2005								
Scheme/Address	Location Type	Develop-ment Type	Timing/ Planning Status at End 2005	Office Space Lost Net Sq Ft	Resi Units Created		Other Uses Created	Comment
					Private	AH		
10 Blackfriars Road, SE1	Central London	New build	Application	100,000	143	77	395 hotel rooms	Controversial 68 storey residential and hotel tower proposal to replace former J Sainsbury HQ demolished in 2002. Also has a major office permission for 470,000 sq ft gross approved in 2002
South West Sub-Region								
Croydon								
Anderson Heights, 1260 London Road, Norbury, SW16	Outer London Office Strip	Conversion	Completed 2004	60,000E	57	34	-	Conversion of 1960s offices former long-standing Wates Integra HQ in non-descript main road location
Point Central (Churchill House), 33 Dingwall Road, Croydon, CR0	Outer London Town Centre	Conversion	Completed 2004	15,000	14	-	-	Conversion of floors 3-9 of a 25,000 sq ft central Croydon office block, with 9,500 sq ft offices refurbished on ground to 2nd
Lennig House, 2 Masons Avenue, CR0	Outer London Town Centre	Conversion and Extension	Permission	96,000	125	64	861 gsf retail	Conversion and extension to 13 storey residential block of Croydon town centre 10 storey 1960s office block
Impact House, 2 Edridge Road, Croydon, CR9	Outer London Town Centre	Conversion	Permission	96,000	-	145	24,000 sq ft net offices	Proposed conversion of 13 storey office block occupied by Post Office to residential, with offices retained on ground-2nd and the building extended to 16 storeys
Kingston								
Crown House, 165 Kingston Road, New Malden, KT3	Outer London	Conversion	Permission	45,000E	-	68	-	Proposed conversion of ?former Racal complex to residential half way between New Malden and Kingston. Vacant since at least mid-1990s.
Lambeth								
Skyline (Courtenay House), 9-15 New Park Road, SW2	Inner London	Conversion	Completed 2003	100,000	50	66	-	Conversion of former LB Lambeth offices to mixed tenure resi scheme

Table A17 – Selected Office Conversions in London At End 2005

Scheme/Address	Location Type	Develop-ment Type	Timing/ Planning Status at End 2005	Office Space Lost Net Sq Ft	Resi Units Created		Other Uses Created	Comment
					Private	AH		
Westminster Bridge Park Plaza, County Hall Island Block, Westminster Bridge Road, SE1	Central London	New build	Permission	50,000E	-	-	913 hotel rooms, 20,000 gsf retail, 13,000 gsf D1	Proposed demolition of the hexagonal island block and replacement with apart-hotel scheme, being sold individually. Not started end 2005, but 497 units pre-sold
Wah Kwong House, 10 Albert Embankment, SE1	Central London	Conversion	Application	32,000	9	-	89 hotel rooms	Proposed conversion of offices to ground floor restaurant, 1st-9th apart-hotel rooms, 10-12th 9 penthouses. Refused Feb 2006
Freeman's Catalogue site, 131-143 Clapham Road, SW9	Inner London	Conversion and New build	Application	280,000	157	91	41,000 gsf retail 58,000 gsf offices	Proposed demolition and conversion of Freeman's to residential led scheme with retail and offices. Refused and at Appeal.
Merton								
CIPD House, 35 Camp Road, SW19	Outer London	New build	Under construction	10,000E	10	-	-	Demolition of former CIPD offices (relocated within Wimbledon) and replacement with 10 private houses in great location beside Wiimbledon Common
Brown & Root House, 125 High Street Colliers Wood, SW19	Outer London Town Centre	Conversion	Permission	85,000	176	50	5,000 gsf retail 7,000 gsf library	Proposed conversion of vacant 17 storey office tower vacated by engineering firm Brown & Root
Richmond								
Holbrooke House, 34-38 Hill Rise, Richmond, TW10	Outer London	Conversion	Application	12,000	9	-	-	Proposed conversion of period office building to flats
Sutton								
Aspects (Surrey House), 1 Throwley Way, Sutton, SM1	Outer London Town Centre	Conversion	Under construction	130,000	121	48	-	Conversion of 14 storey Sutton town centre offices vacant since 1992

Table A17 – Selected Office Conversions in London At End 2005								
Scheme/Address	Location Type	Develop-ment Type	Timing/ Planning Status at End 2005	Office Space Lost Net Sq Ft	Resi Units Created		Other Uses Created	Comment
					Private	AH		
Southpoint, Sentinel House, Rafferty House, Sutton Court Road, SM1	Outer London Town Centre	New build	Application	20,000	193	63	12,000 gsf retail	Proposed demolition of existing office buildings close to Sutton station and construction of twin towers of 13 and 14 storeys
Kelvin House, London Road, Hackbridge, SM6	Outer London	New build	Application	40,000	77	32	-	Proposed development is the demolition of offices and construction of new 9 storey residential block. 2003 permission for 124 apart hotel rooms
Wandsworth								
Lavender Building, 207 Lavender Hill, SW11	Inner London	Conversion	Completed 2004	17,000	23	-	-	Conversion of former council offices to 23 private flats
1-3 Battersea Square, SW11	Inner London	New build	Under Construction	12,000	21	7	4,000 nsf offices	Demolition of 1950s offices and replacement with 5 storey residential block with ground floor offices. Previous 1989 consent for offices and early 2000s hotel refusal
Garratt Court, Furmage Street, SW18	Inner London	New build	Permission	15,000	26	-	-	Proposed demolition of 3 storey office building and construction of private residential block
West Sub-Region								
Brent								
311 High Road, Willesden, NW10	Inner London	New build	Completed 2003	20,000	-	32	-	Demolition of 4 storey office building and replacement with 3 storey social housing block
Ealing								
Royal Hill Court (Empire House & Mercury House), Hanger Green, W5	Outer London	Conversion	Completed 2003	30,000	44	17	9,000 gsf retail	Conversion of Empire and Mercury Houses to residential including additional floor

Table A17 – Selected Office Conversions in London At End 2005								
Scheme/Address	Location Type	Develop-ment Type	Timing/ Planning Status at End 2005	Office Space Lost Net Sq Ft	Resi Units Created		Other Uses Created	Comment
					Private	AH		
Cavalier House, 46-50 Uxbridge Road, Ealing, W5	Outer London Town Centre	Conversion and Extension	Completed 2005	51,000	132	-	10,000 gsf leisure	Conversion of 1960s 7 storey office block formerly Dixons HQ but vacant since mid-1990s. Now rather brash looking ten storey residential block. £1.65m AH payment
West Five Studios, Uxbridge Road, Ealing, W5	Outer London Town Centre	Conversion and Extension	Completed 2003	30,000	21	8	3,000 gsf retail	Conversion of 4 storey office building and addition of two floors to form 6 storey residential block
West 3 Apartments (Bromyard House), Bromyard Avenue, The Vale, East Acton, W3	Outer London	Conversion and New build	Under Construction	300,000	355	186	85,000 sq ft net offices	Major redevelopment of former DSS office complex where 45,000 sq ft net refurbished offices and a new 40,000 sq ft DSS office will be provided
Sinclair House, The Avenue, West Ealing, W13	Outer London	New build	Permission	14,000	27	81	-	Proposed demolition of 1960s office building and replacement with residential development on up to 12 storeys
Hammersmith & Fulham								
None								
Harrow								
Templar House, 82 Northolt Road, Harrow, HA2	Outer London	Conversion	Completed 2005	50,000E	-	84	-	Conversion of vacant 5 storey office building, with removal of 5th floor and reinstatement of 5th and new 6th floor for various social housing categories including social rent, key worker and shared ownership.
Bentley Grove (BAe Systems), 31 Warren Lane, Stanmore, HA7	Outer London	New build	Permission	100,000	125	73	-	Proposed development is the demolition of a complex of office and R&D buildings on a 30 acre site previously occupied by BAe Systems. Site clearance during 2005.

Table A17 – Selected Office Conversions in London At End 2005								
Scheme/Address	Location Type	Develop-ment Type	Timing/ Planning Status at End 2005	Office Space Lost Net Sq Ft	Resi Units Created		Other Uses Created	Comment
					Private	AH		
Raebarn House, 86-100 Northolt Road, South Harrow, HA2	Outer London	New build	Application	52,000	105	45	15,000 nsf offices	Proposed demolition of 1960s office complex and replacement with eight storey residential block with commercial space at ground.
Hillingdon								
UX Central, 114 High Street, Uxbridge, UB8	Outer London Town Centre	New build	Completed 2003	24,000	64	21	3,500 gsf retail 5,000 gsf offices	Redevelopment of Uxbridge County Court and neighbouring office building occupied by the Inland Revenue
Colham House, Bakers Road, Uxbridge, UB8	Outer London Town Centre	New build	Application	15,000	14	-	133 hotel rooms	Proposed demolition of office building beside Uxbridge station currently housing Benefits Office with vacant offices above, construction of new building with retail on ground, residential on 1-2 and hotel on 3-9.
Hounslow								
Grove Park House, 41-43 Grove Park Road, W4	Outer London	Conversion	Completed 2005	9,000	10	-	-	Conversion of vacant office building to ten units close to the river in Chiswick.
Wang House, 661 London Road, Isleworth, TW7	Outer London Town Centre	New build	Permission	59,000	62	128	-	Former well known landmark Wang office building demolished late 2005 (had been vacant since 2001) on eastern edge of Hounslow town centre. Redevelopment on 10 storeys with 68% AH. Construction started Feb 2006.
Wallis House (former SkB HQ), Great West Road, Brentford, TW8	Outer London	New build and conversion	Permission	400,000	512	243	176,000 gsf offices, 125,000 gsf hotel/apart-hotel, 16,000 gsf retail	Comprehensive redevelopment of former SkB HQ that had 1990s permission for 1 m sq ft offices. This resi led scheme permitted Dec 2005 retains some employment use in the form offices and hotel space.

Table A17 – Selected Office Conversions in London At End 2005								
Scheme/Address	**Location Type**	**Develop-ment Type**	**Timing/ Planning Status at End 2005**	**Office Space Lost Net Sq Ft**	**Resi Units Created**		**Other Uses Created**	**Comment**
					Private	**AH**		
Western Geophysical, 455 London Road, Isleworth, TW7	Outer London Town Centre	New build	Application	115,000	106	68	-	Proposed demolition of vacant three storey office block and replacement with 7 storey residential development
Royal Borough of Kensington & Chelsea								
Harrods Court, 13 Brompton Place, SW3	Central London	Conversion	Under Construction	19,000	14	-	-	Conversion of early 1990s office building to 14 luxury flats
Warwick House, 181-183 Warwick Road, W14	Central London	New Build	Permission	42,000	65	39	-	Proposed demolition of 4 storey office and replacement with 13 storey resi scheme (also has 2001 permission for 235 bed hotel)
Source: London Property Research, London Residential Research								

APPENDIX 9 – Table A18 - Office Permissions in Westminster Since 2000 Generating Residential Uses

Table A18 - Office Permissions in Westminster Since 2000 Generating Residential Uses								
Location Developer	Date of Permission	Offices (Gross Sq Metres)		Residential (Units)		Other Uses (Gross Sq Metres)		Comment
		Existing	Proposed	Existing	Proposed	Existing	Proposed	
9-12 Barrett Street, W1 University of the Arts	16/2/06	Nil	1,388		14	N/K D1 use by London College of Fashion	1,168 retail	14 units to match 1,388 g sq m increase in office space plus £540,000 to affordable housing fund
55 Baker Street, W1 London & Regional	15/12/05	42,587	53,312		22		4,486 retail, 1,746 leisure	22 on site units (15 AH) to match 10,725 g sq m office gain. Shortfall met by commuted payment of £4.884m to affordable housing fund
190 Strand, WC2 Prudential	24/11/05	25,636	27,244		44	1,081 retail	1,110 retail	44 on site units to match 1,608 sq m gross office increase, 17 units to be affordable housing
Mercers Block C, 6-8 Mercer Street, Shelton Street, 116 Long Acre, WC2 Mercers Company	27/6/05	3,742	4,847	15	24	2,642 retail, 1,823 storage, 1,749 leisure	4,078 retail, 494 retail (A3), 591 storage, 463 light industrial	9 units to match increase of 1,105 g sq metres offices – no affordable as scheme provides light industrial and 25% of the units on site are protected tenancies
Titchmor Site, 43-55 Mortimer Street W1 Great Portland Estates	28/4/05	13,365	18,618		13	409 retail, 697 C2	2,755 retail (A1), 432 retail (A3)	13 units to match increase in offices of 5,253 g sq metres with shortfall to be made up with 13 units at 79-83 Gt Portland Street (7 of the 26 to be social) where 1,393 g sq m offices to be lost and £178,750 contribution to AH fund for 1 unit
Knighton House, 56 Mortimer Street, W1 Great Portand Estates	28/4/05	2,850	6,625		14			14 units to match increase of 3,775 g sq metres offices, plus 2 off site units at 79-83 Gt Portland Street, W1 (see above)
16-19 Gresse Street, W1 Derwent Valley Holdings	14/4/05	5,662	7,002		11			11 units to match 1,340 g sq m increase in office space
7-13 Mercer Street, WC2 Shaftesbury plc	22/7/04	896	1,316		14	151 parking spaces	1,329 retail	14 units to match commercial space increase of 1,749 g sq metres
Fortress House, 23 Savile Row, W1 Legal & General	26/3/04	10,656	11,199		6		769 retail	6 units to match 543 g sq m gross office space. Later consent October 2005 reduced office content to 9,365 g sq m and has no residential

Table A18 - Office Permissions in Westminster Since 2000 Generating Residential Uses								
Location Developer	Date of Permission	Offices (Gross Sq Metres)		Residential (Units)		Other Uses (Gross Sq Metres)		Comment
		Existing	Proposed	Existing	Proposed	Existing	Proposed	
Asticus @ SW1 (Caxton Hall), Caxton Street SW1 Asticus	21/8/03	3,300	5,575		13			13 units to match approx 4,000 g sq m gross of office floorspace, WCC requires £4.1m for the shortfall. Under Construction end 2005.
Crown House, 51-53 Aldwych WC2 Schildvinl BV	10/7/03	19,762	20,256		12	1,318 retail	1,342 retail	12 to offset the increase in commercial floorspace
Selfridges, 400 Oxford Street, W1 Stanhope Plc	5/6/03	7,083	31,020	5 off-site	18 off-site	103,126 retail, 295 hotel rooms	111,586 retail, 366 hotel	Shortfall of 39 units =£3.081m in commuted payment. Selfridges no longer proceeding with this development
Film House 142 Wardour Street, W1 Threadneedle Pensions	2/5/03	12,401	12,128		6	1,432 Busines s units	402 retail 2,087 Business units	6 flats to offset against increase in commercial floorspace
One Hanover Street (Abbott House), 229-233 Regent Street, W1 Crown Estate	31/10/02	11,535	13,063		10	4,398 retail	5,136 retail	10 flats to offset increase of 1,528 sq m in office floorspace. Completed in 2004, let to Apple and Kaupthing at £65psf
39-40 Portman Square, W1 Delancey & Co	23/5/03	9,938	12,028	10	20			Increase in office floorspace of 2,090 g sq metres matched by net gain of 10 residential units. Demolition underway May 2006.
Orwell Studios (C&A Store), 200 Oxford Street, W1 Redevco	9/5/02	Nil	1,600		10	3,600 retail	2,265 retail	10 flats to offset increase in office floorspace of 1,600 g sq metres. Under Construction, due for completion mid-2006
21-29 Maddox Street, W1 Morley Property, Property Merchant Group	25/4/02	2,008	2,865		7	564 retail	182 retail	7 to match increase in office floorspace (857 sq m). Under construction May 2006.
The Corner, 39 Wigmore Street, W1 CIT Group	4/4/02	5,574	8,842 (Approx)	12	23 (No affordable)	2,929 retail	2,948 retail	Increase of 11 units to match 3,268 g sq metres increase in offices. Construction complete 2003.
74-85 St James's Street, SW1 HSBC	13/12/01	12,000	14,307		7			Increase in commercial floorspace of 2,307 gsm matched by off-site residential, where 1,221 sq m gross offices lost. Completion 2003

Table A18 - Office Permissions in Westminster Since 2000 Generating Residential Uses

Location Developer	Date of Permission	Offices (Gross Sq Metres)		Residential (Units)		Other Uses (Gross Sq Metres)		Comment
		Existing	Proposed	Existing	Proposed	Existing	Proposed	
15-18 Golden Square, W1 Benchmark Group	8/11/01	4,862	5,396	1	4	1,426 retail	1,246 retail	3 residential units to match gain of 534 g sq metres office. Completed 2004, slow to let, but achieving £55psf May 2006
Tachbrook Street Triangle, 179-209 Vauxhall Bridge Road SW1 Barratt Homes	28/6/01	2,100	3,654		43 (including 11 affordable)		1192 retail	In 2004 we said "Far better site for resi + retail instead of offices". Under construction May 2006 as 71 residential (21 affordable), 63 sq m gross retail and 890 gross sq metres heatlh centre
Belgrave House, 76 Buckingham Palace Road, SW1 Grosvenor + JER	18/5/01	17,684	30,296		36 (including 9 affordable)			Chantrey House, adjoining going from 5,860 g sq metres to 45 flats, not fully matching 12,612 gain on main site. Completed 2004 and let to at rents of £50-55
9-13 Grosvenor Street, W1 Grosvenor + Hammerson	8/3/01	4,497	5,614		18 off-site (No affordable)		557 retail	Increase in office floorspace of 1,117 sq metres gross to be offset against loss of 1,000 gross sq metres to 18 private residential units at 24-26 Gilbert Street
The 21st, 13-27 Davies Street W1 Capital & Comet Ltd	22/2/01	845	1,670		14	142 retail	116 retail	Construction complete 2003
NCP Car Park Site, Carrington Street, W1 Edencross Construction Ltd	28/9/00		2,950		26			26 private units to match office gain of 2,950 g sq metres, plus £516,100 commuted payment fro affordable housing
Davis House, 129 Wilton Road SW1 Stow Securities Plc	10/3/06	2,330	6,845		38		768 retail	38 units to match increase in offices of 4,515 g sq metres. 12 affordable. Construction start May 2006.
Cardinal Place (Esso House), 80-100 Victoria Street, SW1 Land Securities plc		55,971	68,200		93 off-site (including 28 affordable)			Off-Site at Neville House, Page Street, JV by LS and Berkeley, c.6,500 gross sq metres office lost. Cardinal Place and Neville House both completed 2005

Source: London Residential Research

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Hindi

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Vietnamese

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Bengali

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Greek

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Punjabi

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Gujarati

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