

Royal Borough of Kensington & Chelsea EMPLOYMENT LAND REVIEW - UPDATE



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Draft Report
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1 INTRODUCTION

- 1.1 The Royal Borough of Kensington & Chelsea Employment Land Study was produced by Roger Tym & Partners in January 2007. This document reviewed the supply and demand for employment land and floorspace in the Borough.
- 1.2 The study concluded that since there was no new development land in Kensington and Chelsea, and little or no land was likely to be transferred to employment land from other uses, the management of the existing stock was the main issue. It recommended that the Borough should not permit any further significant losses of employment space.
- 1.3 The study supported the principle of giving special protection to the Employment Zones, South Kensington and small units, and stated that no part of the UDP policy areas is so unattractive for business that it should be re-allocated to other uses, but several areas are badly in need of improvement.
- 1.4 It stated that if the estimated space requirements are to be met, the Council should consider extending the safeguarding of employment sites to the south of the Borough, outside the UDP policy areas, which at present enjoy no protection at all unless they are very small. The Council should also reconsider the policies which discourage new office development in these areas unless it is in very small units.
- 1.5 The Council has now started work on the Local Development Framework, Core Strategy. The draft LDF proposes to increase protection for both light industrial and office uses. For light industrial, all units would be protected. For offices, all small (floor area of 300sq m or less) would be protected across the Borough, with medium offices (floor area of 300-1,000sq m) protected only in Employment Zones or town centres and large offices (floor area of 1,000sq m or more) protected only in town centres.
- 1.6 In addition, the draft LDF proposes to re-allocate the Kensal Gasworks site, from employment to residential development or mixed use.
- 1.7 The purpose of this update is to test these draft policies, taking into account the latest economic forecasts, latest supply data, and changes to national and London planning policies.
- 1.8 In the next section we set out the latest national and London policies as well as the draft LDF policies which this update will test. In Section 3, we discuss the office and industrial / warehouse markets. This provides a commercial context to the study. In Section 4 we consider supply, ie how much floorspace has been completed, is under construction or has an outstanding planning permission or allocation for employment, and where.
- 1.9 In Section 5 we provide updated forecasts of future demand for employment floorspace and compare this with the supply data. In Section 6 we provide conclusions and policy recommendations for the LDF.

2 POLICY CONTEXT

Introduction

- 2.1 In this section, we review current and emerging policies to:
- Establish what strategic policies, both national and London-wide, the Borough's LDF must conform to;
 - Set out the main emerging policies in the draft Local Development Framework - Core Strategy.

Strategic policies

Central Government Guidance

- 2.2 New Planning Policy Statement (PPS)4, Planning for Prosperous Economies, was published as a consultation draft in May 2009. The new draft brings together planning for all economic land uses, so as well as the existing PPG 4 it will replace PPS 6, relating to town centre uses, and parts of PPS 13, relating to economic development in rural areas. The key objective of the draft PPS is to ensure that the planning system positively and proactively supports economic development.
- 2.3 Two of the policies in the draft PPS are especially relevant to Employment Land Reviews (ELRs). The first is Policy EC1, Using Evidence to Plan Positively, whose opening paragraph reads in part:
- 'Regional planning bodies and local planning authorities should work together to prepare and maintain a robust evidence base to understand both existing business needs and likely changes in the market... [They] should ensure that the evidence they gather is proportionate to the scale of the issue. The evidence base should underpin development plan policies which support sustainable economic development [and] allow a quick response to changing economic circumstances... However, there is a limit to the extent authorities can predict the future and so a flexible approach to the supply and use of land will be important.
- 2.4 The policy goes on to say that local evidence bases should assess the need for and supply of employment land over the plan period, as already do. But, in a new departure, it suggests that in this analysis of employment land should be considered alongside other economic land uses, so the ELR merges into a wider exercise called a 'land review'.
- 2.5 The second policy that bears directly on ELRs is Policy EC4, Local Planning Approach to Economic Development, which sets out requirements for Local Development Frameworks. The key points are that local authorities, through their LDFs, should:
- Positively and proactively encourage sustainable economic growth... based on a clear and proactive locally specific economic vision and strategy;

- Where necessary to safeguard land for other uses, identify sites to facilitate a broad range of economic development, including mixed use, to meet the requirements in the Regional Spatial Strategy (Policy EC2, on regional planning, says that regional strategies should set land provision targets for each district);
- Support existing business sectors and clusters;
- Only allocate sites for economic development if there is a need and reasonable prospect of the site being used for its allocated use during the plan period (otherwise alternative uses, such as housing, should be considered).

The London Plan

- 2.6 The London Plan, also known as the Spatial Development Strategy for Greater London, was originally adopted in February 2004 to replace the previous strategic planning guidance for London (RPG3) and was updated in February 2008, consolidating various alterations from the intervening years.
- 2.7 A small part of the Borough, around Knightsbridge, is part of the Central Activities Zone (CAZ) and is identified in the Plan as an international retail centre.
- 2.8 The Plan identifies two kinds of areas across London in which large-scale housing and employment growth is to be focused, known as 'Opportunity Areas' and 'Intensification Areas'. None of these areas are in Kensington and Chelsea. It also identifies 'Areas for Regeneration', which comprise the 20% most deprived areas in London, as measured by the Index of Multiple Deprivation (IMD) where Boroughs should act to reduce disadvantage. In Kensington and Chelsea these include most of the North Kensington wards.
- 2.9 The London Plan defines Strategic Industrial Locations (SILs), which are to be safeguarded for industrial and warehousing uses. The Royal Borough contains just one SIL, Freston Rd/Latimer Rd.
- 2.10 Outside of the SILs, the London Plan notes that the Boroughs should develop local policies for the management, protection, release or enhancement of industrial uses. Guidance on these policies is provided in the Mayor's Supplementary Planning Guidance (SPG) on Industrial Capacity, published in March 2008. The SPG classifies each Borough as 'managed transfer'; 'restricted transfer' or 'limited transfer'. Kensington and Chelsea is designated as 'restricted':
- 'Boroughs in this category typically have low levels of industrial land relative to demand (particularly for waste management or land for logistics) and/or low proportions of industrial land within the SIL framework.'*
- 2.11 The GLA produce Borough-level employment forecasts. There is no policy or other planning document to say that London boroughs have to adopt the GLA employment forecasts as targets. However, we understand from the GLA that it considers it good planning practice because it leads to consistent planning across London.
- 2.12 The London Plan recognises that the manufacturing sector is forecast to decline, but states that there are other industrial type activities (such as logistics, waste

management, and recycling and transport related activities) which will continue to grow. Based on the forecasts, and taking into account scope for more efficient use of industrial land, the plan recommends that land might be released for other uses, provided that the new uses do not compromise nearby industrial uses.

2.13 With regard to the office sector, the London Plan states that economic activities based in offices are forecast to grow. Policy 3b.2, Office Demand and Supply, states that the Mayor will:

- 'Seek a significant increment to current stock, through changes of use and development of vacant brownfield sites.
- Seek the renovation and renewal of existing stock to increase and enhance the quality and flexibility of London's office market offer, in line with policies for maximising the intensity of development
- Seek the provision of a variety of type, size and cost of office premises to meet the needs of all sectors, including small and medium sized enterprises
- Put in place processes to investigate and, if necessary bring forward, further potential capacity.'

2.14 Policy 3b.2 also states:

'Boroughs should...promote the provision of additional space and the rejuvenation of existing office space in CAZ'

2.15 Knightsbridge does fall in the CAZ but is dominated by international retail rather than offices or other employment uses. Kensington and Chelsea is not identified as a focus for new large-scale office growth, but it is important to note that the London Plan does place a requirement on all boroughs to manage and enhance their existing stocks of office space.

A New Plan for London

2.16 In April 2009 the Mayor released the document 'A New Plan for London' for consultation. The document puts forward proposals for an updated plan. While representing the likely direction of London-wide policy, the document is not statutory at present.

2.17 The consultation document reaffirms the approach of the current Plan regarding both the Central Activities Zone and designated Opportunity Areas, which will remain the same designated areas. There are no changes proposed to the current designated Intensification Areas, however the document states that 'The Mayor intends to canvass for new intensification areas, especially in outer and south London'. It is unlikely, although not impossible, that any new Areas will be located in Kensington & Chelsea, since it is neither in outer nor south London.

2.18 Unlike other types of priority area, the Area for Regeneration are not subjectively decided but rather based on official objective data - they are formed of the 20% most deprived wards in the capital as identified in the Index of Multiple Deprivation which is updated regularly, most recently in 2007. The consultation document pledges to update these area accordingly.

- 2.19 The proposals state that the town centre network should be regularly updated to take account of changing circumstances and requirements at local, national and international levels. The proposals also state that the new Plan will strategically guide policy for individual centres. It is important that 'Town centre policy must not fossilise the network of town centres but ensure that its evolution provides Londoners with improving, convenient and sustainable access to the widest range of competitively priced goods and services'.
- 2.20 Regarding offices, the document states that 'ensuring there is enough office space of the right kind in the right places is a key task for the London planning system'. The key theme of the office proposals is flexibility - firstly in terms of different areas of London, the proposals encouraging different local approaches to office markets, and also in terms of encouraging mixed use developments both where high office values support other uses and vice versa. The document also proposes an increase in new office provision as well as renovation of the existing stock.
- 2.21 While its attention is largely on office stock, the proposals recognise the need to retain some industrial stock and proposes to 'encourage a more rigorous, managed approach to future release of surplus industrial capacity'.

Local Development Framework

- 2.22 The Council has started work on a replacement for the UDP, in the form of a Local Development Framework: Core Strategy under the new Planning and Compulsory Purchase Act 2004. The policies set out in the draft Core Strategy are divided into 'Strategic' policies, which are broad and wide-ranging, and 'Tactical' policies, which are more detailed and specific.
- 2.23 The strategic policy 'Location of Business Uses' states, in line with the existing UDP policy, an intention to restrict large scale business development to areas with good accessibility by public transport. The policy 'Employment Zones' identifies three areas, at Lots Road, Freston/Latimer Road and Kensal Road as protected for light industrial uses, workshops, and small/medium scale offices, while explicitly discouraging large scale office development in these areas. This is also in line with the existing UDP policy.
- 2.24 The tactical policies for each use class are divided into the themes of 'Protection of existing uses' and 'Permit new floorspace'. Light industrial uses are covered by policies FV TP6 and FV TP7 respectively; offices are covered by policies FV TP8 and FV TP9 respectively.
- 2.25 Policy FV TP6 protects all light industrial uses in all parts of the Borough; Policy FV TP7 encourages new light industrial use in Employment Zones and commercial mews.
- 2.26 Policy FV TP8 protects small offices (floor area of 300sq m or less) across the Borough; medium offices (floor area of 300-1,000sq m) only within Employment Zones or town centres; and large offices (floor area of 1,000sq m or more) only in town

centres. Policy FV TP9 permits new office floorspace in higher order town centres and in highly accessible areas, except as a change of use of flats; and new small or medium office floorspace in Employment Zones or commercial mews.

- 2.27 These draft policies are different to those of the UDP 2002 because they seek to protect more existing employment units - not just in Employment Zones but across the Borough.
- 2.28 In addition to the strategic and tactical policies, the draft Core Strategy identifies fourteen 'places', locations singled out for special attention for one of three reasons - areas of regeneration; areas with particularly high numbers of visitors; and other retail destinations. Most of these are not relevant to this study since they are primarily residential or retail locations. However the three Employment Zones - Kensal, Latimer, Lots Road - are important as well as the Kensington High Street office cluster.

Kensal

- 2.29 Kensal contains two areas which are important in industrial terms - most importantly a cluster of employment uses on the western end of Kensal Road which 'currently provides the most significant local employment opportunities within the area'. In addition it contains the 'Gasworks site', some 17 hectares of development opportunities; while the Strategy indicates a preference for residential development, it also encourages job creation.

Latimer

- 2.30 Latimer contains the Freston Road/Latimer Employment Zone, a small number of motor trade and storage uses and a range of media related uses. The Strategy recognises that the Employment Zone 'offers low value, flexible space for business and light industrial uses for residents.' The Strategy states a preference that new development be centred around Latimer Road station.

Lots Road

- 2.31 Lots Road Employment Zone is recognised as less industrial than the other two, being dominated by antiques and art-related firms. This, along with the interior design and businesses services firms recently emerging, creates a unique character which the Council pledges to protect. The Council also notes the importance of the Lots Road Power Station listed building to the character of the area.

Kensington High Street

- 2.32 Kensington High Street has significant office provision housing several high profile companies such as the Associated Newspaper Group, Sony and Warners. The Strategy intends to retain and enhance this office stock, stating that 'the Council supports offices rather than homes above shops in core retail frontages'.

Summary

- 2.33 National policy on planning for the economy is currently under review. The consultation draft of PPS 4, Planning for Prosperous Economies, encourages a joined-up approach to different economic land uses, such as employment uses and town centre uses. Key objectives of the draft PPS is that planning should actively support sustainable economic growth and competitiveness, by responding to market requirements, providing flexibility and valuing the economic benefits of development.
- 2.34 The GLA consider it good planning practice for Local Development Frameworks to conform to their Borough-level employment forecasts. We look at the latest forecasts in detail in Section 4.
- 2.35 Kensington and Chelsea is not a strategic location for employment; none of the London Plan's Opportunity Areas or Areas for Intensification are located in the Borough.
- 2.36 The London Plan states that Boroughs should make sure that they both protect existing office stock and identify sites for new office development. This is because major office growth is a key part of the strategy for the future success of the London economy. However, Kensington & Chelsea is not a strategic office location.
- 2.37 The London Plan accepts industrial and warehouse land requirements will fall but the Mayor's Supplementary Planning Guidance (SPG) on Industrial Capacity, published in March 2008, states that loss of industrial/warehouse land in Kensington and Chelsea should be restricted, because supply is falling faster than demand.
- 2.38 The proposals for an updated London Plan do not significantly alter this position.
- 2.39 The draft LDF strengthens protection for employment uses across the Borough. It protects small industrial units everywhere, because of an identified demand for small units. Also, the LDF protects office uses depending on their location and size.
- 2.40 With regard to allocations, the LDF suggests that part of the Kensal employment zone - the gasworks site - could be redeveloped for residential use.
- 2.41 The draft LDF supports further development at Latimer Rd/Freston Rd because it recognises that the type of low cost space provided here is important. It also supports the unique uses at Lots Road. Finally, the LDF supports offices in town centres.

3 LOCAL PROPERTY MARKETS

Introduction

- 3.1 In this chapter, we profile Kensington and Chelsea's markets for business property, focusing on two broad issues. First, we consider the nature of demand, to see what kinds of businesses are attracted to different parts of the Borough and what kinds of accommodation they need. Second, we look at the balance of the market, to identify any market sectors or geographical areas where:
- The supply of space falls short of demand or there may be demand for additional space in future - suggesting that planning policy may need to provide more land for employment, or at least to safeguard existing employment sites.;
 - Conversely, supply exceeds demand - suggesting that there is little need for more employment land, or even that some existing sites might be released for other uses.
- 3.2 Inevitably, this market analysis is relatively short-term. It complements the long-term analysis of demand and supply in the next chapter, which is based on analysis of economic forecasts and planning data rather than actual market transactions.

Market Sectors

- 3.3 The market for business space in the Royal Borough comprises three sub-markets, or types of use:
- Standard offices
 - Low-cost offices/studios/business units
 - Light industry and warehousing.
- 3.4 *Standard offices* are concentrated in the south of the Borough around Kensington High Street and South Kensington. However, this market extends throughout, albeit in smaller quantities, all of the three Employment Zones. The Borough is not a well known office location in the context of the overall London market, operating as a secondary and in some cases 'overspill' market relative to more central London office market locations.
- 3.5 *Secondary offices/studios/business units* are possibly the Borough's main business market and can be found in all three Employment Zones and both town centres. They are typically occupied by creative industries such as architects, fashion and interior designers, and film and music producers. Many of these occupiers are small or start up companies who do not need a conventional office, but rather a studio space with maybe a small office area. The small, relatively low cost space available in buildings such as Network Hub and Canalot Studios in Kensal and Worlds End Studios in Lots Road, offer these occupiers the space they need on a flexible basis and at a budget they can afford. The success of the Workspace Group, who have four buildings in the

Kensal area, and enjoys 97% occupancy at Worlds End Studios for example, demonstrates that there is a good demand for small studio space in the area. This type of occupier is unlikely to move to areas such as Mayfair or Hammersmith, where rents are higher and there is a shortage of small (sub 300 sq m) studio space.

- 3.6 *Light industry and warehousing* are concentrated most notably in the Latimer/Freston Road areas. The bulk of demand again is for small (sub 300 sq m) units, and also for flexible, fit-for-purpose floorspace, offering good value for money. Much of this demand is accommodated in managed workspace, offering flexible terms of occupation. As elsewhere in London, there is strong demand for small freeholds. Examples of the types of occupiers for this space are car garages and builders merchants. These businesses are an important part of the local and wider economy. While this sector of the market is unlikely to expand, it is not in retreat either, but provides consistent and resilient levels of demand.

Local Markets

- 3.7 Kensington and Chelsea's business floorspace is concentrated in:
- Three designated employment zones, comprising Kensal Green, Latimer Road/Freston Road and Lots Road;
 - The main office clusters at High Street Kensington and South Kensington.
- 3.8 Below, we discuss these areas in turn. For each area, we start with a brief description, go on to consider property demand, then supply, and finally market balance and potential development opportunities.
- 3.9 So far as possible, we aim to describe normal market conditions, leaving aside the current recession. So our analysis concentrates on the underlying dynamics of supply and demand, disregarding extreme peaks and troughs in the market

Kensal

Description

- 3.10 Located on the northern edge of the Borough, the area is bisected by Ladbrooke Grove, which separates east and west. Its local environment is not as high quality or prestigious in character as other areas within the Borough. There is a lack of amenities required by higher value businesses and their staff, such as retail, restaurants, meeting places and service suppliers. The Sainsbury store is the only significant amenity west of Ladbrooke Grove. Business with accommodation requirements, particularly those who operate in high value sectors, have voiced concerns over perceptions of crime in this area.
- 3.11 Kensal Road Employment Zone has the smallest commercial unit sizes, across all use sectors, within the Borough. Only around 5% of the units are 300 sq m or more, compared to 11% in the Borough as a whole.

Demand

- 3.12 Kensal's main business market is that for low-cost offices/studios. The area has a long-standing role in accommodating creative industries, which are mostly small or start up businesses, attracted to the area by the smaller units on offer, low costs, a pool of suitable labour and a self-perpetuating local culture. Technical facilities may also influence the decision to be based here. For example, Canalot Studios, part of the Workspace Group portfolio, is popular with music companies due to the high number of sound studios within the building. Occupiers include Schmick TV Ltd, Angels Egg Music Ltd and Cave Productions. Each of these companies has fewer than ten employees.
- 3.13 The attraction of a Kensington and Chelsea address is also a factor that attracts creative businesses to Kensal. However, as these businesses grow they tend to migrate to more established commercial areas, which offer larger units in more attractive surroundings.
- 3.14 Some cost-orientated light industrial occupiers have also gravitated to the Kensal area. These businesses range from waste management services, removals and storage, to courier delivery and minor logistics. They rarely demonstrate strong surges in demand, even disregarding the current economic downturn, but they constitute a consistent and resilient sector.
- 3.15 For mainstream office occupiers Kensal is seen as a very marginal location, particularly those requiring mid to large sized units (over 300 sq m). Indeed it is very rare for such occupiers who register requirements with us to include this area in their search criteria.
- 3.16 Across all market sectors, it is clear to us that demand in the area across all use sectors is for predominantly smaller units, of less than 300 sq m (3,200 sq ft), and there is a weaker demand for larger units. This demand for smaller business accommodation is well catered for by the existing stock in the area which is predominantly in this smaller size sector.
- 3.17 The Workspace Group typically does not experience a large number of enquiries and has not sought to expand within the Borough, even before the current downturn. This is one indication that that demand for space, while it may be consistent, is not growing dynamically.

Supply

- 3.18 LSH research has found that there is a very mixed quality of space in this location: Property currently and recently on the market includes the following:
- At the recently developed Network Hub, light industrial and office space in units ranging from 62 sq m to 233 sq m. Quoting rents for industrial accommodation are £140 per sq m, which is quite high for London. In contrast, for offices quoting rents are below-average for London, at £210 per sq m per annum exclusive. These rents

reflect the location's greater popularity for industrial and mixed uses than for offices.

- Portobello Dock has a new high-quality 4,645 sq m office development, which despite this high quality is letting slowly. Enquires have been predominantly for units from 50-190 sq m, with a notable lack of demand for larger space. The office rents available here which are lower than the average for London also reflect the restrained demand from office users; the scheme will deal at £183-237 per sq m.
- Serviced commercial space provider, the Workspace Group, are currently offering space in four buildings:
 - At Pall Mall Deposit, 325 sq m of offices/studios are available at between £237-269 per sq m.
 - At Canalot Studios, up to 930 sq m are available at between £215-323 per sq m.
 - At Shaftesbury Centre, 270 sq m of offices are available at £194 per sq m.
 - At Ladbroke Hall, 418 sq m of offices/studios are available £150 per sq m.

Market Balance and Opportunities

- 3.19 Typically, the Kensal area has seen an availability (vacancy) rate of some 5-10% of stock (industrial and office), which has remained constant except in extreme market conditions such as the current credit crunch. This suggests that the market is broadly in balance, with supply catering to demand..
- 3.20 Other evidence also suggests that the demand for business space across all uses in this location is generally comfortably met by the available supply:
- LSH research did not identify any occupiers wishing to move to Kensal Green who have not been able to find suitable accommodation. The availability rate of 5-10% allows reasonable choice to those seeking space in the area.
 - Both the Network Hub and the Workspace Group buildings currently have space available. Whilst enquiries at the Workspace Group are rarely overwhelming, they are at least steady, and have proven resilient in the long term.
- 3.21 Looking to the future, we consider that the market opportunities for new development will be limited. Across all use sectors, occupiers are mostly small and start-up businesses. As long as these businesses have a good choice of cheaper accommodation in cheaper second-hand property and managed workspace, brand-new, high-quality accommodation will not fully perform. However, there is some potential demand for good-value light industrial development, both in new buildings and updated provision, existing occupiers already based in the area who are in older and obsolete accommodation.
- 3.22 Any development targeting office or creative occupiers would need to include the provision of more amenities to attract businesses.

Latimer Road/Freston Road

Description

- 3.23 The Latimer Road/Freston Road employment zone lies on the Western edge of the Royal Borough, with the new Westfield shopping centre development in close proximity. The two parts of the zone are separated by Westway. Freston Road is to the south and Latimer Road is to the north.
- 3.24 There is relatively poor accessibility compared to other areas within the Borough. Latimer Road tube station, however, is served by the Hammersmith and City Line.
- 3.25 Freston Road has better access to the main road network than Latimer Road. However, in terms of immediate access Freston Road is inferior, being a dead end for traffic at the northern end.
- 3.26 Owing to the lack of public transport provision, lack of amenities, relatively good road access, and the generally poor internal environment, this area is predominantly an industrial/warehousing location.

Demand

- 3.27 Of Kensington and Chelsea's small stock of industrial/warehouse space, most is located in Latimer/Freston Road. Business occupiers in this area are mostly light industrial users, such as car servicing garages and hardware merchants (e.g Travis Perkins), which serve both local residents and a wider catchment. Car garages in particular probably attract customers not just from the immediate area, but from the Borough as a whole and beyond. These types of services play a key role in the community, as local residents do not want to travel long distances to have their car serviced, for example. As a result, the limited supply of light industrial/warehouse properties enjoys steady demand from occupiers.
- 3.28 There is also healthy demand for low-cost offices/studios, from small and start-up businesses, often in the creative industries.
- 3.29 In contrast, for mainstream offices Freston Road/Latimer Road is seen as a very marginal location and there is little demand. The Monsoon letting at the Yellow Building, which is discussed in the next section, is a notable exception to this; this deal results directly from the development of the Westfield shopping centre and we have yet to witness evidence that it is the start of a wider trend. However, there may be further spin-off requirements linked to Westfield, particularly if the proposed bridge connecting the shopping centre to North Kensington is built

Supply

- 3.30 Despite this area being predominantly an industrial/warehousing location, there is a limited supply of available property. The choice becomes even narrower when looking for new or higher quality and refurbished units. LSH research has found there are only four good quality industrial buildings currently available:

- 3 Crowthorne Road, workshop providing 470 sq m of space
 - Arches 51 - 55, Freston Road, 482 sq m of general industrial space
 - Arch 35, Latimer Road, 63 sq m of general industrial space
 - 259 Water Road, 734 sq m of industrial / warehouse space.
- 3.31 For mainstream offices, the area's floorspace stock is very small. However, the Yellow Building (Notting Dale Village) has recently been developed to offer around **XXXX SQ M (XXX SQ FT)** of Grade A office space. This is the only building of such high-quality specification available in the area at the current time. The clothing retailer, Monsoon has recently agreed to occupy half of the building for use as its administrative headquarters, citing the proximity to the Westfield shopping centre in the Hammersmith and Fulham Borough as one of the main reasons. Monsoon is a notable exception to the majority of the demand, which is mainly from far smaller requirements (sub 300 sq m). We are not aware of any further requirements of the scale of this deal with Monsoon. There is no evidence to suggest that their requirement was a wider trend as opposed to a one off exceptional transaction.
- 3.32 Other than Monsoon, the agents for the Yellow Building inform us that the main requirements have been from small media companies. They are currently quoting £312 per sq m with incentives available. The scheme is gradually letting but is taking time to fill and having to be flexible in terms and size to attract tenants. Its high quality does limit its ability to be very competitive on cost, which is not always compatible with the very small and start-up businesses which generate much of the demand for accommodation.
- 3.33 Baseline Business Studios, which provides low-cost offices/studios, is a good example of space that does meet the requirements of small and start-up businesses, especially in the creative industries. Baseline is a development funded by the Royal Borough of Kensington & Chelsea and the London Development Agency. It provides 33 business units of 31 sq m and six units of 62 sq m. Such small units are extremely rare in the wider market generally. The business units are let to tenants as offices and hybrid light production uses, with tenants from a wide range of activities including publishing, music, design, charity and non-profit, recruitment, retail, financial services and property management. Occupiers include Nu-Line Builders Merchants, Mercury Media International and UKHM Publishing. Further to the building's completion in autumn 2003, all 39 units were let within 12 months, and at the time of writing just one 31 sq m unit is available to let, with four further units under offer. The studios offer cost effective flexible tenancies with new leases being offered for a period of three years. After six months, the tenant can vacate its property upon one month's notice.

Market Balance and Opportunities

- 3.34 Generally, and disregarding short-term market fluctuations, Freston Road/Latimer Road over the years has seen relatively low availability rates across all use sectors. In the industrial/warehouse market particularly, supply has generally fallen short of demand, especially for higher-quality and refurbished units. In contrast, for standard

offices low supply is matched by low demand and this is unlikely to change. Despite the example of Monsoon, it is likely that the area has little potential for mainstream office development.

Lots Road

Description

- 3.35 The Lots road employment zone is located in the south west corner of the Borough, bordering the river Thames to the south and the London borough of Hammersmith and Fulham to the west.
- 3.36 The area is well served by the road network connecting it to central London. It is also served well by buses. There is no train or tube station, but a new station is due to open at Imperial Wharf by the end of 2009 which will greatly improve access.
- 3.37 Lots Road is primarily a residential area and has a higher grade overall environment to the Kensal and Latimer/Freston areas. Crucially, it also offers a greater range of amenities, including small shops and cafes. Chelsea Arts College has recently located in the area and the new Chelsea Academy is currently under construction.
- 3.38 Security and crime is less of a perceived problem in Lots Road than the other employment zones. Furthermore, the overall density of development in Lots Road appears not yet to cause major problems in terms of traffic congestion and parking.

Demand

- 3.39 The main market in this area is for small studios/offices/business units, generally of a higher quality than those in the Northern employment area. Demand is driven by smaller businesses, generally from creative industries such as fashion and interior designers, who seek small, well lit premises. Occupiers include Tennant Artists, LKS Designs and Sport Entertainment Ltd. The presence of Chelsea Arts College is adding to the attractiveness of the area for creative industries.

Supply

- 3.40 The business space in the area mostly caters for smaller occupiers, with small studios the most common type of unit. For example, both Chelsea Wharf and Worlds End Studios offer small, flexible, good quality space to occupiers on a budget.
- 3.41 At Chelsea Wharf available office space varies in size from 54 - 332 sq m, with quoting rents at between £242 and £296 per sq m depending on the size of the unit. The higher rental values here reflect the superior appeal this area holds for office occupiers. The Worlds End Studios enjoys a current 97% occupancy which demonstrates its popularity, especially when considered against the current economic difficulties
- 3.42 Worlds End Studios is a business and community centre that has been offering space to occupiers since the 1980s. For the past five years the building has been fully let, however, there are currently four studios available ranging from a single desk space for

£500 per month to a four-person office for £1,496 per month. The majority of tenants are in the design industry, such as architects and interior designers. The owners work hard to cultivate a community spirit within the building, with two parties held every year for the tenants.

- 3.43 The new Lots Road Power Station development, which is currently under construction, is expected to greatly improve the local area and provide further local amenities for residents. The new development will provide 1,130 sq m (105,000 sq ft) of business space when it is planned to fully complete in 2013. **Again our figures say 4,900 sq m**

Market Balance and Opportunities

- 3.44 The area's small stock of business property is generally well occupied and vacancies are low, suggesting that the market is tight. But we think that for the foreseeable future any unsatisfied demand will be met by the Lots Power Station currently under construction. Therefore we struggle to see scope for significant new development in addition to this scheme. To succeed in attracting occupiers, any new development should offer smaller units at relatively modest cost, as this represents the majority of demand.

- 3.45 There is pressure on the existing stock of business property, because residential land values are generally higher than commercial. For example, the owner of 90 Lots Road is currently planning on redeveloping this building from small office suites into a residential development; hence the space in the building is only available on a very short term basis. Because the stock is small, even small-scale conversions impact significantly on the supply of business space.

Kensington High Street

Description

- 3.46 Kensington High Street is the centre of the Royal Borough, based around Kensington High Street. It is predominantly a residential area and a major shopping location within London, competing with Oxford Street and Westfield as a retail destination. The area enjoys high accessibility both by road network and public transport, with a Tube station and good bus services.

Demand

- 3.47 The main business market in the area is for standard offices. In contrast to the employment zones, office occupiers in Kensington High Street are predominantly looking for high-quality space and are prepared to pay higher rents for it. Occupiers are drawn to the location as a result of good accessibility and high quality local amenities. Some of the demand is overspill from Mayfair, where rents are even more expensive.
- 3.48 Demand is for both large offices, such as 5 Young Street offering 4,180 sq m, and the smaller sub 300 sq m premises typically found above retail units along the High Street.

Supply

- 3.49 Small offices above the ground floor retail units make up the majority of business space in this area and catering for occupiers such as the Associated Newspaper Group. However, it is also one of the few locations within the Royal Borough that does provide larger office floor plates. For example, 5 Young Street is a new office development on the former Kensington Market site that offers 4,180 sq m of grade A top quality office space. The agents are currently quoting £538 per sq m and have experienced enquiries as a result of spill over from Mayfair locations. They are very confident of achieving the quoting rent. Rents are high here which reflects the good performance of this location in terms of attracting office occupiers.
- 3.50 A further example is 37 Kensington High Street, which is a new high quality office development providing up to 1,330 sq m. The quoting rent is £533 per sq m and once again they are confident of achieving this. Again, these high rents demonstrate the popularity of this location.

Market Balance and Opportunities

- 3.51 In the short term the area's office market is oversupplied, with large amounts of space available. This reflects the short-term impact of the recession, which has hit the London office market especially hard. In normal wider market conditions, the area's office market has been broadly in balance. There is normally enough space available to provide a reasonable choice for occupiers, but rental growth has been healthy, suggesting no oversupply.

South Kensington

Description

- 3.52 This area is located in the south of the Royal Borough, centred on South Kensington, Gloucester Road and Knightsbridge Tube stations. Along with Kensington High Street, it has the main concentration of office stock within the Royal Borough. It is also of London's most expensive residential areas, a major cultural location with several of London's most important museums, a top shopping location and home to many embassies/consulates and a concentration of French institutions. All these destinations attract many visitors, resulting in frequent congestion both on the roads and pavements.

Demand

- 3.53 The main business space market in the area is for standard offices. Like High Street Kensington, South Kensington offices benefit from over-spill demand from the Mayfair/West End market, particularly when this market become under-supplied or too expensive. These occupiers are seeking high quality premises and are prepared to pay close to Mayfair prices for these, although rents are slightly cheaper in South Kensington. Office space is also occupied by many residential estate agents based in this location, such as WA Ellis, and Cluttons, drawn to the area by the high-end housing market.

Supply

- 3.54 Most of the office stock in South Kensington is in small units of less than 300 sq m. An example is 126 Brompton Road, which offers 79 sq m of office space. There are few buildings catering for larger requirements. The largest unit currently available is 60 Sloane Avenue which offers up to 2,800 sq m of grade A office space. The quoting rent is currently £727 per sq m. This is a high rental level and reflects the relative prestige of this address and limited supply of similar buildings in this location.

Market Balance and Opportunities

- 3.55 Leaving aside the current property recession, the area's office market is broadly well balanced. Like High Street Kensington, the area has seen good rental growth over time, suggesting that it is not generally oversupplied.

Summary

- 3.56 Our review of the Borough's main business areas suggests that, leaving aside the current recession, property markets are generally well balanced. We have not found any market sectors or areas where property has been consistently oversupplied, suggesting that planning should encourage the transfer of employment land to other uses. In one particular market, industry and warehousing in Latimer Road/Freston Road, the market seems especially tight, with supply seemingly falling short of demand, offering little choice to occupiers.

4 THE SUPPLY OF EMPLOYMENT LAND

Introduction

- 4.1 In the previous ELR, we compared demand for and supply of employment land over the period 2001-2021.
- 4.2 We now update this analysis to look at the period 2004-2026. We start at 2004 because this is the base date of the latest GLA forecasts. We roll the end date onto 2026 because this is the end date of the Council's emerging Core Strategy.
- 4.3 We update both the demand (in the next Section) and the supply data. The Council's monitoring data has a base date of 31st March 2008. This means that we are able to consider two elements of supply:
- What happened between 2004 and 2008 (floorspace completed and under construction)
 - What commitments are outstanding (planning permissions and allocations)
- 4.4 We set out three tables: sites completed, sites under construction and sites with unimplemented planning permission. For each of these categories, we list each site which has a gain or loss of floorspace of at least 200sq m. There are many sites which are smaller than this, and to simplify the tables, we group these together.
- 4.5 For each site, we set out the floorspace change for office use and industrial/warehouse use. The data is sourced from the Council's monitoring data. We define 'office' floorspace as B1 Office Use Class, and 'industrial/warehouse' as B2 Light Industrial Use Class, B8 Warehousing and relevant sui generis uses such as car showrooms.
- 4.6 We also state whether the sites are in one of the employment zones (Lots Road, Latimer Rd/Freston Road or Kensal), the office cluster at Kensington High Street, or other locations in the Borough.
- 4.7 As well as showing the total quantity of new office and industrial/warehouse development in the Borough, this analysis also provides an overview of where development has come forward as well as the size of sites developed.
- 4.8 Finally, we consider the employment site allocations from the 2007 UDP. We provide a view as to whether these are still suitable for employment development and whether or not they are good quality sites.

Completions

Office

- 4.9 Between 2004 and 2008, completions in the Borough resulted in an insignificant net gain of around 9,000sq m of office floorspace, as shown in Table 4.1.
- 4.10 In the employment zones, the largest completion was in Kensal, where over 4,000sq m of new floorspace was developed at 196-208 Kensal Road as part of a mixed use

development. However, 1,200sq m was also lost in Kensal, at 308-312 Kensal Road where three office units were converted to a Jobcentre (A2 Use Class).



198-208 Kensal Road

- 4.11 In the Latimer Rd/Freston Rd employment area, around 1,200sq m of warehousing space was redeveloped for small office / studio space at 3 Latimer Place & 272 Latimer Road. Very little change took place in the Lots Road employment area.
- 4.12 In Kensington High Street, the biggest change was the development of Barkers Arcade, where 2,350sq m of second floor retail was converted to office use.
- 4.13 At other locations in the Borough, the largest office gains were redevelopments at the Earls Court Exhibition Centre (around 9,200 sq m in total) and the Duke of York's Headquarters (around 5,500sq m in total). A lot of small office sites, particularly those with 200-500sq m floorspace, were lost to non-employment uses.

Industrial & warehousing

- 4.14 Between 2004 and 2008, completions in the Borough resulted in an insignificant net loss of 4,200sq m of industrial/warehouse floorspace. The largest losses were at 3 Latimer Place & 272 Latimer Road (Latimer Rd/Freston Road employment area) and 2 Exmoor Street (not in an employment area) both already mentioned. There were no gains above 150sq m.

Table .4.1 Completions 1st April 2004-31st March 2008

Area	Site Name	Net Change B1 (sq m)	Net Change B2, B8, Sui Generis (sq m)
Kensal	196-208 Kensal Road	4049	0
Kensal	249/ 251 Kensal Road	200	150
Kensal	300 Kensal Road	-232	0
Kensal	Unit 217, Canalot Studios, 222 Kensal Road	-304	0
Kensal	Garrow House, 190 Kensal Road	-718	0
Kensal	308-312 Kensal Road	-1243	0
Kensal Total		1752	150
Kensington High Street	Barkers Arcade, 63-97 Kensington High Street	2351	0
Kensington High Street	160-166 Kensington High Street	730	0
Kensington High Street	160-166 Kensington High Street	462	0
Kensington High Street	27 Wrights Lane	375	0
Kensington High Street	123d Kensington High Street	222	0
Kensington High St Total		4140	0
Latimer Rd/ Freston Rd	3 Latimer Place and 272 Latimer Road	1164	-1272
Latimer Rd/ Freston Rd	Olympic House, 313/ 321 Latimer Road	360	0
Latimer Rd/ Freston Rd	99-101 Freston Road	310	0
Latimer Rd/ Freston Rd Total		1834	-1272
Lots Road	132 Lots Road	233	0
Lots Road	75-77 Lots Road	0	-850
Lots Road Total		233	-850
Other	Part First Floor, Earl's Court Exhibition Centre, Warwick Road	6500	0
Other	Block A, Duke of York's Headquarters, Kings Road	3918	0
Other	141-144 Sloane Street and Cagogan Mansions & 255-267 Pavilion Road	3547	0
Other	Part Third & Fourth Floors, Earl's Court Exhibition Centre, Warwick Road	2700	0
Other	Queripel Building, Duke of York's Headquarters, Kings Road	1559	0
Other	120-122 Sloane Street	1104	0
Other	2 Exmoor Street	1030	-1030
Other	Grants House, 2 Basil Street	983	0
Other	Garage Block, Franklin's Row, Duke of York's Headquarters	918	0
Other	Former Kings College, Kings Road	847	0
Other	Chenil House, 181-183 King's Road	725	0
Other	1/ 9 St. Mark's Road	531	0
Other	10 Knaresborough Place	514	0
Other	Peake House, 92 Golborne Road	494	0
Other	Grants House, 2 Basil Street	410	0
Other	14/24 Norland Road	400	0
Other	133 Oxford Gardens	386	0
Other	Alfred House, 39 Thurlow Street	364	0
Other	Regal House, 196/ 198 King's Road	250	0
Other	1a & 3a Pennant Mews	220	0
Other	182 Kensington Church Street	215	0
Other	Units 2 & 3, 69 St Mark's Road	214	0
Other	Rear of 189 Westbourne Grove	0	-277
Other	Admiral Mews garage and Yard, Barlby Road	0	-526
Other	6-9 Colville Mews	-200	0
Other	289 Westbourne Park Road	-200	0
Other	603 Harrow Road	-207	0

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Area	Site Name	Net Change B1 (sq m)	Net Change B2, B8, Sui Generis (sq m)
Other	Manor Court, Hemus Place	-210	0
Other	1a Queensberry Place	-216	0
Other	23 Dawson Place	-219	0
Other	21 Napier Place	-221	0
Other	46 Pembridge Road	-223	0
Other	Rear of premises at 191 Westbourne Grove	-226	0
Other	15 Radnor Walk	-237	0
Other	144/ 148 Kensington Church Street	-244	0
Other	Garden Corner, 13 Chelsea Embankment	-265	0
Other	4 Russell Gardens	-272	0
Other	40 and 40a Lowndes Street	-279	0
Other	117-119 Old Brompton Road	-284	0
Other	16e Portland Road	-301	0
Other	2 Pembridge Place	-303	0
Other	Suite 3, 3 Hans Crescent	-310	0
Other	Suite 5, 3 Hans Crescent	-310	0
Other	Suite 6, 3 Hans Crescent	-321	0
Other	24 Addison Place	-333	0
Other	First floor, 13 Crescent Place	-336	0
Other	Suite 8, 3 Hans Crescent	-340	0
Other	152 Holland Park Avenue	-343	0
Other	21/23 Queensdale Place	-357	0
Other	2 Colville Mews	-370	0
Other	31 Brechin Place	-396	0
Other	28, 29 & 30 Cadogan Place	-413	0
Other	24 Hyde Park Gate and 31/32 Queen's Gate Mews	-420	0
Other	15 Old Church Street	-423	0
Other	Second floor, Collier House, 163-169 Brompton Park Road	-430	0
Other	Third floor, Collier House, 163-169 Brompton Park Road	-430	0
Other	73 (and part rear of 75) Gloucester Road	-455	0
Other	5 Hyde Park Gate	-487	0
Other	264 Fulham Road	-544	0
Other	25 Ovington Square	-573	0
Other	137 Blenheim Crescent	-595	0
Other	Ground Floor, 2 Drayson Mews	-775	0
Other	114 Cromwell Road	-784	0
Other	Regency House, Hortensia Road	-800	0
Other	Collier House	-820	0
Other	10 The Boltons	-838	0
Other	24a Earl's Court Gardens	-920	0
Other	58 Kenway Road	-945	0
Other	31 Elvaston Mews	-950	0
Other	Waldron House, 57-63 Old Church Street	-978	0
Other	Second and third floors, Omega House, 471 Kings Road	-1512	0
Other	13 Brompton Place	-2633	0
Other Total		3581	-1833
	Small sites (gains/ losses of 200sq m or less)	-2498	-418
Grand Total		9042	-4223

Source: RBKC Monitoring data 2008

Sites under construction

Office

- 4.15 Table 4.2 shows sites which were under construction at 31st March 2008. 24,000sqm net of office floorspace was under construction.
- 4.16 The largest building under construction for a gain of office space was the approximately 25,900sq m 'Yellow Building' (discussed in Section 3), which includes the new Monsoon Headquarters, at Freston Road. It is likely that this was a 'one off' development because there has been no recent demand for similar large scale development opportunities. The next largest site under construction for offices in an employment zone was around 1,200sq m at 291-301 Latimer Road. There were no large office gains or losses in Lots Road and very little in Kensal. Kensington High Street was experienced some losses.



Yellow Building

- 4.17 The largest office gain elsewhere in the Borough was the 4,400sq m at the Telephone Exchange, Sedding Street. There were also losses, in particular The Power House, Alpha Place, 3 Swanscombe Road and 6 Exmoor Street, all of which were lost to residential development.

Industrial and warehousing

- 4.18 Industrial and warehousing sites under construction accounted for a net floorspace loss of around 1,400sqm. There were no large gains or losses in any of the employment zones, except for a gain of around 300sq m at Latimer Road.
- 4.19 The largest site under construction for new industrial / warehouse floorspace was at Barkston Gardens (2,900sq m) where self-contained serviced units were provided. A site under construction at 6 Exmoor Street accounted for a loss of 2,800sq m.

Table 4.4.1 Under Construction at 31st March 2008

Area	Site Name	Net change B1 (sq m)	Net change B2,B8,Sui Generis (sq m)
Kensal	Portobello Dock, Kensal Road	-364	0
Kensal Total		-364	0
Kensington HS	1a Gregory Place	-300	0
Kensington HS	29 Abingdon Road	-300	0
Kensington HS Total		-600	0
Latimer/Freston	Land and buildings at rear of 91 - 121 Freston Road	25,885	0
Latimer/Freston	Old site of 291-301 Latimer Road	1,230	0
Latimer/Freston	290-294 Latimer Road	469	298
Latimer/Freston	Unit 1, 23 Bramley Road	-300	0
Latimer/Freston Total		27,284	298
Other	The Telephone Exchange, 2 Sedding Street	4,412	0
Other	60 Sloane Avenue	980	0
Other	226 Cromwell Road	705	0
Other	181-183 King's Road	524	0
Other	2 Lower Sloane Street	479	0
Other	123-133 Oxford Gardens	252	0
Other	Duke of York's Headquarters, King's Road	216	0
Other	4-12 Barkston Gardens	0	2,915
Other	188 Portland Road	0	-500
Other	4 Yeoman's Row	-210	0
Other	114-116 Kings Road	-368	0
Other	Crofton House, 32 Old Church Street	-490	0
Other	2 Pont Street	-858	0
Other	27-27A Sloane Square	-930	0
Other	Shawfield House, Shawfield Street	-1,000	0
Other	The Power House, Alpha Place	-1,419	0
Other	3 Swanscombe Road	-1,844	0
Other	6 Exmoor Street	-2,862	-4,126
Other Total		-2,413	-1,711
	Small sites (gains/losses of 200sq m or less)	-195	-20
Grand Total		23,712	-1,433

Source: RBKC Monitoring data 2008

Unimplemented planning permissions

Office

- 4.20 Table 4.3 lists the sites which had unimplemented planning permissions at 31st March 2008.

- 4.21 Around 14,400sqm net had outstanding planning permission for office development. In the Latimer Rd/Freston Rd employment area there was a large permitted gain: 6,900sq m at 40-46 Bard Road. There was also a permitted gain of 4,900 sqm at the Former Lots Road Power Station. There were no large office gains in Kensington High Street.



Former Lots Road Power Station

- 4.22 Across the rest of the Borough, the largest unimplemented planning permissions were for gains of 5,500sq m at the Former Basil Street Hotel, around 4,400sq m on land under and adjacent to the Westway (two sites) and around 1,200 sq m at the Art School of Christie's at Brompton Road.
- 4.23 There were several sites with permission for losses of office space, and many of these were for losses of around 200-300sqm floorspace.

Industrial and warehouse

- 4.24 Floorspace with unimplemented planning permission for industrial and warehousing use totalled a net gain of around 2,400 sq m. The largest gain was for 3,700sq m at 167-185 Freston Road; an extension to create warehousing storage space. Other than this, there were very few unimplemented planning permissions in the employment zones and a small amount elsewhere.

Table 1.2 Unimplemented planning permissions at 31st March 2008

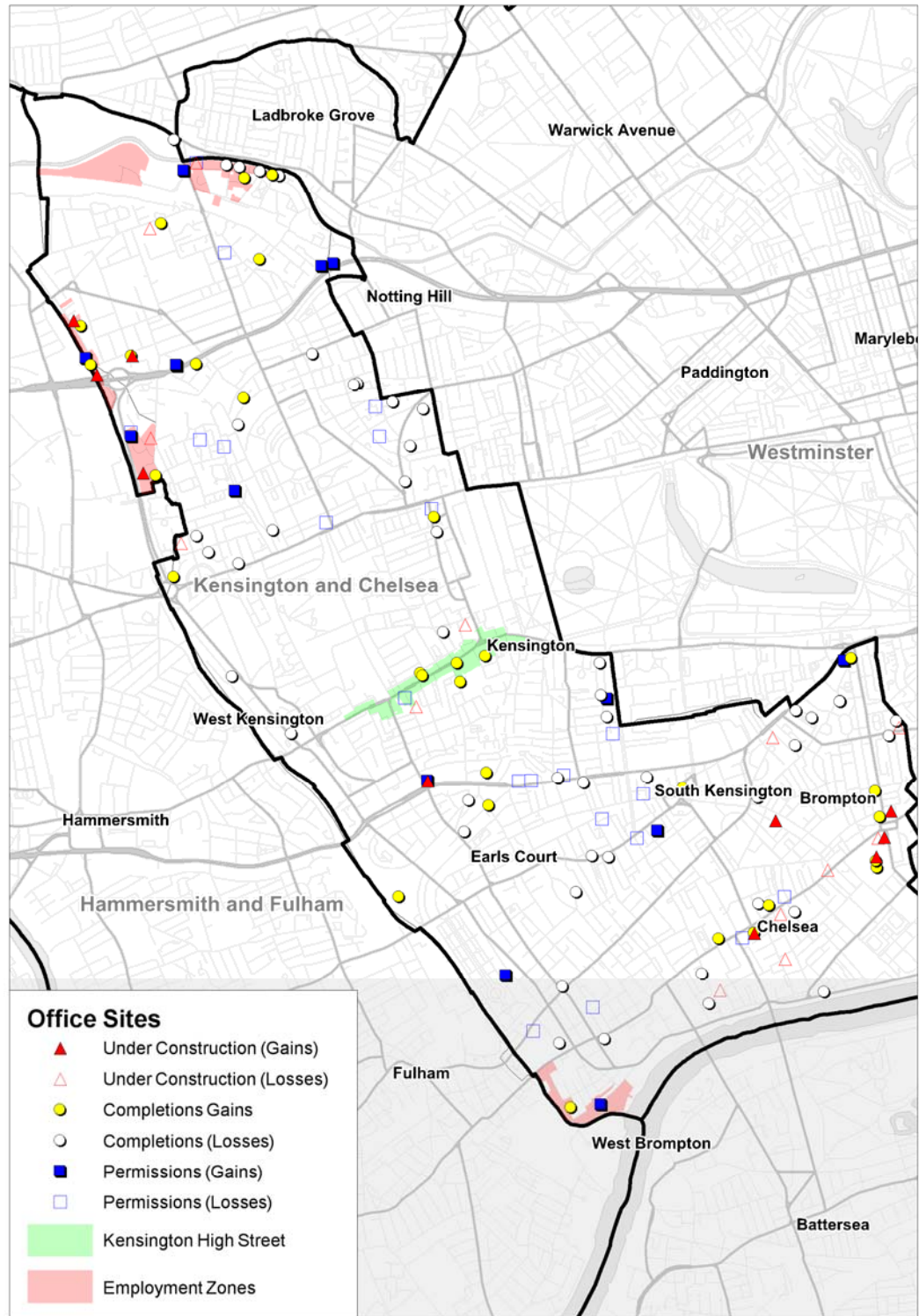
Area	Site Name	Net change B1 (sq m)	Net change B2,B8,Sui Generis (sq m)
Kensal	Canalside House, Ladbroke Grove	371	0
Kensal	Portobello Dock, Kensal Road	-640	0
Kensal Total		-269	0
Kensington HS	225-227 Kensington High Street	-362	0
Kensington HS Total		-362	0
Latimer/Freston	40-46 Bard Road	6,875	550
Latimer/Freston	335/339 Latimer Road	730	0
Latimer/Freston	167-185 Freston Road	0	3,700
Latimer/Freston Total		7,605	4,250
Lots Road	Lots Road Power Station and Chelsea Creek	4,904	0
Lots Road Total		4,904	0
Other	Former Basil Street Hotel, 10-14 And 2 Basil St	5,472	0
Other	Bays 11-20 under & adj the Westway	2,420	0
Other	Land under and adj. Westway, Old Brompton Rd	2,000	0
Other	Art School of Christie's, 63a Old Brompton Road	1,240	0
Other	Westbourne Studios, Acklam Rd	980	0
Other	Plots 5 & 6, Acklam Road	957	0
Other	St Lukes Church Hall, Adrian Mews	480	0
Other	2-4 Queen's Gate Mews	401	-401
Other	Tower House, 26 Cromwell Road	390	0
Other	116 Princedale Road	326	0
Other	2/3 Queens Gate Mews	0	-200
Other	77-83 Pavilion Road	0	-294
Other	49-51 Cheval Place	0	-324
Other	2 to 4 Queen's Gate Mews	0	-335
Other	Basement, 126-128 Cromwell Road	-211	0
Other	Units A, B & C	-216	0
Other	Unit 3 Ivory Place	-216	0
Other	1a Gertrude Street	-226	0
Other	16 Lambton Place	-230	0
Other	42-44 Clareville Street	-250	0
Other	113-115 Old Brompton Road, 48 Onslow Gardens	-260	0
Other	48 Onslow Gardens	-260	0
Other	9a & b Ladbroke Grove	-281	0
Other	3 Jubilee Place	-323	0
Other	248 Ladbroke Grove	-329	0
Other	202/204 Kensington Church Street	-355	0
Other	22 Queensberry Place	-382	0
Other	Garages to rear of 14 Pembridge Crescent	-400	0
Other	233-239 Walmer Road	-408	0
Other	108 Cromwell Road	-761	0
Other	126-128 Cromwell Road	-987	0
Other	459a Fulham Road	-990	0
Other	15 Elvaston Mews and 41 Queens Gate	-1,100	0
Other	146-148 Cromwell Road	-1,205	0
Other Total		5,276	-1,554
	Small sites (gains/losses of 200sq m or less)	-3,118	-279
Grand Total		14,036	2,417

Source: RBKC Monitoring data 2008

Geography

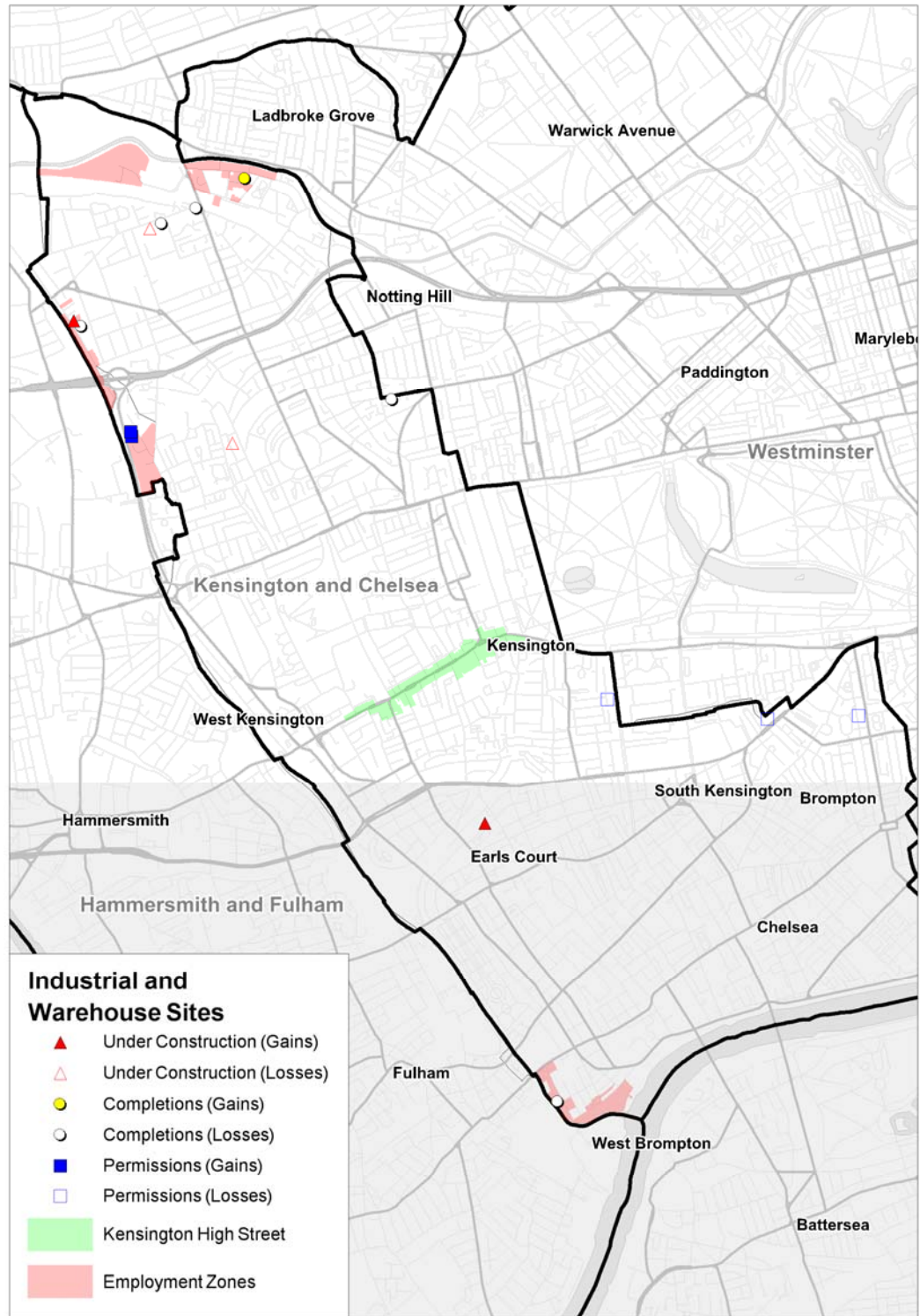
- 4.25 The maps below show completed sites in yellow, sites under construction in red and unimplemented planning permissions in blue. They show gains and losses of 200sq m or more.
- 4.26 Sites completed or under construction for office floorspace are clustered in or near the employment zones, Kensington High Street and other town centres, whereas losses of office space are generally outside these areas.
- 4.27 Sites with unimplemented planning permissions for office gains are spread fairly evenly across the Borough, with some in employment zones and some in other locations. Surprisingly, there are none in Kensington High Street. Sites with unimplemented planning permissions for office losses are outside of the employment zones, with one in Kensington High Street.
- 4.28 There are very few sites either completed or under construction for industrial/warehouse space but of these, most sites completed or under construction for gains are located in the employment zones and most completed or under construction for losses are outside the employment zones.
- 4.29 There are only two sites with unimplemented planning permission for industrial/warehouse floorspace gain, and these are both located in the Latimer Rd/Freston Rd employment zone. Sites with unimplemented planning permissions for loss of industrial/warehouse floorspace are all located outside of the employment zones.
- 4.30 Overall, this shows that the Council's employment land policies have been working.

Figure 1.1 Office sites completed, under construction or with unimplemented planning permission (at least 200sqm gain or loss)



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Figure 1.2 Industrial / warehouse sites completed, under construction or with unimplemented planning permission (at least 200sqm gain or loss)



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Allocations

- 4.31 Seven sites within the Royal Borough were allocated in the 2007 UDP for employment use. The previous ELR stated that:

‘It is difficult to quantify the development potential of these remaining allocations, given that they are all suitable for mixed use development and not all are guaranteed to come forward for development. Even if they all come forward, some of them, such as Kingsgate House, are redevelopment of existing B space and so unlikely to contribute much net additional floorspace. Based on existing permissions, Kensal Green Gasworks and Lots Road Power Station together would produce 21,000 sq m of B1 space. We estimate that a maximum of 9,000 sq m of net additional B1 space could be provided at the other outstanding allocated sites, making a total potential net addition of 30,000 sq m.’

- 4.32 Below, we reconsider the sites in more detail and update them. This is to see whether the sites still represent employment land supply.



Kensal Green Gas Works

- 4.33 **Kensal Green Gas Works** was granted outline planning permission in 2002 for a mixed use scheme that included 16,000 sq m of B1 space. This has now expired, although there have been attempts by the applicants to extend the life of the permission.
- 4.34 Our view is that this location would support small scale light industrial development. The road network serves it reasonably well (Westway and Ladbroke Grove) albeit

immediate road access to the gasworks site needs to be improved, as there is currently only a narrow road leading up to it. Only one industrial unit remains available in the nearby Network Hub new mixed development, quoting £140 per sq m. We assess similar industrial rents being achievable on the gas works site. Demand is likely to be for smaller units (sub 300 sq m) and we do not envisage rapid take-up but rather a gradual but sustainable rate of take-up over the mid to long term. The problem is that development may not be viable because of exceptional development costs (e.g. decontamination).

- 4.35 By contrast very few office occupiers will be attracted to this location. This site is hampered by current poor public transport access (the nearest train is 10-15 minute walk) and a perception of crime in the area. New access routes across the railway to the south of the site and across the canal to the north would be necessary to enable the scheme to even be considered by occupiers. The possibility of a Crossrail station will improve the popularity and viability of any scheme in this location (it is not in Crossrail Act, but tracks have been 'plain-lined'), but without this we expect it to struggle to attract office occupier interest. Many of the office units in the nearby Network Hub new mixed development remain empty and appear to be struggling. The lack of amenities is also a fundamental concern to office occupiers.
- 4.36 Lastly, there may be some demand for creative industry / studio type accommodation if this was built in a sufficient scale and style to support a 'hub' of activity such as exists in locations such as Lots Road. If a new dedicated facility was constructed on the gas works site of sufficient scale then we think this may attract some demand particularly if it can offer a low cost base. However, exceptional development costs may again be a problem.
- 4.37 **Lots Road Power Station** has come forward for development following a long application process and at our base date of 31st March 2008 it was an unimplemented permission (though construction has since started). The development will provide 4,900sq m of office space.
- 4.38 The **TA Centre, Warwick Road** now has planning permission for non-employment uses: shops, services, leisure and residential use, with a public open space forming part of a linear park.
- 4.39 A planning application for a mixed-use scheme at **Kensington South Underground Station** lapsed in 2004. The building was then listed, which limits any potential development. Transport for London produced a feasibility report in July 2009, which went out to consultation. The report did not recommend any employment development (either office or industrial/warehouse) on the site; rather it recommended residential development and improved transport facilities.
- 4.40 **Clearings I and II, Draycott Avenue and the Council Recycling Centre, Denyer Street** is located in the west of the Borough. It is an existing industrial/warehouse site: its previous use was two warehouses used by John Lewis. No applications have been received. A Planning Brief is soon to be adopted, which will state that a mixed use

scheme should be built on the site and that this should be primarily residential. It is unlikely that much, if any, employment use will come forward on the site.

- 4.41 **49-93 Pelham Street** is situated at the intersection of Brompton Road and Fulham Road, close to South Kensington tube station. The UDP 2002 identified the site as one that is suitable for a mixed use development. The area is predominantly made up of residential units with a small amount of retail and office space. Any redevelopment is likely to be residential-driven, although some small scale B1 use may come forward.
- 4.42 **Kingsgate House, Kings Road** is already an office site; it is a vacant office building situated at the junction of Kings Road and Gunter Grove. A number of bus routes pass directly by the building, and Fulham Broadway (District line) and West Brompton (District and mainline) are close by making this a highly accessible site. The UDP 2002 identified the site as a major development site with the acceptable land uses being residential (including affordable housing) business (offices, light Industrial, research and development), and a GP Surgery. It is likely that any new scheme will be predominantly residential, because this will be the most commercially viable use, however some small scale B1 use may come forward.
- 4.43 In Summary:
- Kingsgate House would constitute redevelopment of existing employment floorspace so there would either be no net change in employment floorspace, or a loss.
 - A small amount of floorspace may come forward at Pelham House as well as Clearings I and II, Draycott Avenue and the Council Recycling Centre, Denyer Street, but this would be part of mixed use development and is unlikely to be significant. Kensington South Underground Station is likely to come forward for station facilities rather than employment use. The TA Centre, Warwick Road has planning permission for non-employment uses and the Lots Road site has already come forward for development.
 - This leaves Kensal Green Gas Works as the only site with any potential for significant employment development.
- 4.44 In the 2007 report, we assumed that the Kensal Green Gas Works allocation, being in the B1 Use Class, was intended for offices. However, our view is that the site is unlikely to be attractive or viable for office development, even disregarding the current market downturn.
- 4.45 In our view, development for industrial/warehouse use would be attractive to occupiers, and would be financially viable at if no abnormal costs were involved. There may also be scope for creative industry/studio development, if it could be delivered at low cost. But employment development would likely not deliver enough value to cover the costs of decontaminating the site. This may be one reason why the Council is now considering residential development, which would deliver higher land values.

Summary

4.46 In the table below, we summarise the employment land supply.

Table 1.3 Employment Land Supply, 2008

	Office (sq m)			Industrial (sq m)		
	Gains	Losses	Net change	Gains	Losses	Net Change
<i>Under construction at 31st March 2008</i>	35,442	-11,730	23,712	3,213	-4,646	-1,433
<i>Completed 1st April 2004 to 31st March 2008</i>	41,570	-32,528	9,042	386	-4,609	-4,223
Under construction and completed	77,012	-44,258	32,754	3,599	-9,255	-5,656
<i>Permissions not started at 31st March 2008</i>	28,232	-14,196	14,036	4,250	-1,833	2,417
<i>Allocations</i>	0	0	0	0	0	0
Outstanding commitments	28,232	-14,196	14,036	4,250	-1,833	2,417
Total supply	105,244	-58,454	46,790	7,849	-11,088	-3,239

Source: RBKC Monitoring data 2008

Offices

- 4.47 In the four years to 2008, the net growth in office space has been just 9,000 sq m¹ - some 2% of the total stock and providing space for an estimated 600 people. This insignificant change is the net outcome of much larger gross changes: 42,000 sq m of offices were developed over the period and office sites providing 33,000 sq m were lost to other uses, generally residential.
- 4.48 Office space under construction provides a net addition of 24,000 sq m. This is more than accounted for by the 26,000 sq m Yellow Building off Freston Road. If this exceptional scheme is excluded, developments under construction involve slightly greater gross losses than gross gains of office space.
- 4.49 Outstanding permissions provide a net addition of 14,000 sq m, the net outcome of 29,000 sq m of gross gains and 14,000 sq m of gross losses.
- 4.50 The final component of supply, outstanding employment allocations, is difficult to quantify. The 2007 Employment Land Review noted that not all allocations are guaranteed to come forward; all are allocated for mixed use rather than just employment, so those that do come forward may produce little or no employment space; and some involve redevelopment of existing office space, so may not provide significant net additions.
- 4.51 As part of this study, we revisited the allocations and found that only one, Lots Road Power Station, has come forward, providing 4,900 sq m of office space (at the 2008 survey date it was an outstanding permission, but construction has since started). At other allocated sites, it seems even less likely that mixed-use allocations will provide significant net additions to office space. The TA Centre at Warwick Road, for example, now has planning permission for uses that do not include offices. At South Kensington Underground Station, London Transport has just finished consultation on a preferred option which does not include office development.

¹ Numbers quoted in the text are rounded.

- 4.52 Based on this analysis, Kensal Gas Works is the only allocated site in the Borough that is likely to provide significant capacity for employment development. In the 2007 report, we assumed that the allocation, being in the B1 Use Class, was intended for offices. However, our view is that Kendal Gas Works is unlikely to be attractive or viable for office development, even disregarding the current market downturn.
- 4.53 Based on the above analysis, our estimated office land supply at Table 4.4 shows a zero contribution from allocated sites not yet permitted.

Industry and Warehousing

- 4.54 Kensington and Chelsea in 2004-08 saw a small loss of 4,200 sq m of industrial/warehouse space, the net outcome of 4,600 sq m lost and an insignificant 400 sq m gained. Developments under construction involve a further small net loss of 1,400 sq m and outstanding permissions a small net gain of 2,400 sq m. These components together produce a net loss of 3,200 sq m - an insignificant change, around 2% of the Borough's floorspace stock.
- 4.55 Further supply, estimated by the Council as 16,000 sq m, could be achieved if the Kendal Gas Works employment allocation comes forward. In our view, this type and volume of development at Kendal Gas works is likely to be attractive to occupiers, and would be financially viable at if no abnormal costs were involved. There may also be scope for creative industry/studio development, if it could be delivered at low cost. But employment development would likely not deliver enough value to cover the costs of decontaminating the site. This may be one reason why the Council is now considering residential development, which would deliver higher land values. Therefore the supply calculation does not include a figure for Kensal Gas Works.

5 DEMAND AND MARKET BALANCE TO 2026

Introduction

- 5.1 In this chapter we forecast the future demand for employment space over the plan period to 2026, based on demand forecasts. We then compare this requirement with the planned supply - the land currently identified by the planning system to accommodate change in employment uses.

Demand

Introduction

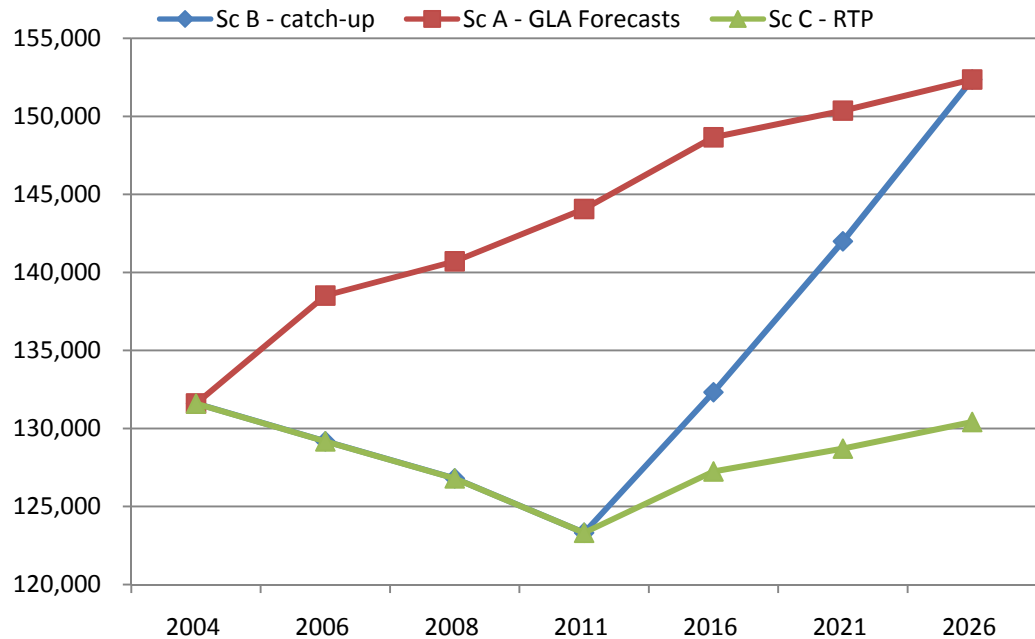
- 5.2 The starting point for our future demand requirement is the GLA employment forecasts. Although there is no policy or planning document which binds the individual boroughs to these forecasts, it is considered good planning practice that they adhere to them, because Local Development Frameworks will then be consistent across London.
- 5.3 As mentioned in the proposal, for this update study we anticipated a more up-to-date version of the GLA forecasts would be available. However due to data errors these employment forecasts have yet to be released by the GLA. Hence the latest employment forecast available for the Borough is the version produced by the GLA for the 2007 Examination in Public which use a base date of 2004. These forecasts are dated and fail to take account, recent economic conditions as they use employment trends from 1994-2004 which show rising employment across the broad sectors. Therefore as a temporary measure and prior to the release of the new GLA employment forecasts we have produced a number of scenarios (Figure 5.1 and Figure 5.2):
- Scenario A shows the 2007 GLA employment forecasts for offices, industrial & warehousing and total employment.
 - Scenarios B & C incorporate adjustments we have made to these GLA forecasts. These are
 - Applying recent employment trends. As noted above these GLA forecasts were based on rising employment trends. However since 2004 due to macroeconomic factors, jobs in the wider economies have declined. Hence based on borough employment data for B-Class (office) space and total jobs, which show losses from 2004-2007, we have applied this recent trend to the GLA forecasts.
 - In both scenarios B & C, based on expected change in the national economy², we expect these recent downward trends to continue till 2011. Thereafter we project two different outcomes. In scenario B we assume that

² Green shoots or False Dawn? Prospects for a global and UK economic recovery Cambridge Econometrics

employment recovers back to the levels predicted by the GLA forecasts (ie it grows quickly from 2011 and catches up with the GLA forecasts by 2026). In scenario C we anticipate that jobs increase at the same growth rates as projected by the GLA after 2011, resulting in a level of jobs in 2026 which is much lower than the GLA forecasts.

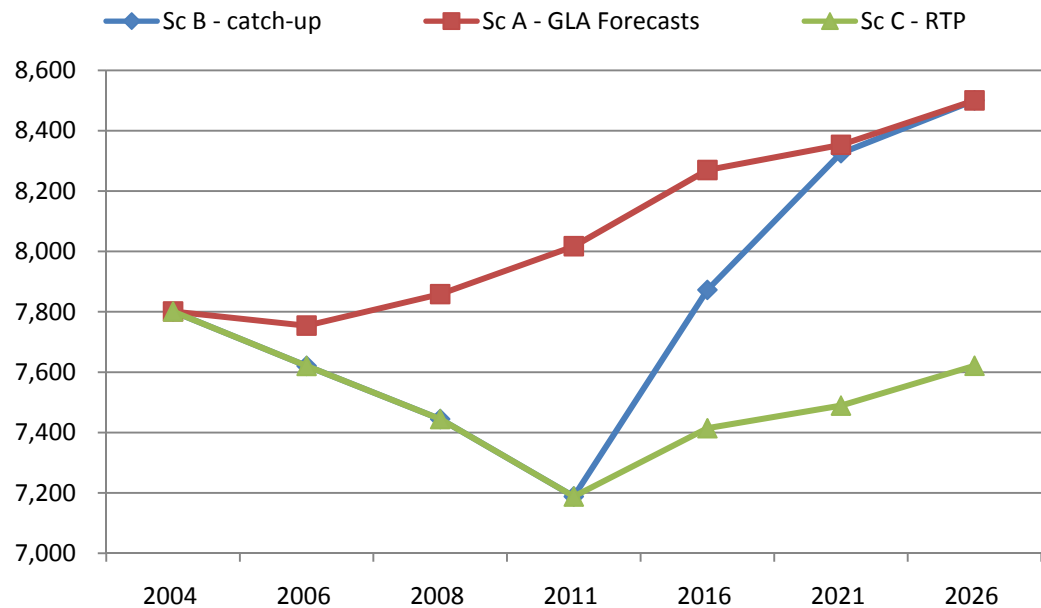
5.4 In our opinion Scenario C is the one mostly likely to represent future job change in the Borough. Scenario A, given recent employment data and the current economic climate, seems rather ambitious. Scenario B is unrealistic; although it takes account of the recent downturn it shows an improbably high rate of employment growth from 2011. Hence Scenario C is the most likely, predicting that after the downturn employment growth will be modest and hence future job estimates by 2026 will be lower than the GLA forecasts. Below we use this scenario to estimate future floorspace requirements in the Borough.

Figure 5.1 Total employment, three scenarios 2004 -2026



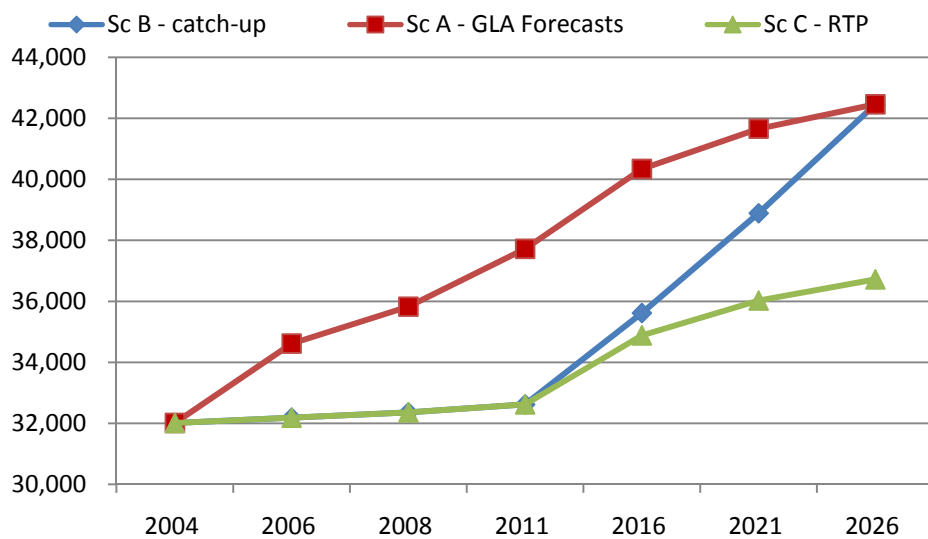
Source: GLA Forecasts and ABI

Figure 5.2 Industrial and Warehousing employment, 2004 -2026



Source GLA Forecasts and ABI

Figure 5.3 Office employment, 2004-2026



Source: GLA forecasts and ABI

5.5 Scenario C shows over the 22 year period, 2004-26, total employment and industrial and warehousing jobs remain virtually unchanged, declining by 1,200 jobs (1%) and 180 jobs (2%) respectively. In contrast office jobs increase by 4,700 jobs (15%).

Demand for employment land

- 5.6 To translate these job number into floorspace we use floorspace/ worker ratios of
- 14.7 sq m for offices
 - 25 sq m for industry and warehousing
- 5.7 For offices this is a slightly lower density than the generic office 18 sq m we applied in our previous employment land report for the Borough. This new floorspace is a specific inner London floorspace to worker ratio and originates from our study, the *use of Business Space in London*.
- 5.8 For industrial and warehousing, in our previous employment land study for the Borough we applied a density of 31 sq m. But after further investigation, this is not an appropriate floorspace to worker ratio as B2/B8 use in the Borough is not like typical industrial and warehousing use. Hence, we calculated a borough specific density by dividing employment in industrial and warehousing in Kensington and Chelsea by floorspace stock in wholesale and factories for the nine year period 1998-2007. This produces a density of 25 sq m

Table 5.1 Floorspace demand sq m, 2004-2026 table

Net change sq m	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<i>Offices</i>																						
Annual	1,265	1,269	1,272	1,276	1,279	1,282	1,286	6,475	6,562	6,651	6,741	6,832	3,312	3,333	3,355	3,376	3,398	2,022	2,030	2,038	2,046	2,053
Cumulative since 2004	1,265	2,534	3,806	5,082	6,361	7,643	8,929	15,404	21,966	28,617	35,357	42,189	45,500	48,833	52,188	55,564	58,962	60,985	63,015	65,053	67,098	69,152
<i>Industry Warehousing</i>																						
I & W annual change	-2,266	-2,239	-2,213	-2,187	-2,162	-2,137	-2,112	1,117	1,124	1,131	1,138	1,145	372	373	374	375	375	655	657	660	662	664
Cumulative since 2004	-2,266	-4,505	-6,718	-8,906	-11,068	-13,205	-15,317	-14,200	-13,077	-11,946	-10,809	-9,664	-9,292	-8,919	-8,545	-8,170	-7,795	-7,140	-6,482	-5,823	-5,161	-4,496

Source: GLA Economics RTP

5.9 Applying these densities to the employment forecasts

- For offices, the Borough shows an increase of 69,200 sq m from 2004-2026. But this hides the different growth rates over the 22 year period. In the short term, 2004-11, office demand increases by a modest 8,900 sq m - an annual change of 1,300 sq m-thereafter, (2011-26) demand in the Borough increases by 60,200 sq m, an annual change of 4,000 sq m.
- Similarly for industrial and warehousing, the total floorspace demand shows an insignificant decline of 4,500 sq m from 2004-26. In the short term 2004-11 industrial and warehousing demand falls by 15,300 sq m which is somewhat offset by an increase in demand of 10,820 sq m from 2011-26.

5.10 It is important to bear in mind that these figures relate to net floorspace change, which is the difference between employment floorspace gained in new development and change of use minus employment floorspace lost to other uses. Net change must be distinguished from gross change, also known as development, or land take-up - the amount of new floorspace developed.

Market Balance

Method

5.11 In this section we compare the demand for employment demand, as noted above with the outstanding supply.

5.12 The supply data is taken primarily from the councils monitoring data. This shows all space currently under construction and committed (outstanding planning permissions plus outstanding allocations). No allocated sites are included, because as discussed in the previous section, we do not think that any are likely to come forward for development.

Office

5.13 Comparing this forecast demand with the supply estimated earlier, the outstanding office supply of 46,000 sq m, excluding any of the allocations not yet permitted, would last until 2017.

5.14 These calculations of course assume that there are no future windfall losses or gains of employment land, over and above current planning commitments. If there are such windfall developments, and if windfall losses exceed windfall gains, then if the forecast demand is to be met in full additional land would have to be identified to replace the resulting net loss.

Industrial & Warehousing

5.15 For industry and warehousing, demand and supply are in line, showing virtually no net change in jobs or floorspace. Yet again, the supply figure does not include any space to be provided by outstanding allocations, and in particular no provision at Kensal Gas Works.

- 5.16 These calculations of course assume that there are no future windfall losses or gains of employment land, over and above current planning commitments. If there are such windfall developments, and if windfall losses exceed windfall gains, then if the forecast demand is to be met in full additional land would have to be identified to replace the resulting net loss.

6 CONCLUSIONS

Offices

- 6.1 Our forecast demand scenario shows positive demand for office floorspace over the plan period to 2026, requiring a net addition of 69,000 sq m (15%) to the floorspace stock. The market analysis confirms that, leaving aside the current recession, the Borough has experienced healthy demand for offices. This applies both to mainstream occupiers - for whom the Borough operates as a peripheral part of the Central London market - and to creative and media industries - a niche market in which Kensington and Chelsea has a key role.
- 6.2 On the supply side, space under construction and outstanding permissions provide a net addition 46,000 sq m. If the forecasts are correct, this would meet office demand until 2017. In the particular circumstances of Kensington and Chelsea, where there are no greenfield sites to be opened up and no policy requirement for major strategic employment schemes to be planned, there is probably no need to identify office developments many years in advance. Therefore eight years supply of planning permissions seems more than reasonable, even if we bear in mind that around half of that supply is at one single scheme, the Yellow Building off Freston Road.
- 6.3 By way of comparison, the GLA's London Office Policy Review (LOPR), part of the London Plan evidence base, has set a benchmark for central London suggesting that planning permissions outstanding at any one time should equal at least 3.5 years' take-up. The benchmark is based on historical research showing that where supply undershoots the benchmark the market tends to overheat, suggesting that a shortage of land is constraining economic activity.
- 6.4 If the forecast demand for offices, and the real demand demonstrated by our market analysis, are to be met, the Council will need to control losses of office sites to other uses. We have shown that in recent years the Borough has lost nearly as much office space as it has gained; for the future, permitted gains outweigh permitted losses, but not overwhelmingly so. The main reason why the outstanding supply pipeline shows a net gain of office space is a single and untypical scheme, the Yellow Building at Freston Road.
- 6.5 In the long term, if demand is to be met more land will need to be identified for office development. It may be that the market will deliver enough sites through spontaneous planning applications (more Yellow Buildings), but we cannot rely on this. If it does not, and in the Council wishes to see office growth in line with GLA forecasts and market demand, new plan-led allocations may be needed in future.
- 6.6 How important this is, and what particular type of office provision should be safeguarded and encouraged, depends of course on wider policy objectives. From the discussion in Section 2 above, key strategic and local objectives are that:
- Planning should support rather than constrain economic growth;

- London planning's key contribution to the economy is to support a healthy supply of offices, but Kensington and Chelsea is not one of the major strategic locations that will deliver this supply.
 - Kensington and Chelsea should nurture its specialist strengths, vitality and quality of life.
- 6.7 All this suggests that policy to safeguard office sites, and perhaps to identify more office sites in future, should focus particularly on the creative/media sectors, hence on small-scale, value-for-money, flexible provision, especially in the north of the Borough.

Industry and Warehousing

- 6.8 Our long-term analysis suggests that the land supply for industry/warehousing is in line with demand; both show constant employment and constant floorspace for the period to 2026. The short-term market analysis confirms that there is occupier demand and provision of fit-for-purpose, relatively low-cost property is financially viable, and the market is tight. All this suggests that, if demand is to be met and business is not to be forced out or priced out of the Borough, the Council should safeguard sites against competition from higher-value uses. Since there will inevitably be windfall losses, it should also encourage further development to replace these losses and renew the stock. Light industrial development at the Kensal Gas Works, even on a modest scale, would contribute to this, but it is not a necessary condition of demand being met.

LDF Policies

- 6.9 The draft LDF strengthens protection for employment uses across the Borough. This accords with our findings: both the property market analysis and the demand/supply calculations show that demand can only be met if no existing sites are lost.
- 6.10 The draft LDF policies protect small industrial units everywhere, because of an identified demand for small units. As discussed in the property market section, small units are a key feature of the Borough's stock and there is continuing demand for them, therefore this policy is appropriate.
- 6.11 With regard to office, the LDF proposes protecting these depending on their location and size. This is with the aim of restricting large scale offices to employment zones and town centres, which are the most accessible locations and have amenities for office workers. This is a sensible approach.
- 6.12 With regard to allocations, the LDF suggests that part of the Kensal employment zone - the gasworks site - could be redeveloped for residential use. In our opinion, industrial use would be suitable on the site but may not be viable considering the likely high cost of remediation. Industrial development on this site would not be essential to meet demand, so the site could be reallocated for residential use.

- 6.13 The draft LDF supports further development at Latimer Rd/Freston Rd because it recognises that the type of low cost space provided here is important. It also supports the unique uses at Lots Road. These assumptions accord with our property market analysis.
- 6.14 Finally, the LDF supports offices in town centres, the main cluster being Kensington High Street. These are not strategic London locations but offices are an important part of the town centre mix and town centres are a sustainable location for them - so this is a sensible approach.