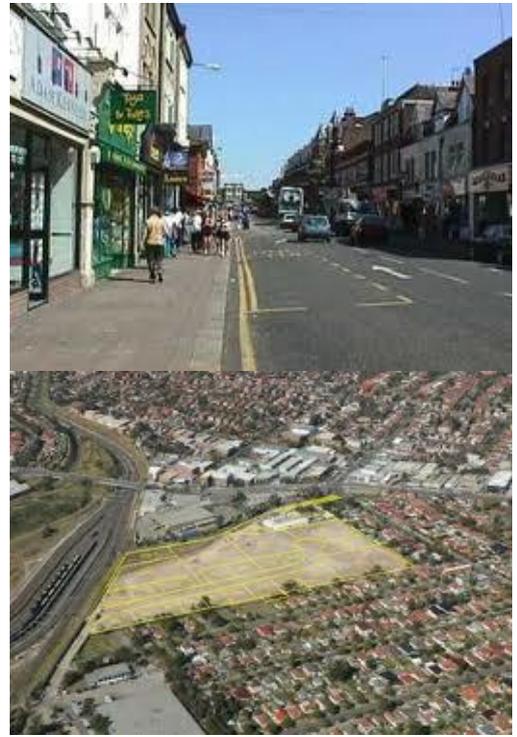


LB Richmond upon Thames

Richmond Employment Sites and Premises



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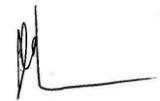
Project Name: Richmond Employment Sites and Premises

Project Ref: 27217-001

Report Title: Richmond Employment Sites and Premises

Doc Ref: Final report March 2013

Date: March 2013

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Revision	Date	Description	Prepared	Reviewed	Approved
March 2013	13/03/13	Response to final comments	AL	DL	DL
February 2013	18/02/2013	Response to comments to draft Final report	AL	DL	DL
Jan 2013 v 2	14/01/2013	Draft Final Report	IC	RH	DL

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Appendix 1: Office definition

1 INTRODUCTION

- 1.1 Richmond Borough Council commissioned Peter Brett Roger Tym to undertake an Assessment of Employment Sites and Premises for the London Borough of Richmond upon Thames. The assessment is an essential ingredient of Richmond reviewing its economic policies in light of changing circumstances and events. Whilst the last ELR is only three years old economic circumstances have changed since the evidence that informed the Borough's Local Plan.
- 1.2 The recession has affected market demand and sectoral performance; and a new London Plan is in now in place.
- 1.3 This study therefore needs to build an up to date picture of Richmond's employment sites and premises needs and provision, by area and sector, in order to support policy recommendations on the allocation, protection or release of employment sites. It must be rooted in a detailed understanding of the local economy, its spatial and sectoral structure, and its linkages with the rest of London and neighbouring authorities beyond London's boundaries, and its strengths and weaknesses as a business location. This study is focussed on a more immediate time horizon than the ELR.
- 1.4 The economy of Richmond has a fairly diversified economic structure. The largest sectors locally include business services, creative industries and the visitor economy. They have all experienced job growth over the last 10 years. However the recent employment data suggests that the Borough has suffered in the recession and jobs have been hit more severely than on average in London.
- 1.5 Much of this growth has taken place amongst self-employed and micro-businesses and hence the growth has not been expressed to the same degree either in terms of GVA or of commercial premises demand.
- 1.6 Businesses are concentrated in the main centres of Richmond, Twickenham and Teddington. But as noted in previous studies they are also spread throughout the borough, even in residential areas in part as a result of the presence of small shops, studios and home-based businesses.
- 1.7 The purpose of this study is to ensure that the Development Plans of the Borough are appropriate and responsive to ensure that the planning and policy system enhances rather than hinders the borough's economic competitiveness and growth prospects.

Report Structure

- 1.8 In section 2 we examine the current economic environment looking specifically at Richmond borough's local economy but also looking more widely and the national and regional context. The enduring economic recession has had deep seated effects on global economies and we will examine relevant statistical data showing what impact it is having on the demand and supply of employment land in the Borough.
- 1.9 The national, regional and local policy context is presented in section 3 of the report. The national planning context has changed since the Core Strategy of the Borough was

adopted in 2009. In this section we review the key policies to understand how this may affect the future of employment land in the Borough.

- 1.10 Section 4 of the report reviews the property market focusing on the office market nationally, regionally and locally.
- 1.11 In section 5 Richmond Borough's employment and business base are examined looking at local property market areas. We examine the types of B-space occupiers there are in each local property market area and their individual characteristics.
- 1.12 We move on to a detailed site assessment of the Borough's key employment sites in section 6, using an assessment template developed specifically for this study.
- 1.13 In section 7 we review the employment forecasts for the Borough based on long term projections and the implications this may have in terms of demand for employment land in the Borough.
- 1.14 Section 8 then focusses on the medium term projections to 2018.
- 1.15 Finally in section 9 we bring together our conclusions and resulting policy recommendations.

2 A BOROUGH PROFILE

- 2.1 Richmond upon Thames is on most indicators one of London's most prosperous Boroughs. In this section of the report we set out a profile of the Borough's economy. The objective of this is firstly to understand the nature and key characteristics of Richmond in order to understand its strengths and weaknesses and hence where the future opportunities and threats may emerge for the Borough. For example, what kind of activities the Borough specialises in and hence what types of employment space it will need.
- 2.2 In 2010 the London Borough of Richmond upon Thames (LBRuT) undertook a very comprehensive assessment of the local economy in a study entitled LBRuT Local Economic Assessment (http://www.richmond.gov.uk/local_economic_assessment). We have drawn on that document to summarise key findings, updating with more data where appropriate. In general the findings from this study and the trends identified are still supported in the latest data. There are some changes to employment as a result of the continuation of the economic recession and in the remainder of the chapter we will focus on emerging employment trends and particularly employment in B-space occupying sectors.
- 2.3 A summary of the key characteristics of Richmond upon Thames Borough shows:
- It is an outer London Borough with good communications and an attractive environment;
 - It is a relatively small but successful business location;
 - It has attracted a number of inward investors as a result of its proximity to Heathrow, connectivity to Central London, access to skilled labour, high quality environment and cheaper rents than in the City.
 - It is a dynamic economy, with a large population of microbusinesses and self-employment;
 - Businesses are concentrated in the main centres of Richmond, Twickenham and Teddington. However, there are many businesses scattered throughout the borough, across residential areas;
 - The sectoral structure of the economy is diversified;
 - Land and house prices are very high and this has led to pressure for redevelopment of employment land for housing, which has been protected through planning policies.

Local Economic Assessment summary

Richmond as a business location

- 2.4 Richmond borough is a relatively **small but successful business location**. In 2009, there were 10,455 VAT registered business units in the borough. The stock of businesses grew faster than in London as a whole since 2000 and business density levels are high.
- 2.5 The borough also attracted a number of **inward investors** as a result of its proximity to Heathrow, connectivity to Central London, access to skilled labour, high quality environment and cheaper rents than in the City. It has been particularly popular with energy, retail, ICT, financial and professional services, and marketing companies.

- 2.6 Richmond borough is a **dynamic economy**, recording faster job and business growth than the national average between 2001 and 2008, but one which generates **below average levels of value** from the goods and services it produces. This is in part because of the weight of micro-businesses and self-employment in the local economy as they tend to be less productive, not benefiting from economies of scale as larger companies do.
- 2.7 Businesses are concentrated in the main centres of Richmond, Twickenham and Teddington. However, they are also present throughout the borough's residential areas in part as a result of the presence of small shops, studios and home-based businesses.
- 2.8 The sectoral structure of the economy is **diversified**, offering good protection against sector-specific shocks to the economy. The largest sectors locally include business services, creative industries and the visitor economy. They all experienced job growth prior to the recession.

Richmond residents

- 2.9 There were approximately **186,990 residents in Richmond in 2011**¹, 14% more than 20 years ago. Population forecasts suggest that future growth potential will be significantly constrained by housing capacity². The GLA estimates a 6% increase between 2008 -2031.
- 2.10 Local residents tend to be highly educated and highly paid, enabling them to afford to live in a borough where house prices are very high. In 2011, the **median house price in Richmond borough was £420,000** compared to £360,000 for Inner London, £250,000 for Outer London and £180,000 nationally³. The average house now costs 13 times annual workplace earnings in the Borough.
- 2.11 This gap between local earnings and local house prices drives residents' commuting patterns to Central London and helps to explain why local businesses can struggle to recruit staff for lower paid positions. Approximately 62% of Richmond residents commute outside the borough for work, mostly to central London, Hounslow and Kingston-upon-Thames.
- 2.12 Despite this overall wealth, there are some areas which are **more disadvantaged** predominantly focused in parts of Ham, Castlenau, Mortlake, Heathfield and Hampton, although disadvantage can and does present itself across the borough.

Richmond workforce

- 2.13 In 2011, approximately 75,200 people worked in Richmond. There Borough has a high proportion of self-employed workers and local research suggests that **home-based self-employment** and **5 to 9 self-employment** (people starting a new business in the evening, after work) is particularly significant⁴.

¹ Census 2011 data

² Richmond LEA 2010

³ GLA, 2012, Borough House Prices, <http://data.london.gov.uk/datastore/package/average-house-prices-borough>

⁴ From Richmond LEA, 2010, InfoUK, for Enterprise Nation's 2009 Home Business Report.

- 2.14 The high level of self-employment is reflected in the occupation profile of the workforce with 15% classified as ‘Corporate Managers’, the largest occupation category. The other main occupations reflect the sectoral structure of the economy. They are: Culture, Media and Sport occupations; Caring Personal Service Occupations; Administrative Occupations; Teaching & Research Professionals; and Elementary Administration and Service Occupations.
- 2.15 Output per person⁵ working in Richmond borough is around **£38,600**, on a par with the England average but 30% lower than the London average. This translates into workplace earnings which are 11% below the London average. The gap has widened over the last 10 years as workplace earnings in Richmond rose more slowly than in London as a whole.
- 2.16 There are signs that the workforce does not meet all the skills requirements of local employers with 12% of respondents to a business survey saying they experienced skills gaps amongst their staff. This is more acute in some sectors than others. The data on vacancies also suggests there may be some **recruitment difficulties** with the lower paid occupations, especially Elementary and Personal Service Occupations. These include positions in health and social care; childcare; cleaners; bar staff; kitchen assistants and waiters / waitresses. People in these types of jobs cannot afford to live locally. As a result, some businesses need to recruit outside the borough. In the case of key workers, it could potentially impact on the delivery of key essential services such as schools and social care.
- 2.17 It is estimated that **half of those who work in the borough also live in the borough** and the remainder come from neighbouring local authorities, mainly Hounslow, followed by Spelthorne, Kingston-upon-Thames, Wandsworth and Elmbridge. The 2001 Census shows that Richmond borough relies heavily on Hounslow for lower paid occupations.
- 2.18 Whilst Richmond residents, like everywhere else in the country saw a sharp uplift in unemployment as a result of the current recession, the rate has since fallen back. We attribute this to the fact that Richmond’s highly skilled and qualified workforce have been better able to adjust to loss of employment and to reintegrate themselves back in to what is still a comparatively strong London jobs market. We look at this trend in greater detail below.

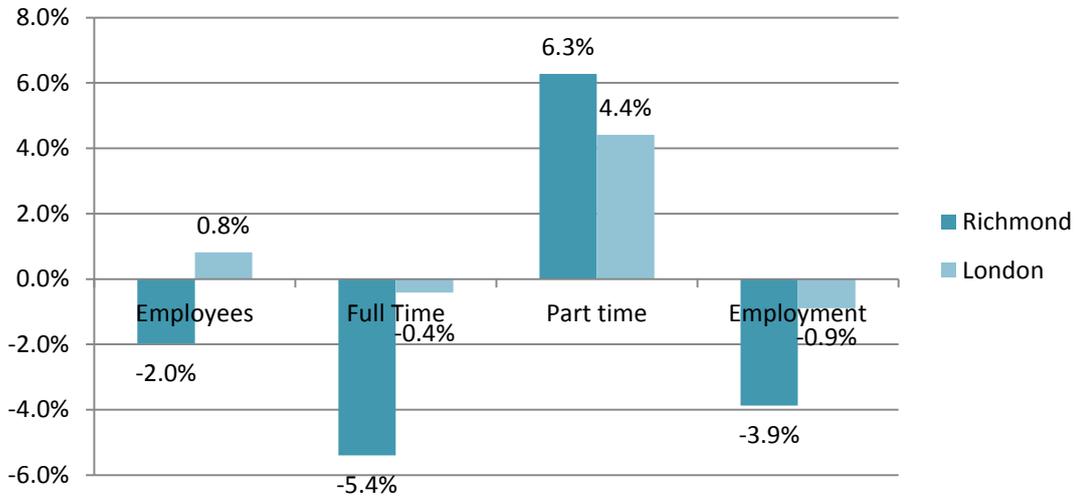
Recent employment trends

- 2.19 Richmond Borough had over 75,200 people in employment in 2011⁶. The borough has recorded an increase of 5.6% (3,900) in job numbers between 2001 and 2008 compared to 3.8% in London. Between 2008 and 2011 employment in the Borough declined by -3.9 percent as a result of the recession. This is a sharper decline in employment than London wide, where employment fell by -0.9%.

⁵ Output per person is an indication of the wealth of an economy. Output is measured as “value added”, which is the total production value minus the value of intermediate inputs, such as raw materials, semi-finished products, services purchased and energy inputs. Value added, called “gross domestic product” (GDP), represents the compensation for input of services from capital (including depreciation) and labour directly engaged in the production.

⁶ BRES, 2011 data from Nomis

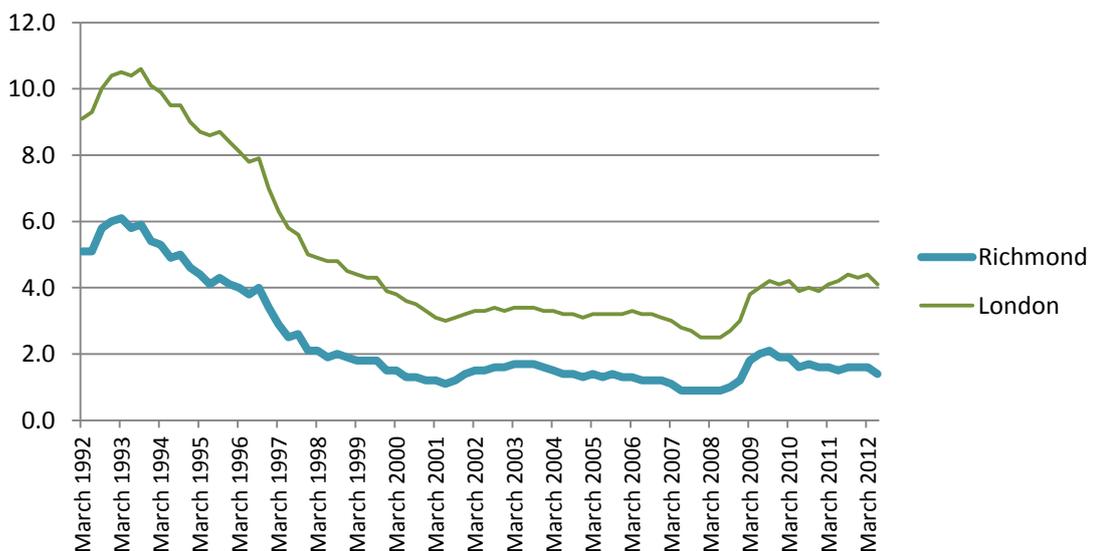
Figure 2.1 Change in Employment by Status 2008-11



Source: BRES

- 2.20 The figure above shows that much of the decline in local employment between 2008 and 2011 was driven by a decline of full time jobs. Full time employment declined by over 5% in this period but was offset by the growth in part time employment.
- 2.21 The job losses presented above have been accompanied by a growth in unemployment rates across London and in Richmond. Locally and nationally unemployment rates grew sharply between 2008 and 2009 at the onset of the recession.

Figure 2.2 Claimant Count Unemployment Rates (% Resident Working Age Population)



Source: Nomis

- 2.22 The local unemployment rate has since 2009 fallen back and unlike London as a whole does not appear to have been impacted by the double dip recession. We attribute this to the fact that Richmond's highly skilled and qualified workforce have been better able to

adjust to loss of employment and to reintegrate themselves back in to what is still a comparatively strong London jobs market. Equally the employment data suggests that labour hoarding is a factor - firms are said to hoard labour when they choose not to adjust their employment of labour in line with short-run fluctuations in demand for their product and, instead, allow their utilisation of labour to vary over the cycle⁷.

- 2.23 There is both a property and a labour dimension to this: employment may not rise very rapidly in the future as part time workers return to full time employment, and what growth there is may place limited demand on commercial floorspace.

Sectoral employment trends

- 2.24 The employment trends illustrated above varied by sector, as presented in the table below. For some of the larger business services sectors such as Information and Communications and Professional and Scientific Services the reduction in full-time employment has been more than offset by the increase in part-time employment and working proprietors. The health and education sectors by contrast have seen most of the loss in part-time workers, perhaps indicating that the easiest cuts come first. Administrative and support service sectors saw the largest decline in full time employment, only partially offset by the increase in part time jobs and working proprietors. Arts, entertainment and recreation sectors are the only sectors that experience a growth in full time jobs, part time jobs and working proprietors.
- 2.25 Transport and Distribution sectors have lost employment in all categories. Whilst other industrial sectors including manufacturing and construction have reduced both full time and part time employment but seen a small increases in working proprietors.

Table 2.1 Employment Change by Status for Principal Sectors 2008-10

	Full Time employment	Part Time employment	Working Proprietors
Manufacturing	-565	-120	43
Construction	-500	-110	101
Wholesale & retail trade; repair of motor vehicles etc	-263	-526	-39
Transportation and storage	-353	-180	-5
Accommodation and food service activities	-474	-409	-79
Information and communication	-454	142	231
Financial and insurance activities	-434	-22	22
Real estate activities	-62	39	67
Professional, scientific and technical activities	-254	586	-49
Administrative and support service activities	-1,834	584	142
Public administration & defence; compulsory social security	-212	14	0
Education	-86	-305	-22
Human health and social work activities	137	-210	-78
Arts, entertainment and recreation	387	32	51
Other service activities	13	-157	59
Total Employment	-5,048	-646	441

Source: BRES

⁷ Bank of England, Assessing the extent of labour hoarding, By Guillermo Felices of the Bank's Structural Economic Analysis Division <http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/qb030204.pdf>

B- Class Employment and Stock

- 2.26 In this study we focus on jobs that occupy business space, comprising office, warehousing and industrial jobs, jointly referred to as B space occupiers.
- 2.27 We identify B space jobs using specific sectors from Standard Industrial Classification (SIC) 2007. Industrial jobs comprise manufacturing industries and parts of the construction industry, motor repairs/ maintenance and sewage and refuse disposal. Warehousing is occupied by a variety of transport and distribution activities which are widely spread across SIC sectors. Office based sectors are presented in Appendix 1.
- 2.28 The correspondence between sectors and types of space is not perfect and hence our definitions of offices and industrial/warehousing jobs are approximations. But they are the best approximations, developed through a series of employment space studies.
- 2.29 Nearly 55% of employment in Richmond is in non B space sectors. This is higher than the London average of 50%. Just fewer than 36% of Richmond Boroughs jobs are in office sectors, compared with 40% in London as a whole and 9% of jobs are in some form of industrial or distribution activity, compared to 10% for London.

Table 2.2 B-Class and non B-class Employment (2011)

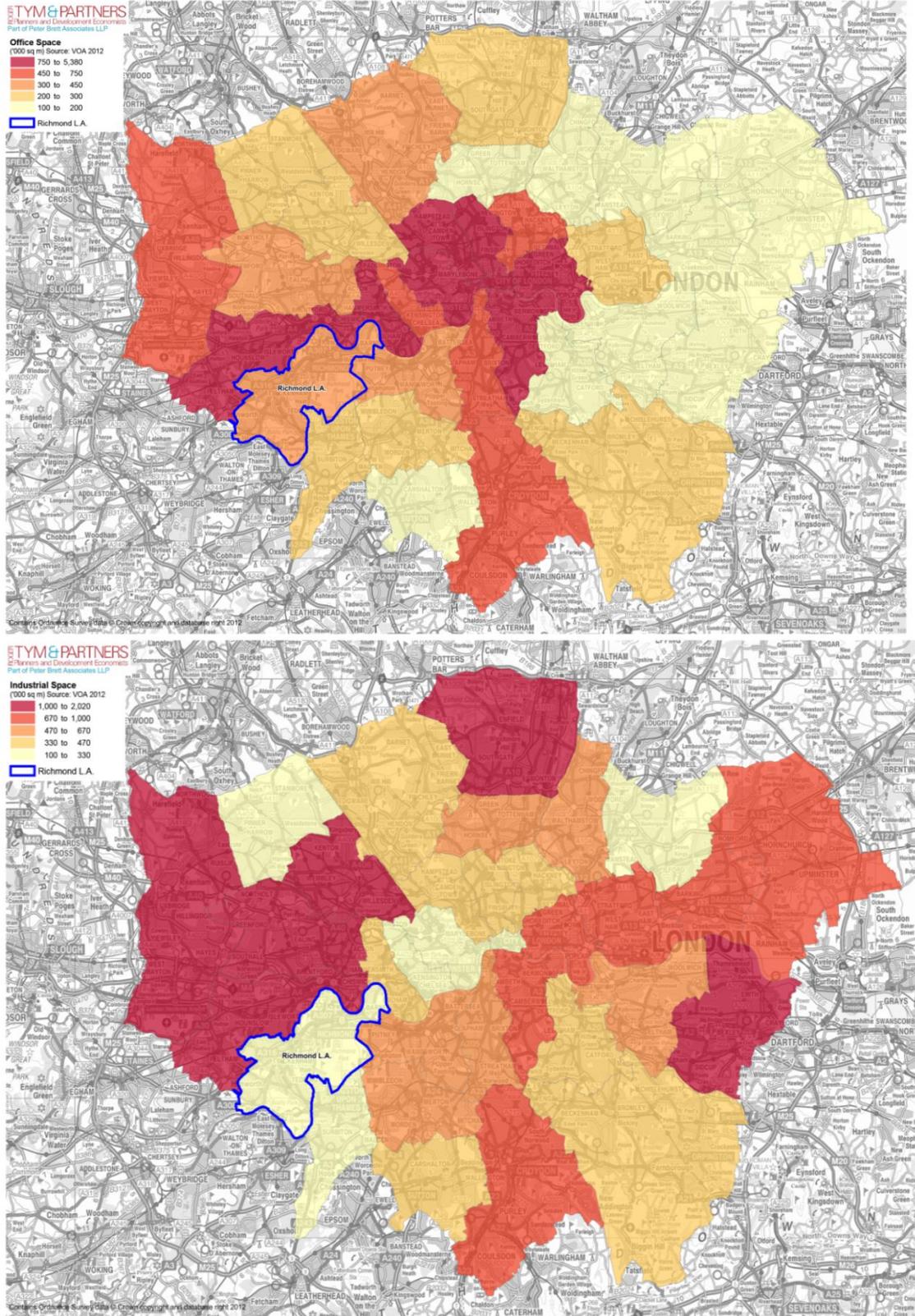
	Richmond employment	% Borough share	% London share
Office	27,200	36%	40%
Industrial	4,100	5%	5%
Warehousing	2,700	4%	5%
Non B-Class ⁸	41,200	55%	50%
Total	75,200		

Source: BRES/PBA ROGER TYM

- 2.30 The floorspace stock data presented in Figure 3.4 below shows that in comparison to neighbouring Boroughs, Richmond has an average stock of office floorspace and a significantly lower stock of industrial and warehousing floorspace. In 2012 Richmond had 300 thousand sq m of office floorspace and 176 thousand sq m of industrial floorspace. The median floorspace stock of London Boroughs was 300 thousand sq m for offices and 575 thousand sq m for industrial. This shows that there is a lower stock of industrial and warehousing land than a typical London Borough.

⁸ Includes employment in A1, A2, A3, A4, A5, D1, D2, C1, C2 and SG use classes e.g. retail jobs, hotel jobs, café and restaurant jobs, leisure jobs.

Figure 2.3 Office and Industrial floorspace. 2012



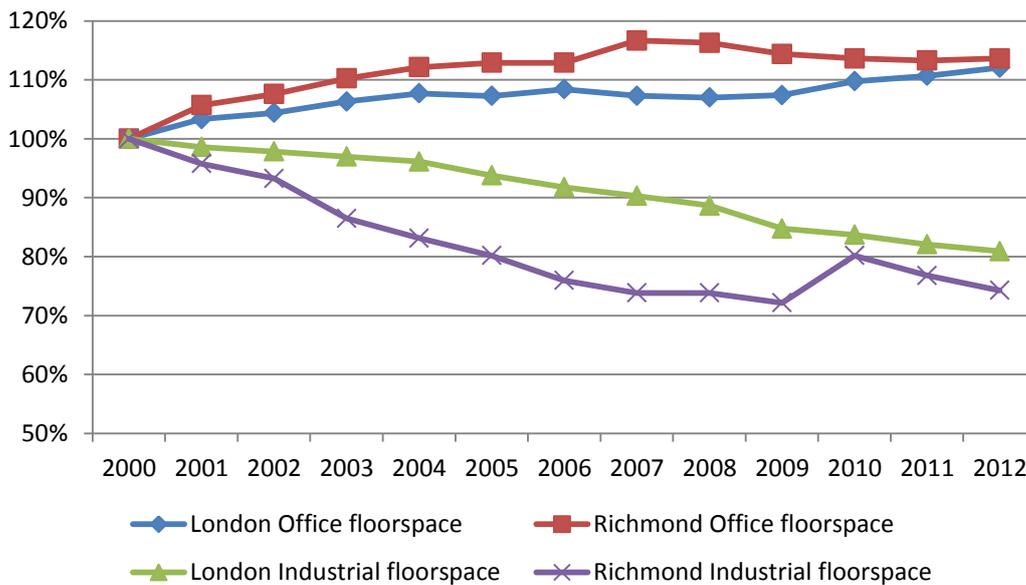
Source: VOA 2012/ PBA Roger Tym

2.31 The Valuation Office floorspace data and the employment data suggest that Richmond Borough has a significantly higher industrial employment density. On the one had the

Borough has a similar proportion of industrial jobs to the London average but on the other hand it has a lower than average floorspace stock. This is because the majority of the industrial space is small providing local services (e.g. garages, repair shops etc.) as opposed to large factories or warehouses with low employment densities. The property assessment will present further evidence of this later in this report.

- 2.32 The floorspace data shows that in London as a whole there has been a gradual increase in office floorspace stock alongside a relatively steep decline in industrial stock. A similar pattern is also registered in Richmond where office floorspace has grown since 2000 at a faster pace than the London level. However since 2007 office floorspace stock has not grown and actually declined slightly. This is in line with the economic recession which has halted office developments nationally. It is interesting to note that in London however office floorspace stock has continued to grow even during the economic recession. In chapter 4 of this report we discuss this in greater detail.
- 2.33 Industrial floorspace has declined in Richmond at a much faster pace since 2000 than in London as a whole as shown in figure 3.6 below. The amount of industrial floorspace in the borough has fluctuated between 2000 and 2012, however the declining trend continues.

Figure 2.4 London and Richmond floorspace stock, Growth (2000-2012)



Source VOA/ PBA Roger Tym

Incremental losses of B-space

- 2.34 The VOA floorspace data shows a gradual increase in office floorspace stock alongside a relatively steep decline in industrial stock since 2000. Research of Richmond Borough’s completions and development pipeline data shows that between 2009 and 2012 the Borough has lost or is planned to lose over 28,000 sq m of B-space. This is equivalent to approximately 6 percent of the Borough’s total B-space stock.
- 2.35 Between 2009 and 2011 the Borough recorded a net planned loss of 11,700 sq m of office floorspace, 4,900 sq m of warehousing space and 11,800 sq m of industrial floorspace. The

majority of these losses are from small sites with incremental losses of B-space which collectively amount to 6 percent of the Borough’s B-space stock. As may be expected the majority of the B-space losses result in residential gains. As the table below shows the Borough has seen a net gain in residential units in the region of 2,100 units in the study period.

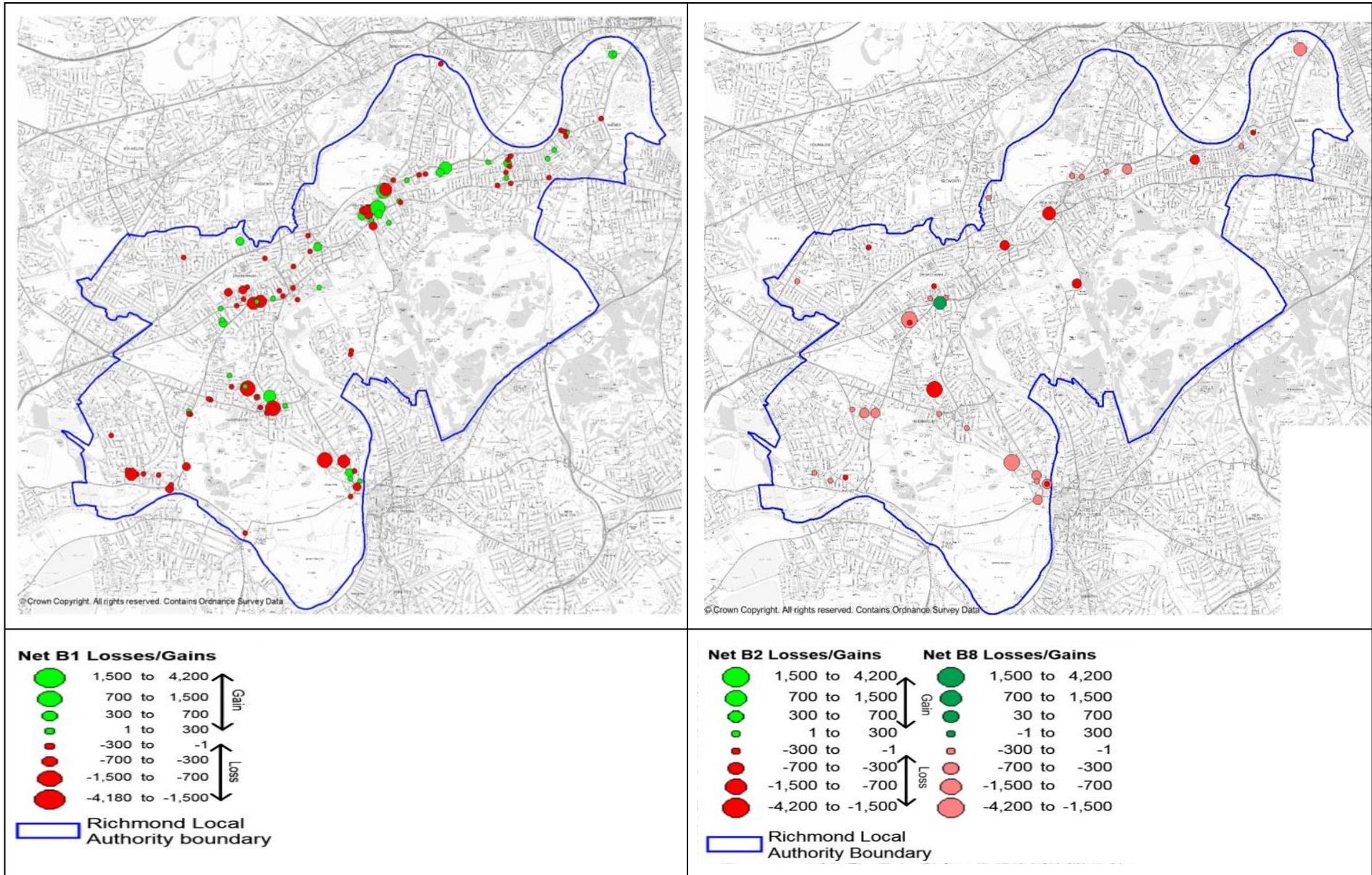
Table 2.3 B-space losses and gains, 2009-2011

	Losses	Gains	Net loss/gain	% of VOA 2012 stock
B1	-23,892	12,193	- 11,699	-3.9%
B2	-4,853	0	-4,853	
B8	-12,523	750	-11,773	
B2 & B8	-17,376	750	-16,626	-9.4%
Residential units	-106	2,205	2,099	

Source: LDD/PBA ROGER TYM

- 2.36 The maps in figure 3.8 below show the location of the sites with the planned losses and gains. This shows that the sites with B-space losses and gains are scattered around the Borough and while there are planned office floorspace gains there is only one example of industrial floorspace gains.

Figure 2.5 Planned Office and Industrial losses and gains, 2009-2012



Summary

- 2.37 In this section we have presented a brief socio-economic profile of Richmond upon Thames based on the 2010 Richmond Borough LEA. In general there has been little overall change to the socio-economic profile of the Borough since the LEA was undertaken. However, recent trends in employment which show that local employment has declined more steeply in the recent past compared to London (-3.9% compared to the London average of -0.9% between 2008-2011). In other words Richmond has been more severely impacted by the economic recession. The sectors that have been most seriously affected are administrative and support service sectors, manufacturing sectors and construction sectors. These are B-space occupying sectors.
- 2.38 The global economic recession is likely to have an impact on the economic structure of economies around the world including that of Richmond upon Thames. We expect that some of the declines and trends in employment will have a temporary impact but more permanent impacts are also expected.
- 2.39 The losses of employment in Richmond Borough relate primarily to lost full time jobs. But the data indicates that businesses in the Borough have responded to the downturn by employing more flexible working practices such as reduced hours and contracted out labour to maintain part of the labour force. The Borough has experienced growth in part time employment and sole proprietors, which offsets some of the full time job losses. This trend is found particularly in office based employment sectors and may limit the demand for future office space. The growth of single worker businesses and sole traders is of particular relevance to Richmond. In property market terms there is a big step from being a single business working at home, to taking on premises and say renting a small space, to then taking on an office suite.
- 2.40 Industrial sectors tend to suffer most in recessions as productivity improvements through technology and lower cost locations reduce the competitiveness of many of these sectors. There are likely to be permanent impacts on the structure of the economy leading to the reduced demand for B-space in the Borough, this is assessed later in the report. If this is in fact the case there may be opportunities to release B-space to other uses as prescribed by national planning policies.

3 POLICY CONTEXT AND IMPLICATIONS FOR THE LONDON BOROUGH OF RICHMOND UPON THAMES

Introduction

- 3.1 Richmond Borough Council adopted its Core Strategy in 2009 and it provides the overall spatial planning policy strategy and vision for the Borough. The employment land policies of the Core Strategy were guided by the existing national and regional policies and by the 2009 Richmond Employment Land Study. The Development Management Plan, adopted 2011, took forward the Core Strategy with more detailed policies for the control of development, including for employment.
- 3.2 Since the publication of this document the national planning guidelines and context has changed. In March 2012 the government published the National Planning Policy Framework (NPPF). In this section we briefly present the key national, regional and local policies that provide the material considerations guiding planning decisions and plans for employment land in the Borough now and in the near future. We then review whether and how these policies fit together and what challenges and opportunities the policies present for Richmond's employment sites and premises.

The National Planning Context

The National Planning Policy Framework

- 3.3 In July 2011 the Government published a draft of the National Planning Policy Framework (NPPF). Following consultation the NPPF was published in its final form in March 2012. This new document replaces all the former Planning Policy Statements (PPSs) and Planning Policy Guidance (PPG).
- 3.4 In London, unlike the rest of England the two tier system of development plans, with the London Plan and Borough level plans remains. So targets and the strategic planning direction will continue to be set, or at least guided, by the GLA.
- 3.5 Many of the policy amendments of the NPPF relate to housing. The Government's main objective is to significantly increase the delivery of new homes. To help achieve this, some policies protecting Greenfield development sites have been weakened and councils are required to proactively allocate more land for development than previously.
- 3.6 For employment land the NPPF proposes very limited changes to the agenda already set out in the former PPS4. Securing economic growth is emphasised as a priority and as with PPS4 local authorities are required to review their employment land portfolio to ensure that it remains fit for purpose. For development sites authorities should satisfy themselves that sites are likely to be taken up.

“Planning policies should avoid the long term protection of sites allocated for employment use where there is no reasonable prospect of a site being used for that purpose. Land allocations should be regularly reviewed. Where there is no reasonable prospect of a site being used for the allocated employment use, applications for alternative uses of land or buildings should be treated on their merits having regard to market signals and the relative

need for different land uses to support sustainable local communities.” (NPPF, Paragraph 22)

- 3.7 The NPPF requires plans to respond to market requirements by making proactive land allocations for business.

Plans should take account of market signals, such as land prices and housing affordability, and set out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of the residential and business communities.” (NPPF, Paragraph 17)

However in London, where new land is limited there is limited scope to do this and most of the emphasis will remain on managing the stock of land and not constraining its development where the market would like to invest.

“...building a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation” (NPPF, Paragraph 7).

- 3.8 The NPPF strongly encourages authorities to meet the market demand for new employment sites and not over burden business with planning policy expectations:

“Investment in business should not be over-burdened by the combined requirements of planning policy expectations” (NPPF, Paragraph 21).

This reflects the Government’s overall ambition to simplify the planning system by reducing the levels of bureaucracy, returning decision making powers to local authorities and in this way encourage new development and growth.

Commercial to residential conversions

- 3.9 In 2011 Government consulted on proposals to remove the requirement for developers to seek planning permission when changing the use of some office land and property to residential. However the final NPPF did not adopt this blanket approach. Instead it suggests authorities should keep their evidence based approach to controlling losses, allowing the loss of property where there is local evidence of a surplus of space but otherwise continuing to protect them:

Local planning authorities should identify and bring back into residential use empty housing and buildings in line with local housing and empty homes strategies and, where appropriate, acquire properties under compulsory purchase powers. They should normally approve planning applications for change to residential use and any associated development from commercial buildings (currently in the B use classes) where there is an identified need for additional housing in that area, provided that there are not strong economic reasons why such development would be inappropriate. (NPPF Paragraph 51)

- 3.10 On the 1st of October 2012 the Town and Country Planning Order 1995 was amended to extend permitted development rights to allow the space above shops and other town centre uses (A1 and A2 uses) to be converted into 2 flats without planning permission. Prior to this date space above shops could be converted into 1 flat without planning permission.

- 3.11 We believe that paragraph 22 and also paragraph 51 presented above could have implications for employment policy in Richmond which we will discuss further in the text below once we have presented the key regional and local policies.

- 3.12 In a written ministerial statement in January 2013, the government announced new permitted development rights allow change of use from B1 (a) office to C3 residential. The permitted development rights will be in place for 3 years. The secretary of state will only grant an exemption in exceptional circumstances, where local authorities demonstrate clearly that the introduction of these new permitted development rights in a particular local area will lead to (a) the loss of a nationally significant area of economic activity or (b) substantial adverse economic consequences at the local authority level which are not offset by the positive benefits the new rights would bring. Richmond Council has put forward a case for exemption.

The Regional Planning Context

London Plan, July 2011

- 3.13 The London Plan sets out the Mayor's spatial strategy, to which individual Boroughs' planning policies are required to be in broad conformity. The current plan was published in July 2011 before the publication of the NPPF.
- 3.14 Recent population and employment growth in London is seen as a structural trend and the Plan concludes that, "the only prudent course is to plan for continued growth". This means planning for:
- a growing population;
 - an ever more diverse population;
 - a growing and ever changing economy;
 - substantial progress in tackling persistent problems of poverty and deprivation;
 - making real progress in addressing climate change;
 - careful and efficient management and use of the resources available to London;
 - improving quality of life for all Londoners and all of London; and
 - Joint approaches by London Planning authorities and those in neighbouring regions.
- 3.15 The Mayor's Vision for the Plan is then set out as:
- "Over the years to 2031, and beyond, London should:*
- Excel among global cities - expanding opportunities for all its people and enterprises, achieving the highest environmental standards and quality of life and leading the world in its approach to tackling the urban challenges of the 21st century, particularly that of climate change. Achieving this vision will mean making sure London makes the most of the benefits of the energy, dynamism and diversity that characterise the city and its people; embraces change while promoting its heritage, neighbourhoods and identity; and values responsibility, compassion and citizenship."*
- 3.16 The vision is to be supported through six detailed objectives which Borough DPDs and development decisions should aim to realise, so that London should be:
- a city that meets the challenges of economic and population growth;
 - an internationally competitive and successful city;
 - a city of diverse, strong, secure and accessible neighbourhoods;

- a city that delights the senses;
- a city that becomes a world leader in improving the environment;
- A city where it is easy, safe and convenient for everyone to access jobs, opportunities and facilities.

3.17 Chapter 4 of the Plan deals with London's economy. The overall strategic policy is set by Policy 4.1. This policy states that the Mayor will work with partners to:

- promote and enable the continued development of a strong, sustainable and increasingly diverse economy across all parts of London, ensuring the availability of sufficient and suitable workspaces in terms of type, size and cost, supporting infrastructure and suitable environments for larger employers and small and medium sized enterprise;
- drive London's transition to a low carbon economy and to secure the range of benefits this will bring;
- support and promote outer London as an attractive location for national Government as well as businesses, giving access to the highly-skilled London workforce, relatively affordable work space and the competitive advantages of the wider London economy;
- support and promote the distinctive and crucial contribution to London's economic success made by central London and its specialist clusters of economic activity;
- sustain the continued regeneration of inner London and redress its persistent concentrations of deprivation;
- emphasise the need for greater recognition of the importance of enterprise and innovation;
- Promote London as a suitable location for European and other international agencies and businesses.

3.18 For the purposes of this study we concentrate on policy related to the office and industrial sectors.

Office Policy

3.19 Policy 4.2 of the London Plan sets the policy for offices and states that with regard to LDF preparation, LDF's should:

- enhance the environment and offer of London's office locations in terms of physical attractiveness, amenities, ancillary and supporting activities as well as services, accessibility, safety and security;
- provide the basis for work with the GLA Group, investors, developers, land owners and potential occupiers to bring forward and renew development capacity as efficiently as possible, co-ordinating their activities and interests to avoid planning delays and facilitating site assembly, if necessary, through the compulsory purchase process and especially beyond the central London office market;
- work with sub-regional partners to develop co-ordinated, phased strategies to manage long term, structural changes in the office market, focusing new capacity where there is

strategic as well as local evidence of demand, encouraging renewal and modernisation in viable locations and supporting changes of surplus office space to other uses; and

- Examine the scope for re-use of otherwise surplus large office spaces for smaller units.

3.20 The Plan notes that the Outer London Commission and the London Office Review Panel agree that the most viable locations for the renewal and modernisation of office stock in outer London include the Strategic Outer London Development Centres.

3.21 Para 4.13 notes that

"Local plans and strategies should support the conversion of surplus offices to other uses and promote mixed use development in the light of integrated strategic and local studies of office demand. Informed by the independent London Office Review Panel a 'plan, monitor and manage' approach will be used to reconcile office demand and supply across the development cycles likely to be encountered over the years to 2031. This may well provide scope for changes from surplus office to other uses, especially housing, providing overall capacity is sustained to meet London's long-term office needs. The scope for re-use of otherwise surplus large office space for smaller units suitable for SMEs should also be considered".

In the text below we will discuss this key policy guidance in the Richmond context and in the national context.

Industrial Land

3.22 The London Plan identifies key industrial sites in London and classifies them as either Preferred Industrial Locations (PILs) or Industrial Business Parks (IBPs). These sites are subject to Policy 2.17 Strategic Industrial Locations in the London Plan which states that SILs should be protected as London's main reservoirs of industrial and related capacity, including general and light industrial uses, logistics, waste management and environmental industries, utilities, wholesale markets and some transport functions.

3.23 In terms of LDF preparation the policy states that within their LDFs, boroughs should identify SILs on proposals maps and develop local policies based on clear and robust assessments of need to protect their function, to enhance their attractiveness and competitiveness for industrial type activities including access improvements. Richmond Borough has no Strategic Industrial Locations identified in the London Plan

3.24 Policy 4.4 of the London Plan is concerned with managing industrial land and premises. It states that, in terms of LDF preparation, LDFs should demonstrate how the borough's stock of industrial land and premises in strategic industrial locations, locally significant industrial sites and other industrial sites will be planned and managed in local circumstance in line with this strategic policy and the location strategy in Chapter 2, taking account of:

- the need to identify and protect locally significant industrial sites where justified by evidence of demand;
- strategic and local criteria to manage these and other industrial sites;
- the borough level groupings for transfer of industrial land to other uses and strategic monitoring benchmarks for industrial land release in SPG;

- the need for strategic and local provision for waste management, transport facilities (including inter-modal freight interchanges), logistics and wholesale markets within London and the wider city region; and to accommodate demand for workspace for small and medium sized enterprises and for new and emerging industrial sectors including the need to identify sufficient capacity for renewable energy generation;
- quality and fitness for purpose of sites;
- accessibility to the strategic road network and potential for transport of goods by rail and/ or water transport;
- accessibility to the local workforce by public transport, walking and cycling;
- integrated strategic and local assessments of industrial demand to justify retention and inform release of industrial capacity in order to achieve efficient use of land;
- the potential for surplus industrial land to help meet strategic and local requirements for a mix of other uses such as housing and, in appropriate locations, to provide social infrastructure and to contribute to town centre renewal.

The Land for Industry and Transport Supplementary Planning Guidance (SPG)

- 3.25 The London Land for Industry and Transport SPG provides “guidance on the implementation of policies relating to land for industrial type activities and transport in the Mayor’s London Plan.... It is focussed on the implementation of London Plan Policies 2.17 Strategic Industrial Locations, and 4.4 Managing Industrial Land and Premises; and 6.2 Providing Public Transport Capacity and Safeguarding Land for Transport. It is drawn up in the context of current national policy in the National Planning Policy Framework (NPPF).”
- 3.26 The SPG guidance acknowledges the regional and national trends in industrial sectors over the past few decades that have resulted in the decline in industrial employment and consequently decline of industrial land and premises. However the SPG argues that industrial sectors are still an important part of London’s economy and growth in certain industrial sectors is expected in the long run.
- In planning for industrial land, boroughs are urged to provide for sufficient land and premises in industrial and related uses, including waste management, logistics, utilities and transport functions to meet future demand in London in good quality, flexible and affordable space.*
- 3.27 The SPG identifies Richmond Borough as a “restricted transfer” Borough which means that Richmond Council is encouraged to adopt a more restrictive approach to the transfer of industrial sites to other uses and set appropriate evidence based criteria to manage smaller non-designated sites.
- The distribution of release must take full account of other land use priorities and be managed carefully to ensure that a balance is struck between retaining sufficient industrial land in appropriate locations and releasing land to other uses.*
- 3.28 The SPG is published after and taking into account the NPPF. As regards to the NPPF’s (Paragraph 51) call for strong economic evidence of why conversions from commercial to residential uses would be inappropriate the SPG states:

London Plan policies 2.17 and 4.4 and this SPG set out the strong, evidence based economic reasons why changes of use from commercial to residential in designated Strategic Industrial Locations (and locally significant sites supported by evidence based borough plans) would be inappropriate, unless they are part of a strategically co-ordinated process of consolidation through a borough plan or Opportunity Area Planning Framework.

Local Policy

Richmond Core Strategy

- 3.29 Richmond Borough Council's Core Strategy was adopted in April 2009. The Core Strategy presents the key planning policies for the Borough which will determine future development within the Borough.
- 3.30 Policy CP 19 of the Core Strategy sets out how the Council proposes to support a strong and diverse economy by:
- Retaining land in employment uses for business, industrial or storage
 - Requiring development likely to generate significant amounts of travel to be located in areas highly accessible to public transport, with the largest office developments located in Richmond and Twickenham town centres
 - Encouraging the provision of small units
 - Requiring mixed use schemes to retain the level of existing employment floorspace. However the inclusion of residential use within mixed use schemes will not be appropriate where it would be incompatible with established employment uses on neighbouring sites and prejudicial to their continued operation.
- 3.31 Overall the policies of the Core Strategy seek to retain the existing level of employment floorspace in the Borough recognising the importance of providing local employment opportunities for the future growth of the local economy and for the sustainability of the Borough. The retention of employment floorspace is supported in the local planning policies.

Richmond Development Management Plan (November 2011)

- 3.32 Policy DM EM 2 sets out the Council's key employment land policy. The policy reiterates the Council's resolve to retain property and land in existing employment uses for employment use in the future. The policy sets out the circumstances wherein alternative uses will be permitted:
- There is satisfactory evidence of completion over an extended period of time of a full and proper marketing exercise of the site at realistic prices both for the existing use and for redevelopment (if appropriate) for other employment uses; or suitable alternative evidence; and either
 - A sequential approach has been applied to the development of the site as follows:
 - solely employment-based redevelopment;
 - Mixed-use or other alternative employment creating uses, where the employment floorspace is retained. Such sites should maximise the amount of affordable housing provided as part of the mix;

- maximum provision of affordable housing in accordance with CP19;
- 3.33 The Policy also states that *“proposals for Mixed Use schemes must maintain or improve the amount of employment floorspace on site.”*
- 3.34 The current policy set out the in DMP takes into account the predicted decline of industrial employment and hence reduced need for industrial floorspace but argues that *“Due to the relative shortage of employment land stock in the borough the release of employment land to other uses should be restricted to land that is inherently unsuitable for employment uses.”*
- 3.35 The Council also explicitly sets the intention to retain employment land in times in the business cycle where demand from employment land is reduced: *“In times of waning demand related to economic recession, employment land should not be released to other uses because this reduction in demand is likely to be relatively short term and the loss of employment land is in effect irreversible.”*

Conclusions

- 3.36 The policies described above indicate that in Richmond the national, local and regional planning framework very much supports and encourages employment growth and the provision of employment land to meet business needs and demand. However, there will be a need to ensure that policies to protect employment land are fully justified by up to date evidence, as the transitional period of 1 year following publication of the NPPF in March 2012 comes to an end. The implications being that local policies should be appropriate and fully justified.
- 3.37 It is Paragraph 51 of the NPPF that is the source of this concern. Paragraph 51 states: *Local planning authorities should ... normally approve planning applications for change to residential use and any associated development from commercial buildings (currently in the B use classes) where there is an identified need for additional housing in that area, provided that there are not strong economic reasons why such development would be inappropriate.*
- 3.38 Richmond Borough Council’s local employment land policies actively dissuade the conversion of employment land to residential uses. The policies recognise that there may be some instances where employment sites may be unsuitable for continued employment or commercial use and a conversion may be permitted. However in the local policies the onus is on the developer/ landowner to make the case for why continued existing employment uses are inappropriate. The NPPF on the other hand requires evidence of why the proposed use, not the existing use, is inappropriate. This presents a shift in agency. The onus is on the Council and local community to provide strong economic reasons to defend employment sites.
- 3.39 The requirement for an evidence based approach is not a new one. The 2009 Employment Land Review provided some of the evidence base of the existing employment land policies and this study will provide the evidence for any future policy position.
- 3.40 Another implication for Richmond is that the scope to refuse one type of employment space in favour of another is now more limited. For example the Council’s ability to refuse

additional warehousing space on policy grounds because the Council may be in favour of an alternative type of employment space.

- 3.41 The challenge for Richmond Borough Council is that while local policies still hold their weight in the very short term, this is changing. The NPPF policies applied from the day the document was published in March 2012. Local Authorities were provided with a 12 month period to revise plans to take into account the NPPF policies

“For 12 months from the day of publication, decision-takers may continue to give full weight to relevant policies adopted since 2004 even if there is a limited degree of conflict with this Framework. In other cases and following this 12-month period, due weight should be given to relevant policies in existing plans according to their degree of consistency with this framework (the closer the policies in the plan to the policies in the Framework, the greater the weight that may be given).”

- 3.42 It is as yet unclear how the NPPF will be interpreted in practice but it is important that the Borough Council is prepared and has strong, up to date economic evidence in place by March 2013. This study will form a key part of the evidence base through the site assessments and business analysis.

4 THE PROPERTY MARKET AND DEMAND

Introduction

- 4.1 In this section of the report we examine the key regional and local property market trends to better understand the demand and the location and type of demand for B-type uses, particularly for office development which is the main type of employment space demanded in Richmond.
- 4.2 In Richmond, despite being relatively close to Heathrow, there is a noticeable shortage of utility style space rooted in the shed/ industrial market. This is a truism in the Borough as a whole and it would be fair to say that the strongest case for protecting such sites in Richmond is the chronic shortage of the kind of "scruffy" space that is essential to oiling the wheels of any local economy, rather than any site-by-site considerations.

Demand for employment space

- 4.3 London's economy seems to have fared better than many expected in the light of economic recession. Despite this fact, a loss of business confidence has suppressed demand for office space, while a lack of bank debt effectively halted the development pipeline. Ironically, the two created a balance whereby the lack of new construction compensated for the loss of demand. Meanwhile and partly related to uncertainty in other parts of the world, overseas investors have seen the capital as a safe haven, and the demand for investment property in London has been remarkably strong.
- 4.4 The impact of a recession will be predominantly cyclical and, as confidence eventually returns, it is reasonable to expect activity to gradually increase. Having said this, recovery from the most recent recession might be different from the past. The focus on cost reduction prompted by recent economic events probably accelerated and highlighted other underlying structural changes such as the move to flexible working; greater densities in office occupation and rationalisation of the public sector, all of which impact negatively on demand. In addition, forecasts for employment growth in London suggest a long-term reduction in the rate of growth in office jobs.
- 4.5 The severe downturn in the economy from 2008 was reflected in a loss of business confidence that translated into greatly reduced demand for office space throughout. At the time, the widely held view was that occupier demand for office space would remain subdued in 2009 and 2010 but gradually improve during 2011. The pattern turned out to be rather different: 2011 experienced historically low volumes of take-up, as businesses reacted to a succession of economic bad news stories, and 2012 has proved to be little better.
- 4.6 The London Office Policy Review of 2012 shows that *"even before the credit crunch, the rapid expansion of the office economy was almost certainly reaching its mature phase. As a result, it is likely that the office property market is entering – indeed is already in – an era of consolidation, organisation and product evolution. This does not discount further growth, but suggests a different pattern of growth."*

- 4.7 LOPR concludes that *“There will be demand for new space, and for new types and formats of office space and related employment space, but in terms of quantity, forecasts suggest there is little need for expansion beyond that already in the pipeline. The rate of growth in office jobs, 2011-2036, is forecast to be half that which prevailed over the past two decades. The key policy task will be to monitor both the quantity and quality of space emerging, balancing new proposals with others that fall out of the pipeline, so that the pipeline is responsive to changes in demand.”*
- 4.8 In contrast to the occupational market, the investment market has seen a great deal of activity. The instability in overseas markets acted in London’s favour by rendering it stable and safe. London’s investment markets have attracted huge volumes of investors’ capital since 2008, not only from new sources of capital in emerging economies, but also from high net worth individuals in vulnerable European economies, notably Greece.
- 4.9 Apart from concern over the continuing recessionary pressure, the Government’s austerity programme, rising oil and energy prices and the Eurozone debt crisis all have the potential to derail recovery. In areas of Outer London, public sector austerity is currently the greatest threat. Large parts of Outer London and its office market are underpinned by public sector employment, and this is now under severe threat of retrenchment.
- 4.10 The overriding theme in the office market is one of continuing uncertainty, and there seems little prospect that the fortunes of the markets beyond Central London, are likely to improve substantially in the short-term.

Occupational densities in modern office environments

- 4.11 Modern office environments are increasingly occupied very differently from the past. The impact of information and communications technologies (mobile phones, laptops, internet, email and social media) are all helping to transform the nature of work. Increasingly, office work involves interaction and collaboration, reflecting the underlying macro-economic shift from process labour to knowledge work. The office is expected to provide a richer palette of settings in which individuals and groups work in a more dynamic fashion compared with much of the sedentary work of the past.
- 4.12 In addition to the impact of technology, economic pressure is also affecting the way office space is used. Often the second highest corporate cost (second only to salaries) real estate represents a very significant commitment. Consequently many organisations have been increasing the efficiency with which they occupy buildings.
- 4.13 There are two principal means of achieving more efficient use of space. First, occupational densities are increased. For employees in open plan, there is simply less space around their workstations; while for others there are fewer enclosed offices. There are a number of sources that can be used for workstation density benchmarking, but the most thorough study was published by the BCO in 2009. The work sampled 88 organisations detailing occupancy in 249 properties, across two million square metres (net internal area) and 173,000 workstations.
- 4.14 Over the whole sample, the mean overall density was 11.8 sq m NIA per workstation. The median value was 10.6 sq m NIA, with a wide range and a standard deviation of 4.6. The

distribution of the sample indicated that 82% of the sampled properties had an occupancy density of less than 13 sq m NIA per workstation. There are no data available to place this benchmark in a historical context, but it is the author's estimate that the same survey undertaken 25 years ago might have revealed a headline average of 16-18 square metres.

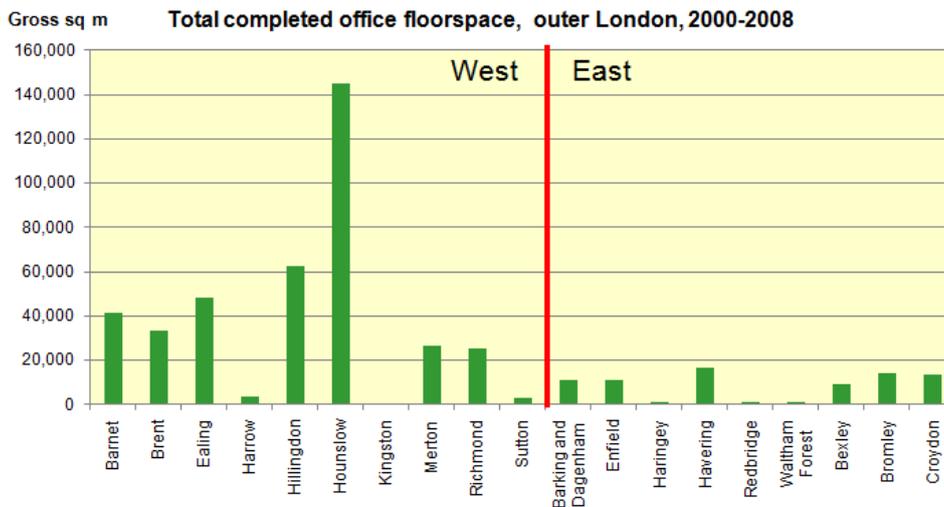
- 4.15 The second step towards more efficient use of space is to manage the work environment more dynamically. It is well known that traditional office layouts are underutilised most of the time due to people being out of the office, and many organisations have responded by introducing flexible working styles and desk sharing.
- 4.16 Growing numbers of organisations are dramatically changing the way in which they occupy their office buildings as they transform their work processes to respond to fluid business environments. Traditional layouts are yielding to more dynamic environments in which team work, collaboration and meeting space occupy far greater proportions of space. Technology is acting as the key enabler.
- 4.17 The combined impact of higher densities and flexible working styles is a concept known as spaceless growth, whereby organisations can increase headcount in a building without having to acquire new real estate.
- 4.18 The implication of these trends for the use of office space in Richmond is that current low levels of demand are not simply a response to the prolonged recession, but part of a structural change in demand.

Outer London Office Markets

- 4.19 Many of London's suburban office markets are suffering. While this is true of most office markets due to the impact of the recession, those in Outer London are suffering additional pressures. Even during the period of prolonged economic growth leading up to the credit crunch, Outer London performed poorly in office market terms. The reasons for this are complex.
- 4.20 One reason is that there is no longer a significant cost advantage to relocating from central London to the suburbs, either in property or salary costs. Another reason is that changing business processes mean that the large back offices that were often relocated to suburban centres have either largely disappeared with new working methods, or has been shifted to more distant and considerably cheaper locations in the UK or overseas.
- 4.21 There is now also the real prospect of retrenchment and rationalisation in the public sector. Central and local government have both been key occupiers of suburban offices, but now both face up to severe pressure for savings, as government begins to deliver on the programme to cut costs. This will lead to the vacation of substantial tracts of suburban office space over the next few years
- 4.22 There is no doubt that Outer London has declined as a commercial property market in recent times, particularly with respect to the office market. While a number of off-centre campuses have absorbed office growth in inner London (e.g. More London, London Bridge City and Paddington), many corporate office jobs have left the rest of London, and it seems clear that there are a growing number of centres suffering high office vacancy rates with little prospect of growth.

4.23 The facts speak for themselves. During the period of rapid economic growth leading up to the Credit Crunch, Outer London performed dismally in office market terms and the picture was mirrored in employment. For example, in 2008, no new office buildings were built in nine of the 20 Outer London boroughs. In fact, in any of the five years leading up to 2008, between 10 and 13 of the Outer London boroughs delivered no new office construction (Figure 4.1), with the picture particularly acute in the east London boroughs. It can be seen that Richmond performed relatively well.

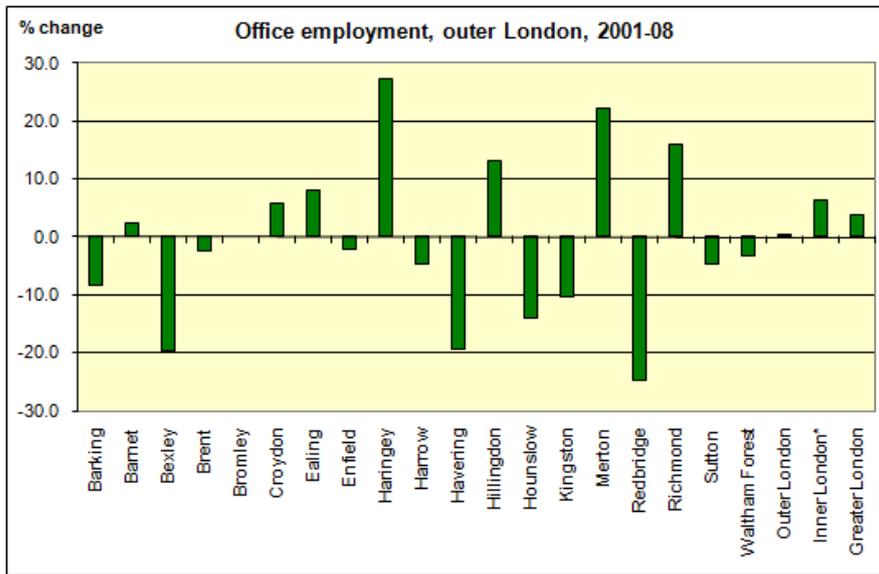
Figure 4.1 Office floorspace completions in Outer London, 2000-2008



4.24 Moreover, where construction occurred, it was very limited. In the period 2000-09, the highest average annual rate of construction in Outer London was 16,098 sq m in Hounslow and that far exceeded any other borough. The next highest was Hillingdon with just 6,971 sq m. And over the same period, average annual completions were less than 5,000 sq m in 16 of the 20 boroughs. These figures demonstrate the fallow conditions in the majority of the London office market and the picture is mirrored in employment data (Figure 4.2).

4.25 In the period 2001-2008, the number of office jobs fell in 11 out of 20 Outer London suburbs and overall there was virtually no growth in Outer London. On the other hand the number in inner London grew by 6.5% (excluding the higher growth that occurred in the City, West End and Canary Wharf). It is also worth emphasising the general context of UK economic growth during this time. Again, Richmond performed well with the third best performance.

Figure 4.2 Office employment change in Outer London, 2001-2008



4.26 The data presented above on office employment are mirrored in wider employment data that clearly demonstrate that Outer London has shown substantially less dynamism, even during the pre-recession growth period, than either London’s inner areas or the wider South East economy (Table 4.1). On a peak-to-peak basis, comparing 1989 with 2007, employment in Outer London has grown at less than a quarter of the rate of other parts of London and the Greater South East, and much slower even than the remainder of the UK.

Table 4.1 Employment change, 1989-2007, Outer London compared with neighbouring sub-regions

Region	Employment change, 1989-2007	
	000s	%
Inner London	394	19.9
Outer London	62	4.1
Outer Metropolitan Area	449	20.3
Rest of Greater South East	561	20.7
Rest of Great Britain	1,897	13.7

Source: LSE (2009) *op cit*

4.27 An important factor in Outer London’s performance was the loss over this period of the majority of Outer London’s manufacturing base, involving the disappearance of about 150,000 jobs. In this respect the Outer boroughs were following in the trail of those in inner London, which had lost most of their production jobs by the early 1980s. Arguably this represents a once-and-for-all transition, since Outer London too now has few ‘real’ manufacturing jobs left to lose, and those that remain may well derive more particular competitive advantage from staying in London, than those for which the city’s congestion and high costs were simply constraints on expansion or profitable operation.

The local office market

- 4.28 Of course, not all suburban London office centres are in decline. West and South West London are, and will remain, the primary location for office development in Outer London. Its key office sub-markets have critical mass and vibrant, established markets albeit in recent times there has been a dearth of “big ticket” lettings.
- 4.29 Richmond is an Outer London borough and, if analysis from successive London Office Policy Reviews were a guide, should be struggling to sustain an office market.
- There can be little room for doubt that office markets in Outer London, with a small number of exceptions, have been in long-term decline. While a number of off-centre campuses have absorbed office growth in Inner London (e.g. More London, London Bridge City and Paddington, and more recently King’s Cross), many corporate office jobs have left Outer London, and it seems clear that there is a growing number of centres suffering high office vacancy rates with little prospect of growth... Perhaps more worrying than the headline vacancy rate is underutilisation since this is a far less visible problem but perhaps a very significant one as organisations seek to reduce their commitments to expensive real estate.*
- 4.30 Richmond is in fact virtually the only borough outside CAZ where speculative office development is not only viable, but in progress. As LOPR 2012 stated that:
- as long ago as LOPR 04 Richmond was identified as one of the few Outer London areas where office development may be viable. LOPR 09 concluded: "Our general view is that Richmond and Twickenham should continue to be monitored as potential office centres, although Richmond is by far the most promising.*
- 4.31 The reasoning was simple: in terms of both business density, measured as business per 1,000 residents, and competitiveness, as measured by the UK Competitiveness Index, Richmond is the top scoring Outer London borough. Nationally it was in the top 25 local authorities on both scales.
- 4.32 The pattern, however, is far from uniform. Clustering of activities is quite marked. The main office centre is Richmond, with a large but much less active centre in Teddington, largely seen as “niche” and spread roughly between the National Physical Laboratory and Teddington Studios.
- 4.33 Then there is a third substantial centre, Twickenham, which is perhaps better described, in office market terms, as “the squeezed middle”, in this case geographically squeezed between the two larger centres. Twickenham is generally seen as Richmond’s low-cost alternative and in terms of stock is larger than Teddington. But it is poorly balanced in office market terms, with a preponderance of large “rent slab” style buildings from the 1960s and 1970s.
- 4.34 Finally there are several smaller outliers (Mortlake, Hampton, Hampton Wick, St Margarets), plus some rather isolated sites (although ‘isolated’ is relative in a compact borough like Richmond).
- 4.35 Much of the office stock across the borough is in good condition. There is very little dereliction or neglect, except in Twickenham, which presents a stock that is tired-looking and lacking the dynamism to encourage even full-scale refurbishment. Although the local market is not sufficiently dynamic to achieve extensive refurbishment, there has recently been significant investment in Regal house and Premier House.

- 4.36 Some smaller centres could benefit from a little care and attention, either from landlords or the planning authority, with occasional signs of blight, which is most likely due to pressure from housing development. By the same token, some of the small, essentially free-standing, sites are very well presented and offer pleasant, if idiosyncratic working environments.
- 4.37 Some prime corporate offices remain, but there is really quite a small market for corporate occupiers, concentrated in and around Richmond itself. To balance this there is an apparently healthy market for SMEs, especially in new media and related technology sectors.
- 4.38 There are, even in this depressed commercial market, a number of refurbishments underway or nearing completion in Richmond. There is a good case for maintaining this level of supply, ensuring that at any one time, one or two developments or major refurbishments, in the 25-40,000 sq ft range, are in progress. Even in a market that has been recessionary for some time, it is evident that Richmond is attractive to occupiers and it is important to keep the offer fresh.
- 4.39 The overwhelming bulk of vacancy is office space: 38,000 sq m of a total 47,000 sq m (see Table 4.2 below). Our site visits support the indication that there is a significant shortage of low-cost and simple space – in particular smaller 'shed' style space that offers utility to a wide range of occupiers from traditional 'metal-bashing' to new media companies.

Table 4.2 Vacant space in Richmond (sq m)

Use	Richmond	Sheen, Barnes & Mortlake	Teddington	The Hamptons	Twickenham	Total
Business Units	307		302		458	1066
Education	153		279			432
Industrial Warehousing			1,289	1,399	3,381	6,069
Medical	153		279			432
Mixed/Commercial	191	43			259	493
Office	16,822	2,950	1,228	6,648	10,364	38,013
Serviced Office					21	21
Showrooms			379	288	451	1,118
Studio/Gallery	136					136
Grand Total	17,761	2,994	3,755	8,335	14,934	47,779

- 4.40 There is quite a large stock of secondary offices, with evidence of classic, historic back office roles. See for example the areas immediately around Twickenham and Richmond rail stations and on a smaller scale in Teddington. Such space presents a real challenge: outside the better, accessible locations such as town centres, it is unlikely that sufficient rent or yield movement will occur to foster redevelopment, while VAT on refurbishment adds to overheads. There is evidence of some buildings being refitted as serviced offices, while some are providing accommodation for Third Sector occupiers.
- 4.41 There is little real evidence of in-movers, but the presence of institutionally funded development suggests that the market sees potential.

- 4.42 Finally, there is a plentiful supply of high street offices, especially over shops, and this is the only area in which the borough as a whole has anything that could be seen as signs of over-supply – although some development sites in slightly "off-pitch" locations might test this thesis. There is no proven reason for this specific type of oversupply, however it might be conjectured that demand for such space is now being met by serviced offices and even home-based working. If this is indeed the case – and there seems little reason why demand for space over shops should resurge – then alternative uses might be an alternative strategy.
- 4.43 Detailed employment trends are dealt with elsewhere in this report, but our empirical work shows a notable internet-oriented media presence, possibly reflecting overspill from Hammersmith, as well as the two studio complexes in the borough. Also, it might simply be that those working in these emerging sectors also like areas such as Richmond, Teddington, Mortlake and Twickenham.
- 4.44 Perhaps supporting this notion is the very noticeable presence of a serviced/managed office sector. Although large buildings converted to serviced office are sometimes a sign of a distressed local market, in the case of Richmond this does not seem to be the case. Many of the serious players in the serviced sector are present (such as MWB and Regus in Richmond and Citigate in Mortlake) and a couple of 'character' buildings are being similarly used. This might reflect an entrepreneurial local labour force, perhaps unsurprising in an essentially prosperous borough.

Non-office employment space

- 4.45 The picture for non-office types of employment space in the borough is very different to office buildings. West London's shed market is clustered much nearer Heathrow, and this shows up in a marked absence of distribution activity in Richmond. Further there is very little that is modern, apart from one scheme in Hampton. This scheme, called Kempton Gate, is good quality space and demonstrates what can be achieved given an appropriately connected and located site. It is not huge, and is more of a local or sub-regional distribution hub than "big sheds", being serviced mostly by the "white van economy" rather than articulated trucks.
- 4.46 Other non-office employment space, such as "industrial" premises, whether of good quality or not, is also thinly scattered around the borough; one major exception being the large Greggs site in Twickenham. Further, that which is present is often hemmed in by housing, or requires access via residential areas. This does present a real challenge. Although in the London context, Richmond is unlikely to ever be a major shed or industrial property market, such space does serve an important role in supporting the local SME sector and reducing the need to travel out-of-borough for some fairly basic services, as well as providing locally-based services to the residential population.
- 4.47 Marginal activities are an important part of this local offer and supply is rather limited, at least in part due to a relative shortage of railway arches and similar "backland" space. What there is seems to be providing a valuable local function and may help reduce road journeys to non-local centres.

Summary

- 4.48 The property market analysis shows that in the London property markets and in Richmond upon Thames the majority of activity has been in the office market. Despite the Borough's close proximity to Heathrow, there is a noticeable shortage of utility style space rooted in the shed/ industrial market.
- 4.49 The future outlook for the office market in London is one filled with uncertainties but overall the impact of the recession is expected to be predominantly cyclical, and as confidence returns, it is reasonable to expect activity to gradually increase. Equally, for Richmond Borough there is likely to be a positive outlook in the future. As LOPR 2012 stated " *as long ago as LOPR 04 Richmond was identified as one of the few Outer London areas where office development may be viable.* LOPR 09 concluded: Our general view is that Richmond and Twickenham should continue to be monitored as potential office centres, although Richmond is by far the most promising."
- 4.50 The property market evidence also suggests that recovery from the current recession is unlikely to resume at the levels seen in the past and a different pattern of growth is expected in an era of consolidation, organisation and product evolution. There are structural changes relating to changing working practices, higher employment densities and the rationalisation of the public sector that are likely to impact negatively on demand.
- 4.51 The evidence shows that property markets in Outer London have been hit hard as a result of complex interrelated factors. In particular, the loss of cost advantages from offices relocating from central London to the suburbs, the loss of large back office functions and the rationalisation of the public sector have meant many Outer London office markets are suffering.
- 4.52 Richmond upon Thames is one of the few Outer London Boroughs that has had an active office market in the recent past. The evidence presented here shows growth in office employment and evidence of new office developments. Much of the office stock across the borough is in good condition and there is very little dereliction or neglect. There is a supply of 1960s and 1970s office space which has been upgraded, or has the potential to be upgraded, rather than redeveloped. There is a plentiful supply of high street offices, especially over shops, and this is the only area in which the borough as a whole has anything that could be seen as signs of over-supply. Clustering of office activities is marked, with the main office centre being Richmond town centre.
- 4.53 Non-office employment space is very thinly scattered around the Borough. The space that is available is often hemmed in by housing or requires access via residential areas. Marginal activities are an important part of this local offer and supply is rather limited, at least in part due to a relative shortage of railway arches and similar "backland" space. What there is seems to be providing a valuable local function and may help reduce road journeys to non-local centres.

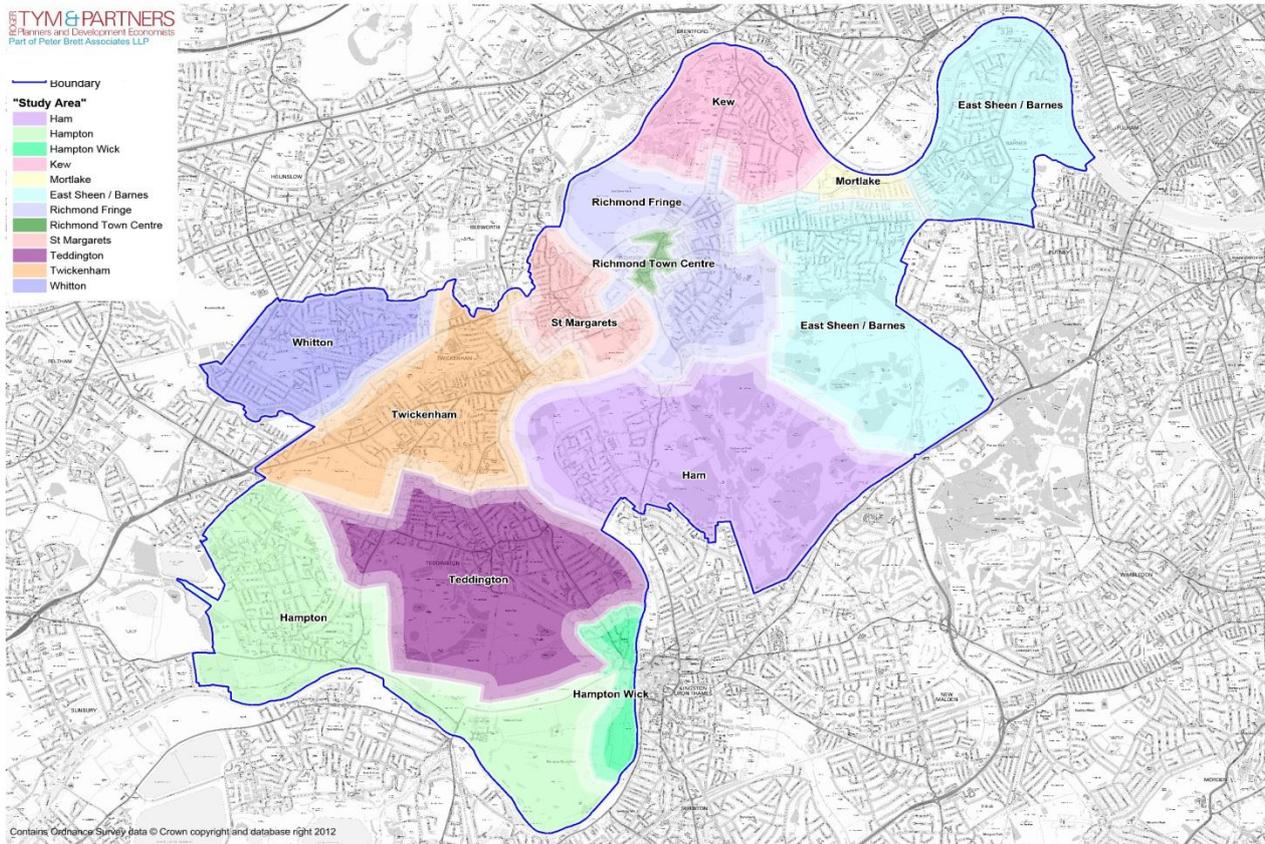
5 TAKING STOCK – EMPLOYMENT LAND AND PREMISES

Richmond's functional geography

5.1 A core element of this study is an on the ground site by site review and assessment of the main property and premises in Richmond Borough. The assessments and overall review of the Borough's employment sites and premises indicates that the Borough has a distinct functional geography. As a result of the site visits we have subdivided the Borough into the following local property markets:

- Richmond Town Centre
- Richmond Town Centre Fringe
- Mortlake
- East Sheen and Barnes
- Kew
- St Margarets
- Twickenham
- Whitton
- Teddington
- Hampton
- Hampton Wick
- Ham

Figure 5.1 Richmond Borough local property markets



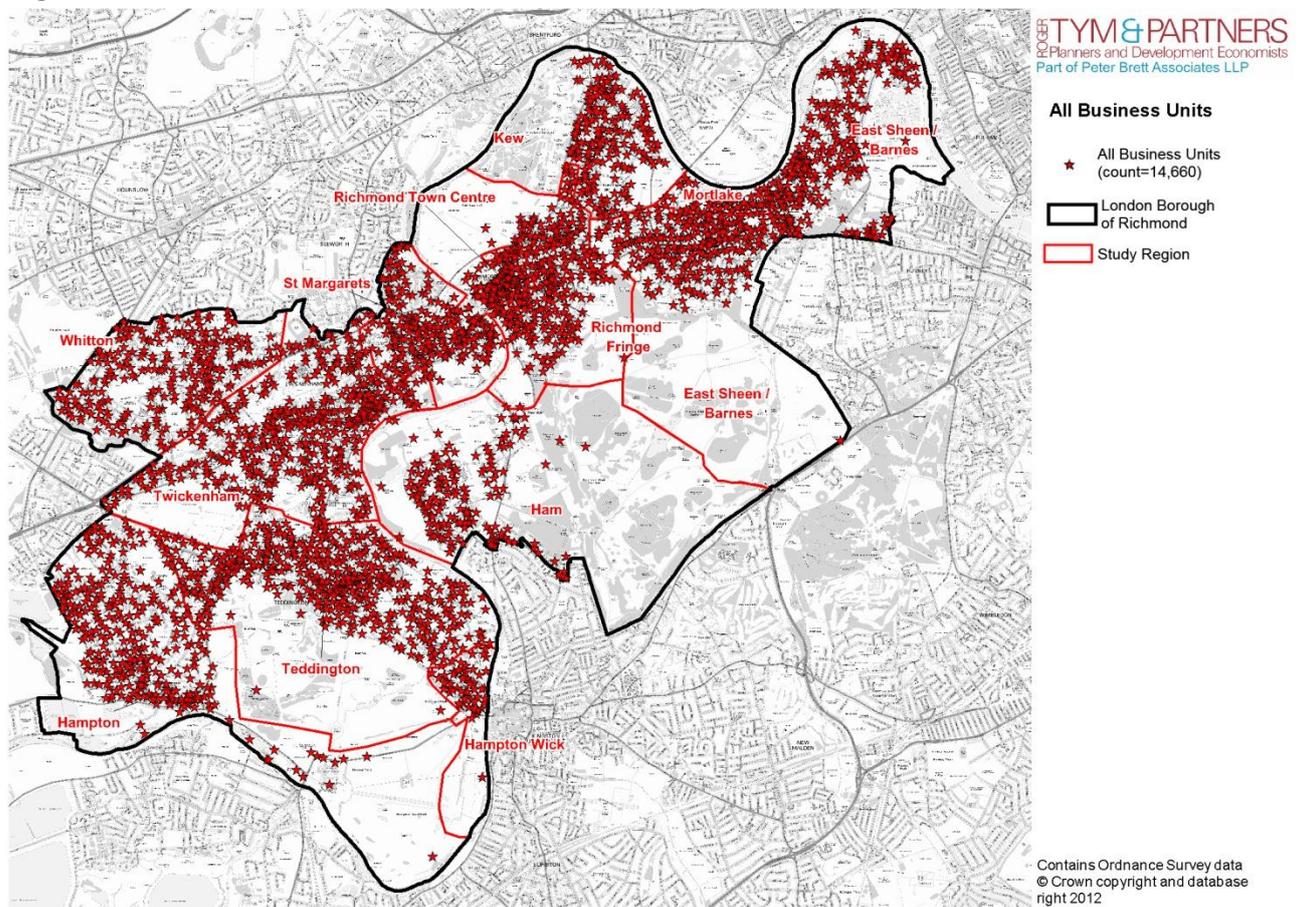
5.2 It is important to note that the property markets provide a neat framework for the analysis of the individual businesses and premises in the Borough but the boundaries are not fixed. The boundaries of the local property markets do not neatly fall into existing administrative boundaries such as wards or Super Output Areas, as businesses tend not to concern themselves with administrative boundaries. The local property markets follow Richmond Borough’s villages to a large degree with some exceptions. For example we review Richmond Town Centre as a distinct property market from the surrounding area entitled Richmond Fringe. In the text below we examine each of these property markets separately looking at the local businesses and jobs.

Local Businesses and jobs

5.3 In the socio-economic profile section of this report we presented the key socio-economic indicators for Richmond. As part of this study a large business database was commissioned providing data on the location, size and activities of individual businesses in the Borough. The business database provides a snapshot in time of the businesses and employment in the Borough. We acknowledge that the Borough’s business base is dynamic and constantly evolving and changing in line with economic and business cycles. As part of this study we have undertaken a refinement process of the database however there will still be changes to the local business base not picked up here.

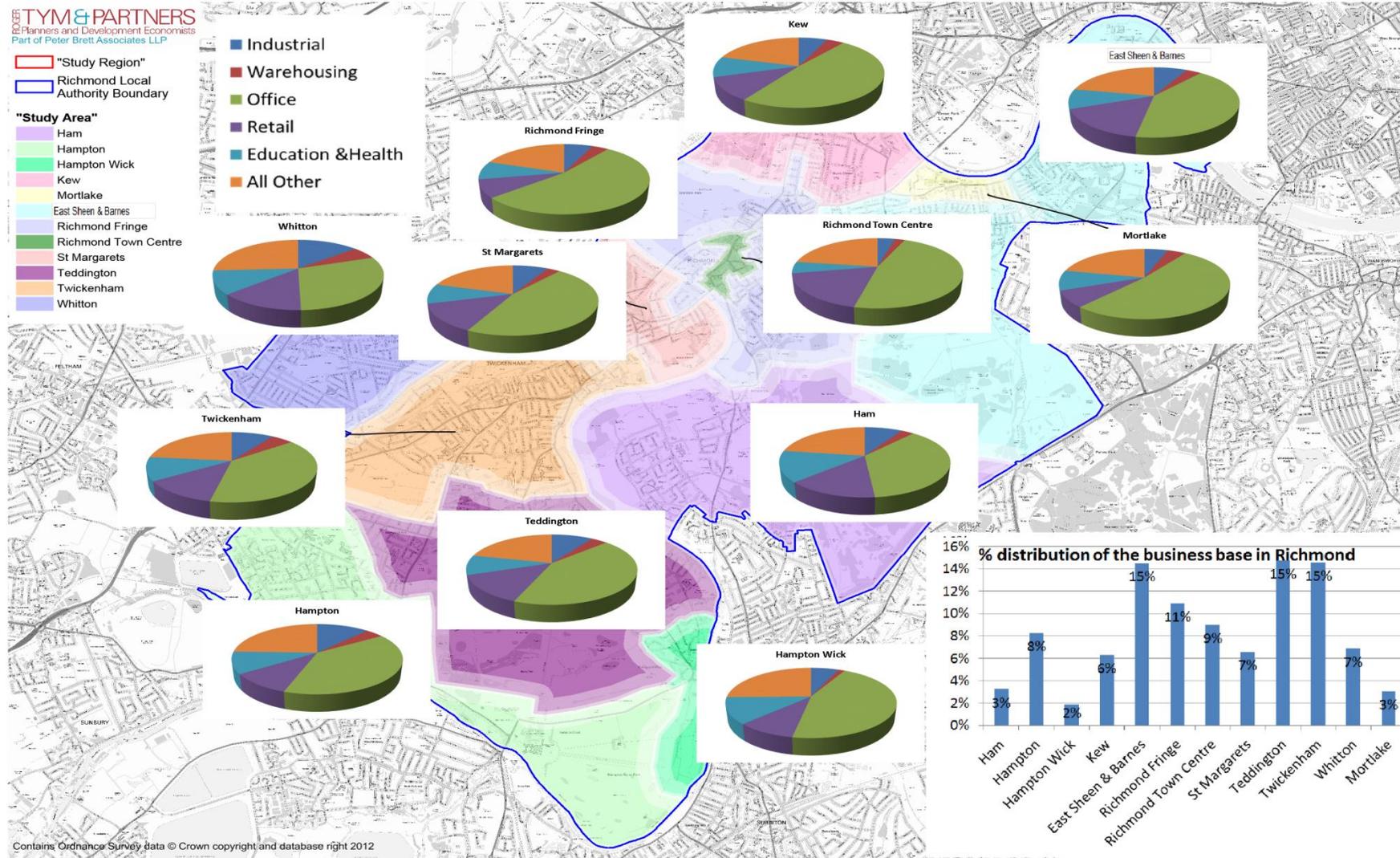
- 5.4 The database provides us with a baseline and the most comprehensive site by site comparative data of the Borough’s local property markets. We use the data to for comparative analysis of the local areas and trends therein.
- 5.5 Figure 5.2 presents the distribution of the businesses in each of Richmond’s local property markets. The map shows that there are many businesses scattered throughout the Borough. It also shows a key characteristic of Richmond upon Thames which is the scale of the Borough’s green spaces and the lack of economic activity therein. Large parts of Ham, Richmond Town Centre Fringe, Hampton Wick, Teddington, Hampton, Kew and East Sheen & Barnes are green spaces with no businesses. This is one of the reasons why Richmond is such an attractive residential Borough.

Figure 5.2 Richmond business base



- 5.6 Just under half (49%) of the Boroughs businesses are located in Richmond, Twickenham and Teddington property markets. See figure 5.3 overleaf.

Figure 5.3 Richmond's business base

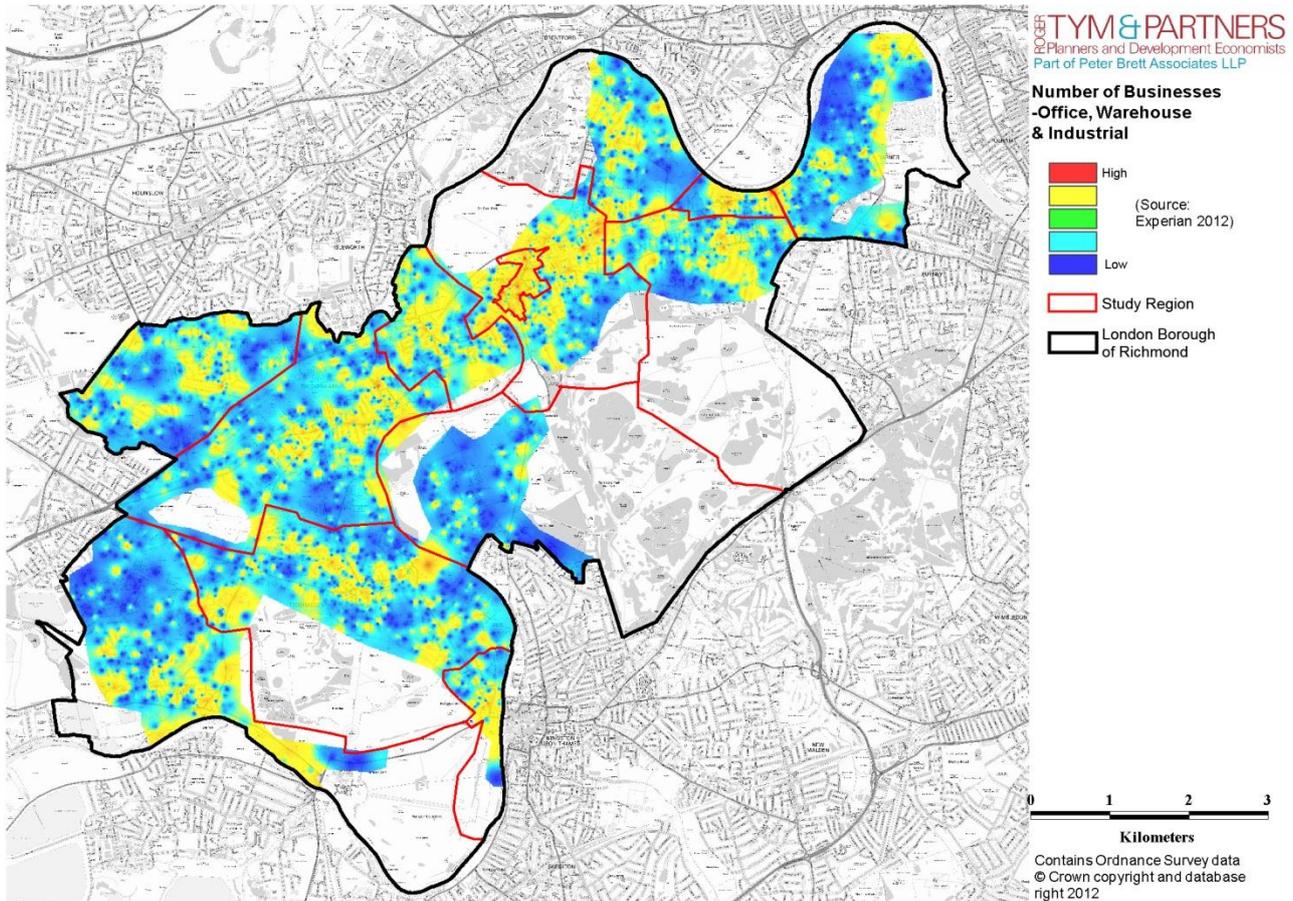


- 5.7 The figure above shows what types of businesses are found in each of the property markets including office based businesses, industrial and warehousing businesses, retail and education and health sectors. This shows that in general office based businesses capture the largest share of the business base in all sub areas. A larger than average share of the business base in Richmond Town Centre, Richmond Fringe, Kew and Mortlake are office based businesses. On the other hand a lower than average share of the business base in Twickenham, Whitton, Ham and Hampton are office based businesses.
- 5.8 Retail and health and education are also large contributors to the Borough's business base. As might be expected Richmond Town Centre and East Sheen & Barnes, have a high retail business base. Industrial and warehousing businesses are not major employers as shown in the socio-economic profile of the Borough; however they are not insignificant either as seen in the pie charts in the figure above. Industrial and warehousing businesses provide a higher than average share of the business base in Hampton, Teddington, Twickenham and Whitton.
- 5.9 Overall the figure shows that a large majority of Richmond Borough's businesses are B-space occupying businesses – that is office, industrial or warehousing. In the text below we examine these businesses in more detail by each local property market.

B-space businesses and employment by property market

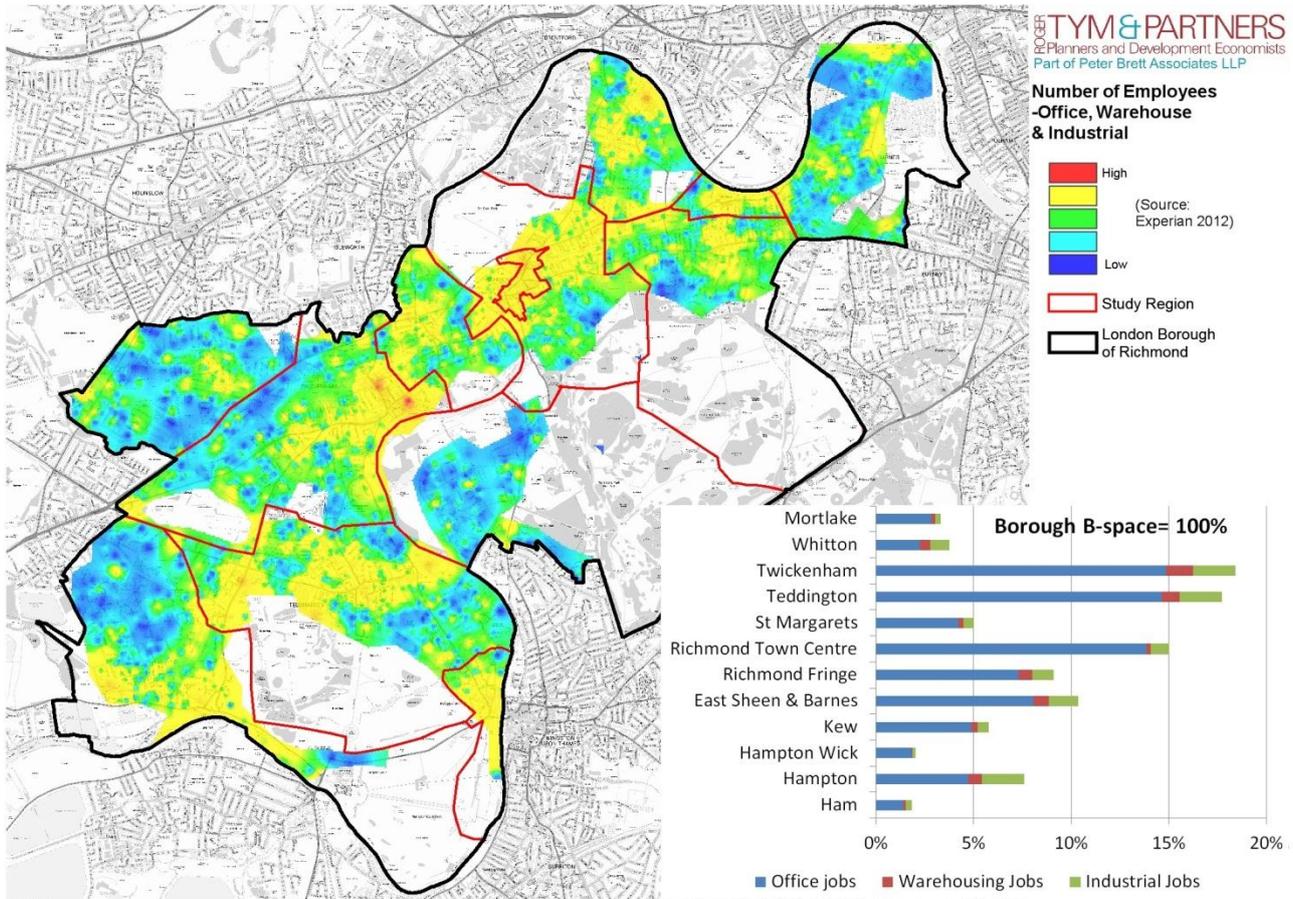
- 5.10 As shown in Chapter 2 of this review, B-space occupying sectors are defined using SIC codes on a sector basis. The business database commissioned for this study allocates each business activity to a SIC code. This shows that about 47 percent of the businesses in Richmond Borough are B-space occupying sectors. These businesses employ approximately 42 percent of the Borough's employees. We note that this is slightly below the BRES data statistics which allocate 45% of employment to B-space sectors. This may be due to the fact that 7% of businesses in the database lack an SIC and therefore cannot be allocated to any B-space sector.
- 5.11 The majority of these B-space businesses are located in the core centres of Teddington, Twickenham, Richmond Town Centre and Fringe area and in the East Sheen & Barnes area. As may be expected the businesses are not evenly distributed even within the property markets as illustrated on the map below. This is a heat map showing the concentrations of B-space businesses in the Borough and each local property market. The picture this paints in terms of employment policy is that it is difficult to spatially target B-space businesses through area based policies, as B-space occupying businesses are scattered throughout the entire Borough in small clusters.

Figure 5.4 B-space businesses in Richmond Borough



5.12 The figure above presents a heat map of the Borough’s B-space businesses and the one below (Figure 5.5) the Borough’s B-space employment. The figure presents small concentrations of B-space employment in core town centres. There are also concentrations of businesses as a result of a small number of large employers. For example, The National Archives in Kew, the National Physical Laboratory in Teddington, and the Borough Council in Twickenham.

Figure 5.5 B-space employment



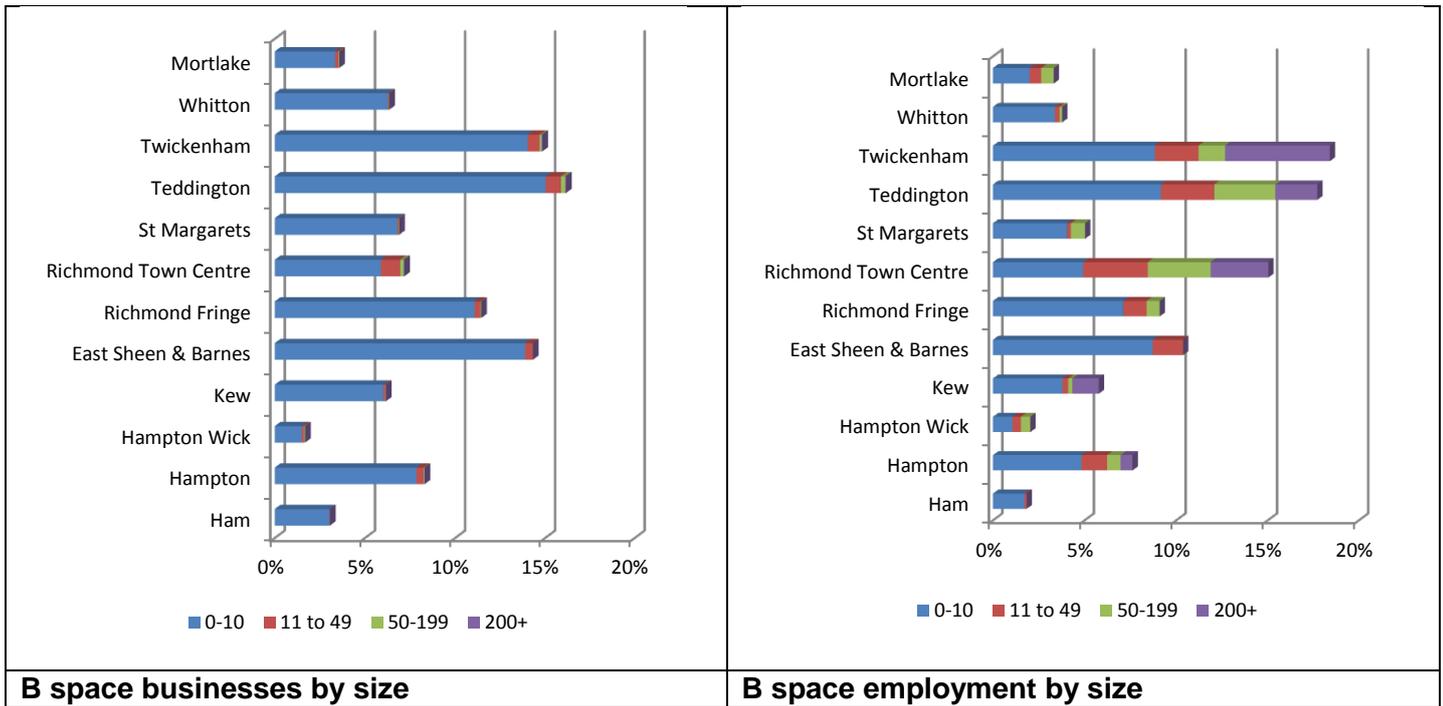
Source: Experian/ PBA Roger Tym

5.13 The bar chart in the figure above shows the proportion of office, industrial and warehousing jobs in each property market. This illustrates the importance of office based employment as over 80 percent of the B-space jobs in the Borough are office based jobs. Again these jobs are concentrated in the Borough’s core centres.

Size of businesses

5.14 The B space employment data shows that despite the scattered distribution of businesses in Richmond upon Thames there are some concentrations of jobs in the Borough. Some of these concentrations are driven by single large employers such as the National Archives in the Kew area and the National Physical Laboratory in the Teddington area. In the figures below we present the businesses and jobs in each property market by size of business. This shows that the Borough’s business base consists primarily of micro-enterprises with less than 10 employees (on average 95% of B space occupiers). Small businesses with between 11 to 49 employees account for 4 percent of the business base and only 1% of the businesses employ more than 50 people. Businesses in the three core centre areas i.e. Richmond Town Centre and Fringe, Teddington and Twickenham, have a larger share of small, medium and large enterprises. As would be expected this translates into a higher number of B-space jobs in these areas. The Twickenham sub area in particular has a large share of jobs from a few large employers, most notably Richmond Council.

Figure 5.6 B-space businesses and employment by business size (Borough =100%)



B space businesses by size

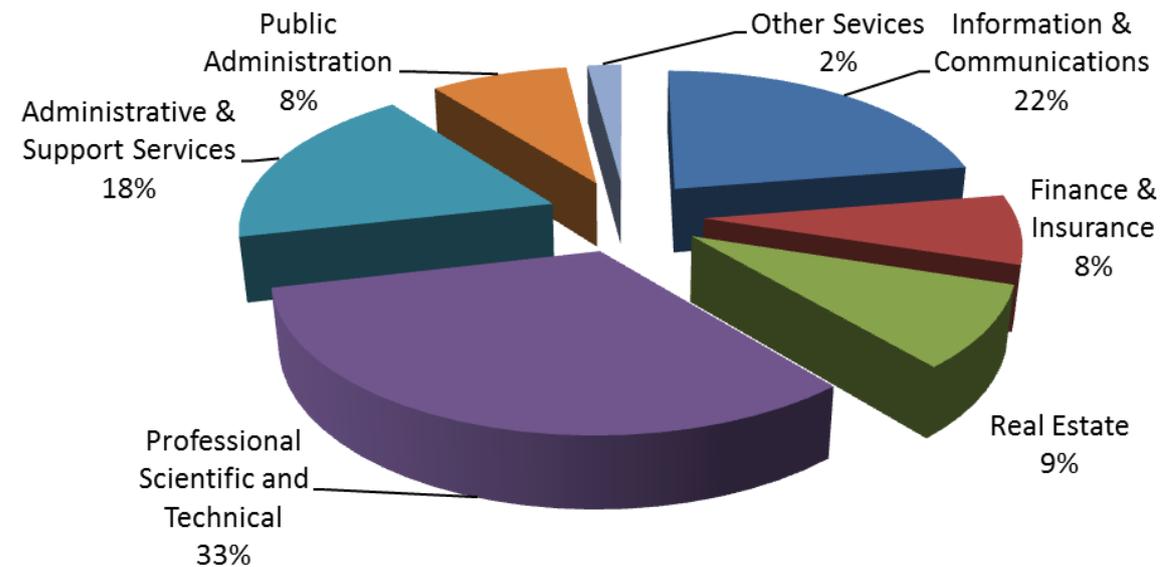
B space employment by size

Source: Experian/ PBA Roger Tym

Office based employment

5.15 The broad office occupying employment sectors in Richmond upon Thames are presented in the figure below. The largest office employment sectors in Richmond are Professional Scientific and Technical Services, accounting for 33% of office employment with Information & Communications accounting for 22%.

Figure 5.7 Office Based employment in Richmond Borough



Source: Experian/ PBA Roger Tym

- 5.16 Research from BIS,⁹ shows that the sectors in the UK that have seen the greatest growth in GVA between 1997 and 2011 are Financial services, Business Services, Health and Social Care, Digital, Creative and Information Services, Education and Administrative and Support Services. The importance being that some of these are key office occupying sectors in Richmond upon Thames.
- 5.17 The table below presents broad office employment sectors and the Location Quotient (LQ) of these. The LQ provides an indication of how concentrated employment in a sector is relative to the national and regional average. This shows that office employment is highly concentrated in Richmond compared to the national average however just slightly below the regional average. Business Support Services, Computer Services, Business Services and Publishing are office occupying sectors that are more concentrated in Richmond compared to the national and regional averages. On the other hand, the Borough has a low concentration of Financial Service sectors and Public Administration sectors.

Table 5.1 Broad office occupying sectors and their Location Quotients

2011	Richmond Employees	LQ (national mean)	LQ (regional mean)
Business Support Activities	2,600	2.97	2.36
Publishing	1,000	2.75	1.15
Media	900	2.71	0.67
Computer Services	3,900	2.45	1.52
Business Services	12,500	2.04	1.24
Investigation	600	1.09	0.60
Professional Organisations	700	1.08	0.66
Employment Agencies	1,800	0.83	0.67
Public Administration	1,300	0.54	0.56
Financial Services	1,500	0.52	0.25
Total Office	26,800	1.50	0.93

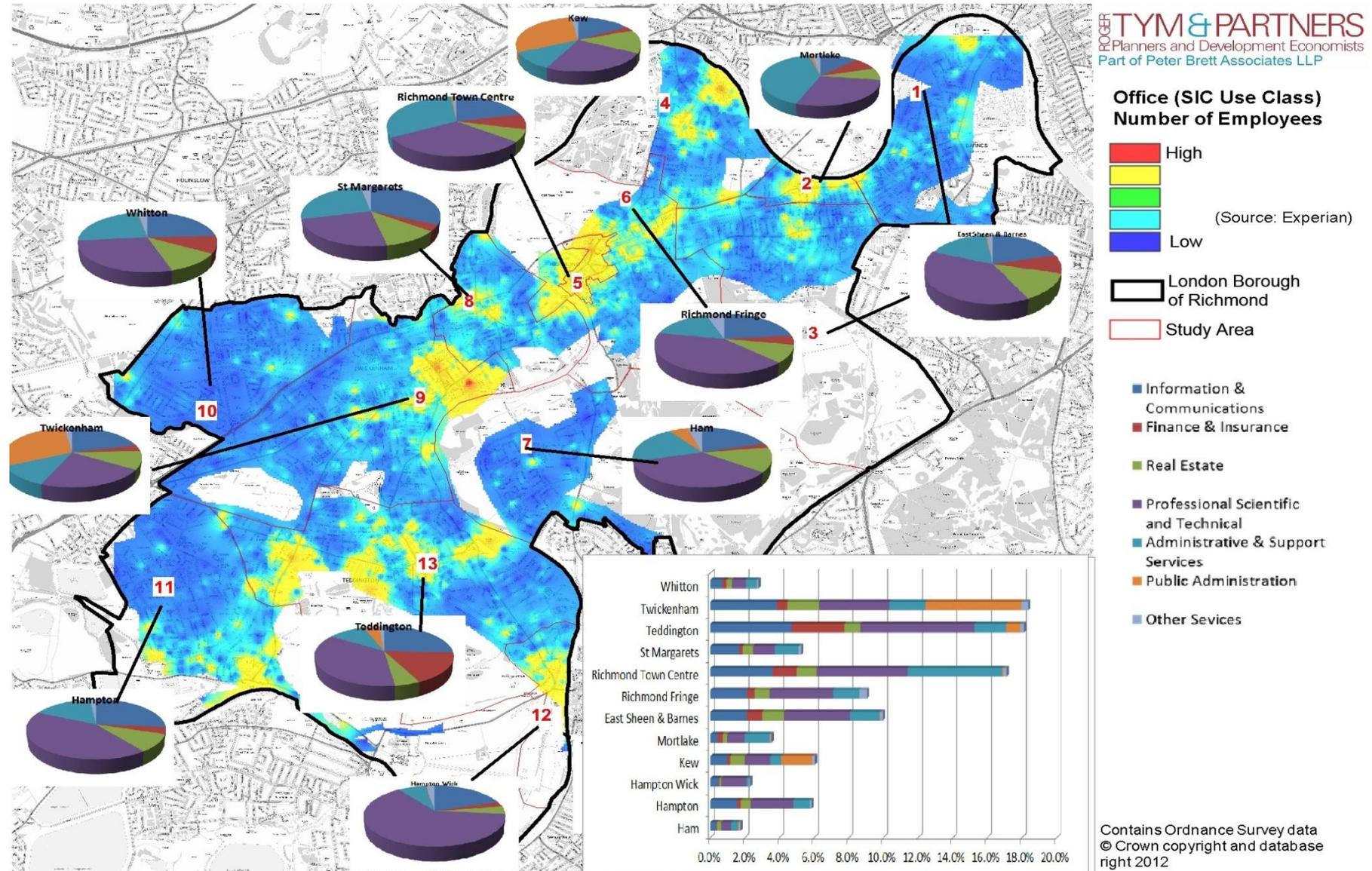
Source: BRES. PBA Roger Tym

- 5.18 Each of the Richmond property markets has a different makeup of office sectors as illustrated in the map overleaf. There is relatively little office employment in Ham, Hampton Wick and Whitton property markets.
- 5.19 Figure 5.8 and data on the Location Quotients shows:
- Information and Communications: The majority of the jobs are located in Teddington, Twickenham and Richmond Town Centre and Fringe. In relation to the total jobs in each property market, Information and Communication jobs are more concentrated in St Margarets, Teddington and Hampton property markets compared to the Borough average. In the first two property markets this is primarily due to key employers such as Twickenham Studios and Teddington Studios respectively.

⁹ BIS, September 2012, "Industrial Strategy: UK Sector Analysis". BIS economics paper no 18.

- Finance and Insurance: Over 70 percent of the finance and insurance jobs are located in three property markets: Teddington, Richmond Town Centre and East Sheen & Barnes. Recall these are high growth sectors according to the BIS data. These office jobs capture a higher proportion of office jobs in Teddington, Whitton and East Sheen & Barnes.
- Real Estate: these office jobs are more evenly distributed around the borough with the largest number of jobs in Twickenham property market. These jobs capture a higher than average proportion of local office jobs in the smaller centres of Kew, Ham, East Sheen & Barnes, Whitton and St Margarets.
- Professional Scientific and Technical: Over 70% of the jobs are located in Teddington, Richmond Town Centre, Richmond Fringe, Twickenham and East Sheen & Barnes. In terms of the total office jobs in local property markets, these jobs employ an above average share in Hampton Wick, Hampton, Richmond Fringe and East Sheen & Barnes.
- Administrative & Support Services: These jobs are largely found in Richmond Town Centre (30% of Borough sector jobs). These jobs capture a larger than average proportion of local office jobs in Mortlake, Richmond Town Centre and St Margarets areas.
- Public Administration: these jobs are very highly concentrated in the Borough in Twickenham and Kew as a result of major employers i.e. the Borough Council and the National Archives.
- Other Services: include office employment in professional organisations. The majority of these jobs are found in Richmond Fringe, Richmond Town Centre, Twickenham and Teddington. In comparison to the Borough average, these jobs take up a larger proportion of office jobs in Richmond Fringe, Ham, St Margarets and Whitton.

Figure 5.8 Office employment by sub area



- 5.20 According to research from BIS,¹⁰ Administrative and Support Services sectors account for 7.8% of UK employment but only 4.8 % of GVA; however Professional Scientific and Technical office sectors account for 7.1 % of both employment and GVA while Information and communications accounts for 4.4% of employment and 6.2% of GVA. In other words, of Richmond’s three largest office sectors, the latter two sectors in particular are high value added sectors which are important contributors to the national economy. These office occupying sectors are valuable to the local economy and should therefore be especially encouraged to grow and prosper in the Borough.
- 5.21 The BIS data also indicates that some of the highest value added office sectors do not necessarily employ a proportionate number of employees. For example, Financial Service sectors accounted for 9.4% of GVA but only 3.6% of employment in the UK in 2011. In other words the employment data in figure 5.8 above may not necessarily indicate where the Borough’s high value businesses are located as they may not employ a significant number of employees however they are key to the current and future growth of the Borough.
- 5.22 In the table below we present data on the concentration of office based businesses by the major office sectors. The data is of the Location Quotient of businesses in the Borough where 1 indicates that the sub area has an average concentration of businesses while greater than 1 suggests that there is a strong concentration of businesses in the sub area.

Table 5.2 Concentrations of Office Business units*

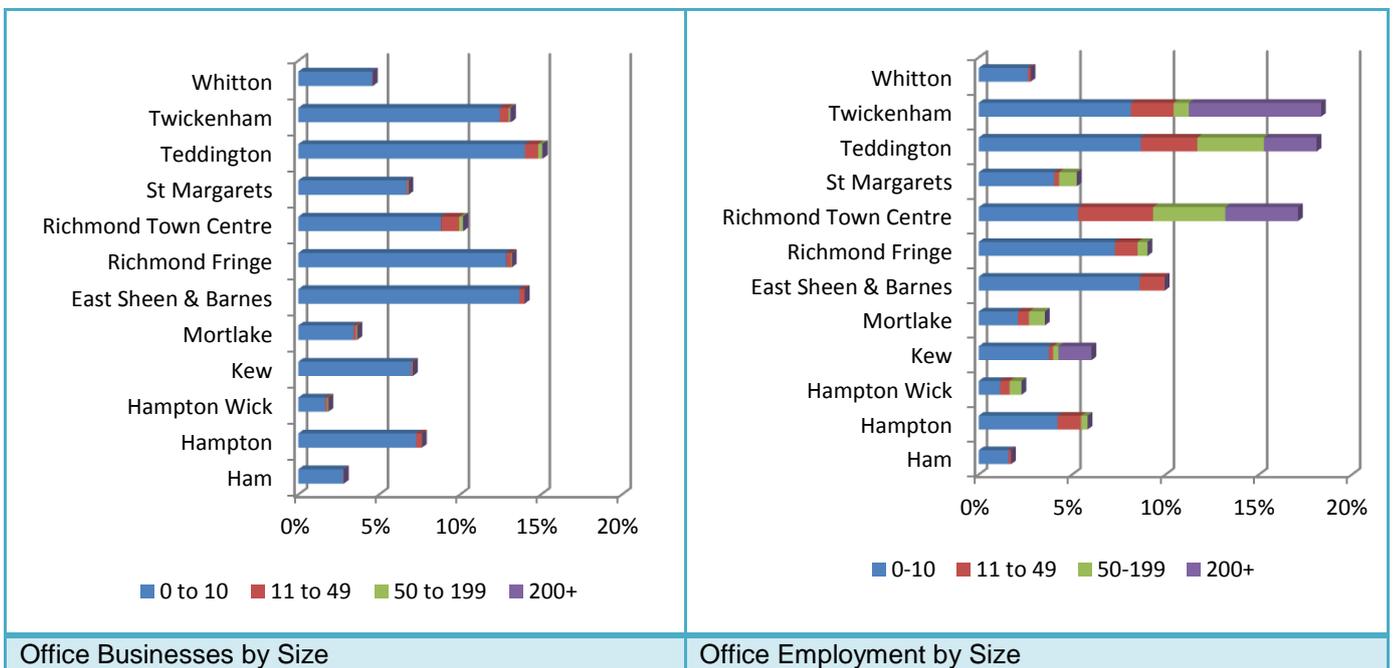
	Information & Communications	Finance & Insurance	Real Estate	Professional Scientific and Technical	Administrative & Support Services	Other Services
Ham	0.94	0.51	1.14	1.01	1.02	1.31
Hampton	1.06	0.70	1.00	1.03	1.02	0.80
Hampton Wick	0.99	0.98	0.68	1.15	0.96	0.90
Kew	1.04	0.96	1.28	0.98	0.85	0.93
Mortlake	0.81	0.79	0.88	0.97	1.37	1.12
East Sheen & Barnes	0.87	1.23	1.23	1.06	0.92	0.79
Richmond Fringe	0.98	0.76	0.95	0.99	0.97	1.80
Richmond Town Centre	0.79	2.11	1.06	0.83	1.26	0.93
St Margarets	1.27	0.79	1.12	0.84	0.95	0.90
Teddington	1.13	0.64	0.76	1.15	0.81	0.84
Twickenham	1.04	0.85	0.90	1.00	1.08	0.81
Whitton	1.00	1.48	0.89	0.92	1.11	0.89
Richmond Borough	1.00	1.00	1.00	1.00	1.00	1.00

*note there are very few Public Administration entries so these are excluded here.

¹⁰ BIS, September 2012, “Industrial Strategy: UK Sector Analysis”. BIS economics paper no 18.

- 5.23 The table shows that the business unit data correlates to a large degree with the employment data in nearly all sectors with the exception of Finance and Insurance sectors. In these office sectors employment is strongly concentrated in Teddington however the number of business units is strongly concentrated in Richmond Town Centre. This is significant as Finance and Insurance sectors are the highest value added sector in the UK economy as measured by GVA growth between 1997 and 2011 according to BIS research. These are also the sectors that have the largest difference between the share of UK GDP and the share of UK employment. In other words they are high value added sectors and their value is not reflected in employment numbers.
- 5.24 The information above suggests that finance and insurance firms in Richmond Town Centre are smaller than those in Teddington. A review of the data indicates that the Financial and Insurance employment in Teddington is skewed by two large employers.
- 5.25 The figure below shows that the vast majority of the office based businesses are micro businesses employing up to 10 employees. The businesses with 11 employees or more are largely located in Richmond Town Centre, Teddington and Twickenham sub areas. This translates into higher levels of employment in these areas as seen in the barcharts below. More significantly the figure below shows that large employers (200+ employees) are located in just four areas in the Borough: Twickenham, Teddington, Richmond Town Centre and Kew.

Figure 5.9 Office businesses and employment by unit size (Borough office =100%)



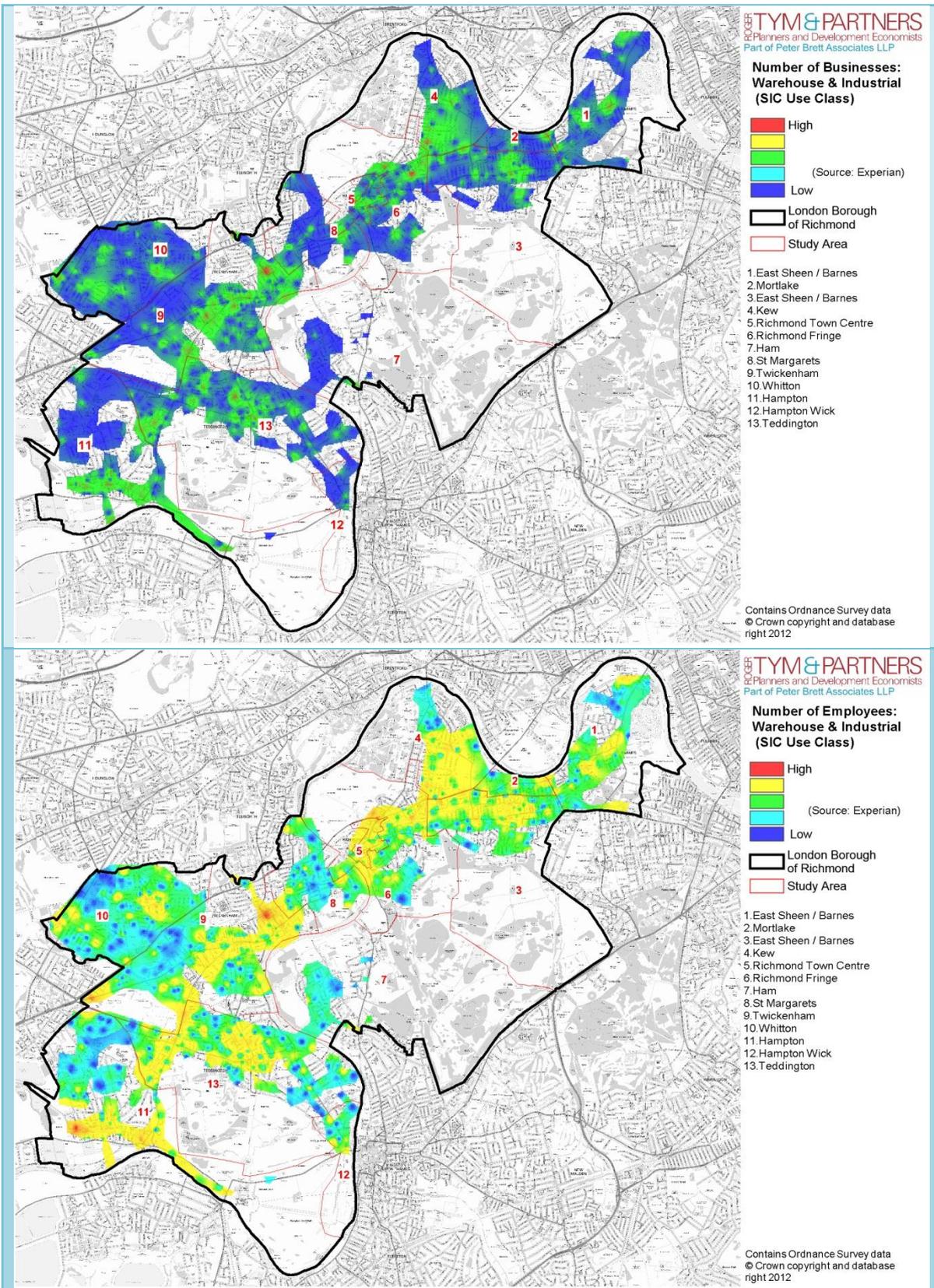
Source: Experian / PBA Roger Tym

Industrial Occupiers

- 5.26 The data in Section 3 of this report has shown that industrial sectors in Richmond upon Thames have continued to decline in the recent past with some growth in working proprietors in Construction and manufacturing sectors. The BIS research¹¹ shows that industrial sectors including high tech manufacturing have continued to decline nationally both in GVA terms and employment terms between 1997 and 2011. As a result Richmond has a relatively small industrial and warehousing business base. However industrial sectors still accounted for 9 percent of all jobs in the Borough in 2011 according to BRES data.
- 5.27 Industrial jobs comprise manufacturing industries and parts of the construction industry, motor repairs/ maintenance and sewage and refuse disposal. Warehousing is occupied by a variety of transport and distribution activities. The maps below show the distribution of industrial businesses and employment in the Borough. There are generally few industrial and warehousing employers in the Borough. The largest concentrations of these businesses are found in Twickenham, Richmond Fringe, Teddington and Hampton.
- 5.28 In terms of employment, the figure shows industrial and warehousing jobs relatively widely distributed around the Borough. There are some concentrations in Twickenham and Hampton.

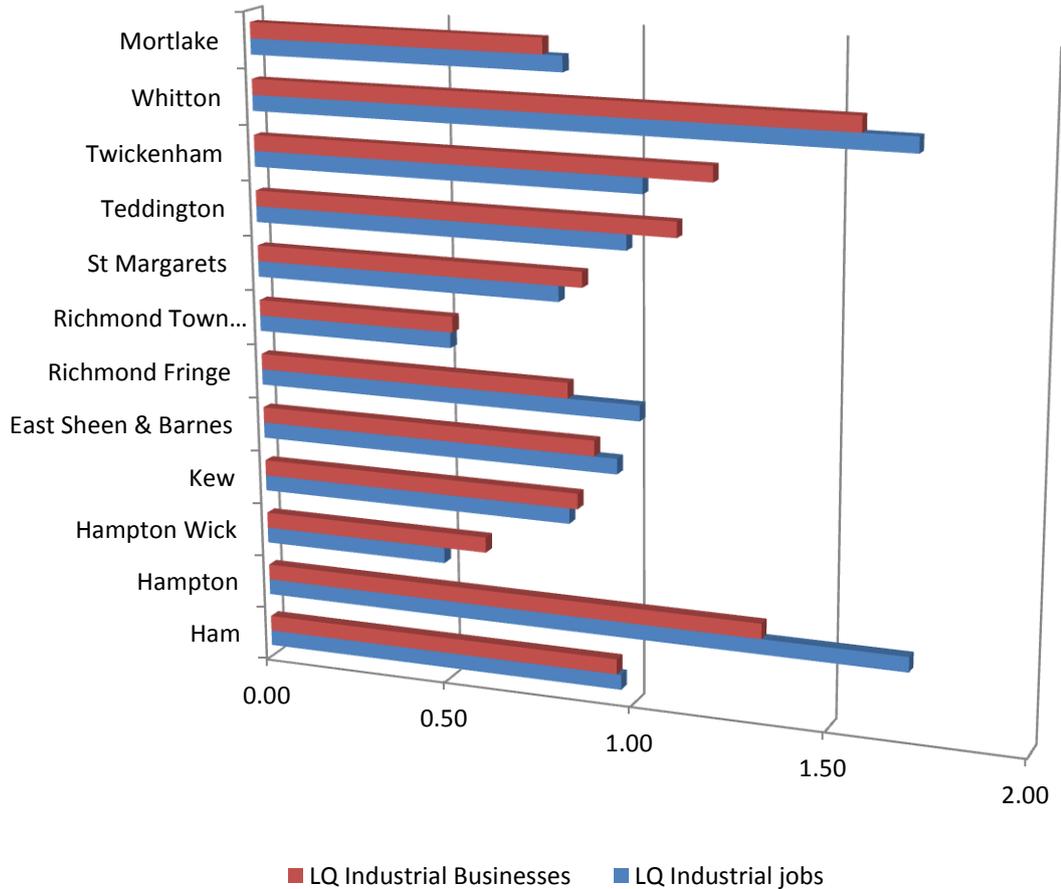
¹¹ Op Cit

Figure 5.10 Industrial businesses and jobs



5.29 The location quotients of the property markets which compare the number of warehousing and industrial businesses in the sub area as a share of total businesses compared to the Borough average show that industrial businesses are more concentrated in Whitton, Hampton and Twickenham property markets. On the other hand Richmond Town Centre and Hampton Wick have particularly low concentrations of industrial and warehousing businesses.

Figure 5.11 Location Quotients for Industrial Businesses and Employment (Borough average =1)



5.30 The data shows that the majority of the industrial and warehousing business in the Borough are micro businesses servicing the local economy e.g. auto repair stations; storage; repair workshops and small scale production and scattered around the borough. There are very few large industrial sites in the Borough and as shown in section 3 some of the industrial sites have been lost to other non-employment uses in the Borough. In other words as far as employment land is concerned these sites are most vulnerable to conversions to non-employment uses.

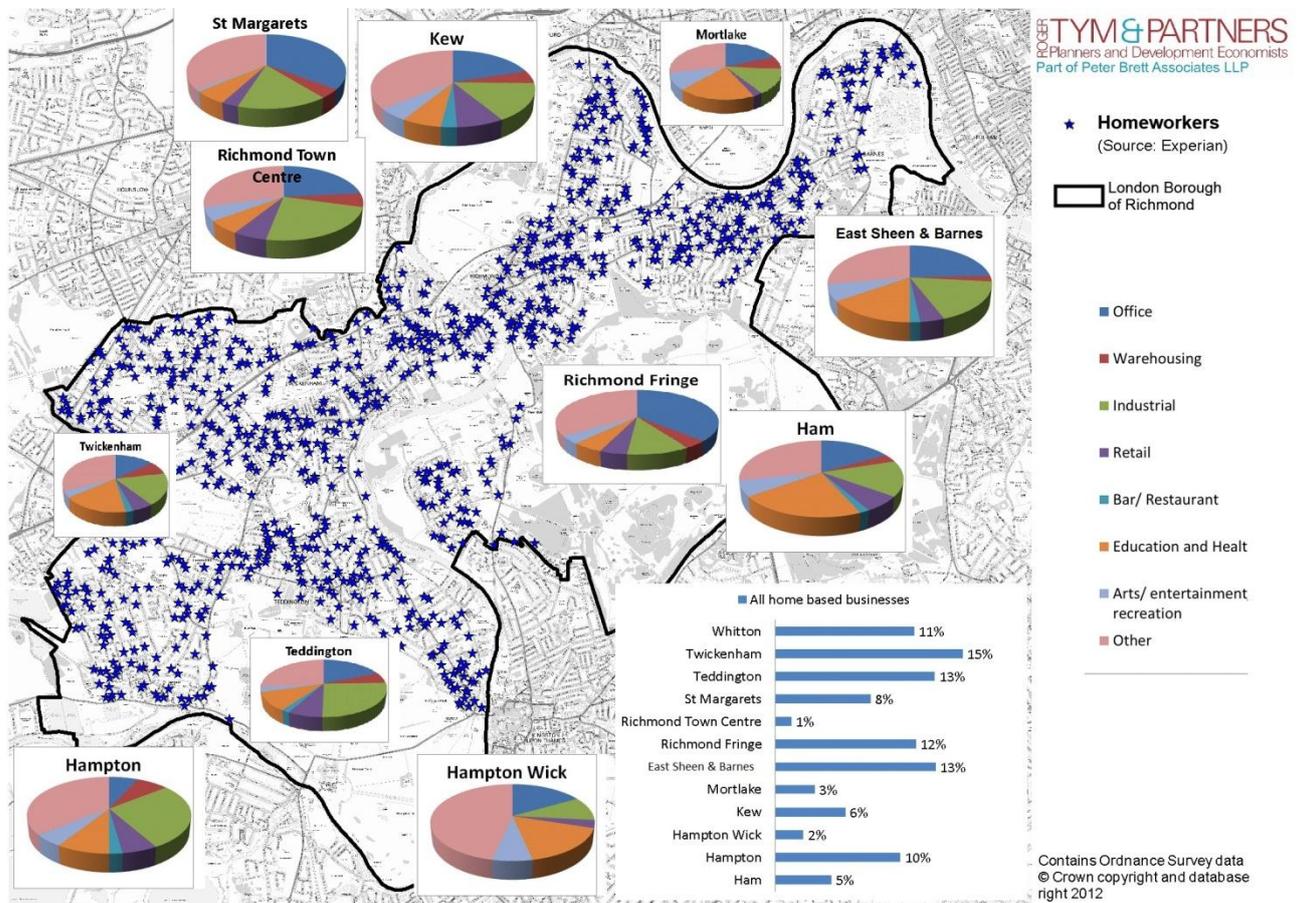
Home based employment

5.31 The Richmond LEA showed that home-working has grown in London and in Richmond upon Thames.

“According to the 2001 Census, 11% of the borough’s residents worked mostly from home compared to around 9% in London and England. This is likely to under-estimate home-working as it will not include those who do so only once in a while.”¹²

5.32 The Richmond Business database identifies approximately 1,300 home-based businesses in the Borough. As may be expected they are distributed fairly evenly around this residential Borough. The map below shows the distribution. The majority of the businesses are located in Twickenham, Teddington and the East Sheen & Barnes subareas. There is likely to be a large correlation between the locations of the home based businesses and the geography of the local property market areas i.e. the larger the property market area the more home based businesses.

Figure 5.12 Home Based workers



5.33 Approximately 46 percent of these businesses are in the B-space occupying sectors and it is notable that a large number of these businesses are classified as industrial businesses. A key reason for this is that many construction workers for example are self-employed and registered to their home addresses.

¹² Richmond LEA

Summary

- 5.34 In this section of the report we have presented a profile of the businesses based in each of our local property market areas. This shows that businesses are scattered throughout Richmond Borough with some concentration in the three key Centres and their surrounding areas: Richmond, Teddington and Twickenham. Just over 50 percent of the Borough's businesses and 60 percent of the Borough's B-space jobs are located in these areas.
- 5.35 Micro-businesses dominate the Borough's business base – over 95% of B-space businesses have less than 10 employees. The larger employers are primarily based in the Richmond Town Centre and Fringe, Teddington and Twickenham property markets. Large businesses with over 200 employees are found only in these three centres and one in Kew and one in Hampton.
- 5.36 Each local property market has some distinct characteristics in term of its office based occupiers. For example Information and Communication sectors are concentrated in St Margarets and Teddington reflecting the clustering of activities around Twickenham Studios and Teddington Studios. Over 30% of the Administrative and Support Service jobs are found in Richmond Town Centre.
- 5.37 Industrial employment and businesses are concentrated in Hampton, Whitton and to some degree in Twickenham.
- 5.38 There is a relatively large population of home-based businesses scattered throughout the Borough. There appears to be a correlation between the geographical size of the property market and the scale of home based businesses.

6 THE LOCAL PROPERTY MARKET ASSESSMENT

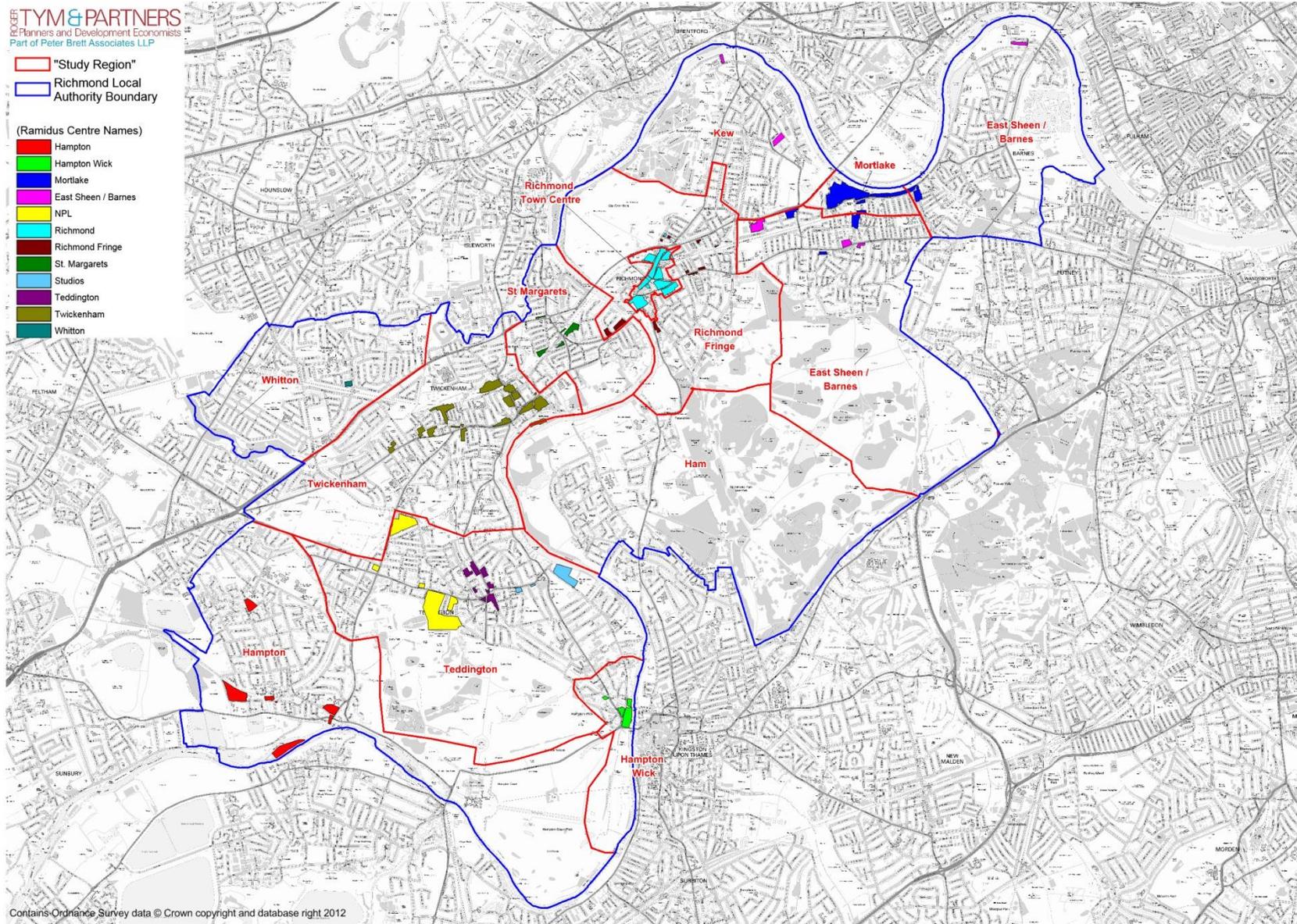
Introduction

- 6.1 A detailed site assessment of Richmond Borough's key sites was undertaken as part of this study. In total 73 sites were visited and individually assessed. In this section we summarise the findings of the sites assessments according to the local property markets. This includes the three main cores of Richmond, Twickenham and Teddington and several smaller locales.
- 6.2 The site assessments were undertaken following a standardised assessment template developed for this study. The templates were developed from experience by Ramidus Consulting Ltd on similar exercises, but are customised to the needs of the current study. They aim to give a brief, easy to grasp but comprehensive assessment of each site in a structured manner to enable both comparison between sites and generalisation for sub-markets.
- 6.3 At the end of each local property market summary we present a table of the future potential of each market based on the following questions.
- What does the current situation tell us about the viability of a site?
 - On a reasonably foreseeable timescale, what chance would the site have of succeeding in the marketplace if developed for employment use?
 - How do these factors vary for different types of employment property?
 - What does this combined analysis tell us about the defensibility of sites and markets for employment use, especially given competition from residential development in much of the Borough?
- 6.4 We examine several different classes of property and have not restricted ourselves specifically to Use Classes Order categories. Our classes are outlined in Figure 6.1. It should be emphasised that these categories are best viewed as a continuum rather than discrete entities. In the real world many units, especially at the lower quality end of the scale, could straddle classes.

Table 6.1 Site Assessment Template

Premises Type	Premises Characteristics		
	Location	Specification	Occupiers
Grade A	Town centre and edge of town, often with good road frontage.	Institutional and high quality. Growing influence of BREEAM ratings.	Corporate businesses, often operating internationally.
High Street	High streets and streets radiating from high streets.	Non-air conditioned and low spec, without lifts. Normally brick-built.	Predominantly SMEs in the professional services sectors serving the local market.
Managed	Town centre, often close to rail stations and public transport.	High, with good quality service provision. Often upgraded office stock.	Predominantly SMEs and micro businesses more reliant on non-local trade.
Marginal	Town centre and edge of town centre with good road frontage.	Poor, tending towards obsolescence. Much 1960s and 1970s stock, some of which could be refurbished, subject to market viability.	Often vacant. When occupied, typically local businesses
Hybrid	Industrial estates and edge of town; often converted offices.	More basic, providing for mix of uses. With flexibility for changes and upgrade.	Firms with a blend of office/support activities and productive activities.
Shed	Industrial estates and single building sites. Usually edge of town or main highway.	Basic unit, with double height space and ability to take van/lorry traffic.	Wide range of firms, often with an aspect of distribution/storage.
Informal	Niches in the urban fabric such as railway arches, yards and backlands.	Very basic with little or no design aspect. Normally with external storage/trade area.	Typically small businesses in “dirty” trades – auto repair, builders, scaffolders, etc.

Figure 6.2 Richmond key sites by property market



Richmond

Prosperous town centre with active development scene.

- 6.5 Richmond centre is spread broadly along Kew Road, The Quadrant and George Street, encompassing Parkshot and Paradise Road. It is visibly successful as a retail centre, with a wide offering and little evident vacancy. However, there is a plethora of letting boards for office space over retail units (along George Street, for example).
- 6.6 Given the reasonable level of office take-up elsewhere in the borough, this suggests a mismatch between what occupiers require and what is available, rather than a quantum oversupply. Those small office suites that are occupied along the main streets such as George Street include a wide variety of occupiers: accountants, business consultants, designers, ICT consultants, solicitors, print media, and so on – all employing small numbers, but providing invaluable services to local businesses and residents. Discussion with local agents suggest that such units are not a good fit to a market that is well-supplied with serviced offices and that, if anything in Richmond had 'to give', then these over-the-shop units are the least defensible as employment space.
- 6.7 The area around Paradise Road typifies the borough's historic role as a back office location with several 1970s and 1980s office blocks (Ambassador House, Eton House, Peregrine House and Premier House). Not far away, in Castle Yard, is Bradford Exchange, a large early-1990s block that appears occupied; but which lacks street presence, and is likely to need major refurbishment within ten years. Most of the buildings here are well occupied, unlike much similar secondary stock elsewhere in the borough.
- 6.8 Heron Square, behind Hill Street, is a very successful development, with low vacancy. The buildings are occupied by a wide variety of SME businesses reflecting a contrast to the larger, single occupier buildings, from a previous era, around Paradise Road.
- 6.9 There is a current active development scene at both ends of the centre, notably by cautious institutional investors. Wereldhave is developing 30,000 sq ft at One Eton Street, while Axa Investments is re-modelling a 40,000 sq ft building at No1 Church Road. This scheme is an expansion of stock, increasing space from 30,000 sq ft to 48,000 sq ft, with around 16,000 sq ft of this pre-let and more under offer. The agents are quoting £37,50 per sq ft and say that they have achieved close to this.
- 6.10 The Wereldhave scheme of 30,000 sq ft was able to go ahead on the back of a pre-let of the ground floor and lower ground floor retail space.
- 6.11 The area in the immediate vicinity of the station is less dynamic, although broadly typical of near-station street scene. In particular, a substantial serviced office centre, MWB's Parkshot House, reflects the popularity of near-station settings for such operations. The building above the station appears in good condition and fully occupied, as does Oriel House; although Westminster House appears vacant and deteriorating. One of the few large corporate occupiers, PepsiCo, occupies nearby premises at 63 Kew Road.
- 6.12 Around Kew Road and Parkshot, there are also a number of office buildings, which underline Richmond's attractiveness to draw to international businesses. Local occupiers include Philip Morris, Marcar Steel & Marketing and AES (global power company).

- 6.13 There are also a number of “outlying” offices that merit attention in the context of this report. For example, in Petersham Road, next to Richmond Brewery Stores, there is Synergy Medical in Synergy House and IOR Group in Otterman House. Nearby, there is Swiss Post Solutions in Richmond Place. All are 1980s-1990s buildings with significant employers, providing good quality, professional employment.
- 6.14 With development in two distinct "office areas" at each end of The Quadrant, but no sense of a "boom", the market appears well balanced. The main caveat, as mentioned, is that some secondary stock is looking tired and at the very least due for refurbishment.
- 6.15 We note that the development of Nucleus House is seen in the local market as off-pitch, but the building has been recently occupied by a telecoms business, so it may be that constraints or deficiencies of stock in the established locations are pushing users outside traditional comfort zones.
- 6.16 Our conclusion is that not only can Richmond centre hold its own as an office market, but it should be actively protected: it is the heart of the borough's business. However, we would strongly caution against complacency, as the decision by PepsiCo to relocate to Chiswick illustrates that even the most successful locality in the Borough functions as a fiercely competitive environment.

Key Sites
Parkshot
Paradise Road/Sheen Road/Eton Court
George Street (W)
Hill Street/Water Lane/Heron Square
George Street (E) (part)
Paradise Road (S)
The Quadrant (SE)
The Quadrant and Kew Road (W)

Richmond Fringe

Pleasant environs, but many sites hemmed in

- 6.17 Richmond Fringe covers a wide array of sites near to Richmond centre, but not close enough to be considered a fully functional part of it. The range of sites is substantial and includes some non-office space, but none that could be realistically considered grade A, whether by virtue of location or quality. The area covered ranges from the west side of Richmond Bridge to the A205 South Circular.
- 6.18 One area of particular interest here is that stretching from Lower Mortlake Road and along Lower Richmond Road. This latter includes the now vacated Securitas site (Site 9) at the junction with the A205. This vacant site is accompanied by vacancy in nearby office buildings (such as Forsyth House and Diamond House). The vacant office buildings appear to be in good condition. This suggests either that the area is now out of favour with occupiers (given its perceived distance from the town centre), or that there is site assembly occurring. If the latter is true, then it is likely that this excellent business site might come under intense pressure for residential development. Although it is certainly not part of the core Richmond office market, nor even of the Mortlake market, it is potentially an excellent free-standing site, with rare off-street parking.
- 6.19 Closer to Richmond itself, on Lower Mortlake Road is a small but well-occupied cluster of offices housing William Grant & Sons in Independence House, and Avalon House with Endeca, Celerant, ION and Tourwise in occupation
- 6.20 Any site in this area – except, perhaps, those to the west of Richmond Bridge – are likely to be vulnerable to pressure for residential conversion. But many such locations offer reasonable quality marginal space of the sort liked by smaller local companies where cost is a critical factor.

Key Sites
Richmond Road (W)/Park Road
Richmond Road (E)
Petersham Road
Rosedale Road
Kew Foot Road
Dunstable Road/Sydney Road
Sheen Road/Worple Way
Sheen Road/Sheen Park
Lower Richmond Road/Somerton Avenue

Teddington

Business centre between NPL and Teddington Studios

- 6.21 Although Twickenham is generally seen as Richmond's overspill, our view is that Teddington offers a more balanced and coherent market, albeit on a smaller scale. It is not a dynamic market, but it is well balanced, with a mix of users seeking lower cost space – such as charities – and small to medium media related businesses, perhaps exploiting proximity to Teddington Studios.
- 6.22 One of the few large office buildings in the centre is Harlequin House – a rather bleak looking 1980s block. Despite its appearance, the building is mostly occupied and there is some refurbishment taking place on the ground floor. It is a classic secondary building that, in a more dynamic market like Richmond Town Centre might be superseded by better stock; but here it performs a useful function in providing reasonable quality, relatively inexpensive space for 6-8 locally-based organisations.
- 6.23 There is a small group of larger office buildings clustered around the junction of Broad Street, Park Road and High Street – all in relatively good condition, and apparently well occupied. There is also a Travelodge Hotel nearby that is a recently converted office building. The Institute of Direct Marketing occupies 1 Park Road, indicating the some continuing demand from nationally rather than locally based organisations.
- 6.24 Waldegrave Road faces some challenges in terms of its employment stock. Even though the local sites are currently well used there is a sense that the residential activity is encroaching on commercial usage in the locality. A large site has fairly recently been lost to a residential developer Linden.
- 6.25 Despite this, there has been some commercial development, particularly towards the southern end, notably an office building for Richmond Housing Partnership. There are established office buildings at Trackside House (Turf TV) and 60 Waldegrave Road (occupied by three personnel businesses) and 1 Waldegrave Road (BMT Fluid Mechanics). All three are quite modern buildings, in good condition and fully occupied. Non-office employment is represented by Hearn's Joinery at 101 Waldegrave Road.
- 6.26 There is some commercial activity behind Waldegrave Road, in Church Road. Here there is another serviced office centre, The Business Centre, in Creat House. This appears to be well used.
- 6.27 Employment sites to the south have a strong economic case. This is a something of a media hub, presumably feeding off the studios, although refurbishment rather than new build is by far the more viable proposition.

Key Sites
Waldegrave Road (W)
Broad Street/High Street
Station Road
Waldegrave Road (Library)
Waldegrave Road (E)
Church Road
Church Lane
Elmtree Road (LOST)

National Physical Laboratory and environs

Specialist site

- 6.28 The main site is safe as long as the Government wants it. In the unlikely event that the National Physical Laboratory vacates, then it is large enough to have strategic significance and has the potential to be a mid-urban park. This is at best a long-term prospect and may never be an opportunity.
- 6.29 Other sites' fates will most likely be determined by current users. Should the bus station site on Wellington Road become available (unlikely given that it is a safeguarded transport hub) then, given its proximity to retail park style uses, this is most the likely source of development pressure, but it is a large site very suited to employment use.

Key sites
Corner A311/B358
National Physical Laboratory
Teddington Memorial Hospital
Hampton Road/Anlaby Road
Hampton Hill Business Park, Wellington Road

Studios

Media heritage

- 6.30 This area comprises just three sites: the studios themselves and two smaller sites on High Street. The two smaller sites are local in character and their future is likely to be driven by the extent to which they fill community needs.
- 6.31 The Studios are key to a significantly wider area, covering the whole of Teddington and possibly extending as far as Hampton Wick, providing a centre of gravity for a wide range of support industries. Although the studio component is far smaller than in its heyday, Haymarket's consumer media, network and photographic operations maintain the site as a vital employment location.

Key sites
Teddington Studios
<i>Thames House</i>
<i>High Street/ Phone Exchange</i>

Twickenham

- 6.32 Twickenham can be fairly described as a secondary centre and somewhat struggling in comparison to Richmond borough standards. Squeezed between Richmond and Teddington, Twickenham is historically seen as an overspill centre for Richmond accommodating those unwilling to pay Richmond prices, or unable to find sufficient space. The substantial secondary retail strip along Heath Road provides a mixed retail offer but with a significantly less up-market feel and, in particular, a plentiful supply of trade oriented and wholesale-style consumer goods (tiles, timber and so on), - towards its western end has a number of large retail occupiers, including DIY and machinery – more akin to a retail park than high street.
- 6.33 Having said that, it is worth noting that until the 2008 credit crunch Twickenham was well occupied and it may simply be a case of the slump speeding up a longer term, more manageable process of change.
- 6.34 Given earlier comments about the changing role of Outer London as an office market, the physical structure of the office market here – with a small number of out-of-scale, 1970s-1980s buildings – gives some concern about how tenable the market is. The high vacancy levels probably support this view. Although Teddington is a smaller market, its feel is of a much better fit between role and structure.
- 6.35 The need for regeneration in Twickenham has been recognised and an Area Action Plan has been produced.

*Twickenham is in need of investment, improved retail, leisure and community uses, enhancement of the public realm and traffic problems should be addressed. The Plan will guide investment to the benefit of the town and its users.*¹³

*The Area Action Plan provides a framework for achieving the revitalisation of the centre, through the redevelopment of key sites, reduction in the impact of traffic and environmental improvements. It focuses on achieving and promoting the town centre as an employment location, district retail centre, visitor and tourist destination, centre for sports, leisure, arts and cultural activities as well as a more diverse evening economy.*¹⁴

- 6.36 The Area Action Plan Identifies 5 key opportunity areas in Twickenham:
- Northern Approach – comprising the Royal Mail Sorting Office, Twickenham Station and Yard, Heatham House and Regal House, together with the River Crane and wider links.
 - King Street/York Street/London Road/Church Street – the main focus of retail activity
 - Twickenham Riverside and Embankment – the River Thames frontage, the working waterfront, heritage buildings and their settings, and key connections including Twickenham Riverside site and wider links to the open areas up and down the Thames, including by boat
 - Civic and Cultural Quarter – the area focused on the Civic Centre, York House and Gardens, the Mary Wallace Theatre, Twickenham Museum and Library

¹³ Twickenham Area Action Plan, Publication for Consultation, Summer 2012

¹⁴ Op Cit

- Heath Road - the western end of the town centre with a range of retail, commercial and business uses.
- 6.37 The Action Plan proposes new employment floor space as part of mixed use development schemes and the retention and enhancement of existing employment uses to meet modern day needs.
- 6.38 There is a clutch of large office buildings around the station in the Northern Approach Opportunity area, notably Bridge House, Premier House, Queens House and Regal House. Premier and Regal have been recently refurbished, which shows a certain confidence in the area on behalf of the owners. Queens House has been suffering long-term vacancy, and is a rather inflexible building. Bridge House is (at least partly) occupied by HMRC and Norsk Hydro. Given the rationalisation taking place in the government estate, the on-going role of the building for HMRC might be in question. Indeed we understand that three floors in Bridge House are being brought to the market soon.
- 6.39 There is also some ambiguity about the true value of Twickenham – in Regal House space is available at quoting rents of £19 per sq ft, while in Premier House quoting rents are at £26 per sq ft.
- 6.40 One suggestion from local agents is that Twickenham would benefit greatly from work to turn it into a more 'complete' environment – allowing a mix of uses within large buildings to introduce such things as gyms, arguing that the nature of employment is changing and that it is not economic to refurbish some buildings as pure offices.
- 6.41 Opposite the station, adjacent to Bridge House is a former Royal Mail sorting office site. This has been subject to a planning brief and is currently subject to proposals for a residential-led mixed-use scheme including restaurant and community space.
- 6.42 For non-office space the picture is rather different. Twickenham gives the impression of being the "workshop" of the borough. Although the Gregg's site rather dominates attention, and is obviously important, the employment land around it is suffering from attritional loss to residential, and unless access can be improved to ameliorate impacts on residential areas, this could present a policy challenge.
- 6.43 We would argue that much of the slight unkempt industrial – and indeed wholesale - activity here fills an important niche in servicing the local SME base (something also reflected by the number of "trade" style stores along Heath Road), but suffers from not being especially neighbourly.
- 6.44 At 6-8 Colne Road there is Korus House. This is a classic, secondary office property. Probably constructed during the 1990s property boom, the building lacks critical mass, and now looks out of place in its industrial surroundings. The building is now "to let".
- 6.45 The area around Colne Road, Mereway Road and Lion Road has a concentration of light industrial activity. Notably, Mereway Industrial Estate has five fully occupied light industrial units – all in good condition and apparently working well.
- 6.46 Immediately opposite Twickenham Stadium, is the Twickenham Industrial Estate which is located in Hounslow Borough. The estate provides possibly the largest concentration of non-office commercial use in close proximity to Richmond Borough. The estate comprises a

large number of sheds, mostly fully occupied by uses including trade counter, wholesale, distribution and light industrial uses. These buildings are old – comprising mostly brick buildings, possibly from the 1950s and 1960s. .

- 6.47 The Borough’s industrial buildings are often old, coming to the end of their useful lives and there is likely to be pressure for redevelopment. There is a need for policies which explicitly recognise Twickenham as unique in the Borough, filling a need for utility space that is very hard to find elsewhere – the alternative is to accept loss of such occupiers to other boroughs.

Key sites
<i>Northern Approach Opportunity Area</i>
London Road
<i>Retail Core Opportunity Area</i>
London Road/Grosvenor Road
York Street
Heathlands Close
Heath Road (N)
<i>Civic/ Cultural Quarter Opportunity Area</i>
York Street
<i>Twickenham Riverside Opportunity Area</i>
Eel Pie Island
<i>Heath Road Opportunity Area</i>
Belmont Road/Campbell Road
Mereway Road
The Green (N)
<i>Other</i>
Third Cross Road
Greggs Facility

St Margarets

Studios are the key

- 6.48 St Margarets, although fairly close to Richmond, boasts Twickenham Studios, which make it more like smaller and less imposing version of Teddington. We understand that, despite a strong brand name, the owners are having some difficulty keeping the studios viable. Such facilities present a strong centre of gravity and their loss could fatally undermine the position of St Margarets as a business location. If there is scope to assist the studios it should be explored.
- 6.49 St Margaret's Business Centre and Old Lodge place are the main other free-standing locations, with the former showing some signs of vacancy. Further north the Art Deco building on Chertsey Road (site 21) is an interesting and characterful building that could offer more to the market than less characterful properties.
- 6.50 Site 31 in Bridle Lane belies its rustic branding by being a single car workshop near some lock-up garages. The site has planning permission for a mixed use scheme currently under construction.

Key sites
Twickenham Studios
Chertsey Road/ St Margaret's Road
St Margarets Business Centre
Bridle Lane
Old Lodge Place

Minor centres

Mortlake

- 6.51 Mortlake High Street backs on to the Thames, with the large Mortlake Brewery site to the west. This is a major site, scheduled to close in 2014 (although closure has been postponed twice) and for which a planning brief is agreed. Although we agree that the site is far from ideal for large scale B2/B8 uses, the opportunity for smaller scale hybrid space is worth exploring, and we think this might be more viable than conventional offices within a mixed-use scheme.
- 6.52 There are several new/refurbished office buildings – mainly for smaller occupiers – along this stretch. There is some evidence to suggest that the commercial aspects to this area reflect media overspill from Hammersmith. There is clearly gentrification occurring in and around the area, and a strong cafe culture appears to have become established towards its eastern end: the area is referred to by the locals now as "Little Chelsea".
- 6.53 The area is a curious mix, on the one hand offering classic "media" space, but on the other suffering some vacancy and clear pressure from residential developers. Along the river there is a mix of residential and "Hi tech" space, some occupied by media firms, some vacant and some recently converted to residential.

- 6.54 Interestingly, given the relative distance from Richmond Town Centre, there is Mortlake Business Centre, a development comprising serviced apartments and serviced offices managed by Citibase. It might be supposed that such a development reflects the demographics of the area and hints at a relatively healthy SME market looking for small, flexible units.
- 6.55 The area on Sheen Lane near Mortlake Station is in many ways a typical local high street. But it has some interesting specialisms (vintage cars), as well as rare (in borough-wide terms) informal use in the shape of a large timber yard on railway lands by the station. The vintage car business might reflect the relatively well-to-do nature of the area, or even the borough as a whole.

Key sites
Mortlake High Street (E)
First Avenue
Mortlake Brewery
S of Mortlake High Street/Vineyard Path
Sheen Lane/Mortlake Station

Kew, East Sheen & Barnes

- 6.56 Kew, East Sheen & Barnes mostly comprise high street and very marginal office accommodation and more workshop/ B1c or B2 style occupiers. In office terms most – although not all – office sites are more marginal and there are likely to be better options for making a stand than the properties in this area.
- 6.57 The site near Hammersmith Bridge, is an interesting site from a use point of view. It is clearly historic (in that that the land use is not a particularly expected feature of the local urban pattern), but is mostly well occupied and may also indicate spill over from Hammersmith.
- 6.58 In Kew, the two largest employers are the National Archives occupying a large site off Mortlake Road by the Kew Retail Park; and the Royal Botanical Gardens.

Key sites
Upper Richmond Road near Elm Road
Lonsdale Road/Glentham Road (nr Hammersmith Bridge)
Upper Richmond Road/Sheen Lane
National Archive Office
The Royal Botanical Gardens
Lower Richmond Road
Coval Road

Outliers

Hampton

- 6.59 Hampton is a curious mix of the quaint and the modern, with perhaps the only out-and-out shed development in the borough at Kempton Gate and some very pleasant period offices.
- 6.60 Kempton Gate illustrates an important point: it seems conventional to refer to "The Hamptons". This is understandable enough given the cachet that term carries in from the American area of the same name, but is misleading.
- 6.61 Hampton itself looks very much towards Heathrow, Sudbury, Staines and their environs, while Hampton Wick feels more functionally akin to Kingston and Teddington.
- 6.62 Oldfield Road provides a focus for a large, by comparison, concentration of commercial activity. Kempton Gate is a new development of very good quality "sheds". There are 17 units on the site, of which seven are listed as "to let". This high vacancy could be a feature of the newness of the scheme. Putting the vacancy level to one side, the development indicates confidence of some sort, and also underlines the importance of certain kinds of sites within the borough, in terms of their retention for employment use in the face of pressure from other uses. This kind of site (scale, location, established use and modern businesses) makes it relatively simple to defend.
- 6.63 Also in Oldfield Road is Kingsway Business Park. This comprises good quality, two storey office buildings, capable of sub-division for sub-letting. The park appears to be largely occupied and functioning well. This is the type of development that should not only be defended, but also taken as a model for replacement buildings on employment sites.

Key sites
The Avenue/Bramble Lane
Platt's Eyot
A3008/Thames Street
Station Road/Castle Business Village
Kempton Gate/Kingsway Business Park
Oldfield Road/Percy Road

Hampton Wick

- 6.64 Hampton Wick is a compact centre, with a couple of outlying sites, the largest of which Site 73, a former utility site – has been lost to a substantial residential scheme. It is hard to avoid the suspicion that Hampton Wick survives as a business centre because senior management either like it, or find it convenient for Kingston. The most notable single occupier is Gazprom, the Russian utility, in Marina Place. However, we understand that Gazprom is relocating to central London in the near future.
- 6.65 There are a few significant office buildings. One such is Bermuda House at 45 High Street, occupied by a firm of accountants.
- 6.66 Another employment building is that occupied by Lazgill Engineering in Vicarage Road. And this is notable in the context of the report. The business already seems to have retrenched: an office building on the front of the site is "to let" in the open market, while the

more productive buildings behind continue to function. In other words the site is under threat. It is surrounded by residential activity; it lacks critical mass; it has only one occupier, and it would prove highly attractive to a residential developer. A planning argument for retaining the activity will be difficult.

- 6.67 While stock is of average quality property agents are unconcerned saying that there is already interest in the Gazprom space and that rents can be higher than Kingston, reflecting the very pleasant environment of Hampton Wick.

Key Sites
Sandy Lane
Lower Teddington Road/Marina Place/Old Bridge Street
Burgoinne Quay
Lower Teddington Road/High Street
Vicarage Road

Whitton

- 6.68 Whitton has little employment land, mainly offices over shops or community space, serving the local centre. Care should be taken to ensure that local needs are met, but there is unlikely to be any significant growth in employment here.

Key sites
High Street

Summary

- 6.69 The property market assessment provides a detailed site review of over 73 sites following a standardised assessment template. A summary of each area is presented below

Richmond Town Centre potential

- 6.70 Unsurprisingly, perhaps, Richmond Town Centre is highly suitable for Grade A and Town Centre offices, while being viable for both secondary and managed provision. Hybrid, shed and informal space are not appropriate for such a comparatively high value centre.

Richmond Fringe potential

- 6.71 Richmond Fringe is diverse, with a wide range of sites suitable for all but the highest specification Grade A, but will be vulnerable to change-of-use pressure during weak economic periods. Several areas offer very good opportunities for marginal provision, so well-located sites should be defended.

Teddington potential

- 6.72 Teddington is a compact centre of a size appropriate for a second-tier centre in a borough like Richmond. It offers a more economical solution, at a human scale and seems to have developed something of a new media niche. There is good scope for high street, managed and marginal space, with some room for hybrid and informal uses as well.

Teddington (NPL) potential

- 6.73 Although there is some very long term potential for Grade A, the area towards the NPL is most suited to high street style, managed or marginal space.

Teddington (Studios) potential

- 6.74 Apart from the studios themselves, the employment land in this area serves a useful local purpose and is likely to do so as long as the occupiers need space.

Twickenham potential

- 6.75 Twickenham is at something of a crossroads and decisive action would help protect its position as an employment centre, while accepting that the credit crunch accelerated the obsolescence of much of its stock. A better, more attractive mix of uses near the station, and work to improve access to secondary space to the west would greatly help.

St Margarets potential

- 6.76 St Margaret's has the potential to be a useful secondary centre for Richmond Town centre although it will not support Grade A space. The studios present a possibly opportunity to create hybrid space, while the general area is suitable for high street managed and marginal space.

Mortlake potential

- 6.77 Mortlake is a pleasant locale, with an interesting mix of uses with a decidedly "Soho-by-the-River" feel. The strategic brewery site offers opportunities to create hybrid and studio style space, while the area is one of the few in Richmond Borough that offers good quality informal space.

Kew, East Sheen and Barnes potential

- 6.78 These subareas are small and relatively isolated, with two small sites near the river providing unusual space, but suffering attrition. East Sheen is a secondary centre with one good secondary building that is likely to come under significant pressure for conversion if the economy continues to struggle.

Hampton potential

- 6.79 Hampton is a patchy area from an employment land viewpoint, containing the best shed space in Richmond.

Hampton Wick potential

- 6.80 Despite being small, Hampton Wick seems a viable alternative to Kingston, but it is likely to prove very popular with residential developers as and when sites become available.

7 EMPLOYMENT FORECASTS AND FUTURE DEMAND

Introduction

- 7.1 Traditional Employment Land Reviews assess the long term demand for land over the plan period. The focus of this study is more immediate looking at demand for employment sites and premises in the period to 2018. In this chapter we first present an overview of these long run forecasts before moving on to focus on the medium terms trends to 2018 in the following chapter.
- 7.2 We base this long term assessment using the GLA's employment projections and the forecasts for office employment set out in the GLA's London Office Policy Review and also the GLA's forecasts from the Industrial and Warehousing Land Demand Study. The results are compared with the previous ELR assessments.
- 7.3 All forecasts will be liable to some degree of uncertainty. Forecasts are based on data and assumptions that are subject to change over time. We try to mitigate this effect by applying some degree of sensitivity tests and also being clear about the way such forecasts should be used.
- 7.4 We begin this section by examining the overall employment forecast for Richmond followed by the B space forecasts for office space and industrial space.

Total Employment Forecasts

- 7.5 At the present time the latest GLA Borough projections were published in Working Paper 39 in 2009. The GLA uses a forecast method known as triangulation to produce its Borough level forecasts. The Triangulation method brings together three components¹⁵. These are:
- Trend projections prepared by Volterra and GLA Economics;
 - Site Capacity projections based on PBA ROGER TYM's London Employment Sites Database; and
 - Accessibility projections based on CBP accessibility indices.
- 7.6 Updated sectoral forecast for London and trend borough projections were published in December 2011. It would however be inadvisable to use these trend projections in isolation, so we have replicated the GLA's Triangulation method to produce revised borough Triangulated projections. These are set out in the table below and compared with the individual legs of the triangulated model as well as the overall London level forecast.
- 7.7 The total number of jobs in the Borough, as presented by the GLA, is slightly different from any analysis which uses BRES data (previously ABI data), including that in Chapter 3. This is because the GLA include self employment (excluded from the BRES/ABI) but they also smooth the BRES/ABI employee data over time, correcting for common fluctuations in the data which can be found.

¹⁵ The detailed method is set out in GLA Economics Working Papers 38 and 39.

- 7.8 The new triangulated forecast is for growth of 2,600 jobs over 20 years in Richmond, a modest increase of 2.9%, or just 0.1% p.a. The trend, capacity and accessibility legs that form the triangulation are presented in the table below.

Table 7.1 Richmond Triangulated Employment Projections

	2011	2031	2011-31	2011-31%
Trend	86,200	97,700	11,500	13.3%
Capacity	85,900	86,600	700	0.8%
Accessibility	89,100	90,000	900	1.0%
Triangulated	89,300	91,900	2,600	2.9%

Source: GLA/PBA ROGER TYM

- 7.9 The Trend employment projections show that if employment were to continue to grow according to the historical trajectory, Richmond has very strong growth potential. The trend forecast is for an increase of 11,500 jobs or 13.3% between 2011 and 2031. The trend projections are constrained both by lack of capacity and by accessibility in the triangulation.
- 7.10 Richmond has few identified brownfield sites or sites with large planned employment developments according the 2009 London Employment Sites Database (LESD). On this basis the long term capacity based forecasts for the Borough are very low with a forecast growth of 700 jobs over a 20 year period.
- 7.11 It is important to note that the capacity forecasts are based on the size of the identified development sites to which employment densities are applied. If a greater development pipeline were identified this would as a function of the forecasts increase the overall projection. But clearly the pipeline would need to meet demand providing the right type of space in the right location. The evidence from the property market research shows the Borough has few new employment sites and has over 42,000 sq m of vacant floorspace floorspace. Richmond also has a number of sites currently being redeveloped and other sites with redevelopment potential. These sites do not however tend to provide large amounts of *net* additional employment floorspace¹⁶, explaining the lack of identified capacity in the LESD.
- 7.12 Redeveloped sites are likely to be occupied at very different employment densities pre- and post- redevelopment. As shown in the property market section of this report flexible working practices and higher occupational densities are leading to higher employment densities. These are taken into account in the capacity forecasts to a degree as new employment density research is applied. In the sectoral forecasts that follow we undertake some sensitivity tests of this to provide a range of floorspace demand.
- 7.13 The trend forecasts in the triangulated method are also constrained by the accessibility factor which relates to planned changes in strategic transport. We are not aware of any major transport schemes that will significantly enhance Richmond's strategic accessibility.

¹⁶ Net in this case refers to the proposed floorspace less the existing floorspace.

There is little Richmond as a borough can do to alter these especially in the short term to 2018.

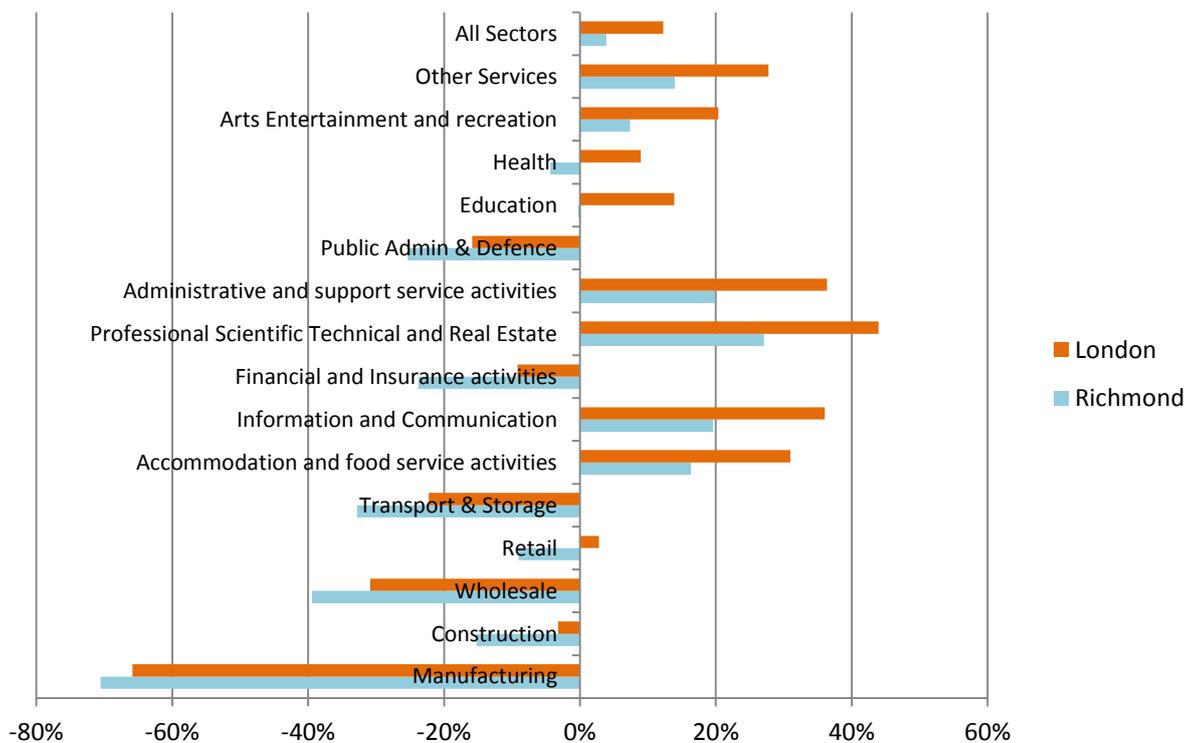
7.14 There is nothing in the London Plan to make the GLA Borough level figures binding on individual boroughs. But the GLA forecasts are useful, firstly because they fit the objectives and policies of the London Plan, to which the Boroughs *are* required to conform, and secondly because they provide a consistent picture London-wide. The forecasts are a function of the way they are constructed. They are not an inevitable or only possible outcome but they do help to understand where broad structural trends are driving growth.

Sectoral employment forecasts

7.15 The triangulated employment forecasts project a growth of 2.9 percent in Richmond between 2011 and 2031. In this section we examine the sectoral dimensions of this growth focusing particularly on B-space employment sectors.

7.16 The projected change by sector for Richmond is set out in the graph below. These projections show firstly that there are significant differences by sector with industrial sectors set to decline but also retail, finance and insurance sectors and public service sectors declining over this period. Secondly the illustration shows that in the growth sectors Richmond is projected to grow less than London as a whole, whilst in declining sectors it suffers a further loss in employment.

Figure 7.1 Projected Employment Change by Sector 2011-31



Source: GLA/ PBA ROGER TYM

7.17 The picture painted by these forecasts is broadly consistent with the analysis set out in Chapter 2 of a strong economy but one constrained by lack of capacity and one which has suffered in the recession over and above the London economy. Equally the property market analysis shows a continuing loss of industrial floorspace and an office market which remains attractive to occupiers even during the recession.

Richmond's Office Forecasts

7.18 Long run office forecasts for London Boroughs are set out in the London Office Policy Review (LOPR). The 2012 edition, LOPR12 published the triangulated forecast and projects a growth of 4,500 offices jobs over the period 2011-31. This translates into a projected demand for Richmond of 62,000 sq m of office space over the period 2011-31. That is equivalent to roughly 3,000 sq m per annum. This is exactly the same as the observed change in floorspace stock over the period 2000-2012. In other words the majority of future employment growth in Richmond is expected to come from office based employment.

7.19 In the property market analysis we showed that modern office environments are increasingly occupied very differently from the past. The future demand for office floorspace is subject to a greater degree of sensitivity around the floorspace density assumptions as it is around the forecast themselves. This is illustrated in the table below which sets out alternative assumptions of both floorspace occupational densities and of plot ratios.

Figure 7.2 Office Floorspace Sensitivity Projections, 2011-2031

Employment Density assumption:	13.8 sq m /worker		18 sq m / worker	
	Floorspace sq m			
	62,300		81,300	
Plot ratio assumptions	Land Ha			
	0.4	15.6		20.3
	0.7	8.9		11.6
	1.0	6.2		8.1

Source: PBA ROGER TYM

7.20 Simple sensitivity analysis around the LOPR projections for Richmond has been undertaken applying alternative employment density assumptions and plot ratio assumptions. This gives a range between 62,300 and 81,300 sq m of office floorspace or between 6.2ha-20.3ha of land needed for offices in Richmond between 2011 and 2031.

7.21 Professional, Scientific, Technical and Real Estate sectors are expected to grow at the highest rate followed by administrative and support service activities, information and communication sectors and other services. Financial and Insurance activities on the other hand are expected to decline over the forecast period in Richmond and in London.

Richmond's Industrial forecasts

7.22 The latest edition of the Industrial Release Benchmarks Study was published in 2011. This informed the Industrial Land SPG. The 2011 study segmented industrial land by different uses and the different components of demand were forecast using different methods.

- 7.23 For general industrial land the mechanism was to forecast employment by identified industrial sectors and convert to employment and land via employment density and plot ratios. Based on previous research for London average density ratios for outer London are 44 sq m per worker and average plot ratios for outer London are 3,800 sq m per ha.
- 7.24 For warehousing a different method was used relating floorspace to growth in GDP for the Greater South East, which services much of London’s logistics demand. London’s logistics and warehousing activity has been growing over time. In 2007 it was estimated that logistics accounted for 3.4% of London’s output and that it employed 221,000 full time equivalent employees. Over the period 1998-2008 the stock of warehouse floorspace grew at an average of 0.4% p.a. The central scenario is based on an assessment that the demand for warehouse floorspace in London at a rate of 0.4% p.a. and that floorspace will be built at an average plot ratio of 0.4. Demand for London is then attributed on the basis of past trends in warehousing stock at the borough level.
- 7.25 This method was applied to all London Boroughs and the 2011 Industrial Release Benchmarks Study projected a small decline in the amount of industrial land for Richmond over the period 2011-31 of -1.8ha. Within this overall total there was anticipated to be a decline in demand for traditional industrial which is offset by an increased demand for warehouse uses and some waste activity.

Figure 7.3 Net Demand for Industrial Land Richmond 2011-31

Use	Hectares
Industrial	-18.5
Warehousing	13.1
Waste	3.6
Other	n/a
Total Demand	-1.8
Surplus Vacant Land	0.0
Net Demand	-1.8

Source: London Industrial Release Benchmarks Study

- 7.26 The GLA’s Land for Industry and Transport Supplementary Planning Guidance revised the Borough industrial forecasts following a consultation of the Benchmark study. The industrial forecasts for Richmond were revised to a total loss of -4 ha which is equivalent to a loss of -0.2 ha per annum between 2011 and 2031.

Net Demand and Gross Take-up

- 7.27 The floorspace figures set out above, like the employment forecasts from which they are derived, relate to net change. Net change in employment (the stock of jobs) is the difference between jobs lost and jobs gained. The corresponding net change in the floorspace stock is the difference between floorspace gained, mostly from new development, and floorspace lost (for example where industrial sites are cleared and redeveloped for housing and other uses).

- 7.28 Net demand should not be confused with gross take-up. For example, even when the aggregate stock of land/premises is declining over time, there will still be new sites and premises being developed and occupied.
- 7.29 There are two stages of employment land that the planning system should allocate. It needs to make available sufficient employment land at any one point of the plan period to enable new development and investment to take place. This can be considered as the frictional element. At any one time there will be land identified in planning terms for B-class development or redevelopment but in practice is not yet capable of producing built floorspace because it is in the process of gaining permission or undergoing site preparation, or under construction.
- 7.30 Whilst gross take-up will always be positive the net amount of employment land required over the plan period can be either positive or negative. In either event the important point to recognise is that the planning system has a key role to play in recycling redundant land back into productive use. This may be to meet the needs of modern business activity or perhaps for some other land use such as leisure or residential. Thus to the extent there is surplus or under-utilised employment land identified, then the Council should consider whether there is an alternative more productive land use allocation.

Who Occupies Office and Industrial Space

- 7.31 Whilst we have undertaken the projections on the basis of best fit land use sectors, we also recognise that in reality there is a much greater blurring of activity. Many business services activities can take place in a range of different types of premises. Someone who runs a small service activity may occupy an office, a shop or an industrial unit. Availability and price are likely to be greater determining factors than land use classifications.
- 7.32 ONS analysis of IDBR data for London has demonstrated the extent of this apparent mismatch with one-third of jobs on industrial land being in sectors that might traditionally be seen as industrial, whilst two-thirds of jobs come from outside these categories. Whilst the sectoral classification of industrial land occupiers exhibits a very wide spread, the range of functional activity carried out on these sites may be narrower.
- 7.33 The property market assessment in Section 6 of this report suggests that there is very little industrial floorspace in Richmond and the sites that do exist are small and tend primarily to be occupied by small firms servicing the local economy.

Comparison with Previous ELRs

- 7.34 As discussed in Chapter 2, LBRuT commissioned an ELR in 2006 which was then updated in 2009. The economic climate in 2006 was very different being in the middle of a prolonged period of boom. The 2006 ELR projected an increased demand for all types of employment floorspace of 12ha over the period 2003-16, an annual average increase of 0.9ha or 0.9% p.a. This was made up of an annual average of +0.7 ha for offices, -1.1 ha for factories and +1.3 ha for warehouses.
- 7.35 Whilst by 2009 the UK economy had entered a deep recession. The 2009 study showed a demand for between 0.6-3.5 ha of Office land over the period 2009-26 and a reduction of between -0.5ha and -6.3 ha of industrial land

Conclusions

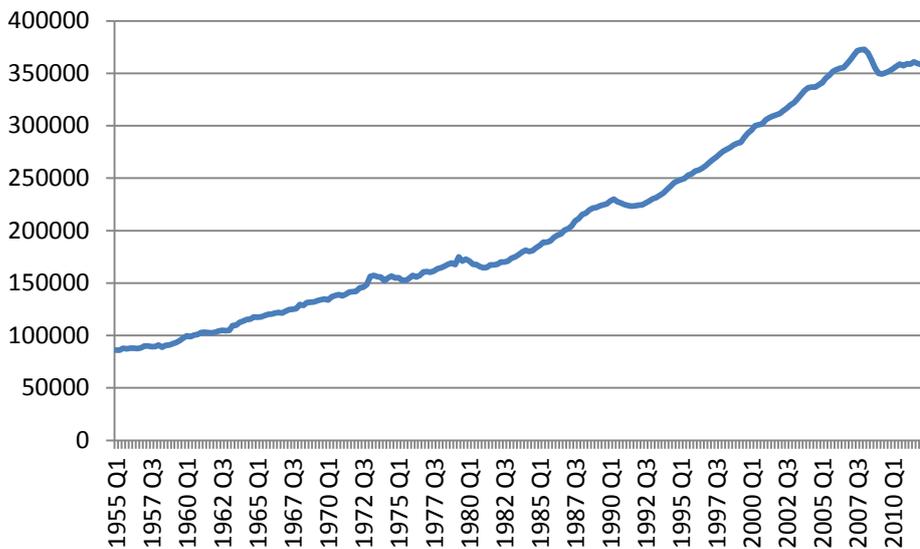
- 7.36 The GLA's triangulated employment forecasts and its component forecasts provide the foundations for the long term demand projections for Richmond. The overall forecast is for 2,600 new jobs in Richmond between 2011 and 2031. This equates to a modest increase of 0.1% per annum.
- 7.37 The triangulated forecasts are composed of a trend based forecast, a capacity based forecast and an accessibility based forecast. In Richmond the trend forecast show strong growth however they are constrained by a lack of capacity (employment sites) and a lack of new strategic transport plans. The Borough has little control over the accessibility component but a greater development pipeline would increase the overall projection. However the analysis is consistent with the evidence from the socio-economic review and which shows declining industrial floorspace and a flat stock of office floorspace. The property market assessment also shows that there is a small office market with much office stock in good condition. On the other hand industrial space is very thinly spread throughout the Borough.
- 7.38 The triangulated employment forecasts are translated into land use forecasts for offices and industrial uses. Office employment is expected to grow by 4,500 jobs over a twenty year period from 2011 to 2031. Growth is primarily expected in Professional, Scientific, Technical and Real Estate sectors, followed by administrative and support service activities, information and communication sectors and other service sectors.
- 7.39 We have applied sensitivity tests to the triangulated office forecasts and this gives long term demand forecast which ranges between 62,300 and 81,300 sq m or between 6.2 ha to 20.3 ha of land between 2011 and 2031. Our advice would be to concentrate on monitoring office floorspace and that the 62,000 sq m set out in LOPR should be sufficient over the plan period as an initial monitoring target though clearly such figures should always be reviewed on a regular basis.
- 7.40 There is a projected small reduction in industrial land for Richmond over the period 2011-31 of -1.8 ha. In many cases this loss will be able to be recycled for other industrial uses but in some cases as industrial sites become redundant through firms moving out it may not be appropriate to recycle for industrial uses. The property market assessment shows that many of Richmond's industrial sites are constrained, often hemmed in by housing or requiring access via residential areas, thereby reducing their attractiveness to some industrial occupiers.

8 SCENARIOS FOR GROWTH TO 2018

The UK Economic Outlook

- 8.1 Writing an assessment of the UK economic outlook is fraught with difficulty at present. Recent forecasts of growth have been continuously downgraded. The historic extent of the downturn is illustrated by the long run graph of total GDP which usually recovers quickly even after a recession. However on this occasion even the Governor of the Bank of England is now warning that the country may not recover to its 2008 peak until 2015.

Figure 8.1 UK Quarterly GDP



The short to medium run UK economic outlook

- 8.2 The latest consensus forecasts for medium term growth compiled by HM Treasury (August 2012) are set out in the table below. There has been a scaling back on previous assumptions about when the economy would return trend growth and even now there is a considerable discrepancy in views of different forecasting bodies.

Table 8.1 Medium Term Forecasts for GDP

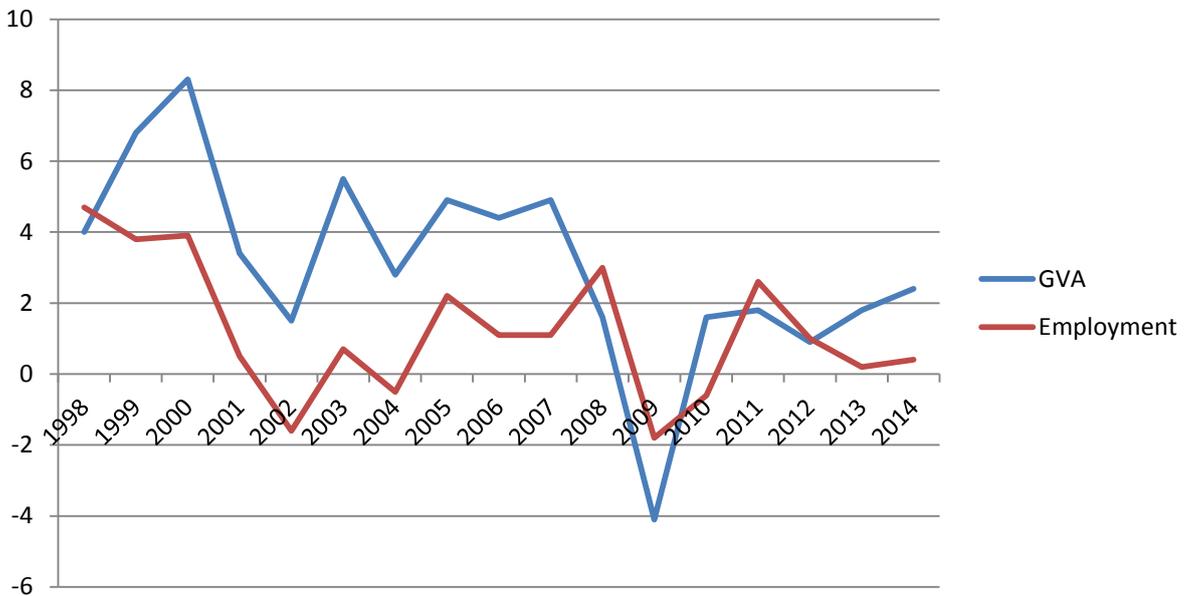
	Consensus % pa
2010	1.8
2011	0.8
2012	-0.4
2013	1.1
2014	1.9
2015	2.3
2016	2.4

Source: HM Treasury

The Economic Outlook for London to 2018

- 8.3 GLA Economics publish a regular Economic Outlook and have recently published their Autumn 2012 edition¹⁷. This provides a current view on projections to 2014. It shows that employment growth fell in 2012 after a sharp rise the previous year but still remained positive. London, unlike the UK economy as a whole has avoided a double dip recession and GVA growth is projected to be back at 2.4% by 2014.
- 8.4 Whilst unemployment has risen in London so has employment. The recession is playing out very unevenly throughout the country and London is much better based due to its large international market.
- 8.5 These projections are more positive than for the UK as a whole and we think that Richmond can plan on the basis of what we might think of as normal growth trends over the period to 2018. This does not imply a sharp recovery but steady growth.

Figure 8.2 Annual Percentage Change in London GVA and Employment

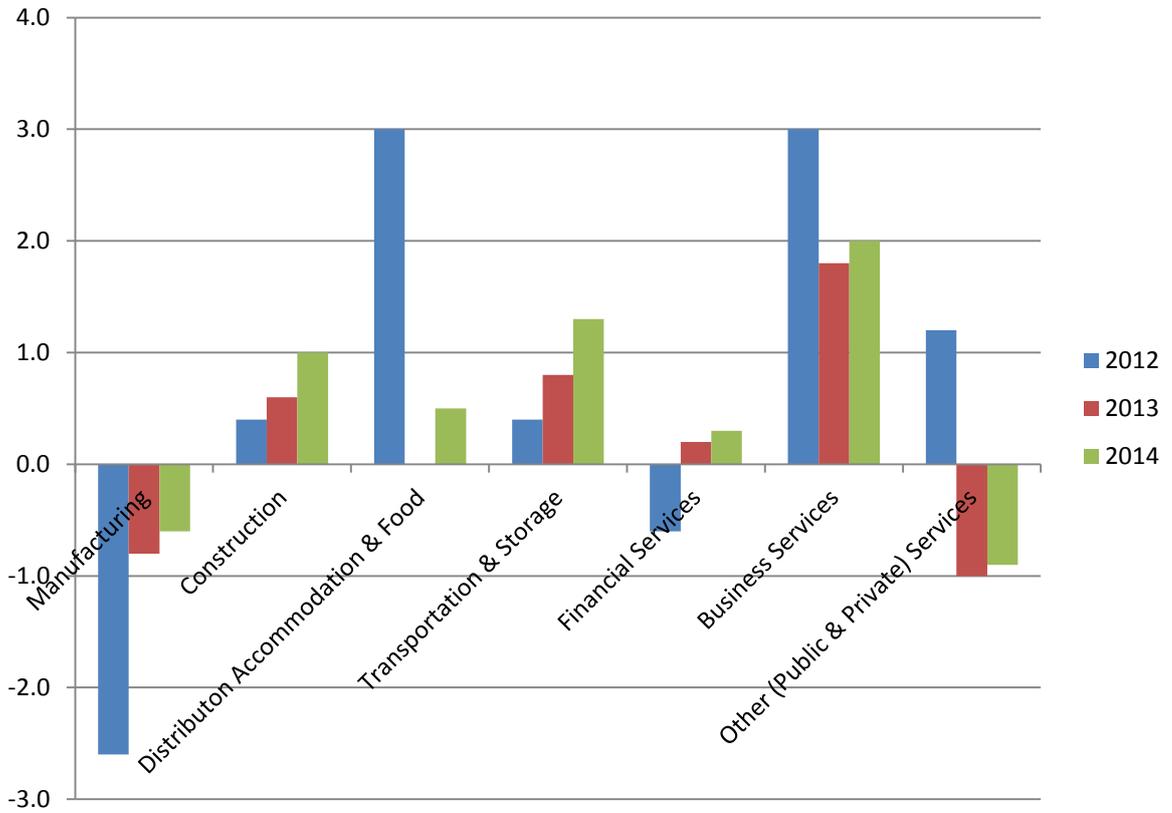


Source: GLA Economics

- 8.6 In terms of growth by sector the distribution, accommodation and food sectors are projected to benefit from a short term boost in 2012 due to the Olympics. Business services, which drives the office market is projected to grow steadily over the short-term period 2012-14 so this should generate some demand for office floorspace though this may be partially offset by a reduction in public sector services projected over the next two years

¹⁷ London's Economic Outlook: Autumn 2012 – GLA Economics

Figure 8.3 Annual Percentage Change in London Employment by Sector 2012-14



Source: GLA Economics

Medium Term Outlook for Richmond

- 8.7 On a strictly proportionate basis the LOPR projection of 3,000 sq m p.a. of office space would result in demand for an additional 21,000 sq m of office space by 2018. We noted in Chapter 4 that there are currently 38,000 sq m of vacant office space in the borough which would be sufficient to accommodate this. But the quantitative balance does not really tell the story as the vacant space will not necessarily match the needs of modern office occupiers.
- 8.8 We have used the GLA sector forecast to compile a sector based forecast for Richmond for the period to 2018 based on long term trend patterns. On this basis we would expect to see further losses in industrial employment sectors but a gain of 1,600 jobs in professional scientific and technical, 600 in administrative and support services and 500 in information and communication. These reflect Richmond's existing strengths and the type of activity that is currently located in the borough.
- 8.9 There is also projected to be a continual loss of industrial activity over this period. Whilst being a restrictive transfer borough Richmond Borough must seek to identify what employment land it needs to defend, and that where a more pragmatic stance can be adopted, in order to strengthen its case to retain the key sites needed to ensure efficient and sustainable functioning of local activity.

Figure 8.4 Richmond Employment Projections by Sector 2011-18

	Jobs
Primary and Utilities	-10
Manufacturing	-610
Construction	-240
Wholesale	-470
Retail	-240
Transport & Storage	-280
Accommodation and food service activities	430
Information and Communication	520
Financial and Insurance activities	-150
Professional Scientific Technical and Real Estate	1,570
Administrative and support service activities	580
Public Admin & Defence	-300
Education	20
Health	-80
Arts Entertainment and recreation	190
Other Services	140
All Sectors	1,810

Source: PBA ROGER TYM/GLA

8.10 Overall employment is expected to grow by 1,800 between 2011 and 2018.

Office Outlook

8.11 Converting the employment projections by sector to projections of office jobs by sector gives a net total growth in office jobs of 1,700 over the period 2011-18. Whilst in numerical terms these jobs can be accommodated within Richmond's existing property stock the question is whether the existing the borough's existing offer is sufficient to accommodate this growth or will it find other locations, such as Central London, more attractive.

Figure 8.5 Projected Growth in Office Jobs 2011-18

	Jobs
Information & Communications	480
Finance & Insurance	-150
Professional Scientific and Technical and Real Estate	1,260
Administrative & Support Services	300
Public Administration	-190
Other Services	30
Total Office Jobs	1,740

Source: PBA ROGER TYM/GLA

- 8.12 With projected growth in Information and Communications, occupiers are likely to find locations such as Teddington and St. Margarets attractive. Professional Scientific and Technical Services are projected to be the largest growth sector, and this activity is concentrated in Teddington, Richmond Town Centre, Richmond Fringe Twickenham and East Sheen & Barnes. Reductions in Public Administration jobs are likely to impact on Twickenham and Kew.
- 8.13 If the projections by sector were applied proportionately to the existing employment by property market area it would generate an office employment change by property market area as set out in the table below. This is unlikely to be the precise split in reality and we think the employment is more likely to be distributed according to the property market profile set out in Chapter 6.

Figure 8.6 Projections of Office Employment Growth by Sector and Property Market Area

Office Employment	Information & Communications	Finance & Insurance	Professional Scientific and Technical & Real Estate	Administrative & Support Services	Public Administration	Other Services	TOTAL
Ham	10	-	30	10	-	-	40
Hampton	30	-	90	20	-	-	140
Hampton Wick	10	-	50	-	-	-	60
Kew	20	-	70	10	- 40	-	60
Mortlake	10	- 10	40	20	-	-	70
East Sheen & Barnes	50	- 20	150	30	-	-	210
Richmond Fringe	50	- 10	140	30	-	10	210
Richmond Town Centre	80	- 30	190	90	-	-	340
St Margarets	40	-	60	20	-	-	120
Teddington	100	- 60	230	30	- 20	-	290
Twickenham	80	- 10	180	40	- 130	10	170
Whitton	20	- 10	30	10	-	-	60
Grand Total	480	- 150	1,260	310	- 190	30	1,740

Figure 8.7 Projections of Office Floorspace Growth by Sector and Property Market Area (sq m)

Office Employment	Information & Communications	Finance & Insurance	Professional Scientific and Technical & Real Estate	Administrative & Support Services	Public Administration	Other Services	TOTAL
Ham	100	0	300	100	0	0	500
Hampton	500	-100	1,300	200	0	0	1,900
Hampton Wick	100	0	600	0	0	0	800
Kew	300	0	1,000	100	-600	0	800
Mortlake	100	-100	500	300	0	0	900
East Sheen & Barnes	600	-200	2,100	400	0	0	2,900
Richmond Fringe	600	-100	1,900	400	0	100	2,900
Richmond Town Centre	1,100	-400	2,700	1,300	0	0	4,700
St Margarets	500	0	800	300	0	0	1,600
Teddington	1,400	-800	3,100	400	-200	100	3,900
Twickenham	1,100	-200	2,500	500	-1,700	100	2,300
Whitton	200	-100	500	200	0	0	800
Grand Total	6,700	-2,100	17,300	4,200	-2,600	500	24,000

Industrial

- 8.14 The medium term employment forecasts project a continual loss of industrial activity between 2011 and 2018. The industrial land and transport SPG projects a -0.2 ha loss per annum which is equivalent to a loss of -1.4 ha over the period 2011 to 2018. As shown in section 2 of this report the Borough has lost over 16,600 sq m of industrial floorspace between 2009 and 2012 which is an estimated loss of -4.4 ha.
- 8.15 Whilst being a restrictive transfer borough Richmond Borough must seek to identify what employment land it needs to defend, and that where a more pragmatic stance can be adopted, in order to strengthen its case to retain the key sites needed to ensure efficient and sustainable functioning of local activity. The property market assessment indicates that the Borough has few industrial sites distributed through the Borough and many of these constrained by accessibility factors. Hampton and Twickenham are the Borough's key industrial property markets and the property market assessment expects future potential for sheds in Hampton and Twickenham and informal space in Twickenham.

Conclusions

- 8.16 Overall employment is expected to grow by 1,800 between 2011 and 2018. Converting the employment projections by sector to projections of office jobs by sector gives a net total growth in office jobs of 1,700 over the period 2011-18. The Borough currently has over 38,000sq m of vacant office space. The forecasted employment growth can be accommodated within Richmond's existing property stock.
- 8.17 The medium term employment forecasts project a continual loss of industrial activity between 2011 and 2018. The industrial land and transport SPG projects a -0.2 ha loss per annum which is equivalent to a loss of -1.4 ha over the period 2011 to 2018.

9 CONCLUSIONS

- 9.1 The research in this report shows that Richmond is a prosperous, diversified economy with high business density levels, low levels of deprivation and a well educated, high income earning resident population. Like most parts of the country, Richmond has been adversely affected by the economic recession. Compared to London, the effects of the recession have been more severe in the Borough with employment levels declining at a faster pace (-4% compared to -1% for London). The sectors in the Borough that have suffered the most are Administrative and support service activities, accommodation and food service activities and industrial and warehousing activities including manufacturing, construction, wholesale, and transportation and storage.
- 9.2 However the future outlook for the Borough is a positive one. The long term employment forecasts indicate that employment in the Borough is set to grow by 2,600 jobs or 2.9 % between 2011 and 2031. The Borough is expected to see growth of office occupying activities but a decline in industrial activities.
- 9.3 Growth in the Borough is constrained by a lack of capacity in the form of new employment sites. Future employment will need to be accommodated within the Borough's existing employment sites and premises which, like many parts of London, are under pressures for conversion to residential. However once employment sites are lost to residential uses it is highly unlikely that they will ever come back into employment use. It is therefore imperative that the Council ensures they have the correct stock in the correct locations to accommodate future employment growth.

Offices

- 9.4 According to the London Office Policy Review 2012, demand for office space in the Borough is for 62,000 sq m over the period 2011 to 2031. On a strictly proportionate basis the LOPR projection of 3,000 sq m p.a. would result in demand for an additional 21,000 sq m of office space by 2018. There are currently over 38,000 sq m of vacant office floorspace in the Borough which could accommodate the forecast office floorspace. But the quantitative balance does not really tell the whole story.
- 9.5 Much of the vacant space is not fit for purpose for today's business needs and comprises of secondary office stock which is at the very least due for refurbishment. However outside the key office centre of Richmond Town Centre, it is unlikely that sufficient rent or yield movement will occur to support this or any major redevelopment. This, coupled with the evidence of changing working practices and occupational densities in offices, suggests that current low levels of demand are not simply a response to the prolonged recession, but part of a structural change in demand. Under the policies of the National Planning Policy Framework (NPPF) Richmond will have a real challenge continuing with its current employment policies that seek to retain all employment land for employment uses. Indeed the planning pipeline data presented here shows that between 2009 and 2012 the Borough recorded a net planned loss of 11,700 sq m of office floorspace or 4% of the existing stock.

9.6 Richmond must identify what employment land it needs to prioritise, and that where a more pragmatic stance can be adopted, in order to strengthen its case to retain the key sites needed to ensure efficient and sustainable functioning of local activity.

Recommendations by property market area and office type

9.7 The Borough currently has a diverse offer of office employment space including Grade A office space, High Street space, Managed space, Marginal space and Hybrid space. It is vital that a good balance and mix of office space is provided to meet the needs of the diverse business base in the Borough.

9.8 We recommend that rather than the blanket approach currently taken to retain all employment land in employment uses, an area based approach should be employed for each of the diverse local property markets assessed in this research. Furthermore, within each local property market there are some niches in terms of the property available and in demand. In the table below we present the types of property the Council should support and actively defend for future employment in each local area.

Priority uses by local property markets	
Hampton	A small office market with a good outlook for high street space.
Mortlake	The area offers opportunities to create hybrid and studio style space, while the area is one of the few in Richmond Borough that offers good quality informal space.
East Sheen & Barnes	There are a small number of sites with continued opportunities for marginal and hybrid space.
Richmond Fringe	The office offer is diverse; with a wide range of sites suitable for all but the highest specification Grade A office space. Several areas offer very good opportunities for marginal provision and it has a number of well located sites that should be prioritised.
Richmond Town Centre	Richmond town centre is the main office centre in the Borough. Not only can it hold its own as an office market, but it should be actively protected as it is the heart of the borough's business. Richmond Town Centre is highly suitable for Grade A and Town Centre offices, while being viable for both secondary and managed provision.
St Margarets	St Margaret's has the potential to be a useful secondary centre for Richmond Town centre although it will not support Grade A space. The studios present a possibly opportunity to create hybrid space, while the general area is suitable for high street managed and marginal space.
Teddington	Teddington is a compact centre of a size appropriate for a second-tier centre in a borough like Richmond. There is good scope for high street, managed and marginal space, with some room for hybrid and informal uses as well.
Twickenham	It is recognised that Twickenham is in need of investment with a large share of its office stock at the end of their useful lives. In this sense the local property market is at a cross-road and the future of its sites will depend on the level of investment that can be raised to meet the objectives of the Area Action Plan. There is good scope for hybrid space currently.

- 9.9 In addition, the property market assessments indicate that there is good demand 'character' buildings; the Crane Mews development is a good example of such a site which was under pressure for residential but now provides good B1 space for small businesses. These types of "character" buildings are likely to appeal to Richmond's entrepreneurial local labour force, and growing population of self employed and sole traders.
- 9.10 The Borough should continue to apply its existing employment policies to the priority office types in each local property market including Policy EM 2 of the Development Management Plan. This includes requirements for a proper marketing exercise; a sequential approach to development and the minimum employment floorspace requirements for mixed uses schemes. For sites that are not within these priority uses, the Borough Council may wish to apply a more moderate approach to marketing, mixed use and to the sequential approach.
- 9.11 The property market assessment shows that the Borough has an oversupply of high street offices above shops. These also have high concentrations of vacancy. There is not strong economic evidence to support the retention of **all** of this space. Again it is recommended that a more moderate policy approach towards these sites be applied.

Industrial

- 9.12 Demand for industrial land in Richmond upon Thames is projected to decline by -4ha between 2011 and 2031 according to the Industrial Land and Transport SPG. By 2018 a loss of -1.4 ha is forecast. There is an anticipated decline in demand for traditional industrial space which is offset by an increased demand for warehouse uses and some waste activity.
- 9.13 Non-office employment space, whether of good quality or not, is very thinly scattered around the Borough. Further, that which is present is often hemmed in by housing, or requires access via residential areas. This does present a real challenge. Although in the London context, Richmond is unlikely to ever be a major "shed" centre, such "scruffy space" serves an important role in supporting the local SME sector and reducing the need to travel out-of-borough for some fairly basic services, as well as providing locally-based services to the residential population.

Recommendations

- 9.14 We recommend that all industrial land in the Borough is protected against the release of space to non-employment uses in line with policy EM2 of the Development Management Plan. The fundamental case for protecting this type of space lies at the borough-wide level: whether through cyclical shortage or structural under-representation, the stock of this space is small and fragmented. Even when not especially neighbourly, nor pleasing to the urban fabric, there is no real sign of vacancy other than in the most isolated pockets. In addition much of the space is currently used to service local economy and local residents.
- 9.15 Larger industrial sites servicing a wider economy are very few and far between and as the buildings near the end of their functional life they will come under pressures for conversion. Many of the sites suffer from real accessibility constraints and for this reason are not likely to meet industrial occupier's future needs. Mixed use developments with an employment element should be supported on these sites and where possible, space to address the

shortage of low-cost and simple “shed style” space that offers utility to a wide range of occupiers from transitional ‘metal bashing’ to new media companies.

Priority uses by local property market	
Hampton	Contains the best shed space in Richmond to be supported.
Mortlake	The area is one of the few in Richmond Borough that offers good quality informal space.
Teddington	There is good scope for informal uses.
Twickenham	Provides possibly the largest concentration of non-office commercial use available to borough businesses

Appendix 1

Office definition

SIC Office Definition

SIC 2007 division (2 digit)

- 60 : Programming and broadcasting activities
- 62 : Computer programming, consultancy and related activities
- 63 : Information service activities
- 64 : Financial service activities, except insurance and pension funding
- 65 : Insurance, reinsurance and pension funding, except compulsory social security
- 66 : Activities auxiliary to financial services and insurance activities
- 68 : Real estate activities
- 69 : Legal and accounting activities
- 70 : Activities of head offices; management consultancy activities
- 71 : Architectural and engineering activities; technical testing and analysis
- 72 : Scientific research and development
- 73 : Advertising and market research
- 78 : Employment activities
- 80 : Security and investigation activities
- 94 : Activities of membership organisations

SIC 2007 class (4 digit)

- 5911 : Motion picture, video and television programme production activities
- 5912 : Motion picture, video and television programme post-production activities
- 5913 : Motion picture, video and television programme distribution activities
- 5920 : Sound recording and music publishing activities

SIC 2007 group (3 digit)

- 581 : Publishing of books, periodicals and other publishing activities
- 774 : Leasing of intellectual property and similar products, except copyrighted works
- 821 : Office administrative and support activities
- 822 : Activities of call centres
- 823 : Organisation of conventions and trade shows
- 841 : Administration of the State and the economic and social policy of the community
- 843 : Compulsory social security activities

SIC 2007 class (4 digit)

- 8291 : Activities of collection agencies and credit bureaus
- 8299 : Other business support service activities n.e.c.