London Borough of Tower Hamlets

Tower Hamlets Spatial Economy Study
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**APPENDICES**

Appendix 1 – New Industrial and Office Space In Tower Hamlets

Appendix 2 – SME Space in Tower Hamlets
1 INTRODUCTION

1.1 The purpose of this study, commissioned by the London Borough of Tower Hamlets, is to support the development of further Development Plan Documents following on from the Core Strategy. The Core Strategy was found ‘sound’ in late 2010 and is now formally adopted by the Council.

1.2 The Council have asked us to advise on three broad areas:
   - The definition of the spatial policy areas and justification
   - A policy approach for Fish Island
   - Advice on planning for SMEs.

1.3 We introduce each of these three areas below before considering them in more detail in the following chapters.

1.4 Glenny LLP have provided additional property market advice and input to inform this study.

Spatial Policy Areas

1.5 Through the Core Strategy and previous planning documents Tower Hamlets has long sought to safeguard employment sites from redevelopment for higher-value uses such as housing.

1.6 However there has been a need to balance this protectionist approach with the demand for new homes and the intensification of employment sites to either provide new high density housing or a mix of housing and employment. The traditional employment land stock has also been pressured by a number of high profile regeneration schemes; most noticeably the Olympics but also the regeneration of other parts of the Borough.

1.7 As noted in the Core Strategy the pressure to redevelop employment sites has resulted in the loss of over 140 ha of industrial land since 2008.

1.8 Recognising this pressure the Council’s newly adopted Core Strategy identifies a number of spatial policy areas where industrial space will be protected and enhanced. In some areas the policies are worded to give priority to employment uses over housing while in others the greater emphasis is on securing a mix of uses.

1.9 Policy SPO6 of the Core Strategy outlines where these spatial policy areas are located and how the Council intends to manage them. It classifies them as follows:
   - **Strategic Industrial Locations (SIL).** These are the Borough’s main industrial sites and afforded the most protection from redevelopment for alternative uses. Their protection is also strengthened by their recognition in the London Plan that they are “a resource that must be sustained as London’s main reservoir of industrial capacity”. The Core Strategy identifies two SILs in Tower Hamlets; the first at Fish Island and the second at Empson Street / St. Andrews Way.
   - **Local Industrial Locations (LIL).** The second group of protected industrial sites are classified in the Core Strategy as LIL. While the Plan continues to protect these as industrial locations it recognises some mixed use redevelopment or intensification may be appropriate, but importantly any redevelopment must not result in “net loss of
employment floorspace [or]... have any detrimental impact upon the quality and usability of that floorspace”. LILs are identified at Gillender Street, Poplar Business Park and The Highway.

- **Preferred Office Locations (POL).** The Borough has a London significant role to play in providing new office space to support the City and the Docklands. The Core Strategy identifies four areas as Preferred Office Locations where new large floorplate office space will be protected and encouraged over the plan period (Canary Wharf, Bishopsgate, Aldgate and around Tower Gateway). These are areas where new housing is not acceptable; not necessarily because new housing is not compatible with the areas but because the spatial plan chooses to give new office space a higher policy priority and locates new housing elsewhere.

- **Local Office Locations (LOL).** While POL provides for large floorplate office property the Core Strategy identifies Whitechapel, Mile End and Blackwall as Local Office Locations to meet locally derived demand for new office floorspace. This includes ‘secondary office space’.

1.10 The Core Strategy does not identify the extent of these policy areas. Instead an indicative diagram is used to identify their general location and the potential shape of the policy areas:

**Figure 1.1 Core Strategy Employment Land Key Diagram (Page 62)**
1.11 We have been asked to help refine these indicative boundaries to inform more detailed Development Plan Documents. We discuss this in detail in Chapter 2.

**Fish Island**

1.12 The second area of work we have been asked to advise on is the managed release / regeneration of employment land in Fish Island. As noted above Fish Island is a SIL, so protected from non industrial uses, but both the GLA and the Borough have acknowledged that the former boundary of Fish Island (in the Tower Hamlets UDP) needs revising to release land from industrial use and encourage the wider regeneration of Hackney Wick.

1.13 In view of this the Core Strategy has outlined a managed strategy of rolling back the protected SIL area, releasing sites in the north for alternative uses while maintaining an industrial core in the South. The purely indicative Core Strategy diagram is shown below. We have been asked to refine this diagram and provide more detailed advice to the Council on how to manage this process.

**Figure 1.2 Core Strategy Indicative Plan for Fish Island**

- **Fish Island North** - mixed use regeneration around the transport hub and neighbourhood centre
- **Fish Island East** - new residential community delivered through the Olympic Legacy Masterplan Framework
- **Fish Island Mid** - employment led mixed use regeneration area
- **Fish Island South** - area for industrial uses
Small and Medium Sized Enterprises (SMEs)

1.14 The final area of work the Borough has asked us to consider is how they can best support the Borough’s SMEs.

1.15 The Core Strategy policy SP06 (paragraph 1) states that the Borough will "have a particular focus on the small and medium enterprise sector." The policy goes on to say that this will be achieved by "encouraging and protecting employment units suitable for small business". The policy defines such space as employment units smaller than 250 square metres.

1.16 The Borough have asked us to further refine this high level policy to help inform further more detailed Development Plan Documents.

1.17 This will be covered in detail in Appendix 2.
2 EMPLOYMENT LAND STUDY

2.1 The majority of our work has been to define the Borough’s spatial policy areas for employment uses.

2.2 As outlined in the chapter above these include the Strategic and Local Industrial Locations (SIL & LIL) and the Preferred and Local Office Locations (POL & LOL).

2.3 However before we look in detail at each of these areas we first briefly review the Council’s core evidence base document, the Employment Land Study (2009, ELS) to see how this suggested the boundaries should be drawn.

2.4 We also need to consider the ELS because it outlined how much land the Borough should protect with its designations so helps guide us as to how tight the boundaries need to be drawn.

Employment Land Study

2.5 The Employment Land Study was completed in mid-2009 and used to support the Core Strategy. The study approach is summarised in the diagram below, taken from the Employment Land Study:

Figure 2.1 Employment Land Study approach

2.6 While the ELS satisfied the Core Strategy examination, providing evidence to support the Council’s broad employment land strategy, the Council has become aware of the need to review and update the analysis and scope of the study.

2.7 This is because a number of the recommendations were not fully accepted by the Council, due to competing pressures for land within the Borough. For some sites the Council decided, on balance, to adopt a different policy approach.
2.8 Below we look at site specific recommendations but also the general approach to employment land policy.

**Industrial and Warehouse uses**

*Site Specific Recommendations*

2.9 In common with all employment land studies the Borough’s ELS recommended a new ‘portfolio’ of employment sites; sites to be protected as LIL or SIL. This portfolio was the result of the study’s qualitative and quantitative analysis of land in the Borough.

2.10 However the Council decided not to implement a number of these site specific recommendations, deciding that protecting them as designated industrial employment sites through Policy SP06 was not appropriate. By not designating these as it allows a more flexible approach to secure the wider regeneration objectives of the Core Strategy in these areas.

2.11 As example the ELS recommended four sites for protection as employment sites (so controlled through policy SP06) but this recommendation was not carried into the Core Strategy:

- Hays Depot and Nairn Street
- Blackwall Trading Estate
- Leven Road
- Bromley-by-Bow

2.12 The study also suggested protecting more of Fish Island SIL than was suggested in the indicative Core Strategy diagram.

2.13 Because fewer sites are protected than the ELS recommended there may be a quantitative deficiency in the Borough’s stock of protected employment land.

2.14 A further complication is that even for sites both the ELS and Council agreed to protect the Council decided that on balance only the core of the sites should be protected under policy SPO6. For example the ELS recommended protecting ‘Cluster 15 The Highway’ as a LIL, focused on the Highway Trading Estate. In their recommendation they included a large amount of employment around the estate, stretching up to Commercial Road and including industrial uses adjacent to and to the rear of the Troxy.

2.15 Part of the rationale for such a large boundary was a suggestion the area should accommodate more warehousing space. ELS suggested that the Borough ought to make more land available for this type of space.

2.16 However on balance the Council decided to only protect the core of the area and encourage a greater mix of uses elsewhere, so much less land is protected than originally suggested in the ELS and so the likelihood that this area can deliver additional new warehousing space reduced.

2.17 The map below illustrates the extent of ‘Cluster 15 (Highway Trading Estate)’ as a green line; and the much smaller ‘Highway Trading Estate’ is represented by the lower right red line.
Figure 2.2 Extent of ELS cluster 15 and the potential LIL

General Employment Land Strategy

2.18 Above we noted that much less land has been protected in the Core Strategy through Policy SP06 than suggested in the ELS. This would suggest that in the future the Council needs to take a strong position regarding further losses of land both within the SP06 areas but also viable sites elsewhere in the Borough.

2.19 One main conclusion of the ELS, although not prominently presented in the report as a ‘recommendation’, was that the Council needs to stop releasing employment sites at the same rate as it had become accustomed to.

2.20 The study found that between 2006 and 2008 33ha of industrial land had been lost (table 8.2 of the ELS); a rate which could not be supported in any of the study’s future scenarios.

2.21 The Employment Land Study foresees a drop in additional demand of between 11.2 ha (high growth scenario) and 27.5 ha (low growth scenario) to 2026, so only a few hectares each year, and a rate of loss substantially lower than seen in the recent past.

2.22 This need for a stronger policy approach in Tower Hamlets has been strengthened by more recent research.
2.23 The GLA Industrial Land Baseline report (November 2010)¹ found between 2006 and 2010 industrial land losses in the Borough were running at double the GLA’s suggested rate².

Office Floorspace

2.24 The above analysis relates mainly to industrial and warehousing uses – the LIL and SIL designations in the ELS. However the study also made recommendations concerning future office floorspace provision.

2.25 The future of new office space in the Borough is much simpler and better understood. The Borough must find space for a considerable amount of new development over the plan period. In the case of office space, the 2009 URS Employment Land Study estimated a total net requirement of 685,000 sqm B1 floorspace between 2008 and 2026 under a low growth scenario and 904,900 sqm under a high growth scenario. This represents a 29% growth in the stock of office floorspace in the first case and a 39% increase in the second. The majority of this new floorspace (approximately 70%) is expected to be accommodated in Canary Wharf with the remainder in the City Fringe (25%) and in other parts of the Borough (5%). This breakdown is broadly in line with the distribution of office supply across these three areas.

2.26 However unlike industrial and warehousing uses securing this new floorspace, at least in the City Fringe and Canary Wharf is unlikely to be challenging; because the pipeline of new office space already exceeds the targets. The London Office Policy Review (LOPR, 2009)³ estimated the Tower Hamlets pipeline stood at 1.7m square metres.

2.27 However there is no guarantee that this will all come forward. Historically the Borough has always had a pipeline of new office floorspace in excess of any target. For example in 1990 Roger Tym and Partners, on behalf of the London transport providers⁴ (prior to the GLA) identified a Tower Hamlets pipeline of 2.3 million square metres with a further 500,000 square metres not consented but being proposed.

2.28 The challenge for delivering new office space is likely to be in the local office locations; where the market is much weaker.

Conclusions

2.29 It is not unusual for a Council to disagree with the findings of its evidence base study, to protect more or less land than suggested by the Consultants. This is part of the Council’s duty to weigh up competing pressures for the finite supply of land.

¹ http://www.london.gov.uk/shaping-london/london-plan/docs/london-industrial-land-baseline-final.pdf
² Although the two studies (the ELS and GLA baseline) are undertaken by the same Consultants the data does not appear compatible; the two reports give different estimates of losses, but this does not materially change the underlying message that the Council needs to slow the loss of employment land release.
2.30 However, here there is a risk that substantially less land is being protected for employment (industrial and warehouse) uses than recommended in the ELS and losses have been substantially higher than recommended in the study; so for the industrial land designations the evidence would suggest:

- LIL and SIL boundaries need to be drawn as widely as possible; to give protection to as much employment space as possible.
- The Council should rigorously enforce the policy clauses in SP06 (5b) which protects the net balance and usability of space in the LIL areas.
- The Council should encourage redevelopment to provide new warehouse space, in line with the ELS recommendation (R3).

2.31 However the evidence would also suggest that much more land needs protecting for employment use (industrial and warehousing) than LIL and SIL is able to do. This is because a number of site specific recommendations were not carried forward into the Core Strategy. This is an issue the Council should look at when drafting and implementing development management policies. So the evidence suggests the Borough will need to both:

- Protect isolated employment sites and properties, outside LIL & SIL; relying on part 1 of policy SP06 and area policies; and
- Encourage new provision of industrial and warehousing property as part of mixed use regeneration outside the LIL & SIL.

2.32 We know that securing new land for industrial and warehousing uses is going to be difficult. The differential in residential and industrial land values means that developers are unlikely to offer new space willingly.

2.33 However the ELS may help secure some new land because although the Council disagreed with the ELS recommendation to allocate more sites under SP06 as LIL or SIL the site specific recommendations relating to sites not formally identified still remain relevant. For example the recommendation to encourage new space in part of Hays Depot / Nairn Street (Recommendation 5).

2.34 It is also likely that over the life of the plan some windfall redevelopment opportunities will present themselves. Securing new general industrial space is likely to only be relevant for larger sites, because traditional employment space cannot easily be secured as part of mixed use schemes. The ELS strongly stated:

“Research carried out by URS as part of the 2008 study commission ‘Employment Space in the Lower Lea valley’ (Workspace Report) on behalf of LTGDC and the LDA, indicates that mixing B2 and residential land uses as part of mixed use areas generally does not work and this should only be planned in specific and limited cases.”

2.35 We would also suggest that this applies to most B8 development because occupiers require unconstrained access and generally 24 hour operation (appendix 1 provides some additional detail).
2.36 Another option outside of the protected employment sites, and also for smaller sites, is that mixed use redevelopment of more traditional employment space may deliver new space suitable for SMEs.

2.37 As we discuss in Appendix 2 the Council’s SME evidence base suggested a shortage of small units for the SME sector. The SME study found that:

- Although B1 space at the time of the study is generally oversupplied in Tower Hamlets, the market is tight for small units, below 250 sq m. These spaces would accommodate very small business units, employing around 5-12 people.
- There is a particularly acute shortage of micro units, providing less than 100 sq m, including those provided as managed workspaces.

2.38 Outlying employment sites are more likely to be bad neighbours and in less appropriate locations for traditional industry or warehousing. The redevelopment of these sites may present an opportunity to provide light industrial and workshop space to meet the needs of SMEs, and still therefore meet the policy objective of SP06.

2.39 Finally; we are aware that the GLA is in the process of reviewing the Industrial Land Release benchmarks, partly in response to evidence that land releases are far in excess of those evidencing the London Plan. This review may provide additional evidence to both protect outlying industrial uses and encourage the re-provision of space on new sites.
3 BOUNDARIES

Introduction

3.1 This Chapter defines the boundaries of Tower Hamlets’ strategic and local employment areas and explains how they were defined.

3.2 Employment areas are identified in the Core Strategy as sites where there is an existing concentration of industrial / office uses, but also where further concentration should be focused in the future in order to meet requirements for employment land. As noted above the Core Strategy sites were identified in the 2009 Employment Land Study but not all these recommendations have been carried forward.

3.3 Any proposed boundaries must:

- Confirm existing concentrations of employment in the Borough;
- Take a longer-term, strategic view of employment land provision by identifying sites where further floorspace may be developed.

Our Approach

3.4 The boundaries were drawn in the context of the Draft Replacement London Plan and the Core Strategy. The London Plan sets out the role of Strategic Industrial Locations, the Central Activity Zone and Canary Wharf in the capital’s continued economic competitiveness on a national and international scale. The Core Strategy presents Tower Hamlets’ spatial approach to development, the role of the different hamlets and areas, and borough-wide policies with regards to economic development and employment land supply.

3.5 With regards to mapping, the starting point was the URS Employment Land Study and the employment clusters which were identified as part of it; although these were not published in detail as part of the report we have received the more detailed GIS boundaries.

3.6 In order to come to a final decision, we checked these boundaries against the Core Strategy, the planning information available to us (e.g. permitted developments and SHLAA sites) and against the mix of uses and buildings on the ground.

3.7 The Boundaries will never be perfect; the pattern of land uses in the Borough is complex and this means that within any area we will capture buildings which may not conform with the Core Strategy policy description (for example listed buildings within POL, or residential properties in LIL). This is inevitable in an inner London borough where high development densities create a dense mix of uses.

Defining the Strategic Industrial Areas (SILs)

3.8 According to the London Plan, SILs perform a critical role in London’s industrial land supply (see Policy 4.4) by accommodating strategically important logistics, waste management and transport functions as well as meeting other and more local needs including the provision of relatively affordable workspace. As a result, Policy 2.17 states that ‘The Mayor will and boroughs and other stakeholders should promote, manage and, where appropriate, protect the Strategic Industrial Locations’.
3.9 This is recognised in the Tower Hamlets Core Strategy with Policy SP06 identifying two SILs (Fish Island and Empson Street) and stressing the need to safeguard and intensify industrial land in these locations.

3.10 Fish Island is dealt with separately through an Area Action Plan and in chapter 4 of this study. Here we focus on Empson Street.

**Empson Street**

3.11 Empson Street is identified as an Industrial Business Park in the London Plan. Our recommended boundaries are illustrated below. They create a SIL of 10 hectares.

*Figure 3.1 Empson Street SIL*

3.12 As seen above, the canal and the A12 set clear physical boundaries to the south and east of the site respectively. The DLR railtrack marks out the site to the west, although there is a significant amount of industrial land beyond the railtrack, along Violet Road. However we understand that there is a resolution to grant planning permission (pending S106) for mixed use development including new residential and workspace units. (Bow Enterprise Park).

3.13 To the northern edges of the site, along Empson Street, Brickfield Street and Devons Road, are residential areas.

**Defining the Local Industrial Locations (LILs)**

3.14 As well as SILs, which tend to meet the needs of larger occupiers, land must be supplied to accommodate businesses which meet local demand. This is the role of LILs.
3.15 Policy SP06 of the Core Strategy lists three LILs:
- Gillender Street (LIL)
- Poplar Business Park (LIL)
- The Highway (LIL)

3.16 They are important to the ability of Tower Hamlets to retain, promote and encourage flexible workspace (SP06: 3. B) and to encourage and retain the provision of units suitable for SMEs (SP06 3c).

**Gillender Street**

3.17 The site basically covers the Barratt Industrial Park, covering around 1.8 hectares of industrial land. As illustrated in Figure 3.1, the Gillender Street LIL is a narrow strip of land on the River Lea and as a result is restricted on two sides by water. It is also delimited by Gillender Street and the A12 to the west.

3.18 To the south it stops level with Bromley Hall, a listed building, at the end of Gillender Street. Beyond this point, there are plans for a large mixed use riverside development around Ailsa Street, which prevents the expansion of the LIL.

3.19 The northern boundary of the site reaches just south of Bow Lock; a number of houses are located along the river there.

**Poplar Business Park**

3.20 Poplar Business Park is a small business park of approximately 1.5 hectares. It has a clear footprint which is delimited by the A1206 and residential towers to the East, Aspen Way (A1261) to the south, the DLR railtrack to the West and residential blocks to the north. There is no obvious room for expansion.
3.21 We discussed the potential complication defining the Highway when we introduced the ELS above. We discussed the difference between the ELS ‘Cluster 15 The Highway’ and the more tightly defined Highway Trading Estate.

3.22 When the ELS was drafted the Highway area included more industrial and warehousing space than now. Over the past few years a large amount of space west of Schoolhouse Lane, south of the Highway and north of Cable Street has already been lost.

3.23 At the moment, looking on the ground, the Highway area can be split into two parts. The southern section, along the Highway, with a strong concentration of industrial activities, is bounded by the Highway to the south, Butcher Row to the East, Schoolhouse Lane to the west and Cable Street to the north. While it does include a small row of residential cottages in the middle, the area is dominated by industrial / warehousing uses. It includes Cemex, a large supplier of cement and concrete, and the Highway Trading Estate.

3.24 At the moment the industrial area continues further north, across the railway and up to Commercial Street. The northern section is less coherent but includes a significant number of smaller industrial / warehousing buildings. All the streets running south from Commercial Street i.e. Pitsea Street, Caroline Street, Radcliffe Cross Street and Boulcott Street, include buildings which are used for workshops and industrial space.

3.25 It may have been the ELS’s intention to protect both of these areas (in addition to other sites recently lost) but new residential development has only very recently been completed.
north of Cable Street and so this area is increasingly residential in character. This leaves the northern part of the site separated and isolated from the more consolidated southern core.

3.26 Therefore we suggest that only the southern part of the Highway area be designated as LIL.

**Figure 3.3 The Highway LIL**

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**Defining the Preferred Office Locations (POLs)**

3.27 The Core Strategy identifies four Preferred Office Locations where it aims to focus large floorplate offices and intensify floorspace (SP06). These POLs have a central role to play in supporting London’s global offer and delivering growth targets set in the London Plan (SO1 and SO15).

3.28 The largest POL is Canary Wharf. The other three POLs are Bishopsgate Road Corridor, Aldgate, and Tower Gateway; they are located in the London Plan’s Central Activities Zone. The Central Activities Zone covers London’s geographic, economic and administrative core. It brings together the largest concentration of London's financial and globally-orientated business services.

3.29 According to the London Plan, employment in the CAZ and Isle of Dogs is expected to grow substantially, particularly driven by expansion of the office-based business services sector, as well as more jobs in areas like retail and leisure services. It will therefore be important to ensure an adequate supply of office accommodation and other workspaces in the CAZ / Isle of Dogs suitable to meet the needs of a growing and changing economy. One key
The criterion of the Borough’s POL is that they are not areas suitable for new housing. This is clear in policy SPO6.

3.30 This policy approach may appear contrary to the London Plan and policy 4.3 which encourages mixed use office and residential development in the CAZ and Isle of Dogs, but this is caveated in paragraph 4.16 of the draft plan, which suggests that in the City and Canary Wharf area commuted payments maybe more appropriate than physical provision of new houses:

“Exceptions to this [mixed use requirement] should only be permitted where mixed uses might compromise broader objectives, such as sustaining important clusters of business activity, for example in much of the City and the north of the Isle of Dogs’

3.31 This approach is endorsed in the GLA evidence base – the LOPR which stated:

In eastern CAZ and the Isle of Dogs, the provision of major office buildings without “a mix of uses including housing” can be justified in terms of not compromising London’s role as a world financial and business services centre.

3.32 This shows a negative stance towards new residential development in the POL is supported by strategic policy. As policy areas priority should be given to new office development, if and when opportunities arise.

3.33 As we discuss below this does not mean that the Council has to proactively promote new office space in these areas; the policy designation does not extinguish any other uses resident.

3.34 However the designation gives the Borough the ability to secure new office floorspace if sites are offered for redevelopment. Although the pipeline of new space may be in excess of the ELS targets today the London Plan is clear that local planning policies should not constrain the market driven growth of offices in parts of the Tower Hamlets CAZ and Canary Wharf (Policy 2.10).

3.35 Drawing POL policy areas larger than today’s identified capacity does not appear to be contrary to strategic policy; the GLA evidence base clearly identifies an oversupply of potential floorspace in Tower Hamlets compared to targets (e.g. see LOPR 2009), but even considering this evidence the London Plan policies support additional space.

3.36 Because of this the policy areas should also be drawn to allow new sites to come forward, allowing for flexibility and the potential that existing proposals may not be implemented as currently proposed; so the Borough should allow, in its policy areas, the flexibility to secure new space to meet market demand for new offices if the market demands.

Canary Wharf

3.37 This is the largest Preferred Office Location in the Borough. It plays a critical role in London’s economy and its strategic importance therefore extends beyond borough boundaries. This means that it is critical to get the boundaries right in order to support future employment growth both at local and London-wide level.

3.38 According to URS, net demand for B1 floorspace in Canary Wharf between 2008 and 2026 is likely to range from 505,000 to 651,700 sqm. However even at the time that report was
drafted the pipeline of new office space around Canary Wharf exceeded both these targets. The LOPR identified a supply of new office floorspace of nearly 1m square metres around Canary Wharf and a further 700,000 square metres elsewhere. Therefore even when the report was drafted market demand far outstripped the ELS demand targets.

3.39 We don’t see this over supply against target as a problem; as noted above the London plan is clear that in selective areas the office market should not be strategically constrained; as it maybe if the ELS targets were taken as maximum provision figures.

3.40 To facilitate the growth of new office space in and around Canary Wharf the ELS suggested the POL cover a very large area of land, stretching south to the Milwall Outer Dock. However this may jeopardise the delivery of new homes and needlessly allocate large amounts of POL which is unlikely to be needed for new offices over the lifetime of the plan.

3.41 Therefore in line with the Core Strategy we propose a much tighter boundary, constrained to the main Canary Wharf estate between West India Docks and South Dock. The western end of the proposed POL includes most of the land fronting Westferry Circus and the dock frontage on the western end of West India Dock North (Hertsmere House / Columbus Tower). At the eastern end we again include the dock frontage to West India Dock but also part of the Wood Wharf, which is already consented for new office space.

3.42 The suggested boundary is shown below.

**Figure 3.4 Canary Wharf POL**
**Tower Gateway**

3.43 The Tower Gateway POL is difficult to define. It is fragmented into three separate sections as seen in Figure 3.5. It could however offer opportunities for more office space in the future because of its proximity to the city and to public transport. Altogether the three areas amount to 4.2 hectares.

**Figure 3.5 Tower Gateway Public Transport Interchange POL**

3.44 The western section revolves around the Royal Mint and Sceptre Court on Tower Hill Terrace. It is solely occupied by offices and easy to define.

3.45 The Eastern section, between John Fisher Street and Ensign Street, combines residential uses with office uses, as well as a small industrial centre, along Dock Street. It may present potential for intensification and expansion of office uses so we suggest the Council consider including it within the strong POL designation as opposed to the weaker Central Activities Zone designation (at least for new large office space).

3.46 It is worth noting that this area currently accommodates a number of small industrial units, including at least one trade counter. As we discuss elsewhere it is vital that these are protected because they serve the city. This is not directly contrary to policy because although POL policy prevents mixed housing development the re-provision of this type of industrial use as part of a mixed use redevelopment, some of which is quasi retail in nature, is in the spirit of policy SP06.

3.47 The eastern and western sections are separated by an established residential area, although it does include the Tower Bridge Business Centre.
3.48 Finally, the area to the south is bounded by Thomas More Street and the residential buildings along St Katherine’s Dock to the West. It includes a very large office development on Thomas More Square. There may be an opportunity to extend the boundary further east, to include all or part of the very large car park between Vaughan Way and Virginia Street.

**Aldgate**

3.49 The POL at Aldgate could be the largest in the City Fringe. It benefits from good access to public transport, being located between Aldgate, Aldgate East and Tower Gateway stations, and can as such make an attractive business location.
3.50 Its boundary to the West is Mansell Street which is also the Borough boundary. To the south, the DLR railtrack forms a physical barrier. The site stretches east to Leman Street, leaving out the proposed, residential led redevelopment of the Goodman’s site. To the north, the area includes a number of the employment properties fronting Whitechapel High Street. We understand that the area between Tyne Street and Goulston Street is proposed
for non employment related redevelopment and so the Council have asked that it be excluded from the policy area.

3.51 There is also a residential community in the middle of this POL, with housing and a school, around Tenter Street. Despite this, we believe it should be designated as a POL; partly to allow a more coherent and simple policy area. Also the designation allows the Council greater control over the future of the whole area if any parts should be made available over the plan period. The purpose of the POL is to provide new office space through intensifying existing sites regardless of their existing use. There is no policy rationale to creating a policy 'island' simply because the existing use is not office.

3.52 As noted above it is important to recognise that the designation of the middle area as part of the POL (or any other part of the POL) does not mean that the Council should proactively replace these uses; only that if they come forward for redevelopment, the policy area may allow the Council to give some priority to main office uses. Also in any redevelopment other policies of the plan, not only SP06, will be relevant; for example securing the provision of the school.

**Bishopsgate Road**

3.53 This is a comparatively small area – 3 hectares – but a prime location for high grade, high density offices because of its location near Liverpool Street.

3.54 Most of the property within the proposed boundary has recently been redeveloped for high quality office space.

**Figure 3.7 Bishopsgate Road**
Defining the Local Office Locations (LOLs)

3.55 The Core Strategy designates three LOLs: Whitechapel; Mile End and Blackwall. These locations are to provide secondary office space. The guidance on SME accommodation (appendix 2) will be particularly relevant in these areas.

**Blackwall Local Office Location**

3.56 The Blackwall LOL is shaped by the road network: it is surrounded by the A13 to the north, the A1261 to the south and the Blackwall Tunnel Approach to the west. To the East, the LOL stops short of the A1261 as we understand that the plots either side of Sorrel Lane have planning permission for housing (pending s106).

3.57 Occupiers on the site include Tower Hamlets Borough Council, a call centre and a hotel. While this site is clearly not a POL, we must point out that it does not fit in well with the profile set out in the Core Strategy for LOLs either. It does not provide accommodation for secondary, local, small office space. Current occupiers are large and some of them are not traditional office occupiers (e.g. the data centre).

3.58 Despite this the LOL designation is the best available to protect the area for ongoing office related uses. However in applying the policy the Council may need to be flexible, permitting larger floorplate offices (if market demands) which otherwise would be directed to the POL and not forcing the type of small scale units it may encourage in other LOLs.

**Figure 3.8 Blackwall LOL**
**Whitechapel**

3.59 Whitechapel is designated a district centre in the Core Strategy. National Policy (PPS4) suggests that this is therefore an area suitable for new office space.

3.60 As part of this work we debated whether the LOL boundary should mirror the retail designation. However we understand that for retail purposes the Council prefer a very tightly defined retail boundary but this means there is very little scope to provide additional office space in line with the Core Strategy LOL policy (and the Council’s ELS).

3.61 Therefore the proposed boundary includes the retail boundary but extends beyond it and broadly reflects the adopted Whitechapel master plan boundary with a couple of exceptions. The Policy area extends further west than the masterplan, including the Whitechapel Road properties up to the Activity Zone. In the East it includes the frontages on Cambridge Heath Road around the junction with Mile End Road.

**Figure 3.9 Whitechapel LOL**

**Mile End**

3.62 Mile End is also an area covered by a retail designation, in this case a neighbourhood centre. However whereas our Whitechapel boundary is larger than the proposed retail boundary, to potentially allow additional office space over the life of the plan, in Mile End we propose a much smaller boundary.

3.63 This is because Whitechapel is a very strong office location, in close proximity to the CAZ and already accommodating substantial secondary office space (mostly above or to the
rear of shops). However Mile end is a weaker office location and Glennys (who helped advise us on this project) consider that in market terms it would be very difficult to justify the retention of office space above most of the retail properties protected by the proposed neighbourhood centre boundary. Promoting new space, in line with the ELS and Core Strategy, will be exceedingly challenging in most of the area, so we propose a very tightly defined LOL, focusing on the main transport interchange where promoting (and protecting) office space is likely to be most viable.

3.64 In this small area the Council’s focus should be to protect the existing space in the LOL, allowing the release of any disparate stock elsewhere. The long term viability of Mile End as an office location will depend on the Council’s ability to consult the office uses around the transport interchange.

Figure 3.10 Mile End LOL

Conclusions

LIL & SIL

3.65 Our boundaries identified above protect very little land compared to the ELS recommendations. The ELS suggested at least 134ha of land was needed for general industrial uses in the Borough (Table 7.13).

3.66 Our LIL boundaries protect only 6ha and our SIL a further 10. Even excepting additional space at Fish Island this is a small percentage of the stock of land the ELS suggested the Borough should provide for these uses. This is would strongly suggest a need to resist the
release of additional space outside the LIL and SIL boundaries; including space within the areas the Council decided not to protect using a SP06 designation. Also that where large redevelopment opportunities present themselves additional space should be encouraged.

3.67 We would also suggest that the quantitative balance of the ELR should be refreshed; perhaps when the GLA reviews the Industrial Land Release Benchmarks.

LOL & POL

3.68 The areas we have identified above are what we believe are practical and defendable policy boundaries. Collectively the theoretical capacity of these areas will exceed the ELS targets, but given the uncertain nature of the development proposals the Borough needs to ensure that the boundaries are flexible and do not constrain the market and the role the CAZ and Canary Wharf is afforded in the London Plan.

3.69 The most challenging aspect of delivering new office will be in the local office locations, where the market is weaker and space secondary in nature. For each of the three LOLs we propose slightly different policy rationale. For Mile End we suggest consolidation; for Whitechapel we suggest a more generous boundary; for Blackwall we suggest a flexible approach because the area does not perfectly fit the description of a Local Office Location.

3.70 In Appendix 2 we consider how best to secure space for the Borough’s SMEs and the LOLs will be one of the areas best placed to accommodate this new provision.
4 FISH ISLAND

Introduction

4.1 Planning for Fish Island has long been complicated. The area sits amid a large area of change, overlooking the 2012 Olympics site.

4.2 Balancing the competing uses is difficult; the area is one identified for new residential development but is already home to a number of employment uses, some of which have been relocated to make way for the Olympics.

4.3 The Core Strategy outlines a potential approach; in summary the proposal is to grade the industrial content from the South of Fish Island (protected by SIL for traditional industry) to the north (the ‘Hub’) where residential uses would dominate the regeneration.

4.4 The Council needs to define how this may work in practice, where the policy boundaries may be and how the managed release of SIL would work in practice. The Core Strategy says that an Area Action Plan is the appropriate planning tool to achieve this. We have been asked to focus on the boundary for the SIL and how to manage the transition northwards towards the hub, including the ‘cultural cluster’ which has developed in the conservation area.

4.5 As part of this work we are minded to treat the release of industrial land with caution because, as discussed above, the Core Strategy has protected only a minority of the land for industrial uses recommended in the ELS. Additionally some occupiers in Fish Island have already been relocated from the Olympics site at public expense, so compared to the Council’s own evidence base document very little industrial land is being protected and this warrants a cautious approach to further releases.

Market overview

4.6 Before we consider the detail of the proposed Fish Island policy areas we briefly review the market demand for space in Fish Island, so we understand better how the Council’s proposals may impact on the existing occupiers and the wider Borough economy.

4.7 Fish Island is in the centre of a huge regeneration area; the principle of physical regeneration and the replacement of traditional manufacturing businesses with new buildings (including ‘live work units’) is well established in the area.

4.8 This has understandably contributed to a spiral of decline whereby owners are reluctant to invest in new industrial property, or refurbish older property, because they hope that consent will be granted for higher value uses sometime in the future.

Type and nature of occupiers in Fish Island

4.9 Estimating how many jobs are located within Fish Island and exactly what businesses do in the area is complicated. Small area statistics are generally unreliable and Fish Island does not follow any established statistical boundary.
4.10 However using the closest fit we can use the BRES (Business Register and Employment Survey – the replacement to the ABI or Annual Business Inquiry) to support anecdotal evidence of who does what in the area.

4.11 Fish Island is covered by two Lower Tier Super Output Areas (LSOA) – which also include areas outside Fish Island. Together these two areas accommodate around 3,000 of the Borough's jobs.

Figure 4.1 Fish Island LSOA

4.12 The main types of employment in the area are:
- Wholesale & retail trades (including motor repair)
- Transport activities
- Printing and reproduction of recorded media; plus some publishing
- Waste
- Construction
- Food and beverage manufacture

4.13 The BRES also records a number of traditional manufacturing firms.
4.14 This would appear to support on-the-ground evidence; large parts of Fish Island are dominated by quasi-retail, waste, recycling and construction together with food. As we discuss below many of these firms are closely linked to the City and Canary Wharf supply chain.

*The City and Canary Wharf supply chain*

4.15 Tower Hamlets (including Fish Island) plays a vital part in supplying the City and Canary Wharf.

4.16 Much of the industrial demand in Fish Island is largely driven businesses who are providing central London with services, or with goods that have a short 'shelf life'. As noted above there are a number of food manufacturing companies in Fish Island as well as food distributors. These need to be close to their consumer markets to guarantee short delivery times so orders can be fulfilled and delivered within a matter of hours. They may also need access to the nearby wholesale markets at Billingsgate and Spitalfields.

4.17 A requirement to be close to the end consumer is not only limited to goods with a short shelf life. Suppliers also need to guarantee short delivery times for ambient goods. This is perhaps most noticeable in the south of Fish Island where almost all the industrial units are occupied by trade counters or warehouses supplying goods to the either the City, Canary Wharf or the Borough’s population (see fig 4.1 below).

4.18 There are also a number of car related businesses, either car hire firms who need space to store and service vehicles or garages which need to be in close proximity to (car owning) local residents or workers.
4.19 The demand for this type of space is expected to grow over time as the City and Canary Wharf add new office space and the residential areas intensify. The ELS identified a small increase in the demand for warehouse space over the lifetime of the plan, probably reflecting the growing need to accommodate this type of occupier.

4.20 Just as important as moving goods and services into office centres is moving materials and waste out. Central London generates a large flow of waste, not necessarily all dirty waste. Fish Island accommodates a number of waste and recycling companies. It is questionable whether these need to be located in the Borough and in Fish Island or whether they can be accommodated elsewhere. It is likely that they remain in Fish Island because there is little (or no) supply of alternative space for them so moving is not a viable option.

4.21 As a result, most of the demand has a limited ‘area of search’ because occupiers need to guarantee access to the offices and population.

4.22 The market and regeneration schemes have already relocated most of the companies who no longer need to locate in Tower Hamlets, leaving only a core of companies who need to be in the Borough; or perhaps who remain only because their area has yet to be regenerated but when asked to leave will do so.

4.23 There is a shortage of good quality space for these types of occupiers in Tower Hamlets.

4.24 For the remaining businesses the supply of space is very limited, pressured by owners with continuing aspirations to secure residential consent and the large releases related to
the Olympics, so almost no new space has been provided for these occupiers over the past 5-10 years. Consequentially industrial space is increasingly run down and dilapidated which becomes a factor in arguing for the sites to be released from the supply.

4.25 The lack of industrial space in the Borough is perhaps best evidenced by the premium occupiers are paying to secure long leaseholds in the Borough and Fish Island. Asking rents for properties with long leases, with protection under the 1954 Landlord and Tenant Act (Business Tenancy), are around £9 - £10 per square foot. This is a substantial premium on the £7 per square foot achieved for properties with short term leases (up to 2 years).

4.26 This is contrary to normal market conditions. In a normal market occupiers are expected to pay a premium for short term flexibility. This premium is either through a higher headline rent or the absence of a rent free period.

4.27 Normally longer leases are offered at a discount because they afford the owner more certainty and minimise the risk of periods of vacancy between lettings, but in the case of Tower Hamlets so much of the available stock is only offered short term (because owners hope to redevelop) that normal market rules do not apply.

4.28 As noted above there is very little new space in the Borough. Despite very low vacancy rates new space has not been developed.

The Creative Economy

4.29 In addition to the more traditional demand for industrial space in Fish Island the area has captured a part of London’s ‘creative economy’.

4.30 These businesses are not obvious from the BRES; it is likely that the statistical surveys either omit them or classify them in such a way we cannot identify them. However it is obvious from any site visit that the conservation area in Mid Fish Island, formally home to traditional manufacturing (most notably the Daltons factory), has become home to a new generation of creative art studios.

4.31 Part of this may be because they are benefiting from the development void; the period between the closure of the traditional industries and the regeneration of the properties for mixed use. Because of the buildings’ physical characteristics they are not attractive to let for traditional industry even at a discount. Rents are so depressed they become attractive to the creative industries.

4.32 Whereas traditional industry can no longer efficiently operate from the conservation area buildings (they prefer simple portal frame space) the creative industries like both the type of space offered (high ceilings, natural light) and can make use of the industrial features (access, loading etc.).

4.33 While we know Fish Island is home to part of the important creative economy, finding detail about its importance and role to the Borough is difficult.
4.34 It is widely accepted that the creative economy is a vital component of the London economy. It is discussed at length in a series of GLA working papers, most recently in 2009\(^5\). However this is of limited relevance to Fish Island. The majority of the creative economy identified by the GLA is dominated by sectors such as fashion, TV, film, radio and music. Compared to these the Fish Island artist community is very small and distinctly separate, so we must be cautious about drawing links between the wide creative sector and the narrow community currently resident in Fish Island.

4.35 Also very recent GLA research has highlighted the lack of a direct link between ‘culture and regeneration’:

“It has been very popular with politicians. But unfortunately it has not been possible to find any comprehensive evaluations of the effectiveness of culture-led regeneration schemes”

4.36 This does not mean that the Fish Island cultural industries should not be supported as part of the Fish Island regeneration; only that research is limited. However we have some purely practical concerns about the long term viability of the cultural industries.

4.37 Our property market assessment suggests that the cultural industries currently in residence are not universally viable in the long term. The conservation area buildings the artists like (probably because of their physical characteristics and cheapness) are expensive to maintain. To be self-financing, not dependent on third party support, they need to secure rents far higher than are currently being achieved.

4.38 At the moment we understand residents are paying only a few pounds a square foot for their space. While this can support the short term letting of the property it is insufficient to secure the long term viability of the space.

4.39 The cost of space to the end user needs to be double or triple what people are currently paying to support long term management and major repairs. We estimate a rent of at least £10 is needed plus a £5 service charge\(^6\). Even at this level of return we are not certain that the area can ‘regenerate’ rather than simply maintain its current appearance.

4.40 We think it is unlikely occupiers will pay this level of rent. There is little comparable space to provide firm evidence but recently the Granary in Barking (a similar industrial factory to small unit conversion targeted at the creative sector) has failed to let at £13 per square foot. Conversely Warwick Works in Clapton is under offer to provide much more cost efficient space (£6 per square foot) and has some interest.

4.41 Although further evidence is needed our opinion is that the Council, if they wish to support the cultural tenants, needs to develop a planning strategy which can deliver the physical

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\(^5\) http://legacy.london.gov.uk/mayor/economic_unit/docs/wp40.pdf

\(^6\) This is a very rough estimate. It will vary by building and circumstance. Further research would be needed to confirm this.
regeneration of the area while maintaining cost efficient space for the artists. We return to how the plan may help with this objective when we discuss Mid Fish Island, but first we discuss the simpler Fish Island South and the SIL.

**Fish Island SIL**

4.42 The Core Strategy maintains the principle of SIL in the southern part of Fish Island. The Core Strategy diagram suggests that this should be limited to the area south of Iceland Road, although this boundary is purely illustrative.

4.43 If taken literally, this would leave the main bulk of occupied industrial properties south of the Greenway outside of the SIL protection, including the industrial units around Maverton Road, Big Yellow Self storage and some industrial space around the Wick Lane traffic island.

4.44 In general these units are in much better condition that the bulk of Fish Island. There is a cluster of trade counter uses around Maverton Road which we noted above were important because this type of occupier is needed to service the wider economy.

4.45 Conversely much of the area south of Iceland Road and east of Wick lane, the area the Core Strategy suggested should remain SIL, is in much poorer condition. It is much less attractive to London industrial occupiers and most of the property is in need of investment if it is to fulfil its SIL objective as a reservoir of industrial property.

4.46 In view of this we are minded to recommend that more land be protected as SIL than first indicated. Our opinion is strengthened by our concern that across the Borough industrial losses have far exceeded that intended in the Council’s ELS and so a very cautious approach to releasing industrial space is warranted.

4.47 The Greenway would appear to be the natural break – between a clearly defined SIL area (where priority is given to industrial uses, accessed from Wick Lane) and the potentially more mixed Fish Island Mid (which we consider below).

4.48 However this break could also be at Wick Lane / Crown Close. If this is used as the boundary the remaining industrial space south of Greenway still warrants protection; perhaps as part of a new LIL we discuss below.

**Fish Island Mid**

4.49 The Core Strategy states that that Fish Island Mid should be released from SIL. This part of Fish Island will:

> “prosper through conservation and heritage-led renewal that will promote a mix of uses including new residential, workshops, creative and cultural industries, studios, light-industry and enterprise space”

4.50 As noted above we think the Greenway or Wick Lane / Crown Close should delimit the SIL, but north of this and south of the Hertford Canal we broadly agree with the suggestion that this part of Fish Island should promote mixed use development.

4.51 However most of the area outside the conservation area is currently occupied by a mixture of industrial and warehousing uses. Most of the properties are run down and
show little evidence of investment in recent years although this is understandable given the reluctance of owners to invest in an area they expect to be regenerated. However there is some better quality stock in the west between Smeed Road and Wick lane.

**Mid Fish Island LIL?**

4.52 The challenge for the Council is how to manage the transition, securing high quality urban renewal while still maintaining a mix of employment uses. By their nature few industrial uses are compatible with residential development and need to be spatially separated. As we noted elsewhere mixed use (industrial and residential) is very difficult to deliver successfully.

4.53 This is a common finding of Employment Land Studies (including our very recent work for LB Camden; it is also strongly endorsed by Glennys), so if Fish Island Mid is going to provide any industrial space (including light industrial units) it is advisable to maintain some degree of separation between residential and commercial uses. This means that joint working between land owners may be needed to secure viable mixed use sites – with one part of larger sites being used for residential and others for more industrial uses.

4.54 There maybe some resistance to promoting mixed use sites, based on people’s perceptions of the Borough’s current industrial land offer. However as noted elsewhere the existing stock is characterised by long term underinvestment and residential hope value, so it is in much poorer physical condition than the achievable rents may suggest. As part of a mixed use strategy the Borough should be able to promote much more acceptable forms of development.

4.55 The Core Strategy does have a policy tool, which is used in other parts of Tower Hamlets to secure this – a Local Industrial Location designation (LIL), which is designed to manage the local industrial stock and ensure that any redevelopment does not harm the viability of ongoing industrial use.

**Figure 4.3 Extract from policy SO6 - LIL**

Ensure a managed approach to industrial land for the borough in order to assist in creating sustainable communities. This will be achieved through:

a. Safeguarding and intensifying industrial land in the following areas:
   - Fish Island South (SIL)
   - Empson Street / St Andrews Way (SIL)
   - Gillender Street (LIL)
   - Poplar Business Park (LIL)
   - The Highway (LIL)

b. In the case of LIL, intensification through a mixed use approach will only be acceptable if:
   i. There is no overall net loss of employment floorspace;
   ii. There is no detrimental impact upon the quality and usability of that floorspace; and
   iii. Appropriate access arrangements; and
   iv. Mitigation of environmental impacts have been considered from the outset.
4.56 Therefore a LIL designation west of Smeed Road would appear justified. Additional research and evidence will be needed to demonstrate the viability of new industrial space here and to defend against possible speculative applications which do not accord with the LIL policy.

4.57 Elsewhere in Fish Island Mid the Council should maximise the value and capacity of other sites to achieve the plan’s other objectives. Most noticeably this applies to the canal frontages where higher density residential development is more attractive.

**Fish Island Conservation Area**

4.58 There is a question as to whether the bulk of the conservation area should be included in a LIL designation, so affording the Council potentially more control of the redevelopment in the area.

4.59 However parts of the LIL policy are unworkable in the conservation area. In particular there is no scope to redevelop the properties to replace employment floorspace and also provide new residential space (criteria b, i), so unlike the proposed Fish Island LIL the area needs a new policy approach.

4.60 To help structure a new policy the Council will need to develop a quantitative idea of how much space in the buildings needs protecting for cultural users and the viability of any proposed mix of use. This is outside the scope of this work and requires a much more detailed assessment than we can give here.

4.61 Beyond setting broad quantitative guidelines on how much space should be protected for employment we do not see much merit in the Council trying to be too prescriptive about how this should quantitatively be controlled, for example being prescriptive in the plan about what characteristics the buildings should have. Each building is different and it would be wrong to take a universal view, so each building will need reviewing on its individual merits.

4.62 We would also suggest that the area between Dace Road and Wyke Road be included in the same policy area. This would allow the council to promote new employment space not only as part of the conservation area conversions but also as part of any redevelopment of the low grade industrial uses immediately to the north.

4.63 There is an added reason for not including this part of Fish Island Mid in the LIL. The street arrangement between Wyke Road and Stour Road makes the plots difficult to redevelop for modern industrial or warehouse users while retaining an active street frontage onto all the public roads.

4.64 At the moment much of Beechy Road (between Monier and Stour Road) is dominated by the rears of industrial units. Mixed use redevelopment, which may include small workshop uses, should be able to make active use of both frontages. It is unlikely that this could be achieved without any net loss of employment space and so be in conformity with LIL policies.
Fish Island North (South of the Railway)

4.65 North of the Canal, in Fish Island North, there is a much weaker rationale to secure or protect traditional employment uses. This is not because there is no demand for industrial property. If the area benefited from strong policy protection and investment into its stock we think the area could contribute to the employment land supply.

4.66 However in this part of Fish Island the competing market and policy pressure from residential users is much greater. Because we don’t think traditional employment uses and new high density residential development can be made to cohabit very easily, a residential led approach, with no B2/B8 element, is more appropriate.

4.67 Any employment opportunities are likely to be limited to small scale office and potential workspace units. As with Fish Island Mid the proposed conservation area may provide some opportunity for workshop space. The area also includes the ‘White Building’ which is being promoted by the LDA as a ‘creative hub’.

Conclusions

4.68 Balancing the competing pressures in and around Fish Island is always going to be challenging. Our recommendation to promote a LIL in addition to the SIL in Fish Island is informed by the ELS and the requirement to protect employment land in the Borough to help service and provide for the City and Canary Wharf.

4.69 Given the policy tools available to the Council a LIL is the best land designation to secure the objectives of the Core Strategy, shrinking the SIL and regenerating the wider Fish Island economy.

4.70 If the Council is to continue to support the creative industries they are likely to benefit from policy protection but detailed work needs to be undertaken to look at the long term viability of the buildings and their tenants. This is because as noted we are not convinced the current mix of uses is commercially sustainable.
APPENDIX ONE

New Office and Industrial Space In Tower Hamlets
Introduction

1. One of the key criteria in policy SP06 and the operation of the employment policies in general is a requirement for developers to provide commercially attractive and viable employment space. This is a re-occurring theme through the policy and specifically at paragraph 5, which controls redevelopment in the Local Industrial Locations for mixed use with the caveats that:

   - There is no overall net loss of employment floorspace;
   - There is no detrimental impact upon the quality and usability of that floorspace;
   - Appropriate access arrangements are in place; and
   - Mitigation of environmental impacts have been considered from the outset.

2. The Council has had little real-life experience of delivering these policies because they were only adopted last year. However both the Council and ourselves, from experience of implementing older policies in the Borough and elsewhere in London, are aware of some of the main issues likely to arise and so need taking into account in further, more detailed DPDs.

3. One of the key issues across London is that where developers have re-provided employment space as part of mixed-use redevelopment schemes, the resulting space has often proved unattractive to occupiers, remaining vacant for long periods. This is not just a finding of our work but also a very clear message from the Borough’s own Employment Land Study.

4. Part of the problem is that normally market forces could be relied on to ensure that developers do not provide property that is not in demand. Planners are not expected to prescribe the development details, but in the present context incentives are different: developers may include loss-making employment space in mixed-use schemes solely to meet planning requirements, as the price of gaining planning permission for housing.

New Industrial Floorspace

5. To help avoid providing un-lettable industrial space we have tried to identify some key features new industrial and warehouse type employment space should possess to secure occupiers. We do this by identifying, from a market perspective, the ‘ideal’ industrial unit most attractive to Tower Hamlets’ industrial occupiers:

   - **Good Access**: Preferably for HGVs
   - **24 hour operation**: No loading restrictions or restrictive operational hour conditions
   - **Minimal nuisance risk**: Even if businesses can legally operate 24 hours a day they don’t want to be viewed as bad neighbours and expose themselves to contingent liability
   - **Good quality building**: Good repair
   - **High proportion of useable space**: Predominantly single storey (although office content is normally on more than one floor). Working height of 6 metres (to allow for mezzanine of required).
6. There is a supply of this type of property across London and Tower Hamlets, including some in Fish Island. However it is not a type of space many developers have been providing new in recent years because as noted elsewhere developers have not been investing in their industrial stock in the Borough.

7. These criteria are clearly incompatible with residential led mixed use redevelopment or intensification on the same plot. In our opinion the only efficient way of developing industrial sites for mixed use is to retain a separation of uses on the ground; where part of a larger site is redeveloped for residential and part (with separate access etc) is retained as industrial.

8. Vertical separation, where industrial space is provided on the ground floor of residential blocks, should be avoided. It is unattractive to occupiers, because of the nuisance issues discussed in earlier sections. Residents generally object to the noise, vibration, vehicle movements, parking, loading/unloading, smells etc generated by industrial operations, and industrial business do not want to operate in places where such objections will arise. If a property is consented for open employment use (B1/B2/B8), it is impossible to predict what type of operation may occupy it and what nuisances it may create. On the other hand, if there are restrictions on the use of the property it will not appeal to a large enough sector of the market.

9. Another problem with industrial space below residential is that, as a small part of a largely residential scheme, it tends to get least attention in terms of design, specification and space apportioned. Developers may treat the industrial element schemes as a loss-leader, and even have in mind a future change of use to residential or alternative uses.

New Office Floorspace (including light industrial/workshop)

10. The criteria we have outlined above are clearly very difficult to deliver as part of a mixed use (re)development.

11. These are more compatible uses which can be accommodated in close proximity to residential development – offices and ‘flexible’ business units. We provide some basic guidelines for this type of space below. Further advice specifically for SMEs is in appendix 2.

12. However before we discuss the characteristics of new property, one overarching caveat is that rarely can developers successfully swap traditional industrial space for office or light industrial workshop style units. However there is a temptation for developers to offer them regardless of local market conditions, so before considering swapping one type of employment space for another the Council needs to be satisfied that there is a market for the type of space being offered, and that it is spatially a good place to provide it.

Characteristics of new mixed use B1 development

13. B1 space is clearly more compatible with residential development but there is a risk that developers will view the provision of this space as a design afterthought; providing it in sub optimal locations where residential space is less palatable.
14. However as a general guide planners should remember that office occupiers have very similar preferences to householders (desks next to windows, preferably not looking at blank walls, are nearly always the most desirable in the office).

15. Despite this, new office space is often provided on the ground floor of otherwise residential blocks, but both residents and office occupiers are wary of security concerns and the visibility into the space from outside (obscuring this also obscures the light). Even in major office schemes, ground floor offices are normally less desirable and so cheaper than upper floors.

16. Space is also hard to let where developers attempt to provide non-traditional types of space in their mixed use schemes in an attempt to increase the development density of a plot. This includes providing employment space (which may be light industrial or offices) in basements and sub basements. For the occupier, this is nearly always inferior to above ground provision. Outside of the main office centres and the CAZ sub basements are unlikely to be attractive to the market.

17. There is also a temptation for developers to provide large floorplate offices on the ground floor, however in most of the Borough the market will not support these floorplates (POL being the obvious exception) because the resulting large floorplates are difficult to subdivide into smaller units (for SMEs etc) while retaining natural light.

18. This does present the development industry with a dilemma – what to do with the ground floors of mixed use buildings. We don’t have a universal answer to this, in some areas retail is acceptable and sometimes the market may accept ground floor office space, but the default answer should not always be that the employment elements of the scheme should be forced to compromise and take the least palatable elements of the development scheme.

19. A further complication of residential led mixed use development is that the employment element will usually not be fitted out (it tends to be let ‘shell and core’). This is cheaper for the developer but increases the financial burden on a potential occupier and limits the potential market.

20. Flexible workspace type units are more complicated. This is because they do not have to be located in office locations, so they can be accommodated across the Borough.

21. However if space is to be provided as ‘flexible workshops’ it will still share some industrial characteristics (so maintain its ‘flexibility’), including a need for good access, high ceilings (although less then 6m) and nuisance free operation (not necessarily 24 hours, but flexibility to start and finish late). Sub basements and complicated access arrangements (including lifts) will normally be viewed as suboptimal.
Appendix Two
Planning for Small and Medium Enterprises
Introduction

4.71 Tower Hamlets’ adopted Core Strategy refers to Small and Medium Enterprises (SMEs) at Policy SP06, as follows:

‘[The Council will:]

- Seek to maximise and deliver investment and job creation in the borough, by…
  promoting… a sustainable, balanced and diversified economy, by ensuring a sufficient range, mix and quality of employment spaces, with a particular focus on the small and medium enterprise sector

- Support the provision of a range and mix of employment uses and space in the borough, by… encouraging and retaining the provision of units (of approximately 250 sq m or less) suitable for small and medium enterprises.’

Supporting text headed ‘Why we have taken this approach’ adds that ‘Employment space provision for small and medium enterprises is identified as a significant need’, with a reference to the Small and Medium Office and Workspace Study produced by Renaisi for the Council in March 2006.

4.72 The purpose of this paper is to advise on how the Core Strategy’s SME policy can be delivered through site allocations and development management. To provide this advice, we need to consider:

i) How should SMEs be defined for the purpose of Policy S06?

ii) What particular difficulties do SMEs experience in accessing the space they need?

iii) Based on the above, what should the Council do to help resolve these difficulties?

4.73 In the next section, we consider how these questions are answered in earlier evidence base documents. These comprise the Renaisi study referenced in the Core Strategy and the more recent report of the Councils scrutiny working group on empowering SMEs (June 2011). This scrutiny report incorporates the findings of the Local Economic Assessment. In the third and final section, we will provide our own analysis and advice.

Earlier Evidence

The Renaisi Study

Definition of SMEs

4.74 The study is not always consistent in how it defines its subject matter; sometimes discussing small properties (e.g. the title of the report is ‘Small and Medium Office and Workplace Study’), while at other times discussing a type of occupier firm, which is what SMEs are. This distinction makes a difference in practice, because small and medium
properties are not necessarily occupied by small and medium enterprises; they are often occupied by a unit, or branch, of a large firm.

4.75 The Renaisi definition may exclude types of property which are important for SMEs. The report’s subtitle says that it is about offices and workshops in the B1 use class, and Sections 1.1 and 2.3 narrow the scope again, to the B1a and B1b classes – which cover offices and research and development but exclude class B1c, light industry. The report does not say if these definitions apply throughout the study. If so, the study could be missing the property needs of small industrial / distribution firms – which may be classified as B1c, or possibly B2 or B8. In practice, as discussed later in this paper, these low-value uses probably have the most difficulty accessing property, due to the pressure to redevelop their sites for housing and the bad neighbour problems they may cause for adjoining residential areas.

4.76 In other parts of the report, Renaisi defines SMEs differently, as a type of occupier firm rather than a type of space. Thus, Section 2.2 says that the study uses the standard (EU) definition, which is firms employing fewer than 250 people. Based on this definition, Section 2.3 estimates that SMEs account for 98% of all ‘B1 businesses’ in Tower Hamlets.

4.77 In other sections, where the report seeks to demonstrate that SMEs make a special contribution to the economy and deserve particular support, they are also defined as business start-ups (Section 2.2), micro businesses employing fewer than five people, or even black and ethnic minority micro-businesses (Section 2.5). These are of course much smaller groups.

4.78 To deliver Policy SP06, we need to know whether it is about SMEs in general – which form the great majority of businesses, and not just in Tower Hamlets – or about particular minority groups and their special needs. The Renaisi study does no answer this question. We will come back to it later in this paper.

What problems do SMEs experience?

4.79 Section 6 of the Renaisi study considers the demand and supply of space for SMEs. The study suggests that, at the time it was written (five years ago), supply was inadequate in three market sectors:

- Although B1 space was generally oversupplied in Tower Hamlets, the market was tight for small units, below 250 sq m - which would accommodate micro business units, employing around 5-12 people.
- There was a particular shortage of micro units, providing less than 100 sq m, including those provided as managed workspaces;

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8 This is an overstatement, because it counts all business establishments, or units, employing fewer than 250 people, and as mentioned earlier some of these will be part of firms with employment over 250. The proportion of these units which are true SMEs is unknown; although less than 98%, it is probably still a large majority.
Supply was also tight for low-specification, low-cost industrial/distribution units, especially to accommodate ‘dirty’ industries (this last finding is confusing, because the report says it only covers B1a and B1 b uses).

What should the Council do?

Based on the above assessment, the Renaisi study makes four recommendations:

i. ‘LBTH should encourage commercial developments with flexible unit sizes of less than 250 sq m and particularly unit sizes of less than 100 sq m.’

ii. The Council should provide guidance for developers on market requirements, design and specification, through supplementary planning guidance and AAPs.

iii. Provision of commercial space should be especially encouraged close to transport nodes.

iv. ‘[The Council should] identify appropriate delivery vehicles to provide niche accommodation and provide support to improve viability for land uses which would not otherwise compete with residential use but which are key to the economic growth of Tower Hamlets.’

The fourth recommendation suggests that the Council (or other public bodies) should set up or financially support organisations that provide commercial property. This property includes specialist provision (‘niche accommodation’), which probably refers to managed workspaces or incubators. It also includes a much larger category, low-value employment space (‘land uses which would not otherwise compete with residential use’). The report adds:

‘There are very strong parallels between… social housing provision and the current requirements of SMEs in Tower Hamlets. It seems to us that a similar approach would be entirely appropriate. Delivery vehicles exist in the form of the workspace providers… These organisations suffer at present from operating wholly in competition with the property market, and are increasingly being forced into peripheral locations away from Tower Hamlets. They do not benefit from social housing style policies which would force the mainstream market to work with them. Similarly, funding via Section 106 policies or localised grant regimes could ensure viability of such provision just as it does with the housing market.’

We will consider these recommendations later in this paper. But first, we briefly review the recent scrutiny review on SMEs.

The Scrutiny Review

The Report of the Scrutiny Review Working Group on Empowering Small and Medium-Sized Enterprises was published by Tower Hamlets Council in June 2011. Its objective is ‘to consider the issue of empowering SMEs in the context of the Council’s Enterprise Strategy, identify what support local SMEs receive and make recommendations to make them flourish in the borough’. The document incorporates the emerging findings of the Tower Hamlets Local Economic Assessment (LEA), which is still an unpublished draft.

The scrutiny review discusses a wide range of issues and makes limited reference to planning and property. Its answers to our questions are summarised briefly below.
**Definition of SMEs**

4.85 The scrutiny review uses the EU definition, in which SMEs are firms that employ fewer than 250 people. Based on this definition, it notes that, according to BIS statistics, SMEs in the UK account for 99.9% of all businesses and 59.8% of private sector turnover. The review does not provide equivalent figures for Tower Hamlets, but it quotes the LEA as saying that small enterprises (a subset of SMEs) account for 25% of businesses in the borough.

**What Problems do SMEs Experience?**

4.86 The scrutiny document makes two mentions of problems relating to sites and premises. Firstly, it reports that participants at a public meeting identified ‘lack of office space’ as one of 10 ‘barriers to SMEs flourishing’. Participants said that some ground floors of residential blocks remained vacant, e.g. in Chrisp Street, because they were identified for retail in planning policy; meanwhile, small businesses had difficulty finding office space in the borough. Council officers explained that ‘there was not much incentive for developers to let out the ground floor’ and therefore the developers did not apply for change of use from retail to office.

4.87 Secondly, the document paraphrases the Local Economic Assessment as follows:

'[The] LEA identified issues around premises for SME. It writes, the quality of premises for small firms is low and there are only a small proportion of smaller workplaces for start-up firms. B1 units (offices, not professional of financial services, as defined by Town and Country Planning Act 1990) under 100sq m form under 2% of supply and demand is strong.'

4.88 We believe that the above paragraph is not new analysis, but an indirect reference to the 2006 Renaisi study discussed earlier, which was quoted in the LEA and carried forward into the scrutiny document.

**What Should the Council Do?**

4.89 The scrutiny review makes three recommendations relating to property and planning:

- ‘That the Council review vacant premises in housing developments and develop planning guidance to encourage the development of space that can be used by light industry or other local businesses.

- That the Council review its letting policy, and consider letting Council properties, including currently unused ones, to small businesses on a short-term basis;

- That the Council, through the Local Development Framework Core Strategy, explore possibilities of establishing a micro-scale business park in the borough.’

**Our Analysis and Recommendations**

4.90 Below, we put forward our own answers to the questions posed in paragraph 4.72 above, taking account both of the evidence base documents discussed above and our own analysis.
Definition of SMEs

4.91 The phrase ‘SMEs’ is often used ambiguously. As officially defined by the EU, an SME is a firm employing up to 250 people = a definition which, as noted earlier, probably covers a large majority of business units in Tower Hamlets (an indeed everywhere else). But the term ‘SME’ is often used to refer to much smaller categories of firms – such as micro businesses, employing up to five or 10 people, or occupiers of specialist spaces such as workspaces, incubators etc – an even smaller minority.

4.92 The Core Strategy, building on the Renasi study, does not distinguish between these different definitions of SMEs, not does it say why planning policy should focus particularly on SMEs. Based on discussion with officers and the wider policy context, we believe the underlying objective is that Tower Hamlets should not be over-dependent on its ‘World City’ role. As well as the offices of global companies, the Council would like to retain and encourage lower-value, smaller-scale business activities, including those that make and handle physical goods, such as light industry and the creative sectors. So for the purposes of more detailed development planning documents we would suggest the Council defines SMEs as relatively small firms in relatively low-value sectors. These would include occupiers of B1c, B2 and B8 space as well as secondary offices.

What Problems do SMEs Experience?

4.93 A question for the further development planning documents is which of these groups are affected by a shortage of accommodation? Also if a shortage is identified whether the new policies should help?

4.94 In our opinion, there is no such problem with secondary offices. On the contrary, there is an oversupply of such offices in many parts of the borough, including offices above shops in the town centres. This explains why, as noted in the scrutiny report, there is little demand to change the use of empty retail units on the ground floor of residential blocks to offices. In general, offices below flats are relatively unattractive to occupiers, so in an oversupplied market they are not commercially worthwhile to provide. If, as mentioned in the scrutiny report, small businesses have difficulty finding office space, this may be because they cannot afford the market rate for even lower-quality offices.

4.95 However there is a problem with light industrial units, small-scale warehousing and multi-purpose ‘business units’. Vacancy in these units is low, any space that becomes available is quickly taken up, and rents are high compared to similar units in less central boroughs. The market is tightest for the lower-quality end of the market, which includes dirty and bad neighbour activities. High-quality modern units let for £10-15 per square foot (psf) and older units with poor access for £9-11 psf; for space in subdivided 1930s factories, rents are as low as £5 psf. Development of new units is financially viable at ‘normal’ industrial values of £1m-1.5m per acre, but becomes unviable if land values are pushed up by the hope of residential development. Similarly, for owners of older properties it is viable to maintain the stock, but higher financial rewards can be reaped by change of use to housing.

4.96 The result is that SMEs in lower-value activities have difficulty securing space, and many may be forced out or priced out of the borough as high-value land uses take over. The
problem is related largely to second-hand, older buildings, since SMEs typically do not need and cannot afford new space. But for those that do, there is also a lack of development opportunities to provide modern units.

4.97 The occupiers of industrial/business units in Tower Hamlets are involved in a wide variety of industries and services. Much of the demand for space is driven by activities that serve central London, such as office supplies, food and catering, printing and the like. Other drivers of demand include creative sectors and Information Technology. In relation to IT, the Prime Minister last year launched the Tech City Initiative to promote the concentration of digital activities in East London, centred on the ‘Silicon Roundabout’ at Old Street:

‘Stretching from the creative, dynamic districts of Old Street and Shoreditch to the booming Olympic heartland of Stratford, Tech City offers exciting opportunities for technology companies and investors of all sizes.’

What Should the Council Do?

4.98 If planning is to ensure that lack of space does not constrain the development of SMEs, whether in high-tech or other sectors, it needs to safeguard sites and buildings which provide lower-value, smaller-scale employment space. It needs to do so robustly and reliably, because if the market thinks that safeguarding policies will be overturned land prices will be inflated by ‘hope values’ and the policy will be ineffective. On the other hand, if the policy is successful, the supply of space for SMEs will be higher than it would be otherwise, and rents may be lower as the market becomes less tight.

4.99 The policies that will help SMEs need not target particular sizes of business specifically; they are the same policies that will protect lower-value employment space generally and are discussed elsewhere in the report when we look at how to manage the LIL and SIL designations. This is not surprising: as we have seen, SMEs, far from being a specialist minority, form a high proportion of all businesses. The policies we propose are as follows:

- In the Strategic Industrial Locations, land should be strictly safeguarded for existing employment uses.
- In the Local Industrial Locations, inevitably some employment sites will transfer to mixed use; this shift should be strictly controlled to ensure that no industrial/warehouse is lost, and where such space is re-provided it should meet stringent criteria to ensure that it is lettable and fit for purpose, as set out at Appendix 1 to this report.

4.100 As we show elsewhere in this report in chapter 3, the LILs and SILs together do not provide a sufficient quantity of land to meet the forecast demand for industrial/warehouse space over the Core Strategy period. Therefore, similar safeguards to the LILs should apply to industrial/warehouse space outside these designated areas, so far as the sites are still fit for purpose and financially viable. Sites that are currently well occupied should normally be safeguarded. Where there is substantial vacancy, any owner seeking a transfer to other uses should be required to demonstrate that the space is not lettable in

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its present state and it would not be viable to bring it back to a lettable state or redevelop it, assuming normal industrial land values. With further research into the local market, it would be possible to propose specific benchmarks for this – for example on what asking rents and tenure conditions would be reasonable. Such research is beyond the scope of our brief.

4.101 Beyond the broad-brush recommendations above, there may be a case for planning policy to focus on particular gaps in the market – whether relating to particular unit sizes, or locations, or niche markets such as managed workspace. Bearing that the Renaisi study is now five years old, to identify such detailed priorities would require new research, which would be beyond our brief. In our opinion, this additional detail is unlikely to be helpful. Our experience and our research for the LDA\(^{10}\) show that London has a large and dynamic market, which supplies much of what occupiers want, so long as they can pay the going rate and the planning system safeguards enough industrial land.

4.102 But we also need to consider the needs of businesses that cannot pay commercially viable rents, even at ‘normal’ industrial land prices that do not include hope values. To provide space at below market rates, or space that the market will not provide (which may include business incubators for example), there are three broad options: the Council can provide space itself, it can financially support other providers, or it can require it to be provided through developer contributions or tariffs.

4.103 The Renaisi report argues that the Council should bring forward such ‘affordable space’, just as it provides social housing. But, like social housing, affordable commercial space cannot be provided to everyone, or in unlimited quantities. Any programme would have to be carefully designed to ensure that recipients meet defined criteria - which may relate to helping disadvantaged groups, encouraging priority sectors and/or giving time-limited support to business start-ups. It should also be careful about competition: where local firms compete with each other for a limited local market, offering cheap space to one firm may unfairly damage its local competitors. Careful research would be needed to advise on the provision of affordable space and the criteria that occupiers should meet. This again is beyond the scope of the present study.

\(^{10}\) Roger Tym & Partners for London development Agency, The Demand for Space of London SMEs, 2007