

Committee: Planning & Transportation Committee	Dated: 10/01/2023
Subject: City Plan Office Floorspace Data & Targets	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	7,8,9,10
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	£0
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Gwyn Richards, Planning & Development Director	For Information
Report author: Peter Shadbolt, Head of Planning Policy	

Summary

This report responds to a request from Members for information on office development trends and the office evidence base being developed to support the City Plan.

The report outlines the methodology used to arrive at the City Plan office floorspace target, recent employment projections for the City, office development trends and progress towards meeting City Plan targets. It also outlines the scope of consultancy work that is being commissioned to look at future office needs and demand, including the impacts of hybrid working and demand for lower graded office stock.

Recommendation(s)

Members are asked to:

- Note the report.

Main Report

Background

1. At the meeting of the Planning Applications Sub-Committee on 13 December 2022, Members asked for a report to be brought to the Grand Committee, summarising office demand and development progress against draft City Plan Targets.

2. This report outlines:
 - a. The methodology used to develop office floorspace targets in the City Plan.
 - b. Information on planning applications and approvals since April 2016 and progress in delivering new office floorspace against draft City Plan floorspace targets.
 - c. An outline of technical work that is being commissioned to consider future office floorspace needs.

Office Floorspace Targets Methodology

3. Policy S4: Offices in the draft City Plan sets out an office floorspace target to deliver a minimum net increase in the City's office floorspace stock of 2 million square metres between 2016 and 2036. This delivery is phased as follows:

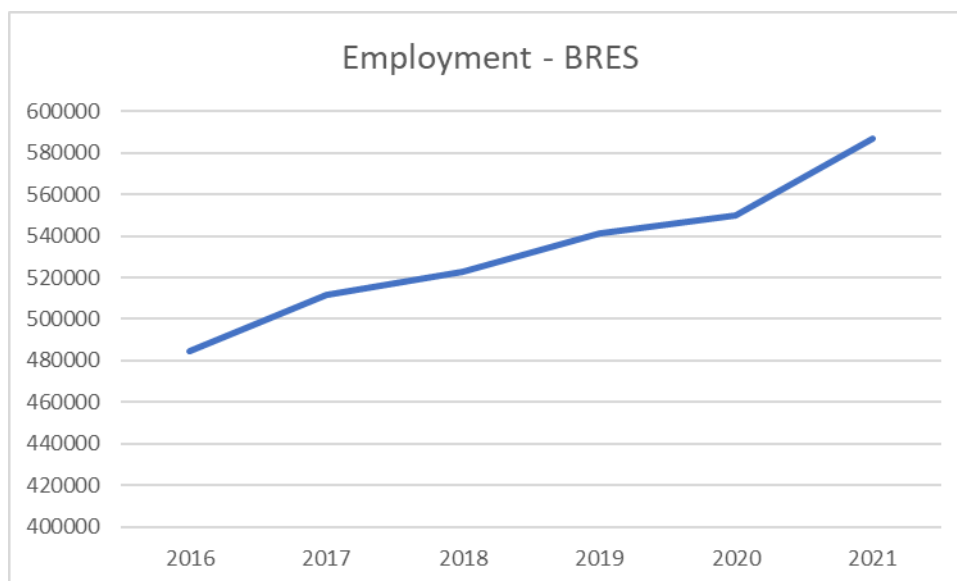
2016 – 2021 750,000m²

2021 – 2026 750,000m²

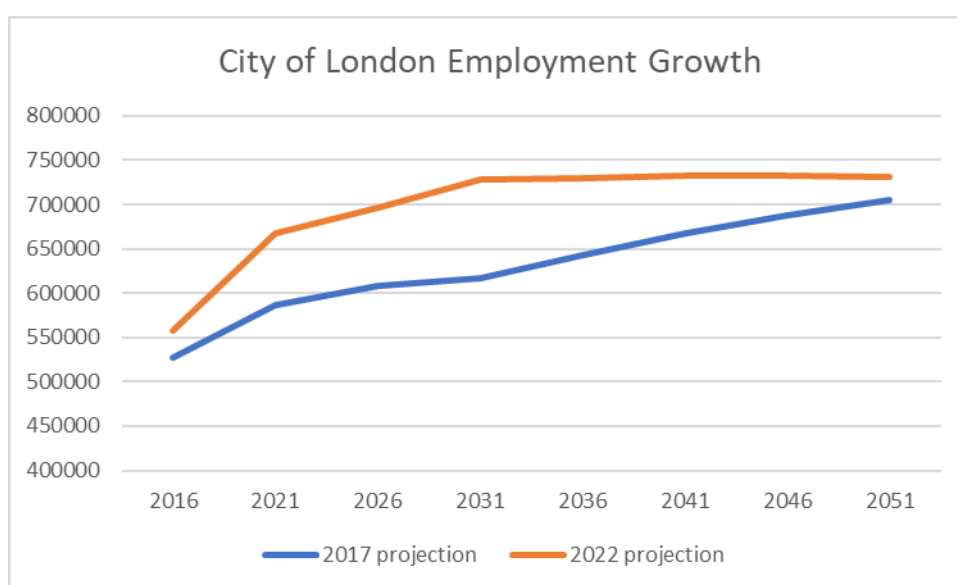
2026 – 2031 250,000m²

2031 – 2036 250,000m²

4. The office floorspace target is derived from GLA London Labour Market Projections 2017. These projected an increase in total employment in the City between 2016 and 2036 of 116,000 workers, which equates to 103,000 office workers.
5. To convert the employment projections to office floorspace targets, a number of assumptions are made on the density of occupation of City buildings, office gross to net ratios, office vacancy rates and a contingency allowance which provides a buffer to ensure a variety of spaces can be delivered in response to market demand.
6. Phasing of the target has been undertaken based on the office floorspace which had been permitted but not commenced and under construction at the 2016 base, along with assumptions about the deliverability of schemes at pre-application stage. This results in a front-loading of delivery in the first 10 years of the plan period, although this is kept under review through annual monitoring and any under-supply from one phase is carried forward into the subsequent phase.
7. An explanation of the assumptions made and the derivation of the target is available on the City Corporation's website at:
<https://www.cityoflondon.gov.uk/assets/Services-Environment/planning-draft-local-plan-evidence-office-floorspace-target-2018.pdf>
8. Since the draft City Plan was published for consultation in 2021, revised employment estimates have been published by the Office for National Statistics (ONS). This data (the Business Register and Employment Survey) relates to 2021 and suggests that employment in the City of London has continued to increase. Total employment in the City in 2021 was estimated at 586,800.

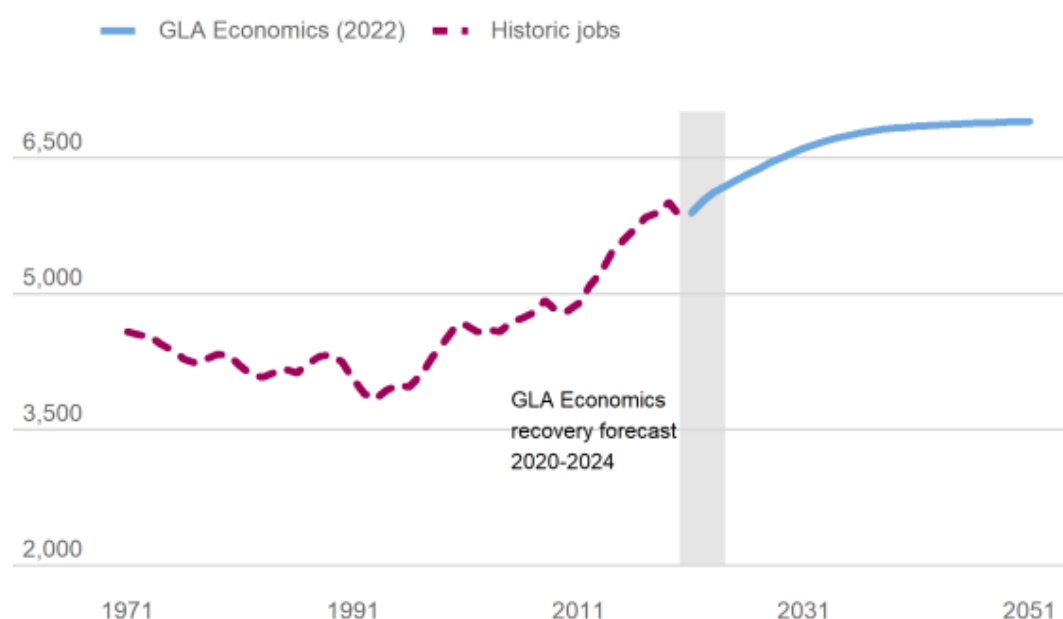


9. In late October 2022, the GLA published updated London-wide and borough level employment projections for the period up to 2051. These projections are based on historic productivity trends and assumptions about long term economic output. They do factor in potential Covid impacts, but only for the period up to 2025, with growth beyond that point being considered in relation to economic and productivity trends.
10. The table below compares the 2017 and 2022 projections for the City of London, indicating that the 2022-based projections suggest more rapid employment growth in the City during the 2020s and, ultimately, a higher level of employment by 2051 than had previously been projected by the GLA.
11. In terms of numbers, the latest GLA projections suggest an increase in employment in the City of London between 2016 and 2041 of 176,000, reaching a total of 733,000.



12. While the figures for the City of London show a levelling off for employment in the longer term, this mirrors the wider trend for the whole of London, as shown in the London-wide GLA projection below. This levelling-off is dictated by the statistical need to bring the Gross Value Added (GVA) growth rate for London into line with the GVA for the UK as a whole. The model assumes that the Gross Value Added (GVA) growth rate for London will decline from its forecast of 2.5% in 2024, to match the OBR's forecast for the whole of the UK of 1.5% in 2051. To assume otherwise would be to imply that London's economy would continue to expand more quickly than the UK's economy in perpetuity and eventually become larger than the economy for the whole of the UK – which is logically impossible.

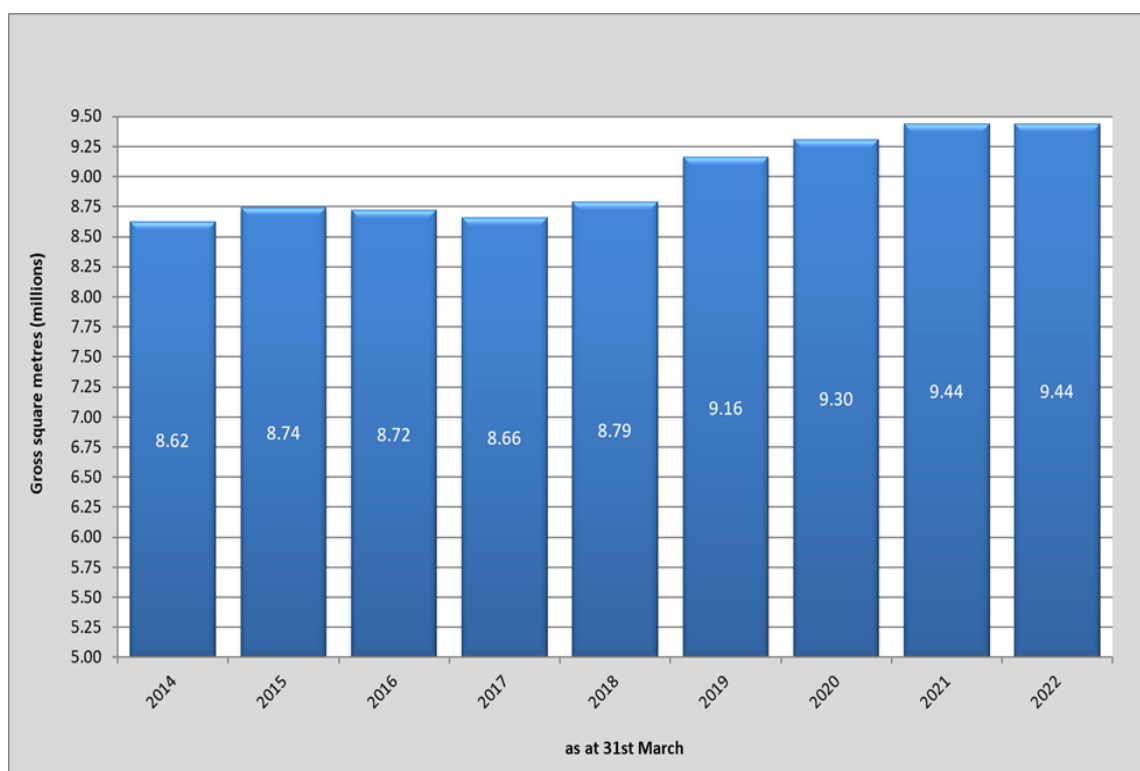
Figure 1: London Employment History and Projections (Jobs, 000s)



13. The GLA forecast that employment in London will reach 6.9 million jobs in 2051. While the GLA projections do not factor in population forecasts for London, the GLA also produce population-based employment projections as a comparison. These give a range of 6.6m to 6.85m jobs in London in 2050. This reflects the continued projected increase in people living in London and within commuting distance of the capital.

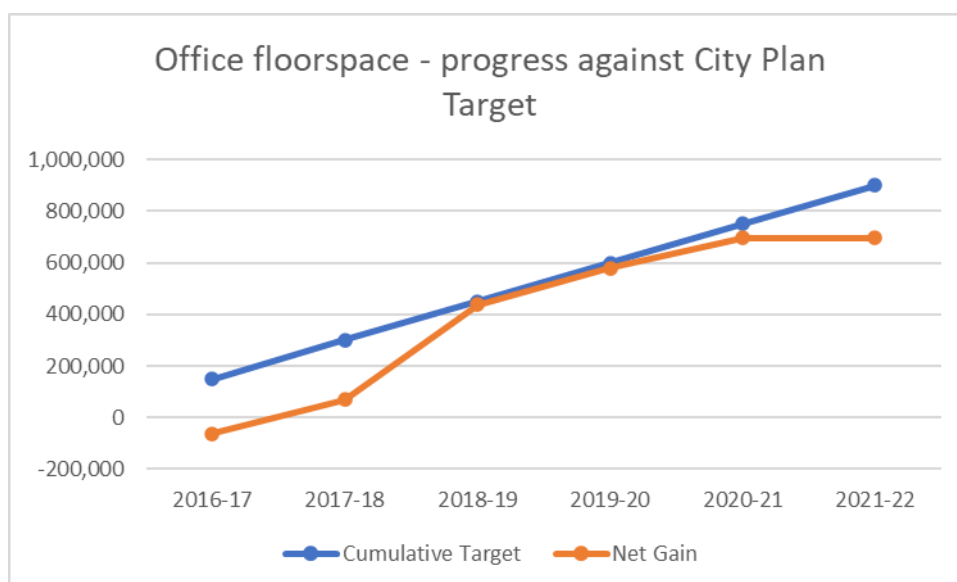
Office Development Trends

14. At March 2022, monitoring shows that the total stock of office floorspace in the City stood at 9.44 million square metres (gross). While in some years the gross total of floorspace in the City has remained the same or decreased slightly, there has been a general upwards trend in the total stock of office floorspace as demonstrated below:



15. In terms of progress against draft City Plan targets, the chart below compares the net gain in new office floorspace between 2016 and 2022, with the office floorspace target. Overall, in this period, there has been a net gain of 695,510m² of office floorspace, compared with an overall target for this period of 900,000m².

16. In addition to the completed floorspace, at March 2022, there was 570,241m² of net office floorspace in the planning pipeline, i.e. either under construction (225,763m²) or permitted but not yet commenced (344,478m²).



17. Taking account of completions and pipeline development, there is potential to deliver 1,265,750m² of net additional office floorspace, suggesting that delivery against City Plan targets is broadly on track.

Office Need Evidence

18. A number of Members have also raised questions about the impact of the Covid Pandemic on future office floorspace needs in the City of London. This is in relation to:
 - a. Overall floorspace demand and whether a shift to hybrid working is taking place, permanently reducing the need for new office floorspace.
 - b. The quality of office floorspace and whether the so-called 'flight to quality' seen amongst both developers and occupiers is reducing the demand for Grade B/older office stock that could be released for other land uses.
19. These are fundamental questions for the City Plan, in terms of the overall quantum of office floorspace that the Plan should provide for and the mix of land uses in the City going forward. Officers have been collating evidence from published commercial agent intelligence, occupiers and development demand to assist in formulating policy. Officers have also collaborated with Central London Forward who have recently published a research report "The Future of the Office in central London" <https://centrallondonforward.gov.uk/Publications/>
20. This research explores how the use of and demand for office space is changing post-pandemic, how this varies by sector and across different areas, and how changing working patterns will impact central London's economy. The report provides useful guidance on emerging and future work patterns across the wider Central London area and provides some insights into likely City patterns but does not provide a deep dive into City of London office demand and need, the impacts of hybrid working patterns or the future of the older office stock.
21. Officers are in the process of commissioning consultants to provide a more detailed examination of trends in the City of London which can provide the detailed evidence necessary to support City Plan office policies.
22. The consultancy work will consider:
 - a. The qualitative and quantitative demand for net additional office floorspace in the City, addressing issues including the existing stock of Grade A and Grade B offices and future needs; the need for SME, incubator, affordable workspace and cultural/maker spaces; the requirement for complementary retail/leisure facilities on site or in the immediate vicinity to provide an attractive development.
 - b. Current and anticipated office behaviours in the City, addressing trends for in-office, hybrid or home working across different City office sectors; daily working patterns and variations during the week; international comparator experience.
 - c. Extent to which the City's existing office stock is at risk of becoming stranded assets, and any associated geographical context, addressing specific building ages or types and/or areas of the City where redevelopment may be unviable; impact of minimum energy efficiency standards on lettable space; opportunities to re-purpose older or inefficient office stock to other uses.
23. This piece of work will be commissioned in January 2023, with a draft report due to be completed by mid-late March. The brief includes a requirement for a

stakeholder workshop and a presentation of the findings to Members of the Local Plans Sub-Committee.

Corporate & Strategic Implications

- 24. Strategic implications – this report outlines key data and proposed further work necessary to inform the development of City Plan office development policies. These will ensure that the City Plan evidence base accords with requirements in the National Planning Policy Framework and the London Plan. Revised office policies will contribute towards delivery of Corporate Plan targets aimed at ensuring the City remains a world leading financial and professional services centre.
- 25. Financial implications – Consultancy work will be funded through the Policy & Strategy Local Risk Budget.
- 26. Resource implications – Technical work will be undertaken by appointed consultants and by officers within the Policy & Strategy section of the Planning & Development Division of the Environment Department.
- 27. Legal implications – there are no legal implications arising from this report.
- 28. Risk implications – the provision of a robust evidence base on office need and demand will minimise the risk of challenge to the City Plan during consultation and at Public Examination.
- 29. Equalities implications – there are no direct equalities implications arising from this report, but the City Plan will be subject to an Equalities Impact Assessment to ensure that the requirements of the Public Sector Equality Duty are met.
- 30. Climate implications – there are no climate implications arising from this report.
- 31. Security implications – there are no security implications arising from this report.

Conclusion

- 32. Members have requested further information on office development trends in the City of London and progress with the development of the evidence base to support the City Plan.
- 33. This report has outlined the derivation of the draft City Plan office floorspace targets; recent employment estimates and projections, which show a continued increase in City employment; delivery of new office floorspace against City Plan targets, suggesting that delivery is on-track to meet targets for the period 2016-2026. The report also outlines the scope of additional consultancy work which is in the process of being commissioned and which will look specifically at the impacts of the Covid Pandemic and changing working patterns on office demand and the demand for older, Grade B, office stock.

Appendices

None

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