

**WRITTEN STATEMENT
OF
EARLS'S COURT & OLYMPIA GROUP
FOR**

DRAFT REPLACEMENT LONDON PLAN – EXAMINATION IN PUBLIC

MATTER 4B – LONDON'S ECONOMY – OFFICES AND MIXED USE DEVELOPMENTS

Introduction

1. This statement is submitted by Capital and Counties (C&C) on behalf of the Earls Court and Olympia Group. It follows representations by C&C to the consultation on the draft Replacement London Plan (RLP) in January 2010 with respect to the newly designated Earl's Court and West Kensington Opportunity Area (ECWKOAs), including a report 'Earls Court & West Kensington Opportunity Area: Employment Capacity Evidence Base' (CB Richard Ellis, January 2010). Since then C&C have submitted a further report 'Earls Court & West Kensington Opportunity Area: Offices Assessment' (CB Richard Ellis, June 2010) for inclusion in the EiP Core Document Library.
2. C&C's representations support the designation of the ECWKOAs but object to the indicative housing and jobs capacity figures included in the RLP, making the case that the allocation of 7,000 new jobs is much too low and inconsistent with the RLP strategic policy direction for the ECWKOAs as set out in Annex 1 of the RLP which states that the ECWKOAs "presents a significant opportunity for employment growth" and the potential for "strategically significant offices".
3. The evidence presented and issues raised in respect of the employment capacity in the ECWKOAs are highly relevant to questions (a) and (b) under EiP Matter 4B. Comments in response to these two questions are set out below.

Question A

Is there sufficient guidance on the location and amount of office floorspace required in London in terms of the guidance of PPS4? For example, should there be disaggregation into sub-regions, London boroughs? Should the requirements be broken down into 5-yearly segments?

4. The RLP provides guidance on the location of office space required in London only in terms of a proposed distribution between the three areas of the Central Activities Zone (CAZ), Inner London and Outer London.

5. PPS4 calls for regional planning authorities to use evidence “based on an understanding of the economic markets operating in and across the area” and states that assessment of the need for new office development should “take account of future forecast employment levels and assess the physical capacity of centres to accommodate regionally significant new office development” (Policy EC1.2). PPS4 also requires regional planning bodies to ensure their development plan “sets out a clear economic vision and strategy for their area which positively and proactively encourages sustainable economic growth” (Policy EC2.1(a)).
6. In line with the PPS4 approach, the London Plan can be expected to explicitly provide strategic guidance to support the aims of the Mayor's economic development strategy ('Rising to the Challenge: The Mayor's Economic Development Strategy for Greater London, Public Consultation Draft', October 2009) to ensure there is sufficient long term capacity for workplace growth, to lessen the burden of high office costs and to ensure emerging sectors can growth in places meeting their needs.
7. The RLP's strategic guidance on the location of office floorspace within London is not fully developed in relation to these objectives, nor with sufficient reference to issues identified in the evidence base (London Office Policy Review (LOPR) 2009). This can be illustrated by reference to spatial mismatches between office demand and supply and the identified need for workplace expansion capacity to accommodate the growth of London's West End office-based economy.
8. Salient points on to these issues are summarised as follows:
 - London's West End economy is a vital component of its world city role; it is London's largest office market with a diverse and dynamic mix of occupier sectors.
 - Office employment growth in the West End has substantially out-paced the slow rate of expansion of the office stock in this market for the past 25 years, driving rental growth above the rate of inflation. Office rents in the core West End are the highest in the world.
 - High and rising occupational costs threaten damage to competitiveness together with reduced attractiveness of the West End to new businesses.
 - The West End is significantly under-supplied with office space relative to forecast levels of demand growth over the London Plan period, taking account of supply capacity in Westminster and Camden combined. There is therefore a clear need for sufficient long term capacity in suitable alternative locations to accommodate workplace growth for West End expansion.
 - In view of the longstanding trend of occupiers drifting westward from Central London, noted in the London Office Policy Review (LOPR) 2009, locations to the west of the CAZ in the boroughs of Kensington & Chelsea (RBKC) and Hammersmith & Fulham (LBHF) present the obvious and logical places to seek development opportunities to accommodate West End expansion.
9. LOPR forecasts of office demand and supply in RBKC and LBHF which identify a significant under-supply of office space across these two boroughs, but do not include any allowance for office development in the ECWKO – supply capacity in this location is thus potentially of strategic significance in meeting the identified office space need.
10. By comparison with the eastern part of the CAZ and in East London boroughs, the western sector of London has fewer Opportunity Areas where major development can ameliorate the identified under-supply of office space in the West End and Inner West

London. Optimal realisation of development potential in the ECWKOAs, alongside capacity in the White City Opportunity Area, is therefore important and would support the London Plan objective of maximising the development capacity of Opportunity Areas to realise their full potential.

11. There is scope for the London Plan to develop further strategic guidance on the location of office floorspace, taking account of the marked spatial imbalances within London in office demand and supply and the key role of Opportunity Areas in providing a vital part of London's growth capacity. This should include strategic guidance to address the requirement for additional capacity in suitable locations to help meet the strategic need for West End expansion.

Earls Court & West Kensington Opportunity Area: Potential for Strategically Significant Offices

12. The RLP identifies the ECWKOAs as an area where the potential for strategically significant offices should be explored, but the indicative employment allocation for the Opportunity Area is only 7,000 jobs in total. There is a fundamental disconnection between these two aspects of the strategic policy direction for the ECWKOAs. Simply put, a location for strategically significant offices requires a much higher employment capacity.
13. The ECWKOAs is a highly suitable location for significant office development: its potential is very strongly supported by its high public transport accessibility and the physical capacity to house strategic offices within a major new mixed-use district. The ECWKOAs is served by three Underground stations and the overground rail line linking Clapham Junction to North West London. There is an economically active population of approximately 1.5 million within a 45 minute peak journey time by public transport to Earls Court. The ECWKOAs thus offers a distinctive, highly valuable opportunity to locate significant new offices in a highly accessible place.
14. The physical extent of the ECWKOAs (31 hectares) will enable strategic offices to be developed as part of a large, multi-faceted, vibrant and complex mix of uses which will create a new London district of distinctive character with its own sense of place, all set within an attractive and well-designed public realm.
15. The scale of the development will enable creation of critical mass and economies of agglomeration for office occupiers, crucial to the realisation of the potential as a strategic office location. There is sufficient development capacity to provide a varied mix of office buildings for different types and sizes of office occupiers, with phased delivery over a long timescale allowing scope for office building to respond to shifts in occupier requirements and changing market conditions.
16. In light of the ECWKOAs's potential, the indicative jobs capacity of 7,000 is a chronic under-utilisation of a valuable development resource in this location. Accessibility, capacity and critical mass considerations would support an allocation of a minimum of 20,000 office jobs in the ECWKOAs. This is evidenced in the Employment Capacity Evidence Base and Offices Assessment

Question B

Are the assumptions on which the forecasts have been made appropriate?

17. Office floorspace demand forecasts for London over the Plan period to 2031 are based on projections of office employment taken from the LOPR 2009 which draw on employment projections produced by GLA Economics. Evidence presented by C&C indicates that the assumptions behind the office demand forecasts in the RLP pose questions on the reliability of these forecasts, which are relevant to assessment of the need for additional office supply in the sector of London where the ECWKO is located.
18. Financial and Business Services (FBS) are the main source of office job growth in London. GLA Economics' projections show that the bulk of job growth within the FBS sector to 2031 will occur in business services with a minimal increase in financial services. GLA Economics' projection of business services employment is a residual from projections of employment in other sectors within a total London employment forecast. This constrains future job growth in business services because GLA Economics believe that allowing historic employment trends in this sector to continue would result in it gaining an implausibly high share of all London employment.
19. Arbitrarily constraining business services job growth in this way as a residual is a less than robust and satisfactory approach to a sector accounting for 26% of total London employment in 2007. The GLA 2009 projection shows an increase of 372,000 jobs in business services from 2007 to 2031 which compares with an increase of 526,000 jobs in the previous forecast produced in 2007. This is a 29% reduction and GLA Economics notes "as business services is a residual this change has occurred as a result of changes in other sectors" (Working Paper 38, 2009). The GLA Economics 2009 projection for business services employment shows a markedly low rate of growth to 2031 compared with long term historic trends.
20. The GLA Economics projections for FBS employment are not grounded in analysis of the growth drivers and future prospects of these sectors in London. The results cannot be taken as robust or reliable estimates of potential future growth in FBS employment. By comparison with historic evidence, the projections appear inherently biased towards low rates of job growth in these sectors.
21. Relatively modest changes to the assumptions for long term growth in business services jobs in London produces substantial differences in total employment by 2031, as illustrated in scenarios presented in C&C's representations. These show that required office floorspace to accommodate business service job growth could plausibly be up to 2 million sq m more than the forecast of 4.2 million sq m adopted in the London Plan.
22. The RLP forecasts of office floorspace demand assume an occupational density of 12 sq m (net) per worker. In our view this is an unrealistically high density.
23. A further serious issue regarding the credibility of the office demand forecasts concerns inconsistencies between GLA sector employment projections and LOPR forecasts of office job growth at borough level. These disparities are clearly illustrated by comparison of the projections for the City of Westminster with those for the City of London and Tower Hamlets. Westminster has more jobs in business services than the City and Tower Hamlets combined, yet its projected office job growth to 2031 is less than the other two boroughs. The scale of office job growth projected for the City and Tower Hamlets is difficult to reconcile with the fact that over half of their office employment is in financial services, where the GLA projections show minimal job growth to 2031.
24. The assumptions used in the forecasts adopted in the RLP lead to a bias towards understating the future scale of demand in London as a whole and in particular are likely to underestimate future levels of office demand in the western part of the Central

Activities Zone (CAZ), where estimates of future office capacity show a large under-supply. More realistic assessment of demand growth would show an even greater shortfall and hence need for workplace expansion capacity in suitable alternative locations. This strengthens even further the case for a much higher employment allocation for the ECWKO, consistent with its potential for strategically significant offices.