



Tower Hamlets Growth Sectors and SME Workspace Study

A Final Report by Regeneris Consulting,
We Made That, AspinallVerdi and the
Business Centre Specialist

London Borough of Tower Hamlets

Tower Hamlets Growth Sectors and SME Workspace Study

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1. Introduction

1.1 Regeneris Consulting, We Made That, AspinallVerdi and the Business Centre Specialist were commissioned to undertake a mapping of Tower Hamlets’ small business and enterprise economy, with a specific focus on economic growth sectors and on demand for and supply of SME workspace.

Work Undertaken

- 1.2 The research has comprised a mix of both secondary and primary research.
- 1.3 To understand the characteristics and trajectory of the Tower Hamlets economy, we have drawn on a range of statistical sources, including the Inter-Departmental Business Register, UK Business Count, ONS Business Demography, Business Register and Employment Survey, the Annual Population Survey and the ONS Census.
- 1.4 Our mapping of workspace supply in the Borough draws on a mix of desk based research, observational research / site visits and consultation with workspace providers.
- 1.5 We have also undertaken wider consultation with property agents and public sectors partners to understand the main factors and drivers influencing the supply of workspace in London and Tower Hamlets.

Report Contents

- 1.6 The report is presented in the following chapters:
- Chapter 2: Study Background and Focus
 - Chapter 2: Economy and Growth Sectors
 - Chapter 3: Workspace Supply and Demand
 - Chapter 4: Economic Trajectory
 - Chapter 5: Summary and Recommendations.

2. Study Background and Focus

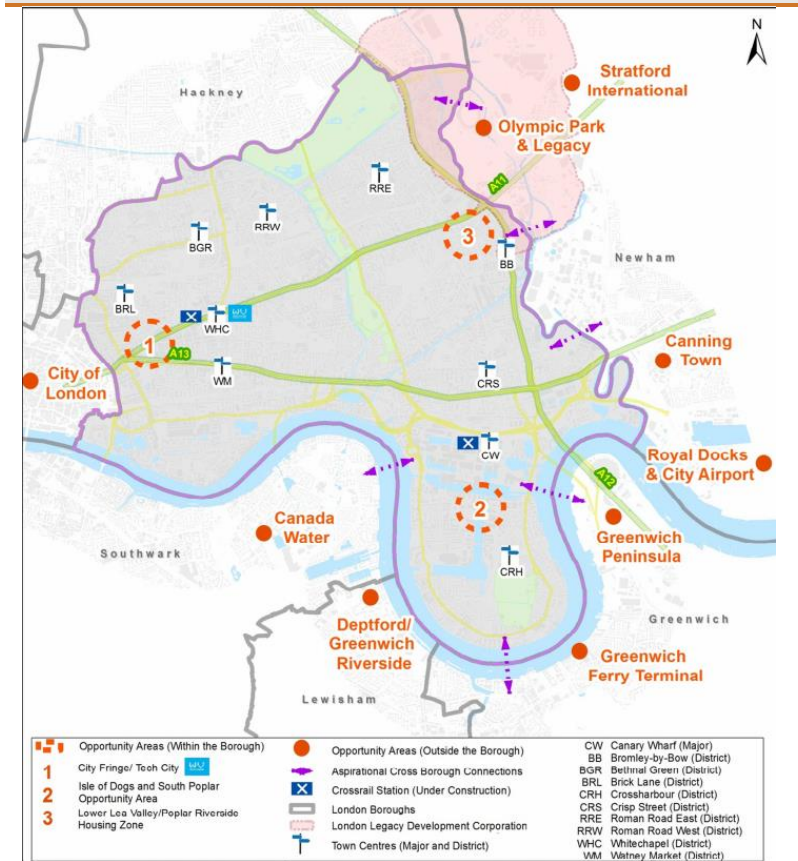
2.1 Tower Hamlets is located in inner east London, bounded by Hackney to the north, Newham to the north and east, and the City of London to the west.

2.2 The borough contains a number of hubs of economic activity, including:

- **Canary Wharf** – a globally significant financial centre and one of London’s key employment hubs. Also classified within planning policy as a major town centre.
- **Employment and strategic industrial areas** – there are a number of employment and industrial areas spread across the borough, with more noticeable clusters to the west of the borough. Other than Canary Wharf, these include Whitechapel, Aldgate and the Bishopsgate Road Corridor.
- **Town / district centres** – the borough contains a diverse network of town centres and high streets, with the largest of these being Canary Wharf, Whitechapel, Brick Lane and Bethnal Green.

2.3 Reflecting its location, the borough is part of the wider inner London economy, and is part of a number of wider regionally significant clusters of economic activity – most notably the City Fringe and Tech City and the Lower Lea Valley.

Figure 2.1 Geography of Tower Hamlets and neighbouring areas



Source: Tower Hamlets Our Borough, Our Plan: A New Local Plan First Steps report (2015)

Strategic Context

- 2.4 The Tower Hamlets Core Strategy was adopted in 2010; supporting evidence base and development management documents of relevance include the Town Centres Spatial Strategy (2009), the Employment Land Review (2009) and the Site Allocations Managing Development Document (2013). Together these documents provide spatial policies, development management policies and site allocations to guide and manage development in the borough.
- 2.5 These documents set out strong growth aspirations for the borough. They seek to maximise and deliver investment and job creation by supporting the competitiveness, vibrancy and creativity of the Tower Hamlets economy.
- 2.6 The council is now in the early stages of updating its evidence base and producing a new Local Plan. The Our Borough, Our Plan: A New Local Plan First Steps report outlines the steps towards this. It identifies eight strategic aims for the Borough, covering town centres, economy and jobs, housing, community facilities, design and historic environment, transport and connectivity, open space and the green grid, and environmental sustainability. The first two of these themes are of particular relevance to this commission:
- **Town centres:** vibrant and varied town centres which bring communities together, as places for retail, leisure and social enjoyment.
 - **Economy and jobs:** a strong and diverse employment base, with a focus on small and medium sized enterprise (SMEs), and which provides employment opportunities for local residents.
- 2.7 One of the major opportunities for the Borough identified by “A New Local Plan First Steps” is that the Borough is home to / part of a number of London’s most important clusters of economic activity,

namely the City Fringe/Tech City, the Isle of Dogs and South Poplar, and Lower Lea Valley. Each of these areas is identified as an Opportunity Area within the 2015 London Plan, presenting an opportunity to optimise the supply of available land to enable the development of homes, jobs and required infrastructure:

- **The City Fringe / Tech City Opportunity Area** – Tower Hamlets (Aldgate and Whitechapel) is part of this Opportunity Area which also takes in parts of the City of London and Hackney. The area contains significant development capacity in relatively central areas and there is particular scope not only to support London’s financial and business services but also the diverse cluster of digital-creative businesses in an expanding “Tech City”. The area is now part of an adopted City Fringe Opportunity Area Planning Framework (OAPF) with plans to protect and create employment floorspace and support temporary uses.
- **Isle of Dogs and South Poplar Opportunity Area** – this Opportunity Area is located wholly within Tower Hamlets. The OAPF is currently under consultation and aims to co-ordinate existing development pressure on the Isle of Dogs whilst optimising housing and employment growth and securing the delivery of social and physical infrastructure. There are plans to deliver a minimum of 10,000 new houses.
- **Lower Lea Valley Opportunity Area** – the north east of the Borough (Hackney Wick, Fish Island, Poplar Riverside) is part of this Opportunity Area which also takes in parts of Newham and Hackney. The Olympic Legacy has been a catalyst for attracting development opportunities and investment. Through the Local Plan and other supporting documents such as the adopted the Bromley-by-Bow Masterplan SPD (2012), the council has identified a vision and planning guidance to promote affordable housing, jobs and social

infrastructure for local communities in the area. The London Legacy Development Corporation (LLDC) is the planning authority to determine planning applications within this area and has the remit to secure the physical legacy of the Olympics through the long-term planning and development of the Park.

2.8 As highlighted by the above, Tower Hamlets is part of much wider functional economic geographies: the Borough interfaces with the LLDC, the London Boroughs of Hackney and Newham and the City of London. Recognising and building upon these economic linkages and dynamics is seen as key in efforts understand and maximise the opportunity for growth.

Study Focus: Growth Sectors, SME Workspace and Place

2.9 The study has a dual, though interrelated, focus of **growth sectors** and **SME workspace**. While the focus is pan-Borough, Tower Hamlets’ diverse economic characteristics have also necessitated a **spatial approach** to research and analysis.

Growth Sectors

2.10 Within its New Homes Bonus proposal to the GLA, the London Borough of Tower Hamlets identifies a priority of supporting enterprise in the digital, creative and science and technology growth sectors.

2.11 These are sectors which have been identified as growth sectors at the London level and which the London LEP has placed a specific focus on within strategic aspirations. The London LEP has identified the digital and creative, low carbon, finance and professional service sectors as key sectors in the future of London’s economy.

2.12 While the growth sectors are broadly identified by the London Borough of Tower Hamlets as the digital, creative and science and technology growth sectors, these have not been formally defined and limited statistical analysis has been undertaken to understand their profile and performance within the Borough.

2.13 Given lack of definition, for purposes of this study, we have taken a broad approach by:

- mapping all economic sectors in the borough to understand any niches, specialisms and trends
- mapping a number of cross cutting sectors as a proxy for the types of higher value, scientific and creative activities implied by the term ‘growth sectors’:
 - **business and professional services** – including firms in the financial, professional, administrative and business support sectors
 - **creative** – including firms in media, publishing and creative manufacturing
 - **science and technology** – which consists of firms with a focus on research and development including ICT, higher education, healthcare and advanced manufacturing
 - **ICT** – includes firms whose activities involve software and hardware development, ICT support and telecommunications.

SME Workspace

2.14 In recent years, efforts to support and enhance the supply of flexible workspace for SMEs has become an important area of policy focus both across London and locally within the Boroughs.

London Context

2.15 The London LEP’s Agenda for Jobs and Growth has a strong emphasis on supporting the start-up and development of small businesses. It has an aim to make London ‘the best place in the world to be an entrepreneur, whether starting up or scaling up a business’.

2.16 Reflecting the above, over the past two years, the GLA has placed a large amount of focus on ‘places of work’, recognising that affordable and appropriate places of work are essential for London’s economy to continue to grow.

2.17 A number of research studies have been conducted into Open Workspaces – defined to include incubators, accelerators, co-working spaces, artists’ workspace and makerspaces, “where affordable rents, flexible terms, shared facilities, and networking opportunities provide the right conditions for entrepreneurs, creatives, and small businesses to grow and flourish”.

2.18 On the back of this research the GLA and London LEP has formed the Open Workspace Providers Group to champion the work of London’s Open Workspaces; to support and advise on the growth, development, and long term sustainability of London’s Open Workspaces; to propose priorities and actions for supporting the development of these; and to act as representatives of a wider network of work space providers, particularly in relation to making use of non-residential space in new housing developments.

2.19 Within the Accommodating Growth in Town Centres and Action for High Streets reports, the GLA emphasises the important role for

town centres as places of work – and that intensifying town centre employment uses can play an important role in supporting London’s economic evolution.

2.20 In this context, the GLA and London LEP is working with the Boroughs to increase the supply of appropriate workspace across London, via a number of funding programmes – including the New Homes Bonus top-slice, the High Street Fund and the London Regeneration Fund.

SME Workspace in Tower Hamlets

2.21 In Tower Hamlets there is also a recognised need to support enterprise through the provision of SME workspace. The Core Strategy (adopted 2010) seeks to support the development of small businesses in the borough in order to enable prosperous communities. This will help establish a sustainable, diversified and balanced economy by ensuring a sufficient range, mix and quality of employment uses and spaces, with a particular focus on the SME sector.

2.22 Undersupply of suitable workspaces is identified in the Core Strategy (adopted 2010), the Tower Hamlets Enterprise Strategy (2012) and the Small and Medium Office and Workspace Study (2006). All of these identify a significant need for employment space provision for SMEs, with potential sites best located in appropriate town centres, edge-of-town areas and areas with good transport connectivity.

2.23 A New Local Plan First Steps (2015) identifies aspirations to ensure the provision of adequate workspaces available to accommodate SMEs, including start-up and scale-up businesses. This is particularly in light of the increasing pressure to convert land and buildings to other uses such as housing.

2.24 In practical terms, LB Tower Hamlets has already been pursuing a number of opportunities to improve the amount of SME workspace:

- New Homes Bonus Growth Sectors project – funding was secured from the £24.8 million New Homes Bonus for the Growth Sectors project. This project aims to maximise the supply of flexible workspace for growth sector businesses and to improve educational computing facilities for local residents. Specific strands of delivery include: brokering deals to ensure that growth sector tenants and workspace providers are matched; working towards an expansion of flexible workspace supply in the Borough; to broker arrangements concerned with enhancing computing and software development skills; providing centres of computing excellence in the borough; and arranging high-profile events to find out further requirements for local enterprises in the growth sectors.
- London Regeneration Fund bid (unsuccessful) – in 2015 Tower Hamlets council made an ultimately unsuccessful bid to the GLA for funding for a project to develop a methodology for the sustainable development of open workspaces. Initially planned for Whitechapel (with aspirations to then roll this out across the Borough), the project would see the council hold a capital fund to invest in open workspace development, focusing on providing gap funding to support lease acquisition or refurbishment. A model for securing financial return (either via interest or equity share) would enable funding to then be recycled to invest in other workspace projects.
- There are a range of other activities already taking place on the ground. This includes Enterprising Whitechapel – a project to bring local vacant buildings back into use by helping landlords make their empty or underused buildings available as low-cost, flexible workspace for small businesses and social enterprises. Other initiatives have been carried out through the Mayor’s High Street Fund, including in Crisp

Street, where a suite of interventions have been delivered including a new co-working space, tailored business support and business loans.

Defining SME Workspace... A typology

- 2.25 Business space for small businesses can encompass a number of different business accommodation types and delivery models – from small enclosed business premises, to spaces which are specifically targeted at providing flexible and or affordable space for small businesses. This latter category can itself cover a range of models and mechanisms.
- 2.26 For the purposes of this study, we have taken an inclusive and broad definition of SME workspace, and have defined the following typology to broadly help distinguish between different types of space:

1. Incubator, Accelerator and Co-working spaces (IACs)

- Typically catering to start-ups and small-to-medium sized enterprise, these workspaces offer deskpace(s) on flexible monthly leases or membership schemes. Business support, networking events and channels to investment or other start-up support usually incorporated into the workspace offering.

2. Managed workspace

- Premises of mixed use of offices (usually unfurnished), light industrial workshops, studios and co-working. Premises often have ancillary uses let such as cafes and gyms, and typically provide a limited number of meeting rooms and reception services on site, but no additional business support.

3. Serviced offices

- Dedicated serviced office spaces, usually private or enclosed for individual businesses to let, on flexible or shorter-term contracts. These workspaces are serviced to a high level at a minimum (cleaning, staffed reception, conference rooms, virtual offices) but typically no additional business support services are included.

4. Creative studios

- Creative studio provide workspace for creative practice and artistic activities. This typology spans workspace for creative uses that may have additional spatial requirements above and beyond those of office-type work places. Spaces are usually offered with minimal fit out as users adapt spaces to suit production processes as needed (some of which may include 'messy' or noisy uses). Specialist studio providers work to safe-guard these workspaces to enable them to offer spaces at affordable rates.

5. Makerspaces

- Makerspaces offered open access workshops, shared workbench space, equipment and machinery, typically through membership schemes, for users for design, prototyping or production activities. Equipment offered ranges from digital design facilities to messier woodwork and metalwork workshop space. Workspaces are managed by on-site staff and typically offer classes and training on-site for regular users and the general public.

6. Deskspace in offices/studios

- This final typology is the least structured or defined of the flexible workspace offerings in the borough, with individuals or businesses letting out excess deskpace(s) in existing office or studio set ups. These offerings allow for short-term and short notice desk use in workspaces that are already operating office spaces. Typically these leasing arrangements are managed directly by the business or individual offering the space (usually working in the same space).

Spatial Focus

- 2.27 Reflecting the diverse geography of Tower Hamlets, for the purposes of this commission we have split the Borough into five sub-areas.
- 2.28 While these are not intended as formal geographies, they have been defined to broadly represent economic character areas to help better focus statistical analysis and wider research.
- 2.29 The objective is to ensure a thorough understanding of the growth sectors and workspace trends in different parts of the Borough, to help ensure recommendations are appropriately targeted and to allow a spatial approach to intervention where necessary.

Figure 2.2 The Sub-areas of Tower Hamlets



- **Central** – broadly covering Bethnal Green, Roman Road and Mile End
- **Tower Hamlets City Fringe** – covering Whitechapel, Brick Lane and Aldgate
- **Docklands** – covering Canary Wharf and the Isle of Dogs
- **Eastern (Olympic) Fringe** – covering Hackney Wick and the western bank of the River Lea
- **Riverside** – covering Tower Gateway and Wapping

Source: Regeneris Consulting, 2016

Note – all geographies defined based on ONS statistical geographies.

3. Economy and Growth Sectors

3.1 This chapter provides an overview of Tower Hamlets’ economy and a more detailed examination of the growth sectors within the five sub-areas within the borough.

Summary of Findings

At the overarching level, Tower Hamlets plays an important role in the London economy and has enjoyed strong economic performance in recent years:

- Tower Hamlets is home to a globally significant financial centre in Canary Wharf and is also part of a number of other important and growing economic hubs including the City Fringe, Tech City and the Lower Lea Valley
- The borough has experienced high levels of employment and business growth over the last five years. Employment growth is the third highest out of 33 London boroughs and businesses growth is the seventh highest.

The borough has a strong enterprise economy:

- Over 95% of businesses in Tower Hamlets are micro and small businesses employing fewer than 49 employees
- The borough is characterised by high levels of business churn, with extremely strong business start-up rates, but below average business survival rates.
- That said, levels of self-employment and home working in the resident population are below average, suggesting some disparity between the economic characteristics of those who live in the borough and those who work in the borough.

Tower Hamlets is characterised by a high value economy, with specialisms in a number of London’s growth sectors:

- Tower Hamlets’ largest employment sectors are professional services, the public sector and business support activities. Combined these three sectors account for 71% of all employment in the borough.
- Nearly all sectors in Tower Hamlets have experienced employment growth over the last five years; particularly strong growth has been seen in a number of higher value creative and knowledge based sectors such as ICT and Digital media, and science and technology based activities.

The economic geography of Tower Hamlets is diverse, comprising major employment hubs such as Canary Wharf and Aldgate, along with a network of smaller employment areas and town centres focused more on serving the needs of the resident population:

- When analysed at the sub-area level, the Tower Hamlets City Fringe and the Docklands sub-areas account for over three-quarters of employment; these are established office locations within the London context
- The borough is also home to a number of locations which have become / or are becoming established hubs of tech / creative activities, including Whitechapel, Brick Lane, Bethnal Green and the Cambridge Heath areas
- The east of the borough is traditionally industrial in nature but has in recent years also seen expansion in the tech and creative growth sectors, with locations such as Bow, Fish Island and Hackney Wick benefitting from the wider investment in the Lower Lea Valley area as part of the Olympic Legacy.

Economic Overview

Size of the Economy and Recent Performance

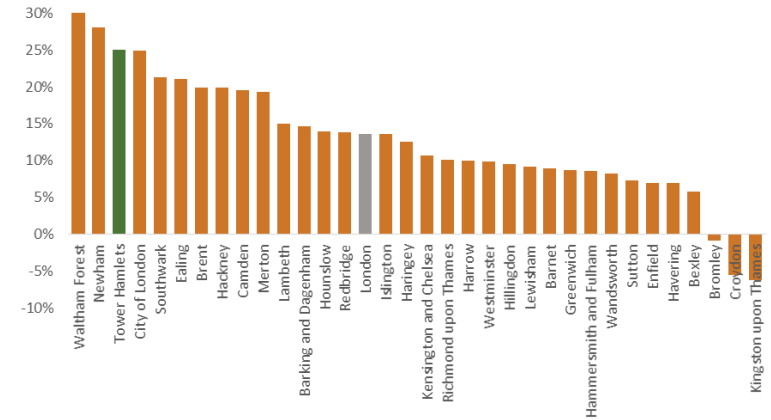
3.2 The Tower Hamlets economy accounts for 261,800 jobs and 16,700 businesses. It has experienced employment growth of 25% since 2009, and growth in its business base of 43% since 2010. This is the third fastest employment growth and seventh fastest business growth seen across all 33 London boroughs. In overarching economic terms, the borough ranked as the eight most competitive authority in the UK in 2013.

Table 3.1 Summary of Tower Hamlets Economy

		Current	Recent Change
Business Base (2010-15)	Businesses	16,650	+5,000 (+43%)
	Total Employment	261,800	+53,000 (+25%)
Employment Base (2009 - 14)	% Full-time Employment	80%	-2% points
	Private Sector Employment (%)	84%	+49,500 (+3% points)
Overall Competitiveness	UK Competitiveness Index	8 th in UK	-2 places (since 2010)

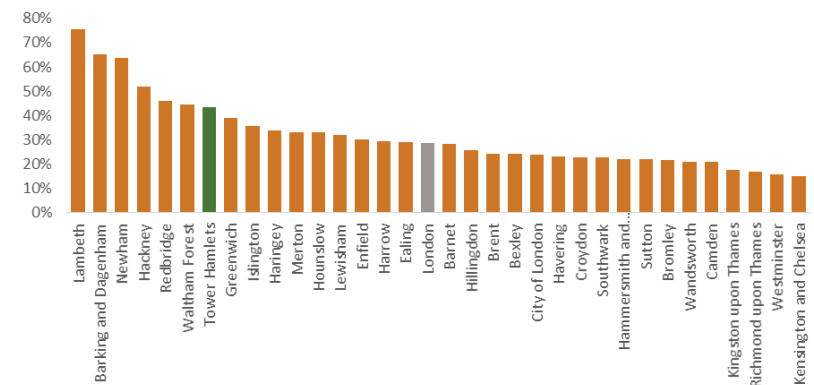
Source: BRES, 2014; UK Business Count, 2015; UK Competitiveness Index, 2013

Figure 3.1 Employment Growth (2009-14) by London borough



Source: BRES, 2014

Figure 3.2 Business Growth (2010-15) by London borough



Source: UK Business Count, 2015

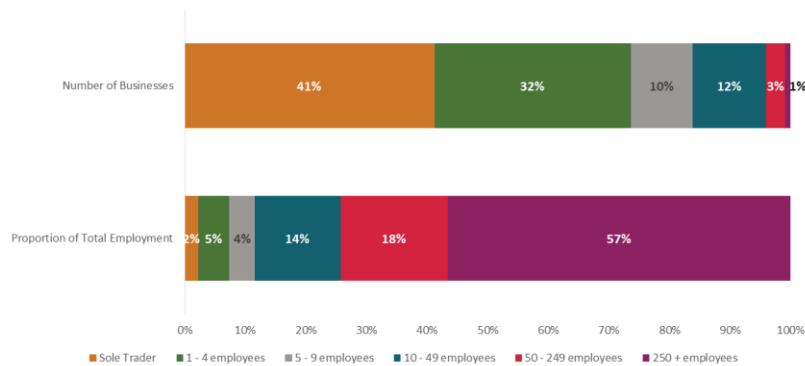
Profile of Businesses

- 3.3 The majority of businesses in Tower Hamlets are micro and small businesses employing fewer than 49 employees. These account for 95% of all businesses in Tower Hamlets.
- 3.4 Although this a large proportion of the business base, micro and small businesses account for a relatively small amount of employment. Sole traders and businesses employing under four people account for nearly three-quarters of the business base (73%), but only account for 7% of all employment. By comparison, the largest businesses (employing over 250 people), account for less than 1% of all businesses, but employ 57% of Tower Hamlets’ workforce.

predominately located in Canary Wharf and around the edge of the City of London to the west of the borough. Other large businesses are sparsely spread across the rest of the borough. Businesses with between 5 and 49 employees are heavily concentrated around the Tower Hamlets City Fringe area in close proximity to the City of London and Shoreditch, in a similar fashion to the largest businesses.

- 3.6 Smaller businesses (under five employees) are more evenly distributed across the borough, although there are also significant concentrations around the aforementioned areas.

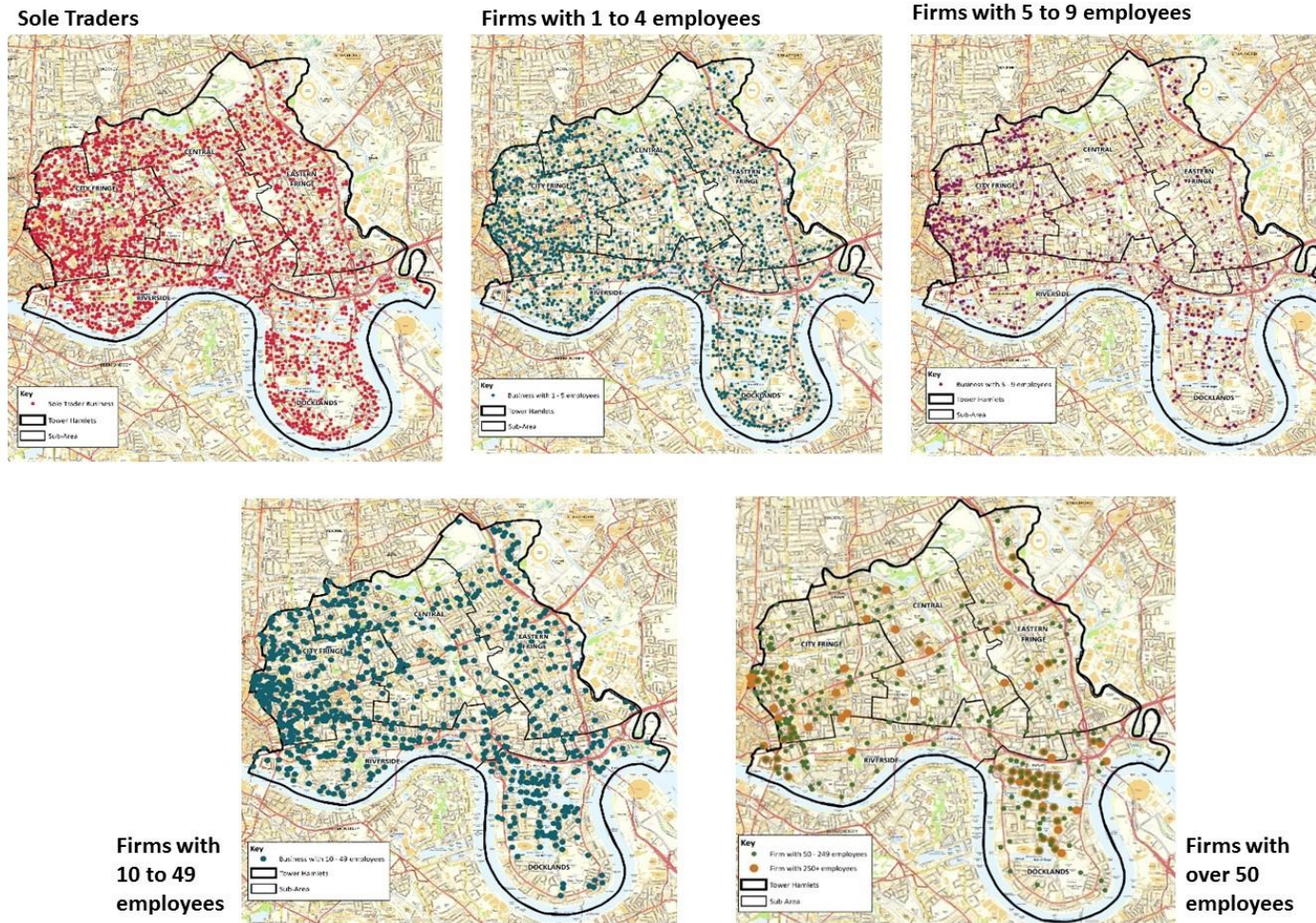
Figure 3.3 Breakdown of Businesses by Number of Employees



Source: IDBR, 2015

- 3.5 To better understand the distribution of employment and businesses across the borough, Figures 3.2 – 3.6 show where businesses are located, and the number of employees at each business. The maps show that the largest businesses (over 50 employees) are

Figure 3.4 Business sizes by location in Tower Hamlets



Source: IDBR, 2015

Enterprise in Tower Hamlets

3.7 In headline terms, Tower Hamlets has a strong enterprise economy with high levels of churn in the business base.

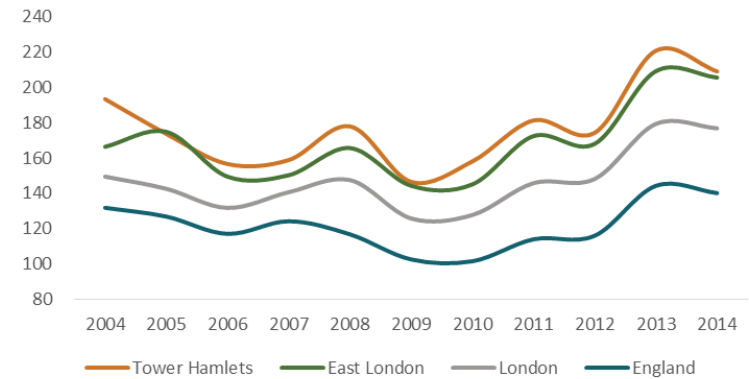
Business Start-Ups

3.8 In the past five years, data has recorded growth of 5,000 businesses within Tower Hamlets, rising from 11,600 in 2010 to 16,600 in 2015.

3.9 Data from the ONS Business Demography shows that in 2014 there were 3,460 business births in the year and 1,930 business deaths. This resulted in a net increase in the business base of 1,530 businesses.

3.10 Tower Hamlets has the fifth highest business birth rate as measured by the ONS Business Demography out of 34 boroughs in London, with 209 new businesses born per 1,000 active businesses in 2014. This has been gradually increasing since a low in 2009 at the end of the last recession of 146.

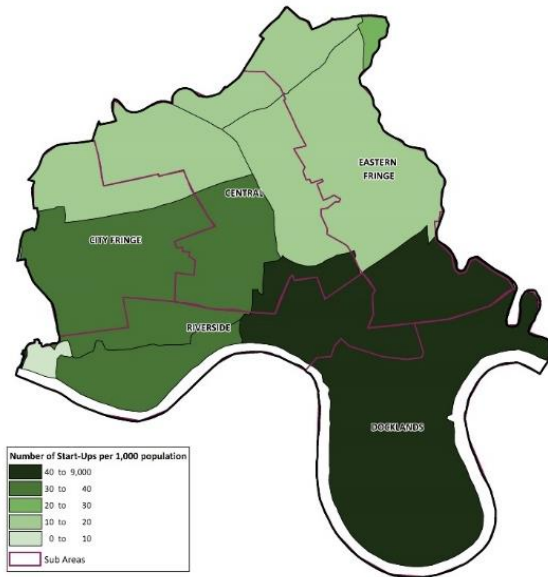
Figure 3.5 Business Birth Rate (number of new businesses per 1,000 active businesses)



Source: Business Demography, 2014

3.11 At a more localised level, business start-up rates, as measured by Start-Up Britain, show that the Docklands area has some of the highest start-up rates, with 59 business start-ups per 1,000 population. It should be noted that this is to some degree likely to reflect lower levels of population density in this area. The next highest area is the Riverside/Tower Hamlets City Fringe area (E1 postcode area), with 37 business start-ups per 1,000 population.

Figure 3.6 Map of Business Start-ups per 1,000 population, 2014



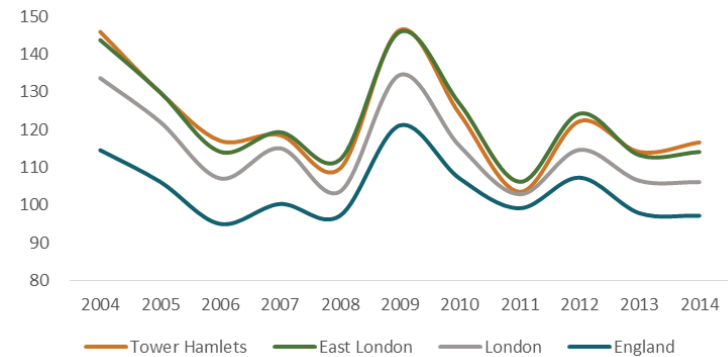
Source: Start-up Briatin, 2014

N.B. Data is Postcode based.

Business Survival

3.12 Although Tower Hamlets has a high business birth rate relative to other London boroughs, it also has a relatively high business death rate. Tower Hamlets has the sixth highest business death rate out of 34 London boroughs, and this has been consistently high over the last ten years with a fluctuation during the last recession.

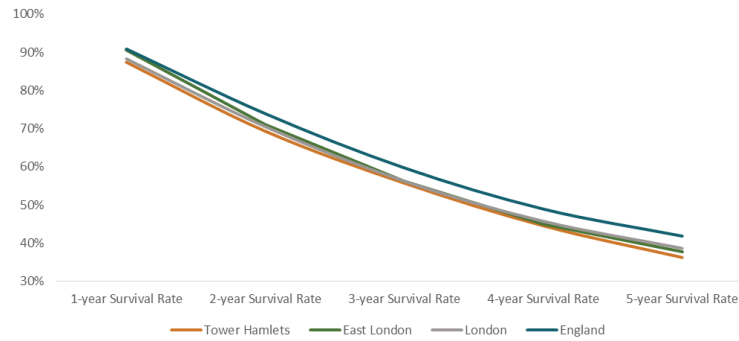
Figure 3.7 Business Death Rate (number of businesses deaths per 1,000 active businesses)



Source: Business Demography, 2014

3.13 The high business birth and death rates mean that the borough experiences a high churn rate, with businesses regularly being started up and closing down. Business survival rates provide an indication of how well businesses are able to develop in the borough. In Tower Hamlets business survival rates are lower than east London, London and the national level, with only 36% of businesses born in 2010 surviving for five years compared to 39% across London. Just over half (56%) of businesses survive past the first three years after a business’s birth.

Figure 3.8 Survival Rate of businesses born in 2010

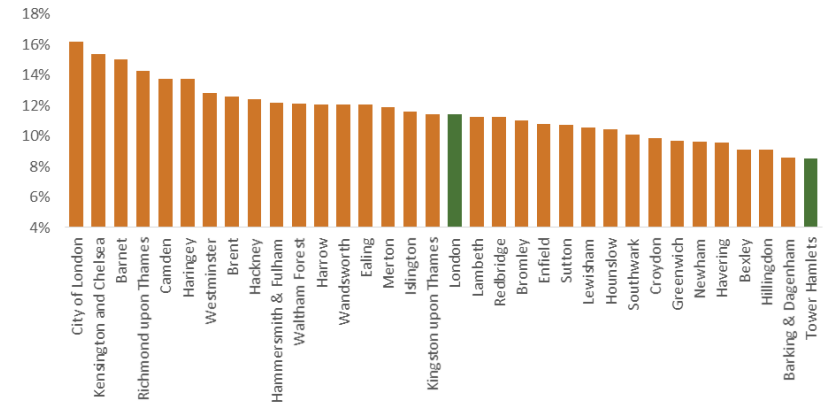


Source: Business Demography, 2014

Self-Employment

3.14 Self-employment also provide an indication of entrepreneurial tendencies of the local population, although it should be noted that those in self-employment may not actually work within Tower Hamlets, and may commute to other areas. Tower Hamlets currently has the lowest level of self-employment out of all London boroughs, with 9% of the population self-employed (17,000 people) at the 2011 Census.

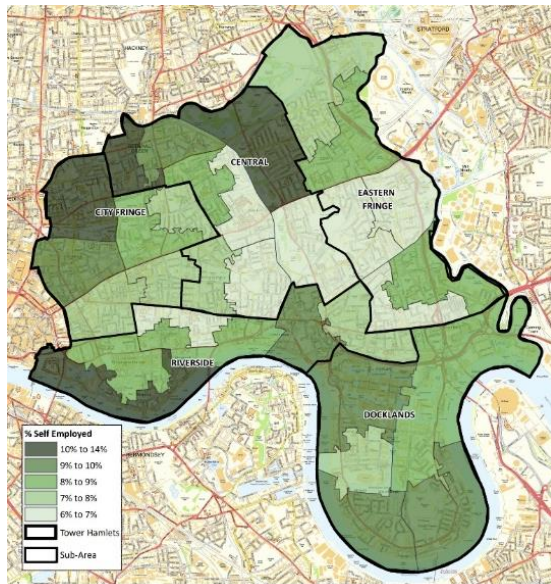
Figure 3.9 Self-employment Rate across London boroughs, 2011



Source: Census, 2011

3.15 Self-employment levels within Tower Hamlets is generally highest to the north west (around Brick Lane) and the south west (around Tower Gateway) of the borough with the lowest rates found in the Central and Eastern Fringe sub-areas.

Figure 3.10 % Self-Employed, 2011

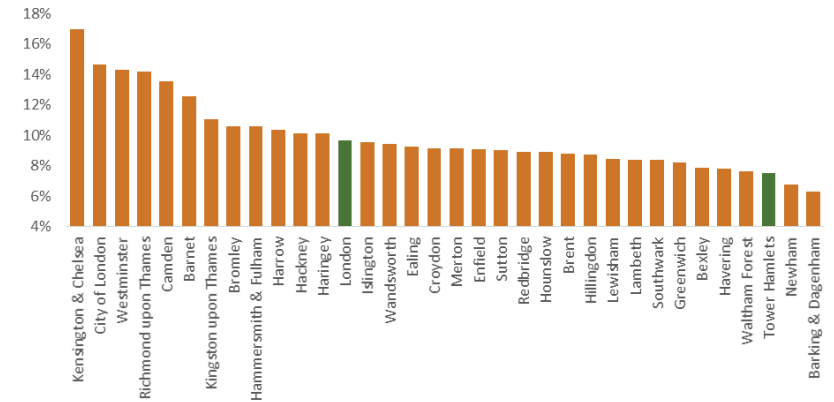


Source: Census, 2011

Homeworking

3.16 Levels of homeworking provide a further indication of enterprising activity within an areas, although it should be noted that not all homeworkers are necessarily engaged in enterprising activity. Tower Hamlets currently has the third lowest level of home working out of all London boroughs, with 8% of the population (or 9,100 people) predominately working from home at the 2011 Census.

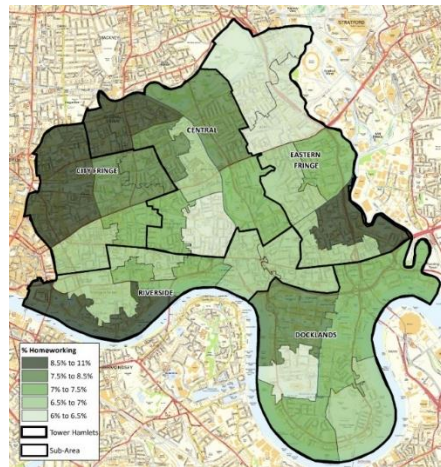
Figure 3.11 Home-working rate across London boroughs, 2011



Source: Census, 2011

3.17 Homeworking rates within Tower Hamlets are generally highest to the north west of the borough (around Brick Lane), with the lowest rates found in Central areas, and around Hackney Wick in the north east.

Figure 3.12 % working from home, 2011

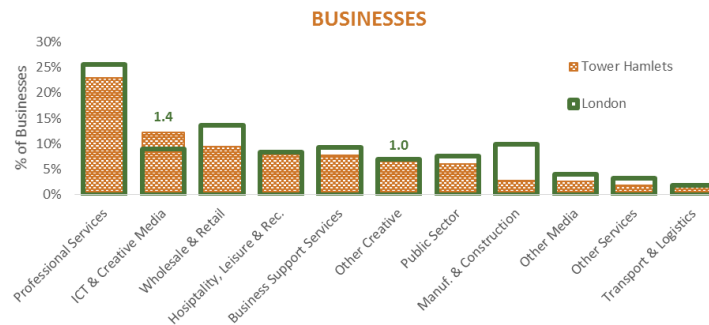
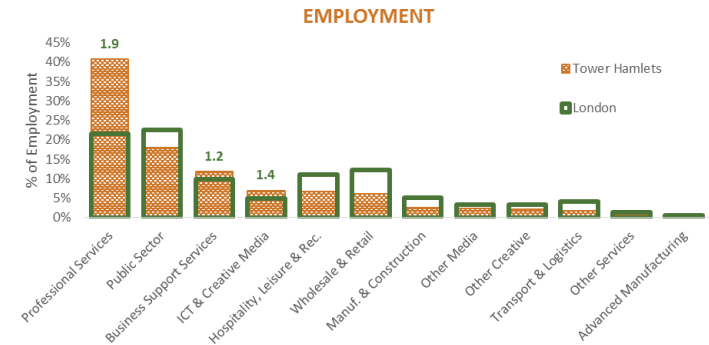


Source: Census, 2011

Sectors and Specialisms

- 3.18 Considered at the broadest level, Tower Hamlets’ largest *employment* sectors are **professional services, the public sector and business support activities**. Combined these three sectors account for 71% of all employment in the borough.
- 3.19 As would be expected, the public sector has a much smaller presence in the *business base*, with **professional services, the ICT & creative media sector and wholesale & retail** accounting for 45% of businesses in the borough.

Figure 3.13 Tower Hamlets’ broad sector breakdown – jobs (top) and businesses (bottom)



Source: ONS BRES (2014), ONS UK Business Count (2015)

N.B. The location quotient (shown for sectors where it is above 1) measures the relative specialism of each sector versus the London average

- 3.20 A more detailed sector breakdown of the Tower Hamlets’ economy is provided overleaf and then explored over the subsequent pages.

Tower Hamlets Growth Sectors and SME Workspace Study

Table 3.2 Detailed Breakdown of Tower Hamlets' Economy

Main Sector	Detailed Sector	Business				Employment			
		UK Business Count				BRES			
		2015		Change 2010		2014		Change 2009	
		No.	% of all	LQ	- 15 (%)	No.	% of all	LQ	- 14 (%)
Manufacturing, Utilities and Transport	Manufacturing and Construction	500	3%	0.3	34%	6,800	7%	0.5	-21%
	Advanced Manufacturing	N/A	N/A	N/A	N/A	700	0%	0.5	74%
	Transport and Logistics	300	2%	0.9	-2%	4,400	2%	0.4	-2%
Local Service Sectors	Wholesale and Retail	1,600	9%	0.7	21%	16,000	6%	0.5	26%
	Hospitality, Leisure and Recreation	1,300	8%	0.9	34%	17,500	7%	0.6	22%
	Public Sector	1,000	6%	0.8	61%	47,300	18%	0.8	32%
	Other Services	300	2%	0.6	34%	1,500	1%	0.4	-7%
Creative and Professional Services	ICT & Digital Media	2,000	12%	1.4	69%	18,300	7%	1.4	91%
	Other Creative services	1,100	7%	1.0	53%	5,700	2%	0.6	80%
	Other Media	400	3%	0.6	38%	5,900	2%	0.7	-30%
	Business Support Services	1,300	8%	0.8	76%	31,000	12%	1.2	53%
	Professional Services	3,800	23%	0.9	65%	106,800	41%	1.9	19%
Tower Hamlets TOTAL		16,700	100%	-	43%	261,800	100%	-	25%
Growth Sectors	Business and Professional Services	5,700	34%	0.9	69%	139,900	53%	1.6	26%
	ICT	2,000	12%	1.3	69%	18,400	7%	1.4	84%
	Creative	3,100	19%	1.1	75%	17,500	7%	0.7	38%
	Science and Technology	3,700	22%	1.0	71%	47,800	18%	0.9	43%

Source: ONS BRES (2014), ONS UK Business Count (2015)

Note: LQ stands for Location Quotient. Cells highlighted green is where specialisms exist i.e. LQ>1

Where there is no data available or where the data falls below confidentiality thresholds, 'N/A' is displayed.

3.21 The data has identified the following key sectors within the Tower Hamlets economy:

- Professional Services** – this sector is by far the largest in Tower Hamlets, largely due to the influence of Canary Wharf and areas of the Tower Hamlets City Fringe neighbouring the City of London. This sector accounts for 106,800 jobs (41% of total employment) and 3,800 businesses (23% of total businesses). The sector is highly concentrated in Tower Hamlets compared to the wider London area, with an employment location quotient of 1.9. The business base has seen considerable growth over the last five years, increasing by 65%.
- ICT & Digital Media** – this sector employs 7% of the workforce (18,300 people) and includes those working in activities such as computer programming, ICT consultancy and telecommunications. It has also experienced significant growth over the last five years, with a 91% increase in employment. This makes it the fastest growing sector in Tower Hamlets. It also has a higher concentration of employment (LQ = 1.4) and businesses (LQ = 1.4) in the borough compared to the London level.
- Other Creative services** – this sector, which includes advertising agencies, creative manufacturing, photographic activities and the performing arts, has experienced strong employment growth over the last five years, increasing by 80%. It currently accounts for 2% of employment and 7% of the business base, showing that a lot of businesses within this sector are small by nature, with the average firm having just over five employees.
- Business Support Services** – this sector accounts for 12% of employment in Tower Hamlets (31,000 jobs). It has a higher

concentration of employment (LQ = 1.2) than the London level, showing the strength of sector in Tower Hamlets. Activities in this sector include recruitment agencies and security firms.

Growth Sectors

The above analysis shows that there is a large degree of overlap between Tower Hamlets' strongest economic sectors and the 'growth sectors':

- All Business and Professional Services** – by far the largest cross-cutting sector, this sector accounts for 53% of all jobs in Tower Hamlets (139,900 jobs). The sector is highly concentrated in Tower Hamlets, with an employment location quotient of 1.6. The sector accounts for 34% of businesses in Tower Hamlets (5,700 businesses), and has experienced a 69% increase in the business base since 2010.
- All ICT activity** – the ICT sector is well specialised in Tower Hamlets, having a high location quotient for both employment (LQ = 1.4) and businesses (LQ = 1.3). The sector accounts for 18,400 jobs (7% of the total workforce), and has experienced rapid employment growth over the last five years (+84%). In addition, the business base has also grown rapidly over the last five years (+69%) and the sector now supports 2,000 businesses.
- All Creative activity** – the creative sector employs a comparable number of people to the ICT sector (17,500 people) and has also experienced high employment growth, increasing by 38% since 2009. The sector currently has a lower employment concentration than the London level, with an employment location quotient of 0.7. However the business base has been growing at a fast rate, increasing by 75% over the last five years,

suggesting that businesses in the sector have become smaller, with the average business now employing 5.6 people.

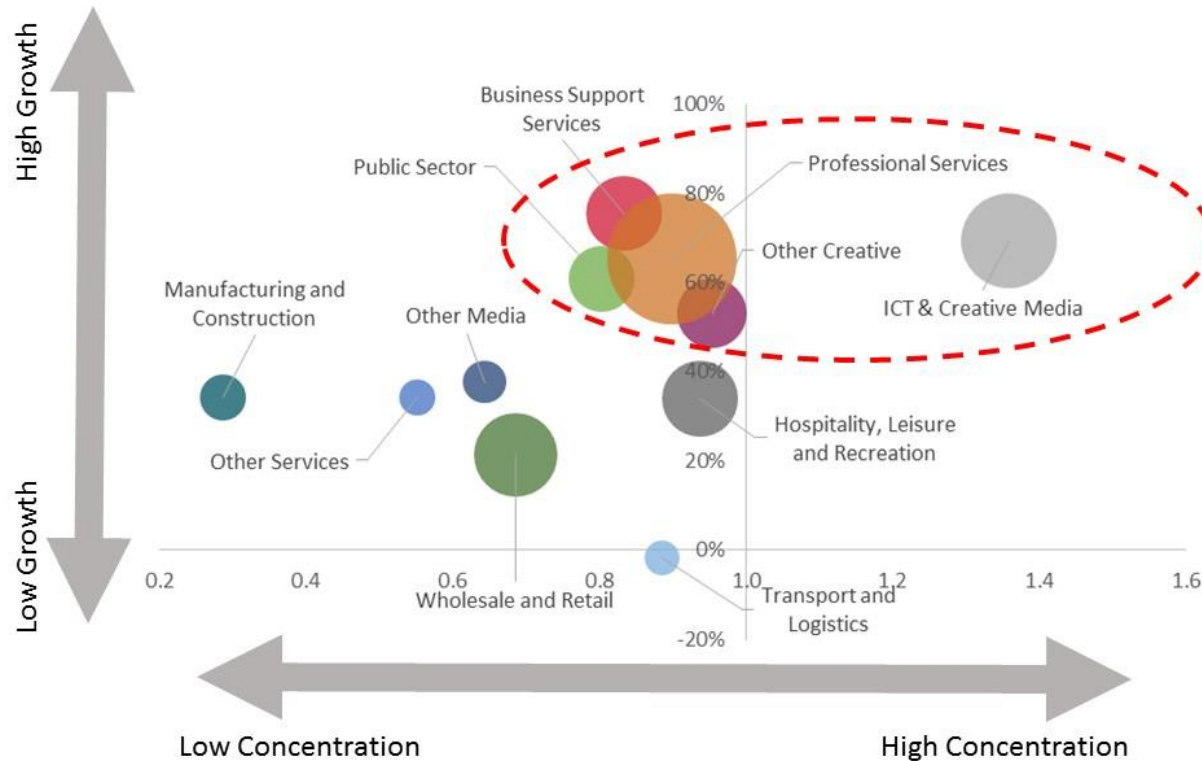
- **Science and Technology** – this sector includes activities such as advanced manufacturing, telecommunications, ICT technicians and scientific research. It accounts for 18% of the workforce in Tower Hamlets (47,800 jobs) and 22% of all businesses (3,700 businesses). This sector has also experienced rapid employment and business growth over the last five years, increasing by 43% and 71% respectively.

3.22 The above analysis is summarised in the following three charts. Figure 3.14 and Figure 3.15 summarise the make-up of Tower Hamlets' business and employment base in terms of their size, degree of specialisations and growth trajectory. Figure 3.16 considers sectors' performance in terms of economic value. From these charts, there are a number of key points to note:

- Over the past five years there has been growth across virtually all sectors of the economy, in both low and high value added sectors.
- The charts emphasise that Tower Hamlets' *specialised* sectors are the **professional services, ICT & Creative media and business support services sectors**. These have high concentrations in both employment and businesses.
- Other sectors with *potential to grow in the future* includes the **other creative services and other media** sectors, both of which have high productivity and have experienced business growth over the last five years.
- Tower Hamlets has strengths across a number of high value added sectors. Many of these sectors have a high potential in

the future and will play an ever increasing role in the development of the borough.

Figure 3.14 Tower Hamlets Sectors: Size, Concentration and Trajectory - **Businesses**



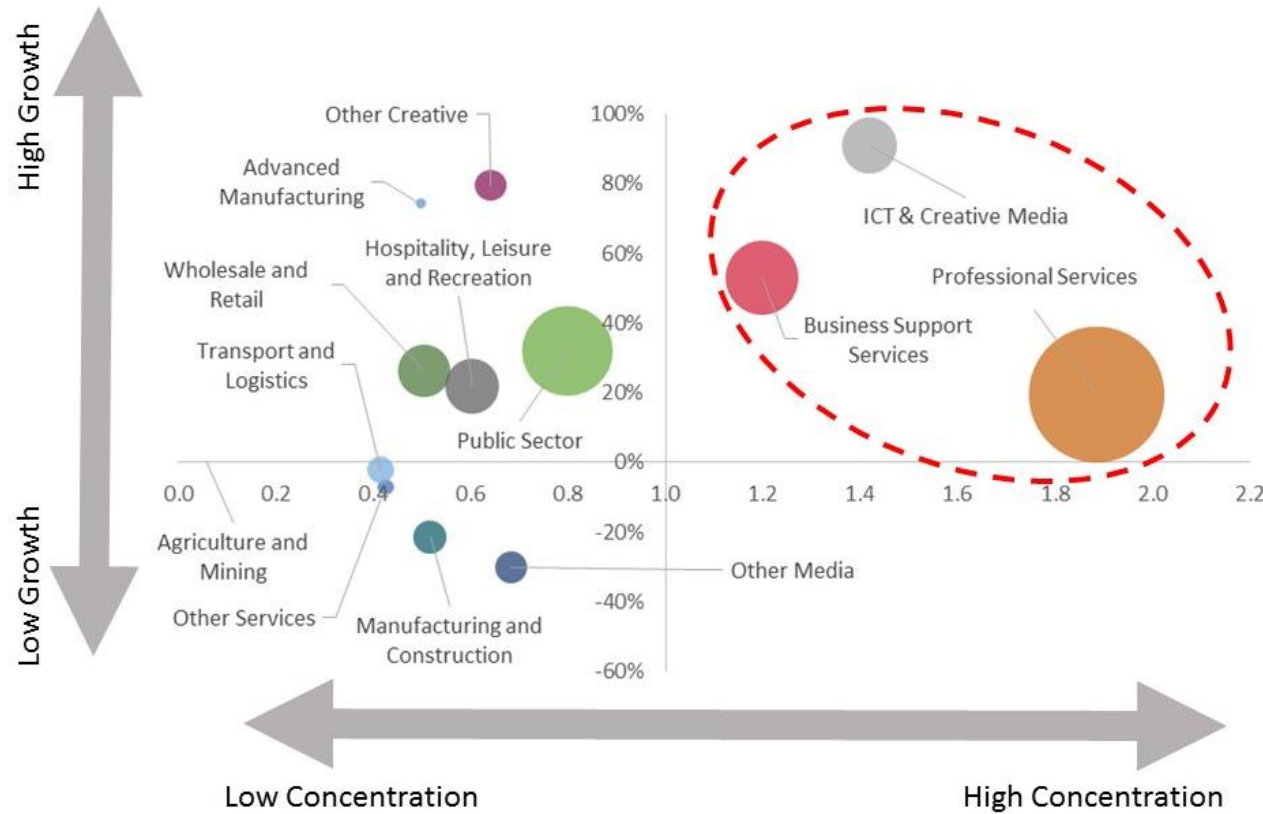
The chart summarises Tower Hamlets’ sectors in terms of their size, degree of specialisation and growth trajectory:

- **Quantum of businesses (2015)** – denoted by the size of the bubble
- **Degree of specialisation (2015)** – concentration (as defined by the location quotient) relative to the London average denoted by the horizontal positioning, with the bubble on the right showing greatest level of specialisation.
- **Sector trajectory (2010 – 15)** – business change denoted by the vertical positioning, with bubbles at the top of the chart showing the greatest level of growth in percentage terms.

The dotted bubble highlights the business sectors which are of particular significance in terms of their degree of specialisation and growth trajectory.

Source: ONS UK Business Count, 2015

Figure 3.15 Tower Hamlets Sectors: Size, Concentration and Trajectory - **Employment**



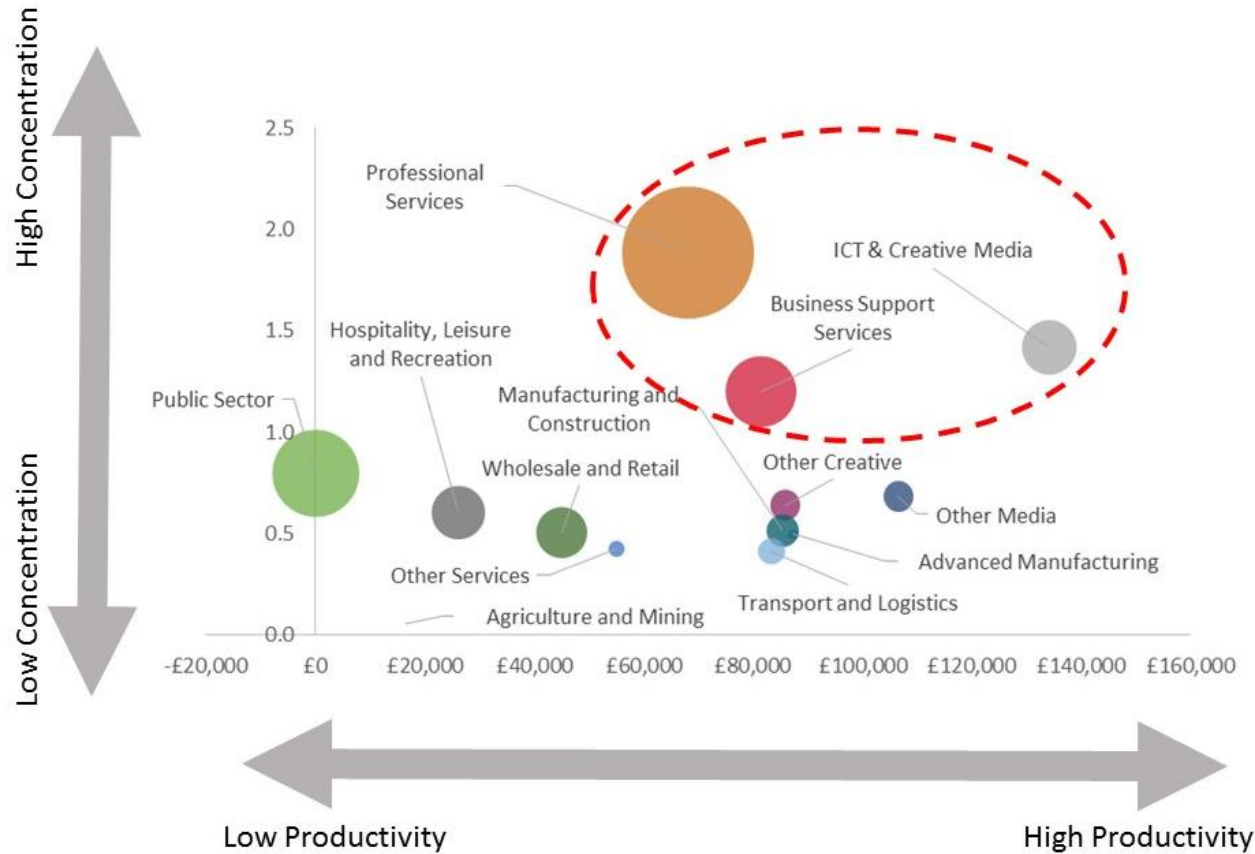
The chart summarises Tower Hamlets' sectors in terms of their size, degree of specialisation and growth trajectory:

- **Quantum of employment (2014)** – donated by the size of the bubble
- **Degree of specialisation (2014)** – concentration (as defined by the location quotient) relative to the London average donated by the horizontal positioning, with the bubble on the right showing greatest level of specialisation.
- **Sector trajectory (2009 – 14)** – employment change denoted by the vertical positioning, with bubbles at the top of the chart showing the greatest level of growth in percentage terms.

The dotted bubble highlights the employment sectors which are of particular significance in terms of their degree of specialisation and growth trajectory.

Source: ONS BRES, 2014

Figure 3.16 Tower Hamlets Sectors: Size, Concentration and Trajectory – **Employment Productivity**



The chart summarises Tower Hamlets’ sectors in terms of their size, degree of specialisation and productivity:

- **Quantum of employment (2014)** – denoted by the size of the bubble
- **Degree of specialisation (2014)** – concentration (as defined by the location quotient) relative to the London average denoted by the vertical positioning, with the bubbles towards the top showing greatest level of specialisation.
- **Productivity (2014)** – average GVA per employee for each sector in London denoted by horizontal positioning with bubbles to the right of the chart showing the highest levels of productivity.

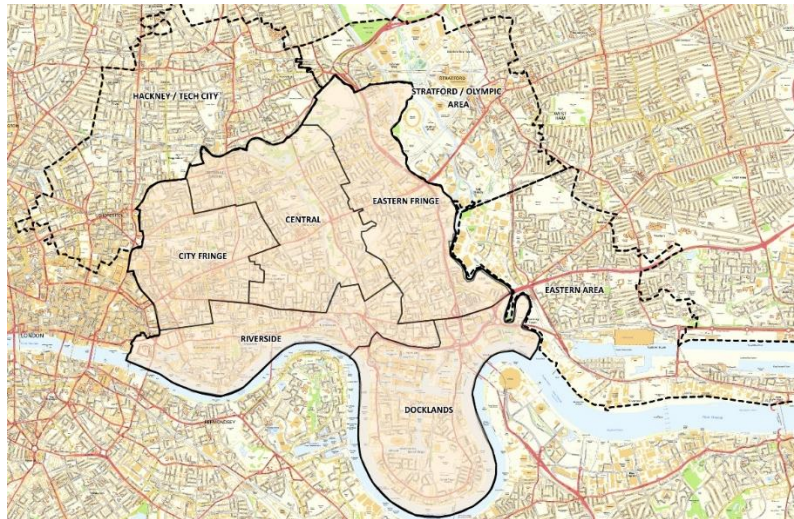
The dotted bubble highlights the employment sectors which are of particular significance in terms of their degree of specialisation and which have relatively high productivities.

Source: ONS BRES, 2014 & UK Regional Accounts, 2014

Economic Functionality

- 3.23 Tower Hamlets plays a pivotal role in the London economy and is home to / part of three regionally significant activity areas; the City of London, Canary Wharf and the Lower Lea Valley.
- 3.24 To better understand the role of Tower Hamlets and how it fits into the surrounding area, it has been analysed using three distinct geographies which surround the borough, namely Hackney/Tech City, Stratford / Olympic Area and the Eastern Area (including the Royal Docks). The map below shows these areas in relation to Tower Hamlets.

Figure 3.17 Map showing areas surrounding Tower Hamlets



Source: Regeneris

- 3.25 A summary of each of these areas is provided below along with their linkages with Tower Hamlets.

- **Hackney / Tech City** – this area encompasses the Shoreditch and Hackney areas, which have undergone rapid transformation over the last 10 years, as Tech City has developed (especially around Old Street). This is reflected in the employment data, which shows the area has a high level of employment in the ICT (16% of total employment) and creative (11%) growth sectors. Noticeably the ICT sector has declined by 2% over the last five years, and this suggests that the area may be becoming unaffordable for some businesses. This is something that Tower Hamlets has been a benefactor of, with some businesses shifting to the area in search of cheaper workspaces.
- **Stratford / Olympic Area** – this area has experienced strong growth over the last five years related to the Olympic development and subsequent housing and commercial developments in the area. Employment has increased by 78% in the last five years, with strong growth in wholesale and retail (233%), the creative (251%) and ICT (162%) sectors. Tower Hamlets has benefitted from this development, with numerous sites in Hackney Wick and Fish Island (to the north east of the borough) experiencing growth in the creative sectors.
- **Eastern Area (Royal Docks)** – the Royal Docks area still retains much of its traditional industrial business base, with a reliance on manufacturing and construction (19% of employment) and hospitality, leisure and recreation. However the area is earmarked for future development, with the Royal Albert Dock set to become a large business district in the very near future.

Table 3.3 Overview of Employment in the surrounding areas

Sector		Hackney/Tech City		Stratford / Olympic		Royal Docks	
		% employ	% change	% employ	% change	% employ	% change
Key Sectors	Public Sector	22%	24%	18%	11%	21%	-5%
	Business Support Services	7%	-25%	14%	32%	6%	20%
	Wholesale and Retail	7%	40%	25%	233%	9%	2%
	Manufacturing and Construction	3%	14%	9%	29%	19%	13%
	Hospitality, Leisure and Recreation	10%	33%	11%	303%	19%	-6%
	Professional Services	21%	14%	12%	62%	6%	26%
Growth Sectors	Business and Professional Services	34%	10%	21%	22%	12%	16%
	ICT	16%	-2%	2%	162%	5%	66%
	Creative	11%	27%	3%	251%	3%	68%
	Science and Technology	29%	11%	8%	72%	12%	-5%
Sub-Area Total		100%	12%	100%	78%	100%	10%

Source: BRES, 2014

Economic Locations

3.26 To provide a more detailed examination of the Tower Hamlets economy, the borough has been divided into five sub-areas along MSOA boundaries. The sub-areas are:

- **Central** – a largely residential area, with a few key town centres along Roman Road (including Bethnal Green). It is increasingly influenced by its close proximity to Hackney (to the North).
- **Tower Hamlets City Fringe** – the area is heavily influenced by the neighbouring City of London and the development of the creative sector around Brick Lane. Another key employment areas is around Old Spitalfield Market and the Bishopgate Road Corridor.
- **Docklands** – is dominated by financial district at Canary Wharf and the associated business and residential zones nearby. The area has experienced a high level of residential and commercial development over the last decade.
- **Eastern Fringe** – this area is largely residential, although has been heavily influenced by the Olympic development (especially around Hackney Wick). There are some areas of employment clustering largely along the banks of the River Lea (along the Eastern edge of the area).
- **Riverside** – is a largely residential area, except in the west near to Tower Gateway. The area has been earmarked for future development.

3.27 The table below provides a summary of the key population, employment, business and enterprise performance of each of the sub-areas. Notable findings from this are as follows:

- Over half of businesses in Tower Hamlets (59%) are located in the Tower Hamlets City Fringe and Docklands sub-areas, even though they only account for 37% of the population. These two sub-areas also account for nearly four-fifths of employment in the borough (78%).
- The Central and Eastern Fringe areas have the highest proportion of the business base employing fewer than five employees, accounting for over three-quarters of the business base.
- All sub-areas have experienced employment and business growth in recent years, with the Docklands, Tower Hamlet City Fringe and Eastern Fringe experiencing the highest level of employment growth.
- Self-employment and homeworking level are almost identical across the borough, all of which are lower than experienced across London.

Tower Hamlets Growth Sectors and SME Workspace Study

Table 3.4 Summary of Population, Employment, Business and Enterprise Indicators for the sub-areas

Indicator	Central	Tower Hamlets City Fringe	Docklands	Eastern Fringe	Riverside	Tower Hamlets	London
Population (Census, 2011)							
Resident Population	71,400	52,500	42,600	44,100	43,500	254,100	8,174,000
% of total population	28%	21%	17%	17%	17%	100%	-
% aged between 16 and 64	72%	77%	79%	69%	74%	74%	69%
Businesses (UK Business Count & IDBR, 2015)							
No. of businesses	2,460	5,400	4,400	2,000	2,400	16,650	505,000
% of total businesses	15%	32%	26%	12%	14%	100%	-
% change (2010-15)	+47%	+39%	+50%	+45%	+37%	+43%	+29%
Employment (BRES, 2014)							
No. of jobs	19,970	60,300	145,200	14,600	21,800	261,820	4,854,000
% of total jobs	8%	23%	55%	6%	8%	100%	-
% change (2009-14)	+8%	+20%	+34%	+20%	+4%	+25%	+14%
Enterprise (Census, 2011)							
% self employed	9%	9%	9%	7%	9%	9%	11%
% homeworking	8%	8%	7%	7%	7%	8%	10%

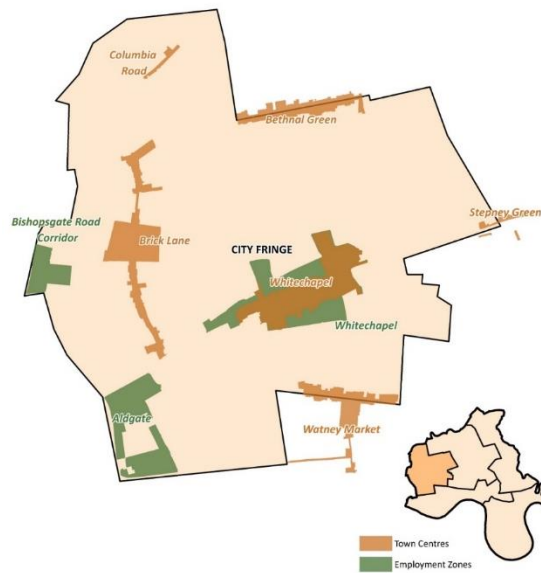
Source: Regeneris Consulting based on UK Business Count (2015), BRES (2014) & Census (2011)

Focus on... Tower Hamlets City Fringe

Overview of Economy

3.28 The Tower Hamlets City Fringe area is a mixed area, heavily influenced by developments in the City of London and Tech City. It contains a number of Tower Hamlets’ key town centre and employment areas including Whitechapel, Brick Lane, Aldgate and Bishopsgate Road Corridor. It has a resident population of 52,500 and provides 60,300 jobs.

Figure 3.18 Map of the Tower Hamlets City Fringe Area



Source: Regeneris Consulting

3.29 The Tower Hamlets City Fringe has performed well over the last five years, with 20% employment growth since 2009 and a 39% increase in the business base since 2010.

3.30 The Tower Hamlets City Fringe has a relatively specialised economy, with strengths in professional services (30% of jobs), the public sector (26%) and hospitality, leisure and recreation (10%). The area has a higher concentration of employment in ICT & Creative Media (LQ = 1.6) and the other creative (LQ = 1.4) sectors than London, with both sectors also experiencing high employment growth over the last five years (78% and 113% respectively).

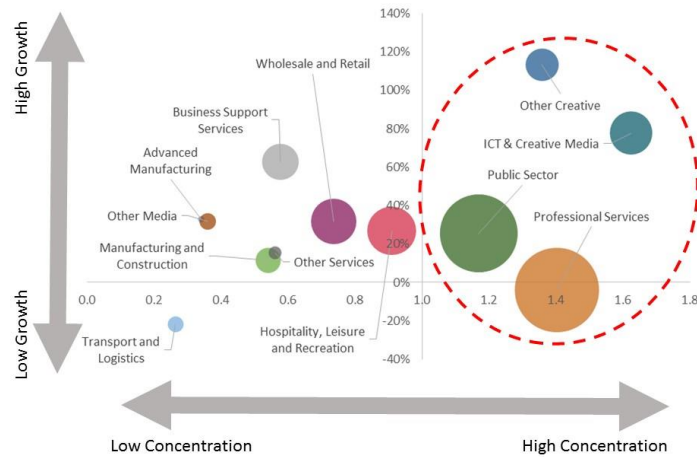
Table 3.5 Five Largest Employing Sectors and Cross-cutting sectors

	Businesses		Employment		
	UK Business Count		UK BRES		
	No.	%	No.	%	
Largest Sectors	Professional Services	1,200	22%	18,300	30%
	Public Sector	400	7%	15,900	26%
	Hospitality, Leisure & Recreation	500	9%	6,100	10%
	Wholesale & Retail	800	14%	5,400	9%
	ICT & Creative Media	500	8%	4,800	8%
Growth Sectors	Business and Professional Services	1,900	35%	23,100	38%
	ICT	500	8%	4,800	8%
	Creative	1,000	19%	6,800	11%
	Science and Technology	1,100	21%	18,200	30%
Sub-Area Total	5,400	100%	60,300	100%	

Source: Regeneris Consulting based on UK Business Count and BRES

3.31 The chart below highlights the importance of the professional services, ICT & Creative Media and other creative sectors in the Tower Hamlets City Fringe economy. These are sectors which are currently highly specialised in the area, and are showing strong employment growth.

Figure 3.19 Tower Hamlets City Fringe Area Sub Sectors: Size, Concentration and Trajectory



Source: BRES, 2014

Note: Size of the bubble = Quantum of employment (2014)

Horizontal positioning = Degree of specialisation, measured by the location quotient (2014)

Vertical positioning = Sector trajectory or employment change (2009 – 14)

The dotted bubble highlights the business sectors which are of particular significance in terms of their degree of specialisation and growth trajectory.

Town Centres and Employment Areas

3.32 The town centres and employments areas in the Tower Hamlets City Fringe account for two-thirds of employment in the sub-area, with a large part within three employment areas. Bishopsgate Road Corridor (17% of employment), Aldgate (16%) and Whitechapel (17%) account for half of the area’s employment, but only 16% of all businesses.

Table 3.6 Overview of Business and Employment in the Tower Hamlets City Fringe sub-area

Area	Businesses		Employment	
	UK IDBR		UK IDBR	
	No.	% of all	No.	% of all
TH City Fringe sub-area	4,600*	100%	58,000*	100%
Town Centres				
Brick Lane	300	7%	2,900	5%
Columbia Road	<100	1%	200	0%
Whitechapel	300	6%	8,700	15%
<i>Bethnal Green**</i>	100	2%	1,000	2%
<i>Stepney Green**</i>	100	1%	300	1%
<i>Watney Market**</i>	100	2%	900	2%
All district/ town centres	900	19%	14,000	24%
Key Employment Areas				
Bishopsgate Road Corridor	100	2%	9,900	17%
Aldgate	300	7%	9,300	16%
Whitechapel	300	7%	9,700	17%

All industrial/ employment areas	700	16%	28,900	50%
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Source: Regeneris Consulting based on IBDR Data

Note: * IDBR data is slightly different from BRES and UK Business Count as they are calculated in different ways.

** These town centres/employment area overlap two sub-areas

Economic Functionality

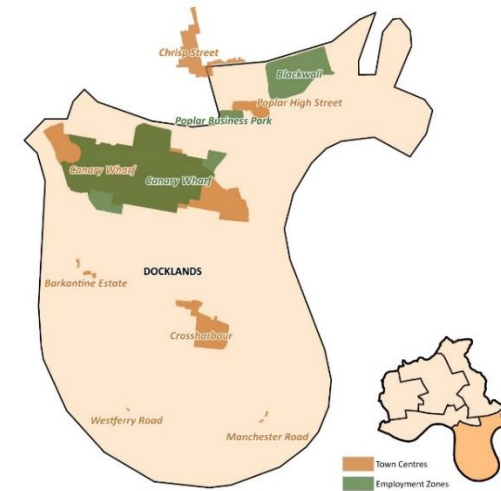
- 3.33 The Tower Hamlets City Fringe has a close relationship with Tech City and the City of London; these have a strong influence on the area's economy. The high concentration of activity in professional services (LQ = 1.4), ICT & creative media (1.6) and other creative services (1.4) shows the strong connections the area has to these wider areas.

Focus on... Docklands

Overview

- 3.34 The Docklands area is dominated by the financial district at Canary Wharf. It has a growing resident population of 42,600 (in 2011), but during the day, the workplace population trebles to 145,200.

Figure 3.20 Map of Docklands Area



Source: Regeneris Consulting

- 3.35 The Docklands has experienced the highest employment and business growth across the five sub-areas, impressive given its high start position. There has been employment growth of 34% since 2009 and a 50% increase in the business base since 2010.
- 3.36 The Docklands area is highly dependent on business and professional services, with nearly three-quarters of employment (71%) in this sector, giving it a location quotient of 2.2 relative to London. Many others businesses in the area serve as suppliers to the financial district at Canary Wharf, with business support services employing 16% of the workforce. The ICT and creative media sector is an increasingly prominent sector in the Docklands, currently accounting for 19% of the business base and has seen employment grow by 130% over the last five years.

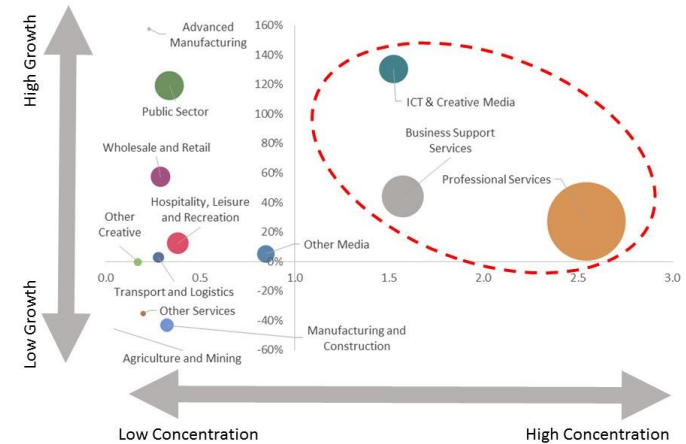
Table 3.7 Five Largest Employing Sectors and Cross-cutting sectors

		Businesses		Employment	
		UK Business Count		UK BRES	
		No.	%	No.	%
Largest Sectors	Professional Services	1,400	31%	80,000	55%
	Business Support Services	400	10%	22,600	16%
	Public Sector	200	5%	11,000	8%
	ICT & Creative Media	800	19%	10,900	7%
	Hospitality, Leisure and Recreation	300	7%	6,100	4%
Growth Sectors	Business and Professional Services	1,900	43%	102,800	71%
	ICT	800	19%	10,900	7%
	Creative	900	19%	7,100	5%
	Science and Technology	1,200	27%	18,900	13%
	Sub-Area Total	4,400	100%	145,200	100%

Source: Regeneris Consulting based on UK Business Count and BRES

3.37 The chart below further highlights the importance of the professional services, business support services and the ICT and creative media sectors in the Docklands economy. These are sectors which are currently highly specialised in the area, and are showing strong employment growth.

Figure 3.21 Docklands Area Sub Sectors: Size, Concentration and Trajectory



Source: BRES, 2014

Note: Size of the bubble = Quantum of employment (2014)

Horizontal positioning = Degree of specialisation, measured by the location quotient (2014)

Vertical positioning = Sector trajectory or employment change (2009 – 14)

The dotted bubble highlights the business sectors which are of particular significance in terms of their degree of specialisation and growth trajectory.

Town Centres and Employment Areas

3.38 As would be expected the employment area at Canary Wharf dominates employment in the Docklands, accounting for 70% of all employment, although only 27% of the business base.

Table 3.8 Overview of Business and Employment in the Docklands Area

Area	Businesses		Employment	
	UK IDBR		UK IDBR	
	No.	% of all	No.	% of all
Docklands sub-area	3,600*	100%	146,200*	100%
<i>Town Centres</i>				
Barkantine Estate	<100	0%	100	0%
Canary Wharf	1,000	27%	101,900	70%
Crossharbour	<100	1%	3,800	3%
Poplar High Street	<100	0%	100	0%
All district/ town centres	1,000	29%	105,900	72%
<i>Key Employment Areas</i>				
Blackwall	<100	1%	3,400	2%
Canary Wharf	900	26%	101,300	69%
Poplar Business Park	<100	1%	300	0%
All industrial/ employment areas	1,000	28%	105,000	72%

Source: Regeneris Consulting based on IBDR Data

Note: * IDBR data is slightly different from BRES and UK Business Count as they are calculated in different ways.

No data available for Manchester Road or Westferry Road centres.

Economic Functionality

3.39 The Docklands currently has relatively few links with neighbouring areas, in part due to the enclosed geography of the area due to the River Thames and the nature of the financial industry at Canary Wharf.

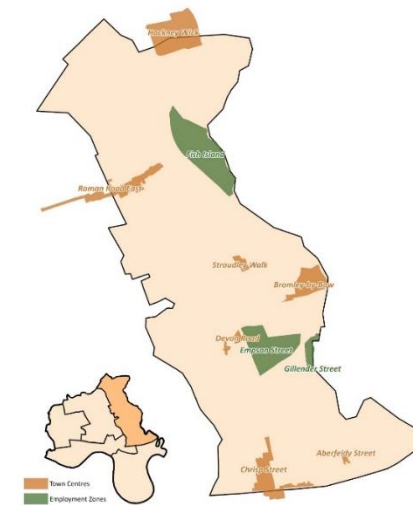
3.40 Whilst enclosed, it does have strong links to the City and wider global economies, and these are likely to further strengthened in the near future with the arrival of Crossrail at Canary Wharf.

Focus on... Eastern Fringe

Overview

3.41 The Eastern Fringe area is a largely residential area, with a resident population of 44,100 and providing 14,600 jobs.

Figure 3.22 Map of the Eastern Fringe Area



Source: Regeneris Consulting

3.42 The Eastern Fringe has experienced the second highest level of employment and business growth out of the five sub-areas in Tower Hamlets. Employment growth in the Eastern Fringe has been 20%

since 2009 and there has been a 45% increase in the business base since 2010.

- 3.43 The public sector is the largest employer in the Eastern Fringe, employing 4,200 people (29% of the workforce). Business support services and the wholesale and retail sector are the next largest sectors, and combined these three sectors account for over half of employment (56%).
- 3.44 The manufacturing and construction sector in the Eastern Fringe is well specialised compared to the wider London area, employing 1,700 people and having a location quotient of 2.3. Advanced manufacturing is even more specialised, with a location quotient of 4.6, and has experienced employment growth of 158% since 2009.
- 3.45 The creative sector is another sector which has experienced high employment growth in the last five years (89%) and currently employs 600 people in the area. The business and professional services sector has experienced the highest employment in growth in the last five years (141%), and accounts for two out of every three jobs created in the sub-area in the last five years.

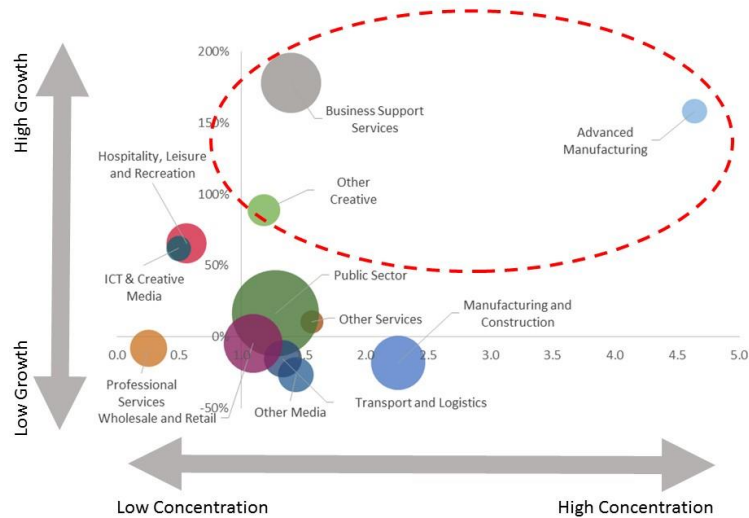
Table 3.9 Five Largest Employing Sectors and Cross-cutting sectors

	Businesses		Employment		
	UK Business Count		UK BRES		
	No.	%	No.	%	
Largest Sectors	Public Sector	100	6%	4,200	29%
	Business Support Services	100	7%	2,000	14%
	Wholesale & Retail	200	9%	1,900	13%
	Manufacturing & Construction	100	3%	1,700	11%
	Hospitality, Leisure & Recreation	100	7%	900	6%
Growth Sectors	Business and Professional Services	400	22%	3,000	21%
	ICT	200	9%	400	2%
	Creative	300	16%	700	5%
	Science and Technology	400	18%	1,600	11%
Sub-Area Total		2,000	100%	14,600	100%

Source: Regeneris Consulting based on UK Business Count and BRES

- 3.46 The chart below further highlights the importance of the advanced manufacturing, business support services and other creative sector in the Eastern Fringe economy. These are sectors which are currently highly specialised in the area, and are showing strong employment growth.

Figure 3.23 Eastern Fringe Area Sub Sectors: Size, Concentration and Trajectory



Source: BRES, 2014

Note: Size of the bubble = Quantum of employment (2014)

Horizontal positioning = Degree of specialisation, measured by the location quotient (2014)

Vertical positioning = Sector trajectory or employment change (2009 – 14)

The dotted bubble highlights the business sectors which are of particular significance in terms of their degree of specialisation and growth trajectory.

Town Centres and Employment Areas

3.47 The town centres and employment areas in the Eastern Fringe currently account for 37% of total employment. The largest employment area is Fish Island, which accounts for 14% of total employment, followed by Roman Road East (6%).

Table 3.10 Overview of Business and Employment in the Eastern Fringe sub-area

Area	Businesses		Employment	
	UK IDBR		UK IDBR	
	No.	% of all	No.	% of all
Docklands sub-area	1,700*	100%	14,500*	100%
Town Centres				
Aberfeldy Street	<100	1%	<100	0%
Bromley-by-Bow	<100	0%	200	2%
Chrisp Street	100	6%	700	5%
Devon Road	<100	0%	<100	0%
Hackney Wick	<100	3%	400	3%
Roman Road East	200	10%	800	6%
All district/town centres	300	20%	2,200	15%
Key Employment Areas				
Empson Street	<100	2%	1,100	7%
Fish Island	100	5%	2,100	14%
All industrial/employment areas	100	7%	3,100	22%

Source: Regeneris Consulting based on IBDR Data

Note: * IDBR data is slightly different from BRES and UK Business Count as they are calculated in different ways.

No data available for Stroudley Walk or Gillender Street

Economic Functionality

3.48 The Eastern Fringe’s relationships with neighbouring areas vary across the sub-area. In the southern area of the Eastern Fringe, there

are strong links with the manufacturing sector in the Royal Docks, which is highly specialised relative to other employment (LQ = 3.7). In addition the transport and logistics sector in the Royal Docks is also highly specialised (LQ = 3.1) and combined these two sectors account for nearly a third of employment (32%).

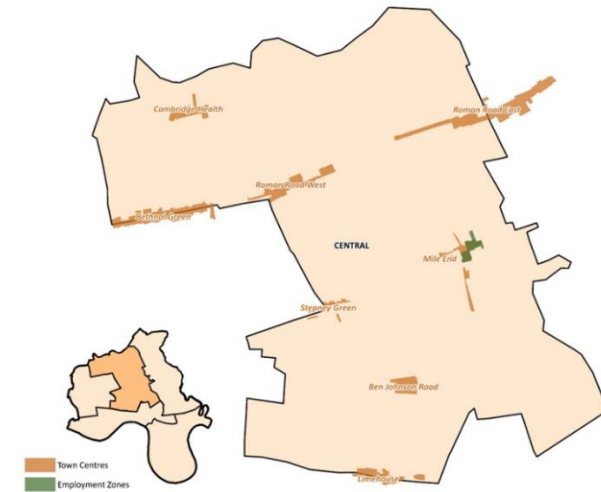
- 3.49 In the northern part of the Eastern Fringe, there are stronger links to Stratford and the Olympic Park, which has seen an increase in activity around the creative sector (which has increased by 251% since 2009). Employment in the Stratford area has increased by 78% over the last five years, and areas such as Hackney Wick have benefitted from the Olympic investment in the area.

Focus on... Central Tower Hamlets

Overview

- 3.50 The Central area is a largely residential area, with a resident population of 71,400, and around 20,000 jobs.

Figure 3.24 Map of Central Area



Source: Regeneris Consulting

- 3.51 The Central area has had modest employment and business growth over the last five years, however it is below the Tower Hamlets level in both cases. Employment growth since 2009 has been 14% since 2009 compared to 25% across the borough, whereas business growth has been 37% since 2010 compared to 43% across the borough.
- 3.52 The public sector is very dominant in the Central area, accounting for 59% of all employment. Other prominent sectors in the area are also in sectors with lower productivity, with the next largest sectors being the hospitality, leisure and recreation (1,900 jobs), and wholesale and retail (1,800 jobs) sectors.

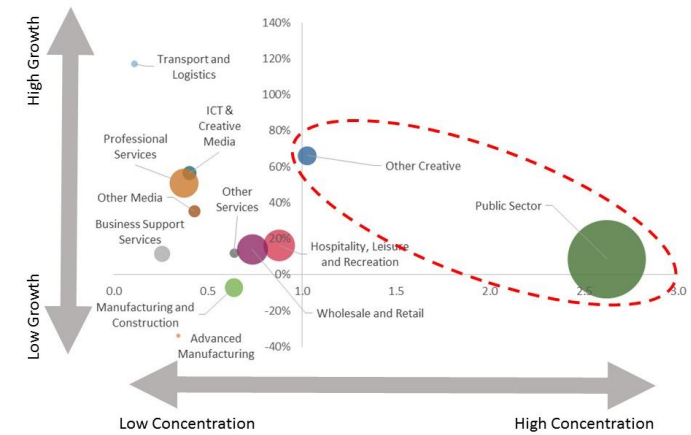
Table 3.11 Five Largest Employing Sectors and Cross-cutting sectors

		Businesses		Employment	
		UK Business Count		UK BRES	
		No.	%	No.	%
Largest Sectors	Public Sector	200	9%	11,800	59%
	Hosp., Leisure & Recreation	200	8%	1,900	10%
	Wholesale & Retail	200	7%	1,800	9%
	Professional Services	300	13%	1,600	8%
	Other Creative	200	10%	700	4%
Growth Sectors	Business and Professional Services	600	25%	2,400	12%
	ICT	200	9%	400	2%
	Creative	500	20%	1,100	5%
	Science and Technology	500	20%	5,800	29%
	Sub-Area Total	2,500	100%	20,000	100%

Source: Regeneris Consulting based on UK Business Count and BRES

3.53 The chart below further highlights the importance of the public sector and other creative sector in the Central area economy. These are sectors which are currently highly specialised in the area, and are showing strong employment growth.

Figure 3.25 Central Area Sub Sectors: Size, Concentration and Trajectory



Source: BRES, 2014

Note: Size of the bubble = Quantum of employment (2014)

Horizontal positioning = Degree of specialisation, measured by the location quotient (2014)

Vertical positioning = Sector trajectory or employment change (2009 – 14)

The dotted bubble highlights the business sectors which are of particular significance in terms of their degree of specialisation and growth trajectory.

Town Centres and Employment Areas

3.54 Businesses and employment in the Central area are not concentrated in town centres and employment areas as much as seen in other sub-areas in Tower Hamlets. Only 19% of all employment and 27% of businesses are in these areas, with the rest found elsewhere. There is a high concentration of sole traders in the northern part of the sub-area, towards Hackney.

Table 3.12 Overview of Business and Employment in the Central Area

Area	Businesses		Employment	
	UK IDBR		UK IDBR	
	No.	% of all	No.	% of all
Central sub-area	2,100*	100%	19,200*	100%
Town Centres				
Ben Johnson	<100	1%	100	0%
Cambridge Heath	<100	2%	100	1%
Mile End	100	2%	200	1%
Roman Road West	100	4%	600	3%
Stepney Green	100	3%	600	2%
<i>Bethnal Green**</i>	<i>100</i>	<i>5%</i>	<i>1,000</i>	<i>5%</i>
<i>Limehouse**</i>	<i><100</i>	<i>2%</i>	<i>500</i>	<i>2%</i>
<i>Roman Road East**</i>	<i>200</i>	<i>8%</i>	<i>800</i>	<i>4%</i>
All district/ town centres	600	26%	3,600	19%
Key Employment Areas				
Mile End	<100	1%	100	0%
All industrial/ employment areas	<100	1%	100	0%

Source: Regeneris Consulting based on IBDR Data

Note: * IDBR data is slightly different from BRES and UK Business Count as they are calculated in different ways.

** These town centres/employment area overlap two sub-areas

Economic Functionality

3.55 The northern area of the Central sub-area has strong links with Hackney given its close proximity. Both areas have experienced similar levels of employment growth in the last five years (Central =

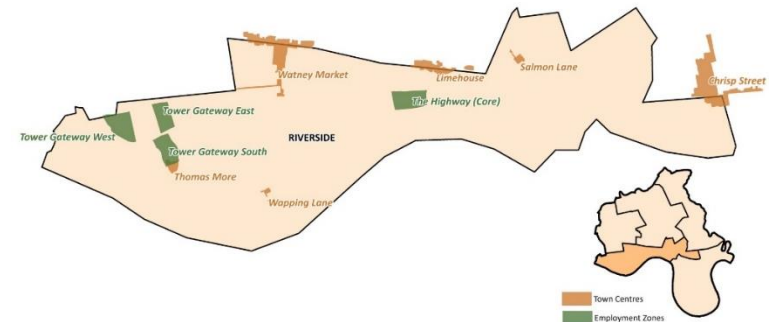
14%, Hackney/Tech City = 12%), and a large part of this has been in the creative sector with the Central sub-area experiencing a 74% increase in employment.

Focus on... Riverside

Overview

3.56 The Riverside area is a largely residential area, which has been earmarked for future development. There are some key employment sites to the west of the area, especially around Tower Gateway. It has a resident population of 43,500 and provides 21,800 jobs.

Figure 3.26 Map of the Riverside Area



Source: Regeneris Consulting

3.57 Although employment and business growth has been positive in the Riverside area, it is the weakest performing sub-area in Tower Hamlets. Employment growth since 2009 has been 4% and there has been a 37% increase in the business base since 2010.

3.58 The two largest sectors in Riverside are professional services and the public sector, which combined account for nearly half (48%) of all

employment in the area and a third of businesses (32%). Sectors which have had strong employment growth in the last five years include the other creative (170%) and business support services (45%) sectors. Sectors in Riverside which have a higher concentration of employment than London are ICT & creative media (LQ = 1.7) and transport and logistics (LQ = 1.4).

Table 3.13 Five Largest Employing Sectors and Cross-cutting sectors

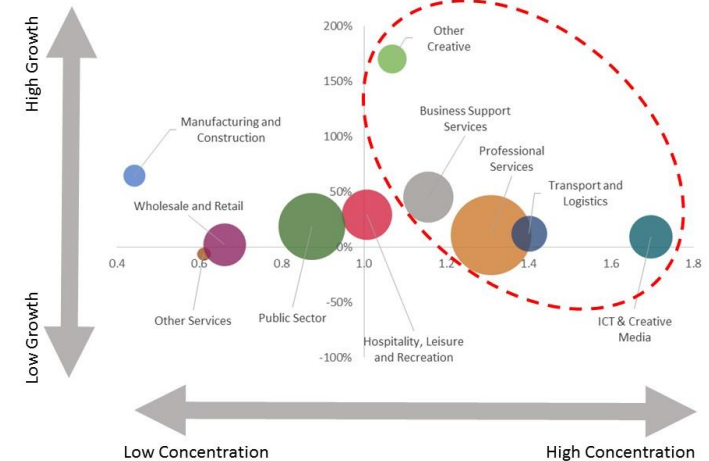
		Businesses		Employment	
		UK Business Count		UK BRES	
		No.	%	No.	%
Largest Sectors	Professional Services	700	28%	6,200	28%
	Public Sector	100	4%	4,300	20%
	Business Support Services	200	7%	2,500	11%
	Hospitality, Leisure & Recreation	200	6%	2,400	11%
	ICT & Creative Media	400	15%	1,800	8%
Growth Sectors	Business and Professional Services	900	37%	8,600	39%
	ICT	400	15%	1,800	8%
	Creative	400	18%	1,800	8%
	Science and Technology	500	21%	3,300	15%
	Sub-Area Total	2,400	100%	21,800	100%

Source: Regeneris Consulting based on UK Business Count and BRES

3.59 The chart below further highlights the importance of several sectors to the Riverside economy. There are a number of sectors included within the dotted circle, which shows the potential that the area may

have in the future. These are sectors which are currently highly specialised in the area, and are showing strong employment growth.

Figure 3.27 Riverside Area Sub Sectors: Size, Concentration and Trajectory



Source: BRES, 2014

Note: Size of the bubble = Quantum of employment (2014)

Horizontal positioning = Degree of specialisation, measured by the location quotient (2014)

Vertical positioning = Sector trajectory or employment change (2009 – 14)

The dotted bubble highlights the business sectors which are of particular significance in terms of their degree of specialisation and growth trajectory.

Town Centres and Employment Areas

3.60 The town centres and employment areas in Riverside account for just under a third of employment (30%) and 18% of businesses. The employment areas around Tower Gateway (West, South and East)

account for the highest concentration of employment in the Riverside sub-area, which combined account for 4,000 jobs (19% of the total).

Table 3.14 Overview of Business and Employment in the Riverside sub-area

Area	Businesses		Employment	
	UK IDBR		UK IDBR	
	No.	% of all	No.	% of all
Riverside sub-area	2,000*	100%	20,900*	100%
<i>Town Centres</i>				
Salmon Lane	<100	1%	100	0%
Wapping Lane	<100	1%	100	1%
Limehouse**	<100	2%	500	2%
Watney Market**	100	5%	900	4%
All district/ town centres	200	9%	1,600	8%
<i>Key Employment Areas</i>				
Tower Gateway West	<100	2%	900	4%
Tower Gateway South	100	5%	2,500	12%
Tower Gateway East	<100	1%	600	3%
The Highway	<100	1%	600	3%
All industrial/ employment areas	200	9%	4,600	22%

Source: Regeneris Consulting based on IBDR Data

Note: * IDBR data is slightly different from BRES and UK Business Count as they are calculated in different ways.

** These town centres/employment area overlap two sub-areas

No data available for Thomas More town centre

Economic Functionality

- 3.61 Given Riverside’s proximity to the City of London on the western fringe, and Canary Wharf on the eastern fringe, it is understandable that the area has strong relationships with each of these. Riverside’s strong performance in professional services (accounting for 28% of employment) shows that it benefits from its geographical location in this respect.

Summary of Findings

Characteristics and performance of the Growth Sectors

- 3.62 The analysis of Tower Hamlets’ economy shows that it is performing strongly, with strong growth across nearly all sectors and locations.
- 3.63 There are concentrations of employment and business activity around the borough’s main town centres and employment areas – most notably Canary Wharf, Whitechapel, Brick Lane and Aldgate. Many of these locations have strong concentrations of activity in the growth sectors and have seen strong growth in recent years.
- 3.64 The table below provides a summary of the analysis detailed above, including strength of the growth sectors, the most important local economic hubs, and a broad economic classification that best describe the economic characteristics of each local economic hub.

Table 3.15 Summary of Economic Strengths and Performance

	Current Size of Economy	Recent Economic Performance	Growth Sectors				Economic Linkages	Local Economic Hubs*	Accessibility	Indicative Economic Category
			ICT and Digital	Creative Industries	Science and Tech	Professional Services				
Tower Hamlets City Fringe	£££	↑↑↑	↑↑	↑↑↑	↑↑	↑↑	<ul style="list-style-type: none"> City of London Hackney/ Tech City 	Aldgate	✓✓✓	ESTABLISHED OFFICE
								Whitechapel	✓✓	LOCALLY DISTINCTIVE; EMERGING TECH / CREATIVE
								Brick Lane	✓✓	LOCALLY DISTINCTIVE; EMERGING TECH / CREATIVE
Central	£	↑	↑↑	↑↑	↑	↑↑	<ul style="list-style-type: none"> Hackney/ Tech City 	Bethnal Green	✓✓	NASCENT TECH / CREATIVE
								Cambridge Heath	✓✓	NASCENT TECH / CREATIVE
								Roman Road	✓	LOCALLY DISTINCTIVE; LOCAL SERVICE
								Stepney Green	✓	LOCALLY DISTINCTIVE; LOCAL SERVICE
Docklands	£££	↑↑↑	↑↑↑	↑↑	↑↑↑	↑↑	<ul style="list-style-type: none"> City of London & global markets 	Canary Wharf	✓✓✓	ESTABLISHED OFFICE
Riverside	£	↑		↓↓	↓↓	↑↑	<ul style="list-style-type: none"> City of London 	Tower Gateway	✓✓✓	ESTABLISHED OFFICE
								Limehouse / Wapping	✓✓	LOCALLY DISTINCTIVE
Eastern Fringe	£	↑↑	↑↑	↑↑	↑↑	↑↑↑	<ul style="list-style-type: none"> Stratford/ Olympic Royal Docks 	Hackney Wick	✓	INDUSTRIAL & NASCENT TECH
								Fish Island	✓	INDUSTRIAL & NASCENT TECH
								Bromley by Bow	✓	INDUSTRIAL & NASCENT TECH

Note: Cells highlighted in green have a location quotient above 1, i.e. they are more specialised than in London. The ↑ represents the growth rate of the sector over the last five years.

*Note: some economic hubs cross across 'sub-areas'; see previous maps for clarity.

Implications for SME Workspace

- 3.65 The sector and business characteristics of the Tower Hamlets economy has clear implications for the supply of and demand for SME workspace – both in terms of the types of space required in different parts of the Borough and in terms of flexibility and affordability considerations.
- 3.66 At the one end of the spectrum, established **office locations** (such as Aldgate and Canary Wharf) are likely to prove attractive to established and larger employers to whom issues of flexibility and affordability are likely to be of lesser importance.
- 3.67 **Emerging and nascent technology areas** (such as Whitechapel, Bethnal Green and Cambridge Heath) are characterised by smaller employers and start-ups, with strengths in creative service and technology focused activities. Demand is likely to be greater in these locations for a broader range of spaces which allow flexibility in terms of leases and which provide supportive and ‘community’ environments to allow networking and collaboration. Affordability is likely to be a key concern, particularly as locations move from being ‘nascent’ to ‘established’ and as increased demand is reflected in market rates.
- 3.68 **Industrial areas** (largely to the east of the Borough) are characterised by a broader mix of creative activities – from technology focused services to making and artists. Again, demand in these locations will be for spaces which allow a strong degree of flexibility in terms of leases and which provide supportive and ‘community’ environments. Affordability is likely to be a key concern.
- 3.69 In addition, Tower Hamlets is home to a number of **locally distinctive** locations, such as Whitechapel and Brick Lane. These are locations which are characterised by economic and / or cultural characteristics

which provide local identity and which distinguish them in wider economic contexts. In many cases the long established businesses and activities which provide this identity are threatened by evolving market forces such as increasing rents and redevelopment. These businesses are likely to require protection and re-provision of appropriate spaces (alongside targeted support where necessary) in order to survive.

- 3.70 The implications of these economic characteristics in terms of supply of SME workspace is explored in more detail in the following two chapters.

4. Workspace Supply and Demand

Summary of Findings

- Mapping has identified 117 flexible workspace premises within the borough
- Provision of flexible workspace is concentrated in the borough’s City Fringe sub-region (in and around Whitechapel and Aldgate), with strong clusters also present in the Central area (particularly Cambridge Heath) and Eastern Fringe area (Bow, Fish Island and Hackney Wick).
- Clear typology clusters are identifiable by geography across the borough, aligned to building stock, transport connections and rent levels.
- Provision can be linked to wider functional economic geographies: the research has identified a number of workspace corridors and clusters neighbouring the Borough – including Tech City/Old Street, Hackney Central and Hackney Wick – which link into provision within Tower Hamlets.
- Demand for workspace is reported to be strong by local providers, brokers and agents, with little or no vacancy within many of the identified premises.

4.1 Demand and supply for flexible workspace in the borough is analysed through consultations with local providers, brokers and property agents. Full details of the workspaces identified are provided in the accompanying SME workspace spreadsheet.

Overview of Supply

4.2 Mapping as of early 2016 identifies **around 117 flexible workspace premises in the borough**. This mapping of provision takes a wide definition of ‘flexible workspace’, including any provision that explicitly offers flexible, short-term or membership-based leasing terms. The workspaces identified through this mapping exercise therefore range from dedicated co-working spaces, to converted ex-industrial premises housing artist studios, to individual deskspaces offered in larger office or studio spaces.

Typology and Location

4.3 Of the total flexible workspace offerings mapped in the borough, managed workspaces make up over a third, while IACs and creative studios account for around a fifth of total provision each. Makerspaces are the most specialised and least common typology of space, with only four premises in total across in the borough.

4.4 In terms of individual workspace units (measured here by deskspaces), however, IACs make up most of the provision in the borough (38%). Managed workspaces and serviced offices provide around 25% each of total deskspaces, and creative studios around 12%. The recent increase in the number of IACs operating the borough (tied to overspill from the City and TechCity in particular) coupled with the relatively high number of dedicated deskspaces provided at most IACs (close to 100 desks on average) accounts for this distribution.

4.5 As expected, the geographic spread of provision is concentrated in the City Fringe sub-region. The Central and Eastern Fringe host notable concentrations of creative workspace clusters, while the Docklands region hosts a cluster of serviced office provision. The distribution of workspace premises by sub-region is detailed in the

table below. The pattern of provision across the borough is also informed by neighbouring hubs of economic activity, with IAC provision high along the City Fringe edge, creative studios in Eastern Fringe and maker spaces and creative studios in the Central sub-area along the Cambridge Heath Road corridor.

Sub-Area	% of total flexible workspace provision
Tower Hamlets City Fringe	34%
Central	21%
Docklands	12%
Eastern Fringe	24%
Riverside	9%

Source: We Made That

Operators

- 4.6 Tower Hamlets is notable for the number of independent, local and/or mid-size providers operating in the flexible workspace market. While some national providers like Workspace and Regus have a presence in the borough, much of the supply, especially of IACs, creative studios and makerspaces, is through mid-size, specialised providers. IAC providers like Rainmaking Loft, TechSpace and The Dock all operate premises of considerable provision (over 200 desks) but remain below the threshold of large-scale providers like WeWork. Most operate more than one premises, but this spread is typically limited to two or three other properties.
- 4.7 Larger-scale creative studios are typically delivered by established artist studio providers who apply standard criteria for use and management practice across a number of premises in London, with other small-scale co-working and creative studios set up and

managed by independent, often locally-based individuals or small teams who manage a single premises.

- 4.8 Serviced offices are typically managed by large-scale providers who operate several other locations in London’s prime office locations.

Rates

- 4.9 Average workspace rates across different typologies in the borough are generally cheaper than London averages. On average deskspaces in London rent for £600/month, while equivalent provision in the borough is priced around £300/month. Mid-size and established IAC and managed workspace providers also report relative affordability of floorspace as a key factor in choosing to locate in the borough. Makerspaces and small-scale independent providers, however, are beginning to note rising property values as negatively affecting their ability to secure viable premises for co-working, workshop and studio provision.

- 4.10 *More detailed consideration is given to rates and affordability at the end of this chapter.*

Recent Growth

- 4.11 Changing work practices and workspace preferences and the associated boom in flexible working space provision over the past five years has been noted by numerous industry reports and studies. Provision in the borough, particularly of IACs, mirrors these global workspace trends, with many providers first establishing locations in the Tower Hamlets circa 2013 and provision expanding markedly over the past two years. The majority of provision is housed in existing commercial premises and most operators use commercial agents to source their current premises. Some providers have experienced resistance from landlords, especially if sharing the building with other

uses, as this type of workspace provision brings with it a larger number of (non-permanent) users, unconventional fit outs and relatively unknown business models. On average smaller-scale providers operate on 2-6 year leases, while larger providers work on 6-20 year arrangements.

Business Support and Education Linkages

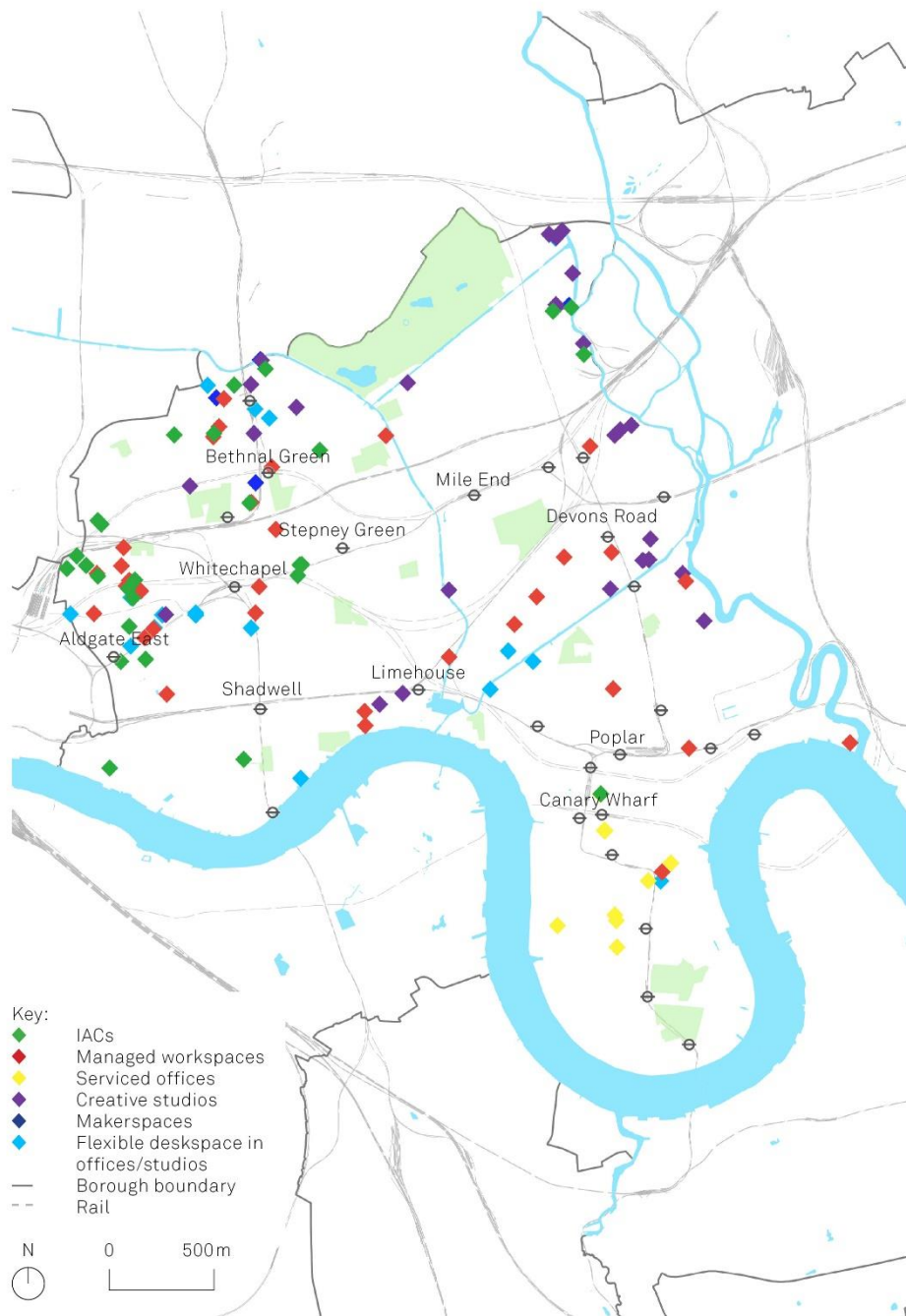
- 4.12 Links to wider networks, training and education, especially in skills related to growth sectors, are notable features of IAC and makerspaces. Providers often host open evenings, talks or workshops as informal marketing to establish locations as hubs of sector knowledge and exchange.
- 4.13 Links into wider international networks are a key asset of these typologies. Global tech and design education company General Assembly, for example, is based in Second Home, while TechSpace hosts the London branch of Start Up Bootcamp, one of Europe's largest accelerator programmes. Hackspace boasts one of the largest hackerspace member communities in Europe and nearby makerspace Machines Room is a member of the global maker library network run by the British Council.
- 4.14 Most providers report a minimal relationship with the council, with most interactions focused around rate payments or planning processes.

Table 4.2 Summary of Workspace Provision by Typology

Typology	Number of workspace premises	Estimated individual workspaces	Average pricing	Estimated current availability	Typology as % of total workspace premises	Typology as % of total individual workspaces
IACs	27	2400+ desks	£289/fixed desk/month	Limited but revolving availability	23%	38%
Managed workspace	32	1500+ desks	£406/pp/month Light industrial units: £16/sqft/year Office space: £53/sqft/year	Average availability of 1-4 units per premises Recent large scale refurbishment & new provision of units increasing availability	28%	25%
Serviced offices*	9	1500+ desks	£384/pp/month	Good availability across all sites	8%	24%
Creative studios	27	750+ studios	£18.28/sqft/year	Very limited. Less than 20 studios identified as available, most operators run waiting lists	23%	12%
Maker spaces	4	20 workstations 20 desks	Ranges depending on frequency of use. From £5/month for membership access, to £250/month for fixed workspace	Short-term/casual availability for hourly/daily use Limited availability for fixed workbenches/desks	3%	0%
Temporary deskpace in existing office/studio	17	50+ desks	£217/pp/month	Ongoing small-scale availability with fast turn around. Provision tends to differ week by week.	15%	1%
TOTAL	116	6300+ desks 750+ studios			100%	100%

* only includes serviced offices offering shorter-term / flexible contracts

Figure 4.1 Borough Wide Map of Provision



Source: We Made That

Figure 4.2 Type 1 - Incubators, Accelerators and Co-Working Provision



Source: We Made That

Case Study: Rainmaking Loft

Address: International House,
1 St Katharine's Way E1W 1UN

Provider: Rainmaking
Company

Target market: Start-ups
working in digital sector,
particularly fin-tech and
insurance

Total workspaces offered:
240, 50 in incubator space,
190 in co-working space, 6
meeting rooms

Pricing structure:
£349/desk/month

Leasing terms: Rolling
monthly leases, with options
to take up 6 months +

Current availability: No
availability at present

Rainmaking Loft is located in Grade A office space at St Katherine's Wharf and has been operating since August 2013. Run by Rainmaking Company, the space is one of three the company operates throughout Europe in tandem with Start Up Bootcamps at each location-making them one of Europe's largest accelerator programmes. Each accelerator is focused on a particular a sub-sector of the tech start-up field, with the London location hosting the fin-tech and insurance cluster.

Tenants are likely 2-4 person start-ups in a growth phase. Some tenants are fed through directly from the Start Up Bootcamp on the lower level of the workspace. Rainmaking Loft does not usually accommodate freelancers but rather curates its space to cater for UK and European-based start-ups. Around 30% of the businesses based at Rainmaking Loft are international in their operations.

Rainmaking Loft works to keep their price point relatively low (£349/desk) in order to offer a low barrier to entry and is run 'almost like a non-profit'.

The workspace has been run in sponsorship with Tesco since its inception, with sponsorship costs cross-subsidising desk space and a business support board providing expertise to tenants. A community manager runs an informal 'vetting' process to curate tenants applying for workspace.

Tenancies operate on rolling monthly or quarterly contracts, with most businesses operating on-site for at least six months. The workspace offers designated desk space, 24/access, highspeed broadband, an on-site operational support team and facilitated access to business support experts and investors. The workspace receives between 15-20 inquiries a week and is currently operating at capacity.

An existing contact with the building's previous landlord helped Rainmaking Loft to get an initial foothold at the premises at affordable rental rates (around £37.50/sqft), operating on a lease valid until 2020. The operator also benefited from an initial rent-free period which was granted to them in order to get the space up and running.

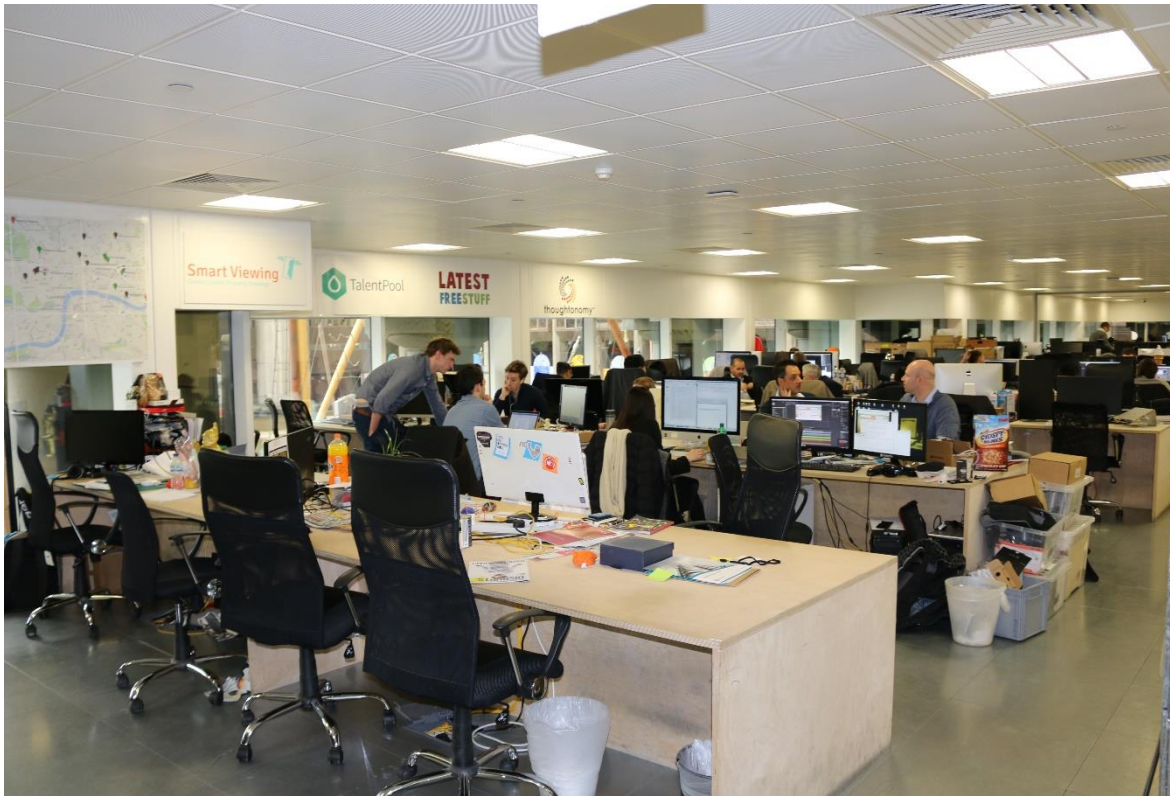
The building has since changed management and the feeling is that had the operator approached the current landlord provision would not have been possible as current rental rates are almost double what Rainmaking is paying for its space.

The workspace is due to be refurbished in the coming months to update the look and feel of the space as it has become more established since the founder first renovated the space themselves in 2013. The company is also currently working with an international investor to launch another co-working space near Liverpool Street Station with a capacity of 800 members.

Key messages:

- Incubator programmes linked to co-working spaces work well as a feeder model for longer-term tenancies.
- Feeling that council can do more to acknowledge workspace success stories in the borough and facilitate relationships with educational institutions.
- Landlords of larger-scale office developments still exhibiting a degree of scepticism to IACs as tenants and the council could work to promote more accommodation of flexible workspace in such developments.

Figure 4.3 Rainmaking Loft



Case Study: TechSpace Aldgate East

Address: 38-40 Commercial Street

Provider: TechSpace

Target market: Established start-ups, mid-sized enterprise

Total workspaces offered: 340 deskspaces across four floors

Pricing structure: Varied,
1. Fixed desk: £315+ pp/pcm
2. Private office: £4,000 pcm (based on 14 desks)
3. Enterprise: £9,800 pcm (based on 35 desks)

Leasing terms: Varying according to membership scheme

Current availability: No availability at present, current expansion on site underway to add additional deskspace

TechSpace currently operates co-working space at four locations in east London, having started operating in 2012. The co-founders set up their first space in response to their own needs, looking for flexible workspace for growing start-ups. The operator offers three products across its locations: co-working deskspace in open plan spaces, private offices on co-working floors, and enterprise space for larger businesses. This third product has grown substantially as a key element of TechSpace's offering in response to market demand. Enterprise space typically is self-contained (usually covering an entire floor) and customisable to the tenants' specification.

TechSpace typically offers space to tech/digital companies, working on both the product and service side.

TechSpace offers larger deskspace clusters or dedicated floors of enterprise space which are taken up by individual businesses, catering to a process of scaling up but which are still looking for the benefits of managed workspace with shared facilities and a built in network of star-ups and entrepreneurs. Start-up tenants have typically already secured one or two rounds of funding when they take up space in TechSpace locations.

The Aldgate East location is gearing up to be TechSpace's flagship premises, with the provider leasing all six floors of the building, providing over 300 deskspaces on site. Permission for planned conversions of the ground and sixth floor of the building are currently under consideration. Typically each floor is operating on a 10-year lease. The site itself offers enterprise space almost exclusively, although some larger tenants have maintained co-working desks on their dedicated floors. Established tenants like Virgin Media have recently taken up enterprise space in the building, running an accelerator programme for tech start-ups on site.

Contracts for both co-working and enterprise space are set around £350/month per desk, with discounts offered for upfront payment and longer-term take up. The provider offers access to 'growth partners' who help businesses to scale up and offer legal, accounting and HR support.

TechSpace is operating at capacity across all of its locations and is looking to open another 3-4 locations within the next year to cater to its growing waiting list. The operator is currently in discussions to lease at least one other property in the borough in the coming months.

TechSpace has had minimal contact with the council but would like to see increased recognition and promotion of flexible workspace offerings in the borough. The community manager also sees an opportunity for the council to facilitate relationships between workspaces, start-ups and local institutions and third sector partners through something like a 'starter pack' of local economy information.

Key messages:

- Strong market for enterprise space in the borough
- Demand for co-working space has successfully shifted across to areas like Aldgate, with large providers like WeWork anchoring the area as a key location for high quality and flexible workspace.
- Strong demand for more of this type of provision, with existing providers looking to expand the number of sites in operation.

Figure 4.4 TechSpace Aldgate East



Type 2: Managed Workspace

What's on offer?

- 4.18 Workspace mapping has identified over 30 managed workspaces offering flexible leasing arrangements in the borough, offering over 1,500 desks in combination. There is reasonably good availability, especially at the smaller scale end of the market, although most offerings are only suitable for established businesses that are able to take on dedicated office space. Office units typically range from small cellular spaces (105sq.ft) to medium sized spaces (over 1,500sq.ft).
- 4.19 This typology is also variable based on the strength of the office lettings market, with some providers adjusting their conventional offerings to accommodate more flexible tenants as needed, and this offering is subject to vary as workspace providers adjust their portfolios.

Typical uses

- Professional and business support services
- Other conventional office-based operations

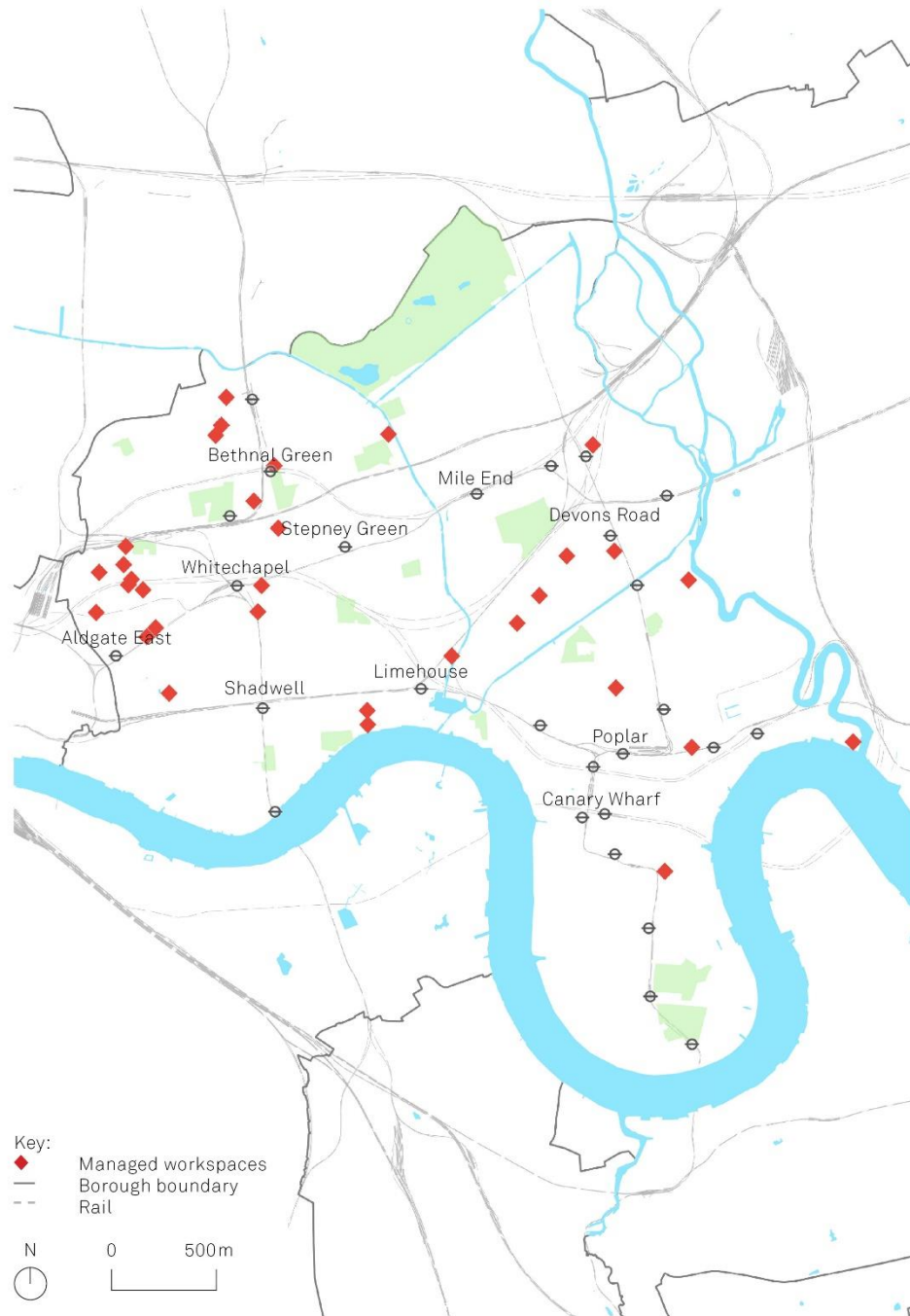
Pricing & leasing

- 4.20 Office space is typically leased as individual unit or workspace within a unit from a dedicated workspace provider managing a number of units. Generally flexible offerings are leased or licensed by the owner or landlord on a short term basis, typically on rolling monthly contracts. Typically the landlord or owner maintains an active presence on site.
- 4.21 Rental levels are flexible depending on occupant, space, and lease terms, although typically this typology of provision offers space at a higher spec and price point. Average costs for this type of space mapped in the borough are around £400/month per person.

Key Features

- 4.22 Managed workspaces typically offer shared facilities including staffed receptions, shared kitchen and meeting rooms on site. A degree of managed office administration is typically offered, including communication and infrastructure support. Larger workspaces are often serviced by on-site amenities including cafes and gyms. Little additional business support or networks are offered, and there is typically less of an emphasis on providing for a particular sector or attempts to curate clusters of tenants working in the same field.

Figure 4.5 Type 2 – Managed Workspace Provision



Source: We Made That

Case Study: Winkley Street Studios & Cooks Yard

Address: 7 Winkley Street E2 6PY and 88 Mile End Road E1 4UN

Provider: Independently managed by Leo Wood

Target market: Freelance creatives and small-size creative services businesses

Total workspaces offered: 26 fixed deskspaces, 6 hot-desking spots

Pricing structure: Varied, Monthly: £250 rolling month-by-month, £180 for 3+ month contract, £160 for 12+ month contract

Weekly: £80; Daily: £25
Leasing terms: Range from daily hot-desking to six-monthly contracts

Current availability: Rolling availability at hot-desking space, limited (2-3) fixed deskspaces available

Independent workspace provider Leo Wood manages two workspaces for small-scale creative businesses in the borough. Following the success of Winkley Street Studios, established in 2013, local resident Leo recently opened Cooks Yard in April of 2015. Previously operating a very small-scale co-working space in the area, Leo set about searching for larger spaces to operate from in 2012. Previously a freelancer herself, Leo became involved in workspace provision after struggling to find local workspace which catered to her needs.

Both premises offered well-designed, furnished workspaces suitable to freelancers or small businesses (5-6 people at a maximum).

Price point is seen as a key success factor, with £200/month per desk considered the maximum price point appropriate for Winkley Street/Cooks Yard's tenants. No additional business support or formal events/networking are offered at either spaces.

Tenants are typically freelancers or individuals working in the creative sector, around half of whom live locally. The average length of tenancies is four months for individuals, with Winkley Street hosting established anchor tenants who are based at the space longer-term. Both spaces are usually fully let, with Leo estimating that over she has received over 600 enquiries for space over the last five years. Marketing for both spaces is ongoing- both have their own websites- and Leo makes use of a variety of online channels to promote the spaces.

When expanding, Leo initially looked for a much larger premises (aiming to accommodate around 50 people), but struggled to find appropriate spaces with the correct character, layout and price point to suit her model of delivery. Below £18/sqft is seen as the ideal price point although the rental levels for her spaces are typically above this. Premises leases are typically 6-years with a 3-year break clause, although Leo reports that provision would be possible on a 2-year lease if the price point was right.

Key elements for success identified include good basic workspace infrastructure (internet and desks at a minimum), 24/hour access, a location which allows for a good quality of commute for tenants, and a certain level of 'charm or aesthetic'.

Identified efforts from the council that would be beneficial to this type of provision include maintaining and promoting a borough-wide workspace providers lists, facilitating enterprise and workspace networks and ensuring infrastructure like fibre optic broadband is in place in central locations. Existing council schemes offering providers space to run workspaces from are considered impractical given their large sizes, high rates and short-term leases.

Key messages:

- Independent providers catering to specific workstyles and ethos of the borough's creative workforce.
- Small-scale provision allows independent providers to take on 'manageable' risk levels.
- Key challenges for this type of provision is securing properties at a feasible price point with long enough lease lengths to allow providers to operate viably and cover initial investment costs

Figure 4.6 Winkley Street Studios & Cooks Yard



Type 3: Serviced Offices

What's on offer?

- 4.23 While serviced offices are a common type of provision in the borough – particularly in the Docklands sub-region, this exercise only includes those that explicitly offer flexible terms. Less than ten such workspaces were identified in the borough, all serving the officespace cluster around Canary Wharf.
- 4.24 Typically premises offer discrete units, hot desks and meeting rooms to be let, with some specialist providers offering high quality serviced desk and office units for daily or hourly use – catering largely to international clients working in areas like Canary Wharf. This typology requires a large floorplates and providers will typically occupy entire floors or adjacent spaces in larger office buildings. High profile buildings or prestigious addresses are desirable for providers as tenants working in international markets look for recognisable addresses for hosting meetings or direct virtual office services to.

Typical uses

- Professional services
- Other conventional office-based operations

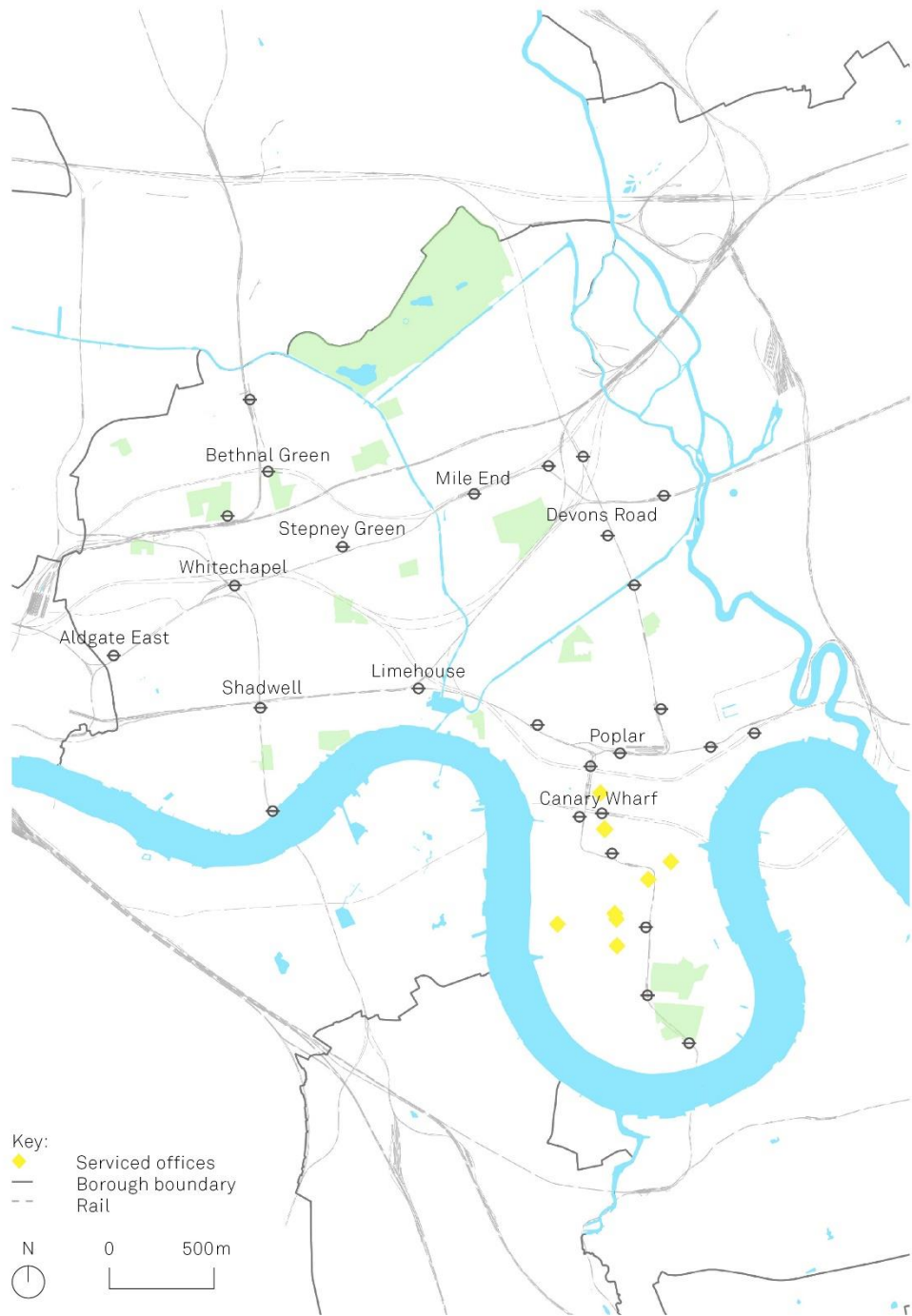
Pricing & leasing

- 4.25 On average serviced offices lease desk space as well as enclosed office spaces. Those considered in this exercise explicitly offer flexible terms to tenants, ranging from 'office for a day' provision to rolling 6-month contracts. Based on the premises mapped, pricing for space averages to around £380/per person/month, higher than the average IAC desk space, but still below the threshold of managed workspaces (accounting for the fact that serviced offices operate a number of shared amenities and services on-site).
- 4.26 Leases range from desks by the hour to meeting and conference facilities that can be hired for the day, to contracts for multi-person offices which are let on a minimum term contract.

Key Features

- 4.27 Serviced offices are usually of a higher spec, most akin to Grade A office space. Services include full-time staffed reception, enhanced security, dedicated meeting rooms with conference facilities, on-site IT and telecoms support, mail handling and virtual office services. Top-grade premises might also offer laptops to rent, personal assistants, secured parking spaces and access to amenities like gyms.

Figure 4.7 Type 3 – Serviced Office Provision



Source: We Made That

Type 5: Makerspaces

What's on offer?

- 4.34 In total Tower Hamlets hosts five makerspaces. In combination these spaces cater to makers from casual hobbyists to small batch and bespoke production processes. The makerspaces in the borough cater to local businesses and small scale designers looking for spaces to design, test, prototype and build products or small-scale project-based commissions. There is rolling availability for fixed desks/workbenches, but good short-term and casual availability for members and project-based work. This typology offers perhaps the greatest degree of ongoing availability. Some maker spaces are operated by a workspace provider managing units across a larger space, others are provided individually by landlords.

Typical uses

- Collaborative/ collective making
- Open access workshops
- Small- to medium scale making
- Small-scale product development.

Pricing & leasing

- 4.35 Most makerspaces operate membership schemes with a basic monthly fee and additional costs for equipment use, materials and training courses as utilised. Basic monthly membership costs are low, around £10- with costs for equipment usage charged around £15/hour. Inclusive monthly membership options range from £50 to £250, dependant on workspace taken up and frequency of equipment usage.
- 4.36 Management arrangements are similar to small studios. Whereas small creative studios will be more oriented towards accommodating creative pursuits, the occupier base of maker space is more diverse and financially self-sustaining. There are a variety of licenses and lease lengths as well as opportunities to be a user of co-working/drop-in space and shared facilities.
- 4.37 Typically makerspaces offer short-term / flexible lease terms for occupants, although some are pursuing organisational membership schemes which seek to capture more regular uses by larger groups. Leasing arrangements vary from leasing individual workshop spaces, to drop-in open access space to collective leasing of larger workshop spaces.

Key features

- 4.38 While some makerspaces provide for a specific field of production (eg woodwork), most offer a variety of tools, materials and equipment on site. Makerspaces are typically arranged to allow for different workspace areas dedicated to different production processes. In general, both clean and 'dirty' workshop space is offered on the premises. A typical range of equipment on offer at makerspaces includes 3D printers, laser cutters, CNC machines, woodwork benches, electronics workstations and sewing machines.
- 4.39 Some makerspaces manage related retail and event spaces on site to provide additional revenue streams, and most also offer casual co-working desk space to users. Most spaces offers training and classes on specific production methods or equipment usage on-site. Machinery and equipment is often donated by supporting organisations or individuals, or purchased through member fundraising, and as such makerspaces seek to maintain and grow maker networks – even globally – in order to support and sustain their offering.

Figure 4.9 Type 5 – Maker Space Provision



Source: We Made That

Case Study: Machines Room

Address: 45 Vyner Street, E2 9DQ
Provider: Independent specialist provider
Target market: Small-scale production businesses, freelance makers and project-based commission work
Total workspaces offered: Six dedicated workbench spaces, 2000sqft communal space, event space
Pricing structure: Varied, Individual membership: £5/month; Machine booking: £5-£15/hour
Workspace booking: £15/day; Organisation membership: £50/month
Leasing terms: Membership scheme
Current availability: Ongoing membership availability, capacity to double current use levels.

Machines Room sees its primary role as one of business support-providing accessible and affordable production capacity for growing businesses. Currently a variety of businesses from furniture makers to textile designers are making use of the space to prototype, design and produce a range of products. Research and development is a key function of the workspace.

Machines Room currently has around 80 active members (half of which are made up of organisational memberships which cover up to 10 people) and has inducted over 400 people to make use of the space. The space is staffed by a mix trained technicians and community managers and a small retail space is also run on site selling materials and maker kits.

Previously derelict, the space has been established by entrepreneur Thomas Ermacora, now 18 months into a 5-year lease. The workspace hosts Open Wednesdays, classes and workshops to promote the activities of the space and offer training using the skillsets of the makers in site. Machines Room event space is available for private hire.

The workspace benefits from a number of links to nearby creative businesses and production spaces- primarily through organisational memberships and through networks like the Maker Mile which has solidified the area's identity as one of creative production and design. Local businesses like Opdesk use Machine Room to produce most of their products, and others like the architecture firm on the first floor of the building use to space for model making. The space also has institutional links through networks like the British Council Maker Library Network and the Open Workspace Network.

Management has had a minimal relationship with the council, but would like to be considered for rate relief and also sees a role for the council in facilitating more workspace, educational and institutional networks across the borough.

Looking forward, Machines Room is looking to grow its membership base, with a particular focus on increasing organisational memberships.

Partnering with external organisations to host more regular training workshops is considered a key avenue for development. Management is also keenly aware of a demand for fixed deskspace within the workspace and is considering adjusting their offer to cater to some of this demand. Expanding staffing capacity so that the space can be open on weekends is seen as another key avenue for future development.

Key messages:

- There is excess makerspace capacity (in the Central sub-region particularly).
- Revenue streams like event hosting and public classes/workshops are a key source of income for makerspaces, cross-subsidising membership costs.
- Makerspaces are still relatively new form of workspace and are not fully recognised by existing business support services (e.g. insurance) or funding streams.
- Makerspaces are looking to be increasingly recognised for the business support space and paths to employment that they provide and have access to funding streams as such

Figure 4.10 Machines Room



Type 6: Flexible Desktop

What's on offer?

- 4.40 Across the borough there is an ongoing supply of small-scale desktop offered in existing offices/studios by existing tenants. Availability is rolling and varies week to week based on wider movements of officespace take up by larger businesses. Typically those renting the space look to accommodate businesses/individuals working in similar fields, sometimes even looking to share elements of existing work streams. Availability is usually limited to less than five desks in one particular workspace.
- 4.41 While a good degree of provision in this typology is offered on an ad hoc basis, there is some evidence of businesses purposefully taking up office or studio space that is larger than their current needs in order to be able to lease out to others working in related or adjacent fields-essentially fostering their own co-working spaces on a small-scale.

Typical uses

- Freelancers/sole traders
- Start-ups and early-stage enterprise
- Typically professional and business support services.

Pricing & leasing

- 4.42 Prices for desktops in this typology average around £215/month per desk, although this varies depending on the number of desks taken up and the spec of the premises. Given that the space is already leased by an existing tenants, rates are typically included in contract arrangements. Leasing agreements also vary depending on who is managing/operating the space, and can range from informal weekly arrangements to longer-term sub-leases.

Key features

- 4.43 This typology of workspace is most associated with conventional officespace set ups and so typically includes wifi, a shared kitchen and office facilities, weekend access and meeting or break out space. Minimal business support is offered over and above basic office functions, although the existing tenants do provide a network for tenants to be part of, and informal integration between tenants sharing the space is often encouraged.

Figure 4.11 Type 6 – Deskspace Provision



Source: We Made That

Type 7: Bespoke Premises

- 4.44 Although not prevalent enough to warrant its own typology, the provision of flexible workspace through bespoke premises offers a notable model of larger-scale workspace provision.
- 4.45 These workspaces are typically large-scale premises with bespoke spatial requirements, therefore not suitable for provision through generalised typology. Premises are often related to research and development operations, either affiliated to particular company or to a larger research institute. Premises are designed and constructed to specific standards according to needs of the client. Typical uses include research and development operations, product design and development and bespoke manufacturing and production.
- 4.46 The Queen Mary Bioscience Innovation Centre¹ provides a strong example of how flexible workspace offerings can be incorporated into bespoke, dedicated workspaces, typically focused around medical and scientific innovation.
- 4.47 Completed in 2012, the Queen Mary Bioscience Innovation Centre (QMB) in Whitechapel, East London is the largest purpose-built commercial laboratory space incubator in the city. The centre provides commercial lab grow-on space- the only facility in London to do so- designed to accommodate those start-ups which have expanded beyond university laboratory or standard business incubator spaces.
- 4.48 The centre totals 4,530m² (48,780 sq.ft) internal floorspace, including 3,530m² (38,000 sq.ft) of incubator space and 1,000m² (10,780 sq.ft) of university and medical school space. The centre operates 24-hours/day and is managed by a dedicated workspace operator (Queen Mary BioEnterprise Ltd). Rents range from £55-£65/sq.ft per annum (not including business rates).

Workspace by Location

Area 1: Tower Hamlets City Fringe

Nature of the area

- High concentration of work and amenity space given proximity to other key workspace clusters.
- Mix of creative and technology and finance workspace given the area's positioning between City of London and Hackney Central.
- Strong creative and cultural offerings around Brick Lane, Whitechapel Road and surrounds.
- Area well connected to other workspace hubs through the Commercial Street, Mile End Road and Bethnal Green Road corridors.

Flexible workspace provision

- 4.49 The sub-region hosts the largest proportion of flexible workspace in the borough. Flexible offerings range from well-documented tech and finance-focused incubators and accelerators bordering the City of London, to shared creative studio space and large floorplate co-working spaces. Workspace offerings are generally clustered along key corridors like Commercial

¹ 'Supporting Places of Work: IAC Spaces Report', URS

Street, Whitechapel Road and Brick Lane and their surrounds. The larger IAC offerings in the area are run by established providers who manage a portfolio of properties across (east) London, while smaller offerings manage a local portfolio of workspaces which neighbour each other. The sub-region also hosts a range of micro/one-off deskpace offerings let out by larger tenants on longer-term leases.

Place-making impact of workspace

- 4.50 The area hosts a number of workspaces which are arranged along off-street alleyways and yards, creating more self-contained clusters which are not immediately apparent at street-level aside from related signage and branding, which varies by workspace. Co-working spaces like Second Home, The Pill Box and The Hatch have a stronger on street-presence and associated branding, with these premises hosting ground-floor public amenity space which draws visitors to the space. Other larger managed IACs like We Work and Central Working are hosted on upper floors of larger office buildings, limiting their on-street accessibility and place-making impact.

Figure 4.12 Managed co-working space offered above retail units on Commercial Street



Figure 4.13 High end managed workspace and associated amenity space is most prevalent in this sub-region



Area 2: Central

Nature of the area

- High density of commercial and retail activity.
- High density A-grade commercial workspace as well as smaller studio space in mixed use buildings.
- Mixed use residential and workspace developments.
- Retail and amenity space well provided along key commercial corridors.
- Well-connected through transport corridors along Commercial Road, Whitechapel Road and Bethnal Green Road.

Flexible workspace provision

- 4.51 Flexible workspace in the sub-region is generally clustered along the western edge of the area, along the Cambridge Heath Road and Hackney Road corridors.
- 4.52 The area contains a high concentration of makerspaces, including dedicated spaces like London Hackspace and Machines Room at LimeWharf. Given its location, the area hosts a concentration of creative studio spaces and arts studios which form part of a wider creative workspace corridor through to Hackney Central and Hackney Wick. A cluster of IAC spaces can be found at the northern boundary of the area, where Oval Office, ContainerVille and Bathtub2Boardroom are all located. The area also hosts a number of managed workspaces arranged around central courtyards in primarily residential areas – in some cases occupied by sector clusters (e.g., architecture, design). These concentrations of workspace support localised amenities.

Place-making impact of workspace

- 4.53 Some of the flexible workspace in the area exhibit the strongest examples of on-street identification through bolder branding and signage, as seen at Winkley Street, Oval Office, ContainerVille and Pritchards Road. This is mirrored through a clear and dedicated online presence.
- 4.54 The workspace around The Oval has formed a particular cluster of co-working and creative workspace, supported by on-site amenities including the Oval Office's cafe and performance venue which is a regularly used social space for a number of workspaces in the area.

Figure 4.14 Flexible deskspaces and office space arranged around internal courtyard space in residential areas



Figure 4.15 Co-working space Makers Wharf set up in a church hall, with incentives for tech-focused start ups



Area 3: Docklands

Nature of the area

- High density A-grade commercial office space.
- New high density residential developments.
- Retail and amenity space generally clustered in specific developments and internal spaces (e.g. courts and shopping malls).
- Well-connected through transport hub at Canary Wharf.
- Some older business park workspace premises.

Flexible workspace provision

- 4.55 The flexible workspaces offered in the Central Docklands sub-region are generally limited to managed workspace offerings.
- 4.56 Desk or small office space rentals are available on flexible terms in larger commercial office buildings. Workspace in the area is generally of A-grade space of a high spec and typically leased through more conventional commercial leasing arrangements. Flexible desk and office spaces offered range from individual co-working desk spaces to small individual office spaces.
- 4.57 Workspace is generally offered with service features including staffed reception, shared meeting rooms and virtual office services, taking advantage of the recognisable Canary Wharf address. Managed workspaces on flexible terms are offered in prominent office developments including Harbour Wharf and 40 Bank Street. Level 39 in One Canada Square is the most prominent IAC workspace in the sub-region, offering workspace and business support to technology start-ups working in specialised fields.

Place-making impact of workspace

- 4.58 Flexible workspace offerings are generally off-street (either occupying floorspace in large office blocks or accommodated in inward-facing business parks) and have limited place-making impact. Access to these workspaces in the area is generally facilitated through a secure/staff reception.
- 4.59 Level 39 is a well-known workspace in London and hosts regular events which animate the workspace outside of its day-to-day use.
- 4.60 While clearly a strong employment hub with a large amount of dedicated office space, particular flexible offerings are not easily identified or accessed.

Figure 4.16 Flexible workspaces are generally offered as part of larger office schemes such as Harbour Exchange

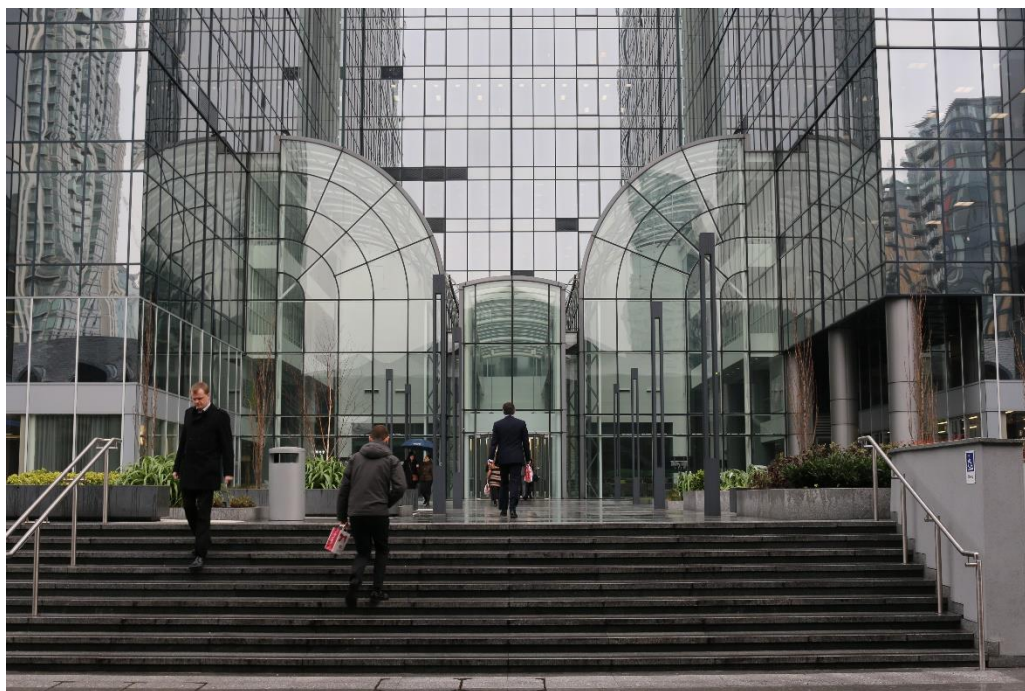


Figure 4.17 Co-working spaces and IAC spaces are offered on particular floors in One Canada Square



Area 4: Eastern Fringe

Nature of the area

- Large areas of residential neighbourhoods across the sub-region.
- New high density residential developments as part of wider Olympic Fringe regeneration.
- Larger area of industrial estate uses, particularly along the Limehouse Cut and the eastern edge bordering the Olympic Park.
- Some older business park workspace premises.
- Primary transport corridor A12 transects the area.

Flexible workspace provision

- 4.61 This sub-region exhibits the strongest clustering of a particular typology of flexible workspace, with a number of creative studios (artist workspace particularly) operating along the eastern edge of the area. These workspaces can generally be seen to cluster in two focal points – the Limehouse Cut and the Olympic Fringe, neighbouring similar creative uses in Hackney Wick.
- 4.62 The eastern edge of this sub-region hosts a cluster of artist studios run by specialised workspace providers. These workspaces are typically accommodated in ex-industrial buildings and have lower levels of servicing and fit out to keep rental costs low for tenants.
- 4.63 The area also hosts some mixed workspace models, including new build studios on the ground floor of residential units on Leven Road, and the Leaside Business Centre which provides workspace in old public buildings and shipping containers.

Place-making impact of workspace

- 4.64 The majority of the creative studios in the region are located on industrial estates with minimal potential for placemaking impact at street level. Other workspaces in the area sit alongside the A12 and are primarily accessed through vehicular traffic. In general signage and wayfinding for the workspaces along the Limehouse Cut is muted and not immediately apparent.

Figure 4.18 ACME-run artist studios on the ground floor of affordable housing units on Leven Road



Figure 4.19 Newly refurbished ex-industrial building Brickfield Studios provides 50 artist studios over 2 floors



Area 5: Riverside

Nature of the area

- Workspace varies from single storey office space along key transport corridors to dedicated managed office space in old maritime warehouse buildings reflecting proximity to quay, docks and basins in the sub-region.
- Large areas of primarily residential neighbourhoods.
- Commercial Street corridor connects work and amenity spaces to City Fringe and Docklands hubs.
- Some older business park workspace premises.

Flexible workspace provision

- 4.65 This sub-region hosts the fewest flexible workspaces.
- 4.66 Workspaces are generally dispersed and no particular clusters are identifiable. The greatest concentrations of flexible workspace appears to run along the Limehouse Cut, near the Commercial Street corridor, but these are varied in their size, offering and availability.
- 4.67 Many of the flexible workspace premises in the sub-region are housed in old industrial warehouse buildings - including creative studios in Cable Street, studios around Copenhagen Place and deskspace in Grade II listed Metropolitan Wharf.
- 4.68 The Dock at Tobacco Wharf and Rainmaking Loft – both located in the west of the sub-region close to the City Fringe IAC hubs – present the most prominent examples of managed flexible workspaces in the area. These more formalised and targeted workspace offerings reflect their proximity to the City of London and the City Fringe area.

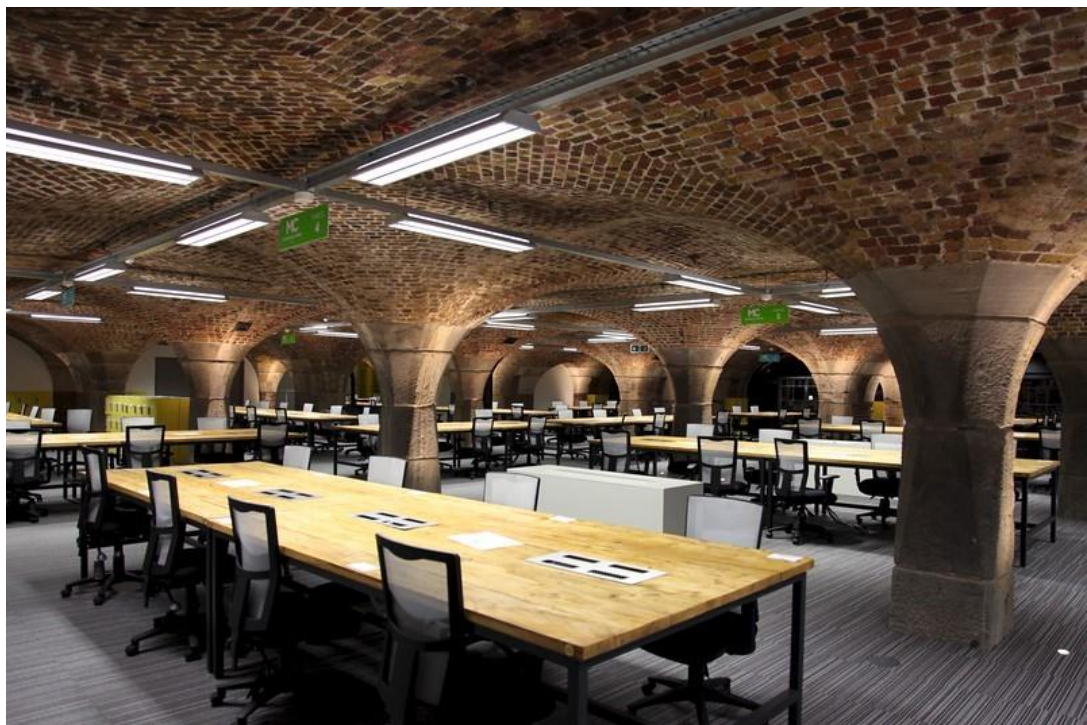
Place-making impact of workspace

- 4.69 Workspaces to the west of the sub-region are generally housed in large ex-industrial maritime buildings which have been extensively refurbished and host a variety of workspace and residential offerings. These locations are generally served by related or nearby amenity services as they house a larger number of in-house residents and workers. At street-level some of these spaces have amenity services which are publicly accessible and which support a greater place-making impact, although the workspaces themselves are generally on upper floors. These venues also host events which draw external visitors to the sites.

Figure 4.20 Artist studio and amenity space at Cable Street Studios



Figure 4.21 Co-working space, offices & meeting rooms offered at The Dock at Tobacco Dock



Source: The Dock

Workspace Demand

4.70 Evidence from both workspace brokers and the workspace providers themselves, suggests that demand for workspace is strong in Tower Hamlets – and that nearly all premises are operating either at or near capacity.

Evidence from Tower Hamlets providers

4.71 IACs, managed workspace and creative studios providers all report strong levels of demand for their products and manage a constant stream of enquiries. Many providers, especially artist studio providers, field demand through structured waiting lists, while IAC providers report having to do less and less advertising through brokers as their offer is becoming more established and well-known within the sectors they provide for (primarily the borough’s growth sectors). One mid-sized IAC provider reports around 15 enquiries a week, while another small independent managed workspace providers estimates 600 enquiries over the five years she has been operating her spaces.

4.72 Of the workspace premises surveyed, most are operating near to or at capacity. Workspace plc report high levels of occupancy across their premises within Tower Hamlets, and levels of enquires which are “steady and strong”. A number of premises, including Second Home, TechSpace and Ministry of Start Ups, are reporting plans to expand their offering in the borough, whether through the addition of floorspace on exiting sites or through extended provision onto new sites in the borough. Relatively recent new provision of creative studios like SPACE’s Brickfield studios speaks positively of the demand for this typology of space in the borough. The fast-changing and constantly revolving supply of deskpace in existing offices and

studios also reflects a dynamic, if smaller-scale, market for spare deskpace.

4.73 Across the provision mapped in the borough, only makerspaces report latent capacity and offer consistent availability. One provider reports an under-utilisation of around 50% and is actively working to stimulate more demand.

4.74 Momentum driving demand is considered to be strong, with innovative, design-led premises like Second Home, WeWork and Central Working all raising the profile of the borough as a place for SME workspace. There is a sense among providers profiled that there is still space in the market for more providers at every level and that demand is set to increase in the coming months and years. Providers identify nuances around price points, fit out and servicing that allow existing operators to operate at different levels of the market across the borough, rather than in direct competition, with premises often feeding into one another as the needs of their tenants change.

Evidence from Workspace brokers

4.75 Enquiries for flexible space in its various forms is dominated by a series of office internet brokers numbering approximately 20 and growing. There are also brokers for virtual offices, hot desking, meeting rooms and coworking. The four main brokers affiliated to the Business Centre Association are Instant Offices, Search Office Space, Office Broker and Flexioffices. Near Desk is an affiliated broker specialising in coworking and hot desking/touchdown desks.

4.76 A number of other property search engines are also now well used to find flexible space including Right Move, Prime Location, Zoopla, gum tree, etc.

4.77 The internet brokers and other search engines account for approximately 80% of all enquiries generated for flexible space, with

the remainder being generated by the operators own efforts such as websites, signage and networking.

- 4.78 The four brokers referred to generate approximately 250 enquires per month for flexible small spaces although these tend to be concentrated in E1 and E14 postcode areas. The number of enquiries will be significantly more when the other brokers and search engines are taken into account, although there will be some duplication of enquiries. For co-working and hot, desking, Near Desk generated approx. 240 enquiries per month in the past 12 months. There are a number of other sources for generating enquiries for co-working. The numbers are also likely to be understated as it is mainly the larger operators, who are not well represented in Tower Hamlets, who use the internet brokers rather than the smaller independents. The one exception is Workspace plc who do not use the internet brokers and entirely generate their own enquiries. As noted above, consultation with Workspace plc has suggested that the level of enquiries across its premises within Tower Hamlets is “steady and strong”.
- 4.79 According to Easy Offices, the typical requirement in London in 2015 was 6.7 desks which was down from 8.1 desks in 2014. The average desk rate was £596 which was an increase of 17% on the previous year. Loc8commercial claimed that the number of business centres increased by 4% last year and that this trend is continuing into 2016. Instant Offices advised that in 2015 there were 277 centres in central London which was an increase of 9% on the previous year and an average desk rate of £698. In greater London there were 690 centres which was an increase of 2.4% and desk rates of £574. Instant Offices advised that there are 32 centres in Tower Hamlets registered with them with desk rates ranging from £360 to £850 averaging around £663. Requirements were for between 1 & 9 desks although they did receive a number of enquiries for between 50 and 200 desks.

Rates and Affordability

- 4.80 As demonstrated by the preceding analysis, rates and affordability is one of the key factors influencing demand for and supply of SME workspace across Tower Hamlets and London.
- 4.81 There is a large range in cost and affordability both between and within the workspace typologies. The analysis below synthesises information gathered from providers across central London to demonstrate the ranges of rates typically applicable.

IACs

- 4.82 Across central London, co-working deskspaces range from £230 - £699 per person per month. IAC memberships range widely from £25 - £900/month, but most fall within £200- £300/month.
- 4.83 Prices are typically lower than conventional office space in central London, with costs per workstation around £776/month in the City and up to £1,354/month in the West End.

Example provider: The Trampery (non-Tower Hamlets)

Desk spaces are offered at up to £425/month, with studio spaces rented at around £20/sq.ft. Rents are offered at flat rate but increasingly scale rents are being introduced.

Managed workspace

- 4.84 Managed workspace is typical characterised by lower rental levels of around £15/sq.ft for office-type spaces. Providers usually offer 3-12 month leases for individual units, with some providers offering tiered rents based on unit sizes and facilities included in the leasing package.

Example provider: Bizspace (non-Tower Hamlets)

Rents vary depending on the building, but offices are generally let at between £15-£40/sq.ft (including service charges) and industrial units for between £10-£20/sq.ft. Service charges are minimised and included in the rent.

Example provider: Workspace Group (4 premises in Tower Hamlets)

On average, rent are £15.75/sq.ft, although the range is wide (£4-£120). Workspace offers a three-month trial period, followed by a three-year lease, and a 6-month rolling tenancy thereafter. Rent and service charges typically equate to around 7% of a tenants' turnover. Service charges are typically separate from rent.

Serviced offices

- 4.85 Serviced offices is not typically considered a typology which offers 'affordable' workspace. This tends to offer higher spec office space more akin to conventional office space in terms of servicing and price.

Creative studios

- 4.86 This typology is most concerned with issues of affordability as it caters to many price-sensitive tenants, including non-commercial creative and artistic uses.
- 4.87 London-wide survey work identifies annual rent levels of £11/sq.ft or below as 'affordable' rate for artists/ other non-commercial users.
- 4.88 'Affordable' studio provision in London is understood to be those charging rents which are, on average, one third of rent for a similar space on the open market.

Example provider: Cell Studios (non-Tower Hamlets)

Average rents are £15/sq.ft, all-inclusive, with electricity charged separately. 6-12 month contracts are offered.

Example provider: Creative Network Partners (non-Tower Hamlets)

Tenants operate across a range of leasing agreements, from licenses to 3-year leases. The provider offers tiered rents across their range of occupiers. Spaces generally range from £9-£40 /sq.ft for premium space.

Example provider: Space Studios (space in Tower Hamlets)

Rents to end users range from £13 - £16/sq.ft across two of their biggest locations

Example provider: Bow Arts Trust (space in Tower Hamlets)

Typically let on license agreements on flexible terms, between £10-14/sqft to end users.

Example provider: ACAVA (space in Tower Hamlets)

Studios licensed for fees, including all costs except power. Rents range from £5.10 to £16.47/sqft per year. £105-£339/month for average sized studio.

Makerspaces

- 4.89 Makerspace tenancies typically run on membership schemes offering a range of full- and part-time access options.
- 4.90 Prices range from £120 to over £1200/month, with the highest rates set for high spec, full time use of equipment like catering facilities.

Users are typically willing to pay more for high-spec equipment and larger storage and assembly space.

- 4.91 Average costs for casual use (day or session use) range from £15 to £50 (for more substantive shared equipment like woodworking and bookbinding).

Example provider: Blackhorse Workshop (non-Tower Hamlets)

For part-time/casual membership use, prices range from £15 for a half-day use and scale up to £1,200 for a 12-month membership. Membership allows for use of the bench space on the ground floor with access to a working area, but no storage. In terms of full-time workshop space, prices for deskspace in open plan studio range from £230 up to £275 pcm. This includes a service charge to cover electric, waste, broadband etc. Tenants need to commit to a 3-month minimum period, and pay 1 month deposit upfront.

Summary: Current Workspace Supply and Demand

- 4.92 The supply of flexible workspace in the borough is increasingly refined to cater to the needs of a growing SME workforce working in the borough growth sectors.
- 4.93 As established tech and creative businesses feed into the borough from neighbouring locations, the number of providers (especially of IACs and managed workspace) has increased. SMEs and start-ups in growth sectors in the borough can be seen to be operating out of all typologies of provision, and the nuance of current provision appears to cater for a strong range of SME work practices and processes. The rising number of IACs in particular reflects a growing environment of workspace which explicitly supports SME business growth and encourages a clustering of emerging tech and creative businesses. Creative studio provision and makerspaces continue to cater for creative production process. This type of space provides essential workspace for SMEs and makers to prototype, build and create but is increasingly under threat in Tower Hamlets and neighbouring boroughs as property prices continue to rise.
- 4.94 In terms of existing geographic distribution:
- The borough’s City Fringe region is already well-established as an SME and growth sector workspace location, with a large amount of managed workspace and numerous IACs
 - The Docklands is a home for established tech and professional services companies, with particularly strong provision of serviced office space
 - The Eastern Fringe hosts a strong cluster of artist studios and more affordable workspaces
- Generally speaking, the Central and Riverside sub-areas currently have lower levels of provision. Cambridge Heath is the exception to this rule, which has a strong supply of all workspace typologies with the exception of serviced offices.
- 4.95 The provision of workspace for SMEs and growth sectors in the borough is best understood within the **wider clusters operating across boroughs in east London** and provision should be viewed within these larger clusters and trends. These are particularly geographically-led in Tower Hamlets, with the eastern edge well-located to continue the provision of creative workspace for bespoke making and artistic production in relation to Hackney Wick, the northern Central region well-positioned to cater for creative service sectors and bespoke product makers through its linkages to Hackney Central, and the City Fringe and Central economic hubs already working to cater for overspill demand from The City and Tech City/Shoreditch/Old Street.

Tower Hamlets Growth Sectors and SME Workspace Study

Table 4.3 Summary of Workspace Supply and Demand in Tower Hamlets Sub Areas

Sub Area	Local Economic Hub	Economic Category	Workspace Supply					Workspace Demand
			IACs	Managed Workspace	Serviced Offices	Creative Studios	Makerspace	
Tower Hamlets City Fringe	Aldgate	Established office	✓✓✓	✓✓✓		✓		
	Whitechapel	Established tech/creative	✓✓✓	✓✓				✓✓✓
Central	Brick Lane	Established tech/creative	✓✓	✓✓				
	Bethnal Green	Emerging tech/ creative					✓	
	Roman Road	Local service/ future growth				✓		
	Stepney Green	Local service/ future growth						✓✓
Docklands	Cambridge Heath Road	Emerging tech/ creative	✓✓✓	✓✓✓		✓✓✓	✓✓✓	
	Canary Wharf	Established office	✓	✓	✓✓✓			✓✓✓
Riverside	Tower Gateway	Established office		✓				
	Limehouse/ Wapping	Industrial & nascent creative		✓✓		✓✓		✓✓
Eastern Fringe	Hackney Wick	Industrial & nascent creative	✓✓			✓✓✓	✓	✓
	Fish Island	Industrial & nascent creative	✓			✓✓✓		✓✓
	Bromley-by-Bow	Industrial & nascent creative		✓✓		✓✓✓		

Key: ✓✓✓ - ticks denote strength of current provision in headline terms

5. Economic and Workspace Trajectory

Summary of Findings

- Strong economic growth is projected for London; the London LEP and GLA are placing a large policy focus on supporting the development of a number of higher value sectors (such as financial and professional services, creative industries and science and technology) and also supporting London’s enterprise economy
- More locally, Tower Hamlets is well placed to benefit from London’s growth trajectory given its important economic hubs (such as Canary Wharf and Aldgate) and its proximity to a number of London’s most significant growth areas (including Tech City and the Lower Lea Valley)
- Reflecting recent economic growth, London’s property market has enjoyed a number of years of strong performance, with strong take-up rates and increasing values. In Tower Hamlets, Aldgate and Canary Wharf continue to perform strongly within the wider London office sector
- The London property market is continually evolving; while larger firms are traditionally less footloose, smaller business and start-ups are continually seeking new locations to be close to markets and clients. In Tower Hamlets, previously ‘cost effective locations such as the City Fringe are now regarded as prime, which is acting to support the emergence of new economic locations further east in the borough

- While the Tower Hamlets workspace offer is currently characterised by a large number of independent operators, consultation has suggested that Tower Hamlets is perceived as an attractive location by many of the larger operators
- Operators already within the borough are generally positive and are experiencing growing demand and hence security. This trend is expected to continue, aligned with increasing demand from the borough’s growing population of freelance, creative and tech sector workers.
- The vast majority of workspace supply in recent has come from within the existing commercial stock, and this is expected to remain the primary source of supply going forward
- To date very little workspace has been delivered as part of new development. However, Tower Hamlets benefits from a significant development pipeline, with a large quantum of mixed use and residential development proposed across the borough, not least within the three Opportunity Areas. This development pipeline presents an opportunity to enhance workspace supply in the borough in future years.

Economic Trajectory

London’s Evolving Economy

- 5.1 Tower Hamlets is likely to benefit from the continuing population and employment expansion of London. London’s population has now surpassed its previous peak in 1939 of around 8.6 million, and is expected to growth further to 10 million by the early 2030s. The economy (and employment) is expected to grow in line with London

population expansion, and this is set to place London further at the heart of the nation’s economy.

5.2 The London Enterprise Panel’s Agenda for Jobs Growth aims to deliver a London economy with:

- The fastest income growth among cities of its scale and type, with growth in GVA per head that is faster over the long term than New York, Paris or Tokyo’s, and that delivers more benefit to the wider UK.
- Job growth that translates into opportunity, with employment rates higher than both the UK average and the equivalent rates in New York and Paris.
- Diversity and resilience, with strong performance across more of the economy in order to improve the city’s resilience against crises, with no single sector driving more than 40% of GVA or jobs growth.

5.3 Growth across London is forecast to be strong, with output increasing by approximately 2.8% over the next two years and employment increasing by 1.2% in 2016 and 1.0% in 2017. This suggests that London’s productivity is set to increase over the period. Sectors which are expected to have high employment growth over the next three years are distribution, accommodation and food, construction and finance and business. Output across these sectors is also expected to be strong.

Table 5.1 Average Output and Employment Growth Forecasts for London

	2015	2016	2017	
Output	Overall	3.1%	2.8%	2.8%
	Manufacturing	1.2%	1.6%	1.7%
	Distribution, accommodation & food	3.7%	2.8%	2.6%
	Finance and Business	3.7%	3.3%	3.2%
	Construction	3.0%	3.3%	3.1%
	Other (public & private) services	1.1%	1.2%	1.4%
Employment	Overall	1.6%	1.2%	1.0%
	Manufacturing	1.1%	-0.5%	-0.3%
	Distribution, accommodation & food	2.5%	1.4%	1.1%
	Finance and Business	2.4%	2.1%	1.5%
	Construction	3.8%	2.0%	1.7%
	Other (public & private) services	-0.7%	0.1%	0.2%

Source: London’s Economic Forecast, GLA, 2015

London Sector Aspirations

5.4 At the London level there are a number of sectors which are being targeted which have the potential to generate a high level of economic development. These are:

- **Creative:** The London Enterprise Panel’s Agenda for Jobs Growth sets out ambitions to establish a ‘creative engine’, building on London’s strengths in academia, museums and galleries and the entrepreneurial clusters which have made the city’s technology and information workforce outside manufacturing as large as San Francisco and San Jose combined. To achieve growth in the creative sector, there is a need to train more technical talent, improve digital

connectivity and improve funding opportunities for growing SMEs. Industries within this sector which are being targeted are ICT and wider media activities.

- **Finance and Business:** The Mayor of London's Economic Development Strategy has ambitions to make London's economy the most competitive business environment in the world, with further ambitions to promote London as the world capital of business.
- **Low Carbon:** The low carbon economy is another sector targeted in London², with ambitions to make London one of the world's leading low carbon capitals by 2025 and a world leader in carbon finance.
- **Science and Technology:** the Mayor's 2020 Vision³ notes the importance of the high value bio-tech, nano-tech and green-tech sectors which are increasingly choosing to locate in London. These will help spur research and development, and help with the aging population of the UK (and the developed world).

Importance of Small Businesses

- 5.5 The role of small businesses in helping London achieve its growth projections and sector aspirations is continually mentioned in many of the policy documents for London's future. Many of these have been covered in Chapter 2 and includes the London LEP's Agenda for Jobs and Growth and the GLA's Open Workspaces providers group.
- 5.6 The Mayor has established London's Export Promotion Programme in conjunction with UK Trade and Investment (UKTI). The programme

aims to help London's SMEs to participate in international markets and find new markets for their products and services.

- 5.7 The Mayor also aims to ensure that business costs remain competitive by having sufficient long-term capacity for workplace growth, in central London, Canary Wharf and in other parts of London, including town centres. The Mayor will encourage a range of workspace provision to suit different needs and will support a mix of uses where this will help to make economic activity more viable.

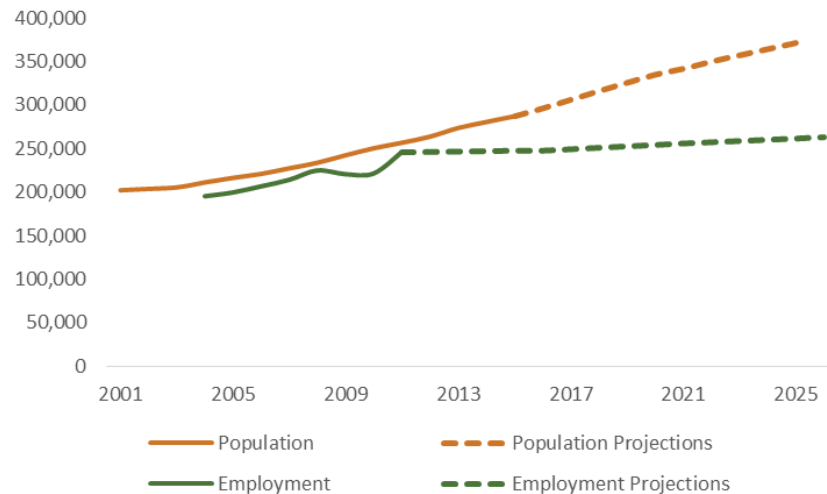
Tower Hamlets' Growth Aspirations

- 5.8 The GLA expects Tower Hamlets' population to increase by 30% over the next ten years, with an additional 85,000 people living in Tower Hamlets. This is much higher than the 9% population increase expected across the whole of London. This population growth brings both opportunities and challenges for the borough, with the potential for a high increase in the business base. This follows significant population growth over the last ten years, increasing by 71,000 people (33%), compared to 12% across London.

² As mentioned in the Mayor of London's Economic Development Strategy (2010)

³ 2020 Vision: The Greatest City on Earth, Mayor of London (2013)

Figure 5.1 Past and Future Projections for Population and Employment, 2001-25



Source: GLA, 2015 Projection based on GLA 2014 Round SHLAA Capped Household Size Model Short Term Migration Scenario Population Projections and trend-based employment projections for London boroughs

5.9 The Tower Hamlets Core Strategy⁴ anticipates that over the long-term there will be an additional 32,000 new homes by 2017 and over 100,000 new jobs by 2020. This growth will have a significant impact on the borough, from the functionality of its town centres to housing and workspace supply.

- The **Tower Hamlets City Fringe** area has been at the heart of the boom in the creative and cultural industries and this has also led to the growth of a growing evening economy and weekend retail and leisure activity, which are also increasingly attracting visitors to the area. The City Fringe Opportunity Area Planning Framework This is expected to continue into the future, with a strong evening and weekend economy sensitivity managed alongside its existing retail and newly established creative functions.
- **Canary Wharf** is a key centre within Tower Hamlets and London, with aspirations to reinforce and enhance this role in the period to 2025⁵. It is estimated that an additional 100,000 jobs could be created in Canary Wharf by 2025⁶, with a new mixed use development at Wood Wharf (directly to the East of Canary Wharf), providing over 3,200 new homes, nearly 2 million sq ft of high quality office space and a further 335,000 sq ft of shops, restaurants and community uses.
- Within the Eastern Fringe area (which is encompassed by the London Legacy Corporation boundary), there has been a significant rise in the number of service sector businesses, with 79% of businesses moving to the Hackney Wick/Fish Island area within the last three years⁷. Looking ahead, the manufacturing and service sectors displayed the most optimism about their need for extra space in the coming year.

⁴ Tower Hamlets Local Development Framework (2009)

⁵ Tower Hamlets Town Centre Spatial Strategy 2009-2025 (2009)

⁶ Tower Hamlets Town Centre Spatial Strategy 2009-2025 (2009)

⁷ Legacy Corporation Local Economy Study, Part A- Business Survey, London Legacy Development Corporation (2014)

Wider East London Trajectory

5.10 The Convergence Strategy and Action Plan 2015-18 sets out the goals of the **six boroughs**⁸ which hosted the Olympic Games. Its ambition is to ensure these areas have the same social and economic chances as their neighbours across London. The following five key employment sectors are being targeted by these boroughs:

- Health and social care
- Creative and digital industries
- Construction and facilities management
- Retail and hospitality
- Finance and business services

5.11 There are a number of areas surrounding Tower Hamlets' economy which have a heavy influence on the area's economy.

- **City of London:** The Future of the City of London's Economy Report⁹ predicts that the City's Economy will experience 0.9% employment growth and 2.8% output growth per annum until 2025, as the activities in the city become more productive and more highly concentrated. Economic development in the City is expected to be underpinned by continued gains in the professional and financial services sectors as has been the case since the mid-1990s, although employment growth is likely to come from a broader range of sectors. The professional services sector is also likely to grow strongly, as in recent years, with the legal and accounting sub-sectors

likely to experience the highest growth rates. A very similar pattern of employment and output growth is expected in the wider Central London area¹⁰.

- **Tech City and Hackney** the last two decades have seen the rapid expansion of the creative and digital sector around Old Street and Shoreditch areas. An ecosystem is now in place, with rapid-growth start-ups backed by incubator office spaces and the availability of investment from venture capitalists. Tech Hub, a start-up incubator space on the edge of Old Street, led the way for other new spaces for tech start-ups when it opened in 2011. The Hackney Local Plan sets out the Council's ambitions to support SME businesses, with a commitment to facilitate the location of micro, small and medium companies in the borough.
- **The Royal Docks** is listed as an opportunity areas in the Mayor's 2020 Vision¹¹. It seeks to return the area to its former economic importance by becoming at the forefront of international trade and exchange. The 125 hectare site has £22bn of development potential and will be developed through a new Enterprise Zone, creating 6,000 new jobs, and by constructing 11,000 new homes. A £1bn joint public and private investment will also establish London's first Asian Business Park.
- **The Lower Lea Valley and Stratford area** (the Olympic Area) is also identified as an opportunity area in the Mayor's 2020 Vision, with plans to build 7,000 family homes alongside the Westfield Stratford centre (which employs 10,000 people).

⁸ The six boroughs are Barking & Dagenham, Greenwich, Hackney, Newham, Tower Hamlets and Waltham Forest

⁹ The Future of the City of London's Economy (2015), City of London

¹⁰ Defined as Camden, City of London, Hackney, Islington, Lambeth, Southwark, and Westminster

¹¹ 2020 Vision: The Greatest City on Earth, Mayor of London (2013)

iCity will create a leading technology and digital cluster delivering 4,500 jobs in conjunction with UCL's new science-led academic district. In all, it is estimated that the development potential across the Lower Lea Valley and Stratford will amount to 32,000 new homes and 50,000 jobs. The London Legacy Development Corporation Employment Space Study sets out the need to develop the amount of workspace for SME businesses, and that this will help to drive the growth of the local economy and secure the legacy of the Olympic Games.

Property Market Trends

Overview

- 5.12 Since the financial crises the British economy and particularly the financial and business services sector has experienced significant change and recovery. The core (prime) office markets in the West End, City and Docklands have experienced recovering demand. The downturn period significantly affected development levels and thus supply of new accommodation was delayed.
- 5.13 During this same period, driven by a number of factors the residential property market within Central London has experienced unprecedented levels of growth in capital and rental values. With capital values being so strong, developers seeking to maximise returns have sought to secure sites and opportunities for residential development where historically this would not have been the case. Changes in planning policy (Permitted Development Rights) have also

contributed to developers seeking opportunities for residential development, including conversion opportunities.

- 5.14 The period of recovery has also seen a number of emerging locations mature and become popular with occupiers. Two of the most prominent are Kings Cross and the City Fringe (north). In addition, emerging locations, such as the South Bank, Stratford, Old Oak Common (medium to long term) will further change the distribution and pattern of the Central London office market.

Market Performance

- 5.15 The 10 year annual average for Central London office market take-up has been in the order of 12.7m sqft. Recent market performance has been exceptional with 15m sqft taken-up in 2014 and followed by a slightly weaker performance of 14.5m sqft in 2015.
- 5.16 The location which enjoyed the highest levels of take-up in 2015 was Midtown. CBRE Research for Q4, 2015 indicated that the area experiencing the greatest active demand (indicated by space under offer) was the City (38%), followed by West End (29%), Docklands (16%), Midtown (11%) and Southbank (6%).
- 5.17 The sectors which are most active in the market place are the financial and professional sectors and the telecoms, marketing and technology (creative sector)¹².
- 5.18 According to research undertaken by agents JLL average rents and rent free periods are as follows:

¹² CBRE Research shows 24% of requirements are from the creative industries sector. JLL tenant breakdown for Q3 2015 showed take-up as follows Professional 17%, TMT 16%, Financial 16%, Property 13%.

Table 5.2 Q3 2015 Average Rents and Rent Free Periods

Location	Average Rent £ psf	Average Rent Free Months
Chancery Lane - Midtown	£66.20	16
Gresham Street – City Core	£65.30	19
Soho – West End	£85.50	16
Aldgate – City Fringe	£52.60	19
Canary Wharf - Docklands	£41.70	24

Source: JLL, 2015

Tower Hamlets - Availability

- 5.19 Examination of the Estates Gazette Interactive (EGI) database in terms of office accommodation on the market provides an indication of levels of supply.
- 5.20 The data paints a clear picture of the City Fringe having some supply of smaller accommodation due to historic development and conversion of buildings. Whilst in Docklands there has been significant development in the recent past, this is characterised by large floorplate development suited to larger corporate occupiers.
- 5.21 In overall terms with the slight exception of E1 it can be seen that smaller occupiers are not well catered for in the areas surveyed. It should be stressed that this analysis does not include smaller units provided by serviced office providers and clearly they are benefiting from this situation.

Table 5.3 Office Availability by postcode

Post-code	No. of Units <1,000 sqft (Total SqFt)	No. of Units <5,000 sqft (Total SqFt)	Total Available Floorspace SqFt
E1	9 (5,573 sqft)	23 (52,104 sqft)	2.32m
E2	7 (5,461 sqft)	7 (19,806 sqft)	40,017
E3	14 (54,391 sqft)	- -	54,391
E14	1 (861 sqft)	10 (29,586 sqft)	8.86m

Source: EGi, 2015

Trends & Opportunities for Growth

- 5.22 The London office market is increasingly dynamic with a number of different prime locations. New transport infrastructure including Crossrail will continue this process of change as occupiers seek new locations in order to find the best terms.
- 5.23 Smaller enterprises and start-ups that are looking to be located close to their clients and markets, whether this is in the financial, media or technology sectors. Historic cost effective locations such as the City Fringe (north and east) have increased in popularity to such a level that to some extent they are regarded as prime locations with significant largescale developments and pre-let transactions taking place (e.g. Aldgate).
- 5.24 With demand driving up rents there is clearly an opportunity to capture demand through the provision of suitable accommodation in appropriate locations. Such supply is likely to be smaller scale provision in non-established office locations (i.e. less than 2,500 to 3,000 sq m total) and be marketed towards more footloose occupiers seeking

cost effective space. Larger developments are likely to take place in the prime and established locations in order to manage risk, but also to secure the larger more prime requirements which attract higher rental values.

- 5.25 Developers may be resistant to delivering new accommodation in new pioneering locations due to perceived risk, but also the allure of higher returns being achieved from residential development. To counter this view it is key that the most suitable locations are identified (i.e. close to public transport interchanges) where the opportunity is strongest and risks can then be offset.

Challenges

- 5.26 The economic recovery has led to strong demand in office markets across London and this has led to increased levels of take-up which in turn is driving up rental values. Locations once considered non-prime and ‘fringe’ are now not considered in the same way and new developments are changing the perceptions and character of these areas.
- 5.27 The emergence of new locations must also be considered and it is likely that the office market will continue to be dynamic with occupiers accepting the non-traditional prime locations.
- 5.28 In the new and emerging locations in Tower Hamlets the challenges therefore can be summarised as:
- Developers being attracted by high residential sales values and looking to take advantage of a strong market. Permitted development rights have also boosted the interest in older office buildings as opportunities for redevelopment
 - Locations along the Crossrail route (and Central Line) are untested in office employment terms and therefore this will

require co-ordination and support to ensure that risks are managed and compelling locations are created

- Start-ups and SME’s present a less attractive investment profile and therefore the resultant capital values are lower
- Empty property rates related to new development. Currently a time limited rates ‘holiday’ of 18 months is granted. This facility is due to expire in September 2016.

- 5.29 The delivery of new accommodation to the market place will be important and the Council, through its’ policy framework can assist in securing additional accommodation within the borough.

Factors Influencing Workspace Supply and Demand

- 5.30 In considering future workspace trends and drivers, we have consulted with both large workspace providers (the majority of whom are not currently located in the Borough) and existing Tower Hamlets operators. Full detail of the large workspace providers is provided in the accompanying data spreadsheet.

Perspectives from Larger Workspace Operators

- 5.31 A number of national operators have been approached to determine their interest in establishing a presence or increasing their presence in Tower Hamlets.

Operator Interest

- 5.32 The two largest managed workspace operators, Workspace plc and Bizspace, who would create a mixed use scheme of offices, light industrial, studio and communal spaces are both interested in

representation in Tower Hamlets. Both are only interested in owning their space and would require 30000 sq ft. plus.

- 5.33 Workspace already have seven centres in Tower Hamlets and believe there is a good market for their product. Both Bizspace and Workspace Group take the view that there is demand everywhere and take the view that ‘if you build them they will come’.
- 5.34 Smaller operators such as Wenta who also offer business support and mentoring are interested but only on a joint venture or partnership basis and would require some form of incentive to attract them to the area.
- 5.35 A London managed workspace operator Finsbury Business Centre is also interested in the area and would be more flexible in the type of deal.
- 5.36 Serviced Office operators such as Regus, Landmark, The Office Group, MSO, are all interested in the area but more likely to prefer E1 and E14 postcodes. These companies prefer leasehold, or management deals usually with a share of revenue. The market for serviced offices in London has been very buoyant recently and there are a large number of serviced office providers seeking space in London generally.
- 5.37 International co-working operators including e office and We Work are both interested in acquiring space from anything from 200 desks although the latter has more space dedicated to serviced offices than co-working. Both would lease space. Desk Union is also interested but on a revenue share basis and is more likely to look for temporary space solutions.

Type of Demand

- 5.38 Demand for flexible space has changed over the past 10 years and the rate of change has accelerated. Over the past three years in

particular, there has been growth in co-working/collaborative/shared space with a number of independent operators setting up co-working centres and larger operators such as Regus adapting their offer to catch up.

- 5.39 This change has been driven by changes in working patterns (both by individuals and corporations) by the younger generation entering the workspace and above all by the changes in technology. It has also been fuelled by the growing number of small and micro businesses.
- 5.40 The result of this is, that in new centres, operators are creating some form of communal space and older centres are retro-fitting communal space within their centres.

Perspectives from Existing Tower Hamlets Workspace Operators

- 5.41 At the local level, existing providers are generally very positive about operating in the borough and report a sense of growing momentum as certain areas become more established as places of work. IAC and managed workspace providers in particular report increased demand and growth prospects, particularly around the Aldgate, Bethnal Green and Whitechapel local centres.

Local Demand

- 5.42 The presence of large, internationally-recognised workspace providers like WeWork, in combination with high-profile office tenants like Uber in neighbouring office space has heightened Aldgate’s profile as a desirable office location, and providers report a that tenants increasingly recognise the area as a tech and start-up office location, disregarding a scepticism that providers faced from tenants only a few years ago. Providers who already operate in the

borough are looking to expand, with a number reporting actively looking for new sites, including TechSpace, WeWork and Workspace.

- 5.43 This expansion is location-sensitive as providers adjust their offerings to suit different locations in the borough. The Eastern Fringe, for example, is identified as offering cheaper and large floorplates for creative studio provision, the Docklands offers opportunities for more high-spec, enterprise-type space, and Bethnal Green and the Cambridge Heath corridor are sites for smaller-scale boutique offerings for tenants working in creative service sectors).

Links to Wider Areas

- 5.44 A key driver in the increasing provision of flexible workspace in the City Fringe, Central and Riverside sub-regions of the borough is proximity to Shoreditch, Old Street and other Tech City locations. As office rents continue to rise in these locations, SME businesses are looking for alternate workspace locations, typically in the form of IACs, managed workspace or creative studios. LBTH's relatively inexpensive rents and proximity to Tech City and the City have drawn a number of businesses and operators from these locations.
- 5.45 This trend is echoed to a degree on the eastern fringe of the borough as businesses and makers based around Hackney Wick look for new creative studio space and light industrial space as their existing workspaces come under development pressures through the continuing redevelopment of the Olympic Fringe and Stratford town centre. This driver is primarily feeding into the demand for creative studio typology of workspace in the borough. Continued residential and office development in Canary Wharf presents another opportunity for new provision, especially in the IAC category which is still under-represented in the area. Recent reports of WeWork looking to take up over 100,000sqft in the area speak to this opportunity.

Implications of Population Growth

- 5.46 The borough's own growing population of freelance, creative and tech-sector workers has created another driver of both supply and demand for flexible workspace in the borough. As this resident population continues to grow, localised demand for co-working, creative studio and SME office space looks set to rise as this growth sector workforce looks for local and accessible workspace. A number of small-to-medium scale workspace providers in the borough were also started by freelancers or SME founders who were looking for space themselves, and this kind of provision-by-necessity also stands to increase in parallel with the borough's changing population.

Meanwhile / Temporary Uses

- 5.47 The increasing number of development sites within the borough itself has also provided increased (albeit short-term) opportunities for flexible workspace provision. A number of smaller-scale, independent providers are operating on short-term leases (less than three years) on premises awaiting redevelopment. These premises usually provide affordable, adaptable spaces which smaller operators are well-placed to manage. The re-provision of this workspace is however, a continual challenge for providers as when their short-term locations are lost, sites for such provision are increasingly limited. Some providers report that landlords are wising up to the need to provide space at more flexible terms given the rise of SMEs and start-ups looking for space at terms which won't tie them in for the long-term, and this recognition stands to increase the number of premises offered in flexible terms across the borough.

Sharing of Space

- 5.48 A number of IAC and managed workspace providers have also identified an increasing demand for enterprise space. Larger, well-established tech, digital, finance and creative companies are increasingly looking to share their workspace with younger start-up ventures in order to benefit knowledge sharing and up-and-coming talent in their sector.
- 5.49 Online workspace broker Hubble report that almost a third of their listed workspaces are provided by SMEs offering out spare space, 5% of which are worth over £100m. Providers like TechSpace have adjusted their product offering at their Aldgate location to accommodate this growing demand- turning all of their existing workspace into enterprise space (covering entire individual floors) which is let to more established tenants who in turn offer spare desk-spaces to start-ups and early-stage SMEs. Some tenants take up to double the amount of space needed for their own employees in order to be able to accommodate other businesses this way and to secure grow-on space.

Challenges

- 5.50 Challenges for future provision are largely centred around securing suitable premises for provision. Providers are typically operating out of existing commercial premises, and sourcing existing building stock suitable for provision (larger floorplates, ‘characterful’, existing internal separations suitable for providing different products) is increasingly challenging. Obstacles include premises coming under redevelopment pressures, new provision being typically allocated to conventional office provision and landlords unwilling to let to shared workspace use as it is still a relatively unknown or un-recognised form of provision. Providers of specialised workspaces like makerspaces in

particular report ongoing problems of recognition in policy and business support terms (e.g. insurance). Some providers see a need for specialised workspaces to be recognised a providing routes to employment and business support, looking to associated rate relief and promotion.

Summary: Economic and Workspace Trajectory

- 5.51 The London and in particular the Tower Hamlets economy are expected to experience significant economic and population growth in the future. .
- 5.52 The following table summarises the main points discussed in this chapter and spatially outlines potential economic trajectory and workspace demand. The strength of the Tower Hamlets economy means that there is demand for a broad range of workspaces across all parts of the borough. That said, the spatial distribution of the growth sectors means there are some local differences in the types of workspace models which are likely to be appropriate:
 - **City Fringe** – the Tower Hamlets City Fringe region is already well-established as an SME and growth sector workspace location, with a large amount of managed workspace and numerous IACs. Within the area, as an established office location, Aldgate is likely to continue to prove attractive to larger or established professional and business service office employers, with demand for serviced office space, managed workspace and deskpace. As fringe locations, Brick Lane and Whitechapel are more attractive locations for start-ups and smaller creative and tech enterprises, with demand for a broad range of workspaces – including IACs, managed workspace and creative studios. Whitechapel also has

potential for bespoke premises linked to the hospital and related life science activities. In these locations, affordability and re-provision of space is likely to be a key consideration as commercial interest in the area further increases.

- **Docklands** – is a home for established tech and professional services companies, with particularly strong provision of serviced office space. The nature of the market means that this is likely to remain the case in the future, with lower levels of demand for more creative / flexible spaces. That said, Canary Wharf could be an ideal location for a bespoke (sector specific) workspace facility, linked to the areas strength as a global financial centre. This is considered in more detail in the next chapter.
- **The Eastern Fringe** – this area currently hosts a strong cluster of artist studios and more affordable workspaces. This market is expected to strengthen further in future years, reflecting the economic and development trajectory of the wider LLDC and Royal Docks area. Demand is likely to remain at the more flexible and creative end of the spectrum, with particular demand for IACs, creative studios and maker spaces. Affordability is likely to be a key concern as the attractiveness of these areas as residential and economic locations increase.
- **The Central and Riverside** sub-areas currently have lower levels of provision (with the exception of Cambridge Heath). These areas, particularly around Bethnal Green, Roman Road and Limehouse/Wapping, stand out as locations where more small-to medium sized workspace (IACs, managed workspace, creative studios) could be provided in order to cater for the creative growth sector demand moving across from the wider City Fringe. These locations have strong transport links and

existing commercial stock that is broadly suitable for a range of provisions.

Table 5.4 Summary of Workspace Supply and Demand in Tower Hamlets Sub Areas

Sub Area	Local Economic Hub	Current Characteristics			Trajectory		Workspace Opportunity	
		Current Economic Category	Workspace Supply	Economic Trajectory	Development Trajectory	Property Market Pressures	Future Workspace Demand	Relevant Typologies
Tower Hamlets City Fringe	Aldgate	Established office	✓✓✓	✓✓✓	✓✓✓	£££	✓✓	IACs, MW, SO, DS
	Whitechapel	Established tech/creative	✓✓	✓✓✓	✓✓✓	££	✓✓✓	IACs, CS, MW, SO, BP
	Brick Lane	Established tech/creative	✓✓	✓✓	✓✓	££	✓✓✓	IACs, CS, MW, SO
Central	Bethnal Green	Emerging tech/ creative		✓✓	✓✓	££	✓✓✓	IACs, CS, MW
	Roman Road	Local service/ future growth		✓	✓	£	✓✓	IACs, CS, MW
	Stepney Green	Local service/ future growth		✓	✓	£	✓✓	IACs, CS, MW
	Cambridge Heath Road	Emerging tech/ creative	✓✓✓	✓✓	✓✓	£	✓✓✓	IACs, CS, MW, MS
Docklands	Canary Wharf	Established office	✓✓	✓✓✓	✓✓✓	£££	✓✓	IACs, MW, SO, BP
Riverside	Tower Gateway	Established office		✓✓	✓✓	£££	✓	IACs, MW, SO, DS
	Limehouse/ Wapping	Industrial & nascent creative	✓✓	✓	✓✓	££	✓✓	IACs, CS, MW, DS, SO
Eastern Fringe	Hackney Wick	Industrial & nascent creative	✓✓	✓✓	✓✓	£	✓✓✓	IACs, CS, MS
	Fish Island	Industrial & nascent creative	✓✓	✓✓	✓✓	£	✓✓✓	IACs, CS, MS
	Bromley-by-Bow	Industrial & nascent creative	✓✓	✓✓	✓✓	£	✓✓✓	IACs, CS, MS

Typology Key:

- IACs – Incubators, Accelerators, Co-Working
- CS – Creative Studios
- MW – Managed Workspace
- SO – Serviced Offices
- BP – Bespoke Premises
- MS – Maker Spaces
- DS – Desk Space

6. Moving Forward: Maintaining and Enhancing Workspace Supply

6.1 Building on the evidence collected as part of the research, this chapter considers the main factors which will influence the future vitality of the Tower Hamlets workspace market, and the interventions which could be put in place in support of this.

Future Workspace Supply: Opportunities and Challenges

6.2 The preceding analysis has provided the following key points regarding the performance and trajectory of the Tower Hamlets economy and workspace market:

- The Tower Hamlets economy is performing strongly, with a high and growing concentration of activity within a number of higher value ‘growth’ sectors.
- While the borough has a number of established office locations (such as Canary Wharf and Aldgate), it is also home to a number of growing clusters of tech and creative focused activity. These clusters are already well established in the west of the borough (in locations such as Whitechapel and Brick Lane), and growing fast in locations further east such as Bethnal Green, Cambridge heath, Bow and Hackney Wick/ Fish Island).

- There has been rapid growth in the supply of SME workspace in Tower Hamlets in the past 5 years; many of these spaces are specifically geared toward the growth sectors, particularly creative activities.
- Evidence from the market suggests that there is strong and growing demand for workspace in the borough, partly demonstrated by low vacancy / availability rates.
- Analysis has also identified appetite from providers both inside and outside the borough to enhance supply of a range of different types of spaces in the coming years.

6.3 Based on the research, there are a number of key factors which will drive the future vitality of the workspace market in the borough, including:

- Protecting / retaining existing workspace supply
- Encouraging additional supply of suitable workspaces in appropriate locations, including via:
 - Re-use of existing commercial premises
 - Re-use of council, public sector or community assets
 - Permanent delivery within new development
 - Temporary / meanwhile uses as part of development.
- Protecting and enhancing demand for workspace.

6.4 Each of these avenues is explored in more detail below, taking into account key issues and the need / potential for intervention.

Protecting / Maintaining Existing Supply

- 6.5 Mapping work has identified well over 100 flexible workspaces in Tower Hamlets; these are located across the borough and across the workspace typology.
- 6.6 Protecting and maintaining these existing facilities should be a top priority in efforts to ensure strong workspace supply in the borough into the future.

Key Issues / Challenges

- 6.7 The research has suggested that current operators are positive about the Tower Hamlets market and that there is growing momentum in demand. In a number of cases, operators are looking to expand elsewhere in the borough.
- 6.8 The most significant challenge likely to be faced by existing providers / operators relates to overarching commercial property market pressures resulting in increasing values across the borough. In practical terms this will impact on the ability of operators to secure / negotiate leases and also on the ability of operators to operate commercially viable models.

Intervention Required?

- 6.9 While at headline terms, the market is already performing strongly without intervention, there are a number of possible interventions which could help to strengthen the existing workspace community. These include:
 - Provider Network – given there are over 100 workspace premises in the borough, the establishment of a bespoke network for providers (potentially expanding to neighbouring

parts of the City Fringe, Tech City and the Lower Lea Valley) could potentially be valuable in formalising lines of communication between the providers themselves and also wider partners such as the council and landlords.

- Evidence – the database of providers collated as part of this research is a valuable database for both existing providers and those looking for space. There would be benefit in ensuring the database is externally accessible and in ensuring it is kept up to date (potentially in collaboration with the Providers Network above).
- Signposting and support – while the evidence does not suggest that a specific support service is required, there could be benefit in ensuring that there is an identified point of contact within the council with whom workspace providers can engage. This contact should be well placed to provide signposting services where necessary – whether to relevant departments within the council or to wider partners where specific property / business support is required.

New supply: Re-use of Existing Commercial Premises

- 6.10 Evidence suggests that the vast majority of workspace supply has come forward from within the existing commercial / employment stock.
- 6.11 While this should be expected to continue to be the main source of new workspace supply going forward, it is likely to face a number of challenges.

Key Issues / Challenges

- 6.12 As with established workspaces, the most significant challenge faced by those looking to reuse existing premises is likely to relate to overarching commercial property values. In practical terms this will impact on the ability of operators to secure or negotiate leases and also on the ability of operators to operate commercially viable models.
- 6.13 A second challenge relates to the ability of providers to identify appropriate opportunities. As highlighted by the research, sourcing existing building stock suitable for provision (larger floorplates, ‘characterful’, existing internal separations suitable for providing different products) is becoming ever more difficult.

Intervention Required?

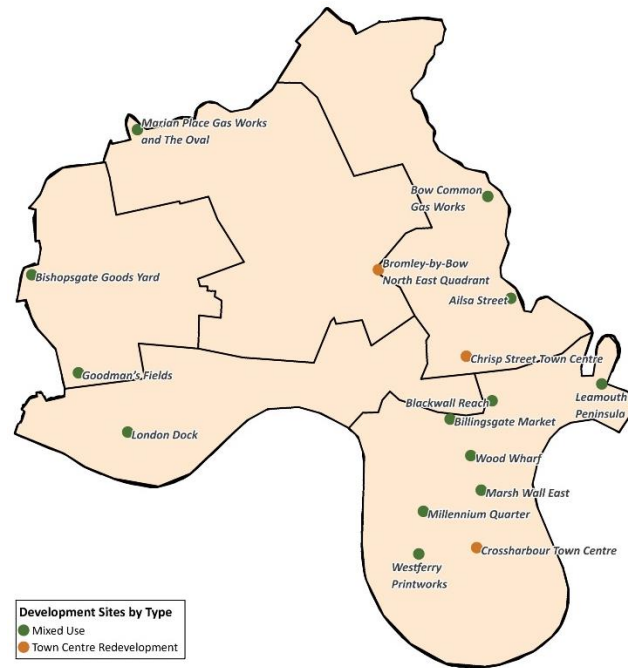
- 6.14 Again, in headline terms, the market is already performing strongly without public sector intervention. However, there are a number of interventions which could help to enhance future supply. These largely reflect those identified above:
 - Evidence – the database of providers collated as part of this research is a valuable database which could help providers to understand existing supply and identify opportunities. Appropriately targeted it could be used by the council to engage with providers (present and future) to identify areas of need and minimise the risk of duplication / oversupply
 - Signposting and support – again, there would be benefit in ensuring that there is an identified point of contact within the council with whom potential workspace providers can engage. In this context, ability to signpost on to the evidence

base (or providers network), or to locally knowledgeable property agents could be valuable.

New Supply: Flexible Workspace within New Development

- 6.15 Evidence suggests only a very small number workspaces have been delivered as part of new development in recent years:
 - Interrogation of the council’s development management database has identified few planning proposals which have specifically identified flexible workspace as a possible end use.
 - Similarly, our mapping of workspace supply identified only a small number of workspaces within new build commercial or mixed use developments – these include Bow Enterprise Park (managed by the Workspace Group), Leven Road Studios (a partnership between ACME & Swan Housing Group), and WeWork in Aldgate Tower.
- 6.16 Despite this, reflecting the strong growth aspirations for the borough and wider sub-region, a large amount of development is planned for forthcoming years which could potentially provide a mechanism to support additional workspace delivery:
 - **Tower Hamlets Site Allocations** – The Site Allocations DPD (2013) identifies 20 of the most significant development opportunities in the borough. While in most cases end-uses are not identified, of the 20 sites 16 are mixed use schemes which could potentially provide opportunity for flexible workspace. It should be noted that the Site Allocations DPD is due to be updated as part of the New Local Plan process; a call for sites was undertaken during the latter part of 2015.

Figure 6.1 Tower Hamlets Site Allocations (2013)



Source: Tower Hamlets Council and Regeneris Consulting

- Opportunity Areas** – As noted previously, the borough is part of a number of wider regionally significant clusters of economic activity – most notably the City Fringe / Tech City, Isle of Dogs / South Poplar and Lower Lea Valley opportunity areas. Each of these opportunity areas contain significant development capacity and hence potential to increase the supply of SME workspace.

- Poplar Riverside Housing Zone** – the Poplar Riverside Housing Zone is part of the GLA’s London wide Housing Zone initiative. It is estimated that the Housing Zone could deliver more than 9,000 new homes in the period to 2025. In addition to homes, the delivery of commercial space is planned, with a target to create 4,000 jobs. The delivery of flexible workspace targeted at supporting enterprise among new and existing communities could potentially play a role in efforts to work towards this target.

Key Issues / Challenges

6.17 It is clear from the evidence that the market is not currently delivering workspace within new development. This is likely to reflect a number of challenges, including:

- Residential values – in many cases, comparative values mean that developers find it more attractive to deliver residential space over commercial (and SME workspace)
- Lack of knowledge – there is also evidence that, despite the growing market and demand, there remains something of a knowledge gap on the part of developers regarding levels of demand for and value of flexible workspace models.

Intervention Required?

6.18 Given the limited delivery of workspace within new development in recent years, there is a strong argument that intervention is needed to enhance future supply via this avenue in future years. Options for intervention include:

- Enhanced planning policy – the most direct avenue to respond to the above challenges is likely to be via the planning

system. There are positive examples from elsewhere in London of where boroughs (such as Hackney and Wandsworth) have taken a proactive approach to stimulating workspace supply via planning policy. The approach appears most effective when developed as an overarching expectation when it comes to scheme design (ie building SME workspace into the development schedule). In general, S106 approaches are seen to be less effective given issues of scale and also given that these types of planning obligations cover a range of wider issues which are in many cases likely to be given stronger priority (such as affordable housing) during negotiations.

- Information and dialogue – responding to challenges regarding the knowledge of developers regarding the flexible workspace market, the council could potentially play a role in ensuring that active developers are aware of overarching aspirations regarding the delivery of this type of space and of the economic, social and community value in doing so. In practical terms, this is likely to mean a proactive approach to engaging with developers who are active in the borough.
- Brokerage – building on the above, the council is well placed to use its knowledge base and strategic influence to act as a broker between developers and workspace operators, identifying opportunities where there might be potential for collaboration and making the necessary introductions.

Other potential opportunities to enhance supply

- **Re-use of council assets** – the council and wider public sector own a large number of premises and assets within the borough, some of which will be underutilised or vacant and which could be converted for temporary or permanent

workspace uses. In reality this is likely to prove a complex process given wider resource constraints and strategies regarding disposal. However, the council should remain alert and be positioned to respond to potential opportunities as they emerge, particularly where there relate to strategic aspirations which may not be the focus of the commercial market (eg specific action to protect sectors / activities in certain location, or to pursue business support or education objectives).

- **Temporary / Meanwhile Uses** – a number of temporary / meanwhile workspaces have been delivered in Tower Hamlets in recent years, most recently St Katherine’s Precinct delivered in partnership with Bow Arts. Given the large scale of development proposed for the borough in coming years, temporary use of land / space is likely to remain a viable source of space. Information / knowledge about the value of these types of uses, and nervousness on the part of developers and landowners are typical challenges to overcome. Again, close partnership working with developers / landowners could help to identify potential opportunities and to broker links with workspace providers who would be willing to enter into a partnership.

Protecting and Enhancing Demand

- 6.19 The research undertaken has suggested that, at face value demand for workspace in the borough is strong and growing. However, analysis has identified a number of potential future challenges which are summarised below.

Key Issues / Challenges

- 6.20 As with supply, the most significant challenge likely to be faced by those seeking space is likely to relate to overarching commercial property market forces resulting in increasing values across the Borough. In practical terms this will impact on the geography of demand: as prices increase in the City Fringe (and to a lesser extent Canary Wharf), it is likely that small businesses will seek new locations further east in the borough. The arrival of Crossrail and the proposed 2017 rates revaluation may accelerate this process.
- 6.21 One implication of this is the risk that property market pressures could result in certain locations losing their ‘identity’ or distinctiveness as a result of long standing businesses or sectors being priced out and displaced elsewhere.

Intervention Required?

- 6.22 There are a number of possible interventions which could help to respond to these challenges. These include:
 - Information and signposting – given the information and knowledge it holds, the council is well placed to provide information and signposting services to local SMEs, providing information on workspace supply and signposting on to wider business or property market support where required. The focus should be placed on engaging with businesses operating in the growth sectors and in locations which are facing the most significant property market pressures
 - Targeted brokerage – at the overarching level, strong levels of demand and occupancy do not suggest a need for the council to intervene with the provision of borough wide workspace brokerage services. However, there is a case for

some more targeted brokerage intervention focused on supporting some of the borough’s more distinctive locations to retain their identity by helping businesses in identified sectors to find appropriate space.

Recommendations for Intervention

- 6.1 Based on the above, a number of interventions have been identified via which the council could intervene and positively influence the trajectory and sustainability of the local workspace market.

The Role of the London Borough of Tower Hamlets

The research has highlighted that at the headline level, the local workspace market is currently performing comparatively strongly:

- The market is delivering a breadth and depth of offer with a range of price points
- Demand appears strong and is growing
- There is overall positivity among providers regarding the trajectory of the market.

That said, digging deeper, a number of challenges / issues have been identified which may impact on the future vitality of the Tower Hamlets flexible workspace market – these largely relate to wider market pressures regarding increasing rents and loss of employment land.

There are a number of ways in which the council can intervene to support the vitality of the Tower Hamlets SME workspace market:

- Information and co-ordination – the council can play a role in better coordinating the existing workspace supply landscape

and acting as a central hub for information which could be beneficial to a range of partners

- Workspace delivery – the private sector is already delivering strongly in terms of workspace supply. Therefore in delivery terms, the role of the council should be limited to: 1). ensuring the correct policies are in place to influence the supply of the right types of spaces in the right locations, and 2). pursuing strategic aspirations regarding the protection of identity and distinctiveness in certain local economic hubs, and the projection of Tower Hamlets strengths as a centre of science and commerce. In this case, there may be a role for the council to play a more proactive role, either as a deliverer of workspace or a delivery partner.

Possible interventions are outlined below.

Information and Coordination

- 6.2 A number of interventions have been identified relating to improvements in information and coordination:

Intervention Area 1: Establish a Network of Providers

- 6.3 Given the rapid increase in the range of workspace provided across the borough, effective mechanisms to share information and advise providers would be beneficial. Not only would this help LB Tower Hamlets maintain a clearer view on how provision is evolving, it will also provide a forum to achieve a more holistic benefit from the activities different providers (and businesses) are supporting. This group should seek to act as a conduit between the emerging business community and local residents, education providers and community groups.

- 6.4 A Tower Hamlets focused workspace network should look to build upon and link into existing London-wide networks such the London Open Workspace Providers Group, providing a local platform networking, knowledge sharing and communication.

Examples from Elsewhere

- **The London Open Workspace Providers Group** was established following research by the GLA into the supply of existing Incubators, Accelerators and Co-Working spaces in London. The London-wide group provides a platform through which IACs can inform emerging workspace policies, share learning and engage with boroughs and developers.

Intervention Area 2: Information, Communication and Messaging

- 6.5 The database of providers collated as part of this research is a valuable database for both existing providers and those looking for space. The council should look to ensure the database is externally accessible and ensure it is kept up to date (potentially in collaboration with the provider’s network above).
- 6.6 The council should also look to ensure there is a named contact/coordinator within the council who can act as gatekeeper to the information, as a first point of contact for workspace providers, and businesses seeking space, and as a lead for conversations / collaboration with strategic partners (eg the GLA, the LEP and neighbouring boroughs).
- 6.7 As part of this, it will be important to develop and project a set of consistent messages (based on the evidence within this report) which articulate the trajectory of the Tower Hamlets economy and aspirations for workspace delivery.

Examples from Elsewhere

- **Workspace providers list, Hackney** – The London Borough of Hackney publishes lists annually¹³ showing the workspace providers which are committed to hosting and supporting businesses at different stages of development and across the growing sector of the borough’s economy as well as the community and voluntary sectors. This has become a go-to source of information for both providers and businesses and momentum generated has helped to make the process of keeping the database up to date more efficient and effective.

Examples from Elsewhere

- **Enterprising Whitechapel** – as part of the Enterprising Whitechapel programme, a website has been created showing available spaces for SME businesses. This also breaks down the available spaces by size, availability (e.g. full-time, occasional, few hours per week) and type. This offers businesses an easier way of accessing information on new business space.

Intervention Area 3: Act as Broker and Agent

- 6.8 Again responding to issues relating to the transfer of information, the council should seek to play a more interventionist role in linking certain businesses to the workspaces mapped within this study. There are two obvious focusses for this activity:
- Supporting those companies who are looking for more space for growth (ie ‘moving on’)
 - In line with a wider placemaking agenda, support those companies which are looking for more appropriate spaces in areas which are changing (e.g. Clothing Wholesalers in Whitechapel).

Intervention Area 4: Business Support Gap Filling and Information Brokerage

- 6.9 Much of the managed workspace in Tower Hamlets is accompanied by some form of business support offer. This is largely delivered at the discretion of the operator and on the whole is well run and appropriate to the needs of the companies in any given space. There is scope for some inconsistency in the offer.
- 6.10 There is a role for the council to work with workspace providers to ensure a strong level of support is delivered and where necessary gaps are filled. The council can also support enhanced linkages / signposting to regional business support products, in particular the London Growth Hub, and wider skills / education support initiatives.

¹³ Available here: <http://www.hackney.gov.uk/Assets/Documents/Workspace-Providers-List.pdf>

Intervention Area 5: Introduce Operators to New Locations and Developers

6.11 Although workspace is spread fairly evenly across the borough, individual providers (with some notable exceptions) tend to focus on quite specific locations. With the evidence provided within this report, LB Tower Hamlets should seek to promote less visible locations of the borough to providers, in particular emerging locations to the north and east where there are small but growing clusters of activity in the growth sectors. A critical element of this support should also be to match providers to developers to ensure that mixed use development across the borough support a range of different types of space.

Enhancing Workspace Delivery

6.12 A number of interventions have been identified to enhance the delivery of new workspace:

Intervention Area 6: Enhance Policy Guidance

6.13 Unlike many of its neighbouring areas, Tower Hamlets does not presently have planning guidance regarding delivery of affordable workspace. The development of specific policy guiding workspace provision in the borough could play an effective role in both helping to retain existing space and in helping to deliver new flexible and affordable spaces.

6.14 Review of policies from other areas across London highlights the importance of taking into account quantum of space, type of space / spatial requirements, management / operation, fit out and pricing in policy design.

6.15 While policy guidance should be targeted at private sector developers, there is a role for the public sector to act as an exemplar in terms of delivery of workspace within new development. The Poplar Riverside Housing Zone presents a particularly strong opportunity in this respect.

Examples from Elsewhere

- **LB Hackney** has a policy within its Local Plan (Policy DM16 – Affordable Workspace) whereby the council will seek 10% of the new floorspace within major commercial development schemes in the borough, and within new mixed-use schemes in the borough’s designated employment areas, to be affordable workspace. This designated workspace should be leased at a rate below the market rate for at least 10 years (60% of markets rents from years 1 to 3; 80% from years 4 to 6; and 90% from years 7 to 10) to a Council registered Workspace Provider.
- **Camden Borough-Wide Policy DP13** - Where premises or sites are suitable for continued business use, the Council will consider redevelopment proposals for mixed use schemes provided that premises suitable for new, SMEs are provided.
- Other relevant policies include Lambeth (Policy ED2), Lewisham (Policies DM9, DM10, DM11), Wandsworth (Policy DMI4) and the London Legacy Development Corporation (Policy B.4).

Intervention Area 7: Explore a Global Entrepreneurship Accelerator

6.16 Given that the London Borough of Tower Hamlets is a global centre for commerce, the borough should aspire to attract the best entrepreneurs from around the world. A space with enhanced support, linking to ready markets and funding, in partnership with

education institutions across the world could help differentiate the offer further. This would ideally be located in proximity to the established office / commerce hubs of Canary Wharf or Aldgate.

- 6.17 The delivery of such a space within existing council assets or as part of new development could be explored, with the council acting either as development lead or development partner.

Examples from Elsewhere

- Enterprise North East Trust (Enterprise) has unveiled plans¹⁴ to establish Aberdeen as a world-renowned city for supporting and developing entrepreneurs with a specialism in the energy and technology sectors. They are establishing a £1 million **Centre for Entrepreneurs** within the city's Energy Park which will attract SMEs due to the centre's connections to 55 accelerator programmes around the world. The aim is to support over 200 businesses in the centre and help them grow into larger and more established businesses.

- 6.19 By identifying a certain number of heritage/protected sectors in certain locations and supporting them to stay in an area, Tower Hamlets can support a broader offer.

- 6.20 Again, the delivery of such a space within existing council assets or as part of new development could be explored, with the council acting either as development lead or development partner.

Examples from Elsewhere

- **The Centre for Fashion Enterprise (CFE)** in Hackney provides business incubator support for new businesses entering the market and helps to fast track them towards success. The centre has received ERDF funding to help deliver five incubator programmes tailored to the fashion industry including new market entry, new fashion pioneer and the fash-tech programme.

Intervention Area 8: Affordable Space for Protected Sectors.

- 6.18 Some sectors within Tower Hamlets are inherent in the identity and diversity of certain locations; this includes Clothing manufacture in Whitechapel, Furniture making in Bethnal Green and more making / industrial activities in the east of the borough in locations such as Bow, Fish Island and Hackney Wick. These activities not only support identity, but also provide traditional skills which, where possible, should be protected and retained.

¹⁴ See more here: <http://elevatoruk.com/blog/very-exciting-news-from-enterprise-plans-revealed-for-our-aberdeen-centre-f/>

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