

Issue 3 – Are employment policies consistent with the NPPF, the London plan and the Core Strategy and/or supported by clear and robust evidence; are they reasonable and realistic and clear, deliverable and appropriate to local needs and circumstances, including in relation to small and medium sized enterprises?

1.0 Introduction

- 1.1 This Position Statement builds upon representations made by Canary Wharf Group in March 2012 in respect of the draft submission version of the Managing Development DPD. The primary concern in regard to Policy DM16 “Office Locations” is the lack of flexibility and as currently worded it is considered that this policy is unsound as is not justified, effective or consistent with national policy.
- 1.2 Overall CWG welcome the thrust of the Managing Development DPD and note the Council’s acknowledgement within the foreword that they must provide a robust yet flexible planning framework to support economic growth. This is particularly important given the ongoing financial uncertainty and it is essential that this flexibility is carried through into the policies making up the Managing Development DPD.
- 1.3 Canary Wharf is identified as a Preferred Office Location (POL) which is welcomed. However, Canary Wharf is also a major centre and as such other uses can be appropriate and indeed compliment the primary office function of this location.
- 1.4 Over the years Canary Wharf has evolved from a business zone into a vibrant district that is internationally recognised. A greater mix of uses can now be found on the estate (such as retail and recreational uses) and this is recognised by the Major Centre designation. This mix of uses is vital to attract new tenants to the estate as employers demand amenities for their staff.

2.0 Justification

- 2.1 It is not considered that robust justification has been provided to rule out uses other than large floor plate offices in the POL.
- 2.2 The key evidence base used to justify Policy DM16 is the LBTH Spatial Economic Study (2011) [EB63]. This document was prepared by Roger Tym & Partners. This document identifies an oversupply of office floorspace at Canary Wharf.

However...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 (para 2.26).

- 2.3 The Study further states:

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 [London Office Policy Review] 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 [Employment Land Study] demand targets (para 3.38).

- 2.4 As such a blanket office only policy within the Canary Wharf POL is not considered to be justified given the massive oversupply of office floorspace in the pipeline. The statement that market demand far outstrips ELS demand is crucial as this acknowledges that the market will determine the amount of office floorspace which comes forward and that whilst LBTH can foster a positive planning regime, it cannot dictate delivery of office floorspace. The market demands some flexibility and the Policy should address this.

Trends

- 2.5 CBRE are retained office agents for CWG and are considered to be the most qualified to comment on past, current and future market demand for office floorspace at Canary Wharf. CBRE have reviewed office trends at Canary Wharf from 1995 to 2012. This confirms the following:
- Since 2007 very little pre-let office floorspace has been taken up and the majority of floorspace which has been taken up has been second hand. This is partly a result of vacant floorspace being available post the collapse of major banks.
 - Traditionally deals for in excess of 100,000 sq ft have dominated the market in terms of sq ft acquired. However, the number of such deals have reduced in recent years which demonstrates the impact of changes in the economy since the credit crunch and its effect on the number of occupiers looking for large floor plate offices.
 - In the period 1995 to 2007, the average lease length was 16.8 years falling to 8.2 years from 2008 to date as occupiers have become have less confident in the market.
 - Take up by business sector has shifted in recent years with the early dominance of the banking and financial sector (82%) reducing (60%) more recently.

- 2.6 CBRE have advised that the URS forecasts for net additional office demand, which are cited in the LBTH Spatial Economic Study, are likely to significantly overestimate the scale of demand. The credit crunch and the ongoing Eurozone debt crisis have subdued demand for office space across Central London and particularly in markets such as Canary Wharf which are heavily reliant on financial occupiers. This situation is unlikely to change in the short-term. In such a scenario, the level of over-supply would be greater than envisaged by the URS estimates.
- 2.7 It can therefore be seen that the office market has changed significantly over the last 17 years and will continue to do so. Whilst CBRE who are experts in this field can predict likely future trends they have no certainty. It is not considered that the Evidence Base provides sufficient justification to provide LBTH with certainty that this level of large floorplate offices will be required over the plan period and as such some flexibility for different types of employment floorspace and in some circumstances different uses should be introduced.

3.0 Effective

- 3.1 Some Canary Wharf POL sites have never been used for office floorspace and their development for other purposes complimentary to the primary office function of the POL would not result in a loss of office floorspace. Similarly there are sites in the Canary Wharf POL which are not suited to large floor plate offices and as such LBTH's aspirations for such development will not be realised.
- 3.2 It is important to introduce some flexibility into Policy DM16 to ensure the policy is effective and can respond to the particular circumstances of each site.

4.0 National Policy

- 4.1 The NPPF requires Local Plan's to respond flexibly to changing circumstances (para 153). Further, the NPPF states that Local Plans should be realistic and address the spatial implications of economic change and social change (para 154).
- 4.2 The NPPF requires Local planning authorities to have a clear understanding of business needs within the economic markets operating in and across their area and to achieve this encourages them to work closely with the business community to understand their changing needs (para 160).
- 4.3 The NPPF states that planning policies should avoid the long term protection of sites allocated for employment use and suggests that land allocations should be regularly

reviewed. Where there is no reasonable prospect of a site being used for the allocated employment use, applications for alternative uses of land or buildings should be treated on their merits having regard to market signals and the relative need for different land uses to support sustainable local communities (para 22). In this respect the NPPF makes it clear that policies should be flexible enough to accommodate needs not anticipated in the plan and to allow a rapid response to changes in economic circumstances (para 21).

- 4.4 Whilst CWG is supportive of the POL allocation it is not considered that Policy DM16 as currently worded is sufficiently flexible to respond to economic change and market trends and as such the policy is not consistent with national policy.

5.0 Canary Wharf

- 5.1 Whilst continued office growth will occur it is now appropriate to anticipate the promotion of further uses which compliment this primary business function which could potentially include residential uses. Residential uses have been deemed acceptable in close proximity to the estate on sites such as Wood Wharf and whilst residential development should not prejudice the primary business function of Canary Wharf, it could be acceptable on some parts of the estate.
- 5.2 Supporting text requires the development of sites currently used for office floorspace to re-provide and intensify office floorspace to meet the growing demand for offices within these areas. It should be acknowledged that some sites at Canary Wharf have never been used for office purposes and that other uses can provide other uses complimentary to the primary office function and the major centre designation.
- 5.3 CWG will not build office floorspace speculatively and construction of new office buildings will only happen when a pre-let deal has been finalised. It is crucial that LBTH respond to the advice of CWG and their professional advisors who are the best authority on the particular market circumstances at Canary Wharf. CWG wish to maintain the function of the estate as a prime office location and consider it to be fundamental to London's World City status, however given the length of the plan period it is suggested that some flexibility to allow other complimentary uses should be added to the policy to ensure that this important employment centre is able to respond to market demands.
- 5.4 Office tenants consider other uses in the vicinity to prospective office floorspace. This includes retail and restaurants, health clubs, medical facilities and increasingly

housing. Increasing the mix of uses at Canary Wharf will increase the appeal of Canary Wharf to a wider range of office tenants which will ultimately boost the number of jobs on the estate and the amount of new office floorspace delivered.

6.0 Proposed Changes

- 6.1 The following changes to wording are suggested in order to make Policy DM16 and supporting text sufficiently flexible to make the policy sound.

[NOTE: italics have been inserted]

Para 16.3 ...Within POLs, large floor plate offices are to be expected and in order to ensure the continued growth of these areas, the Council requires under part (1) of the policy that existing office floorspace will be protected. Any development of sites currently used for office floorspace will need to re-provide and intensify office floorspace to meet the growing demand for offices within these areas. *In some circumstances uses falling outside B1 office use will be considered in appropriate locations such as at the fringes of the POL boundary where such uses are complimentary to the primary function of the POL, do not result in a net loss of office floorspace and can be demonstrated not to prejudice the function of the POL and future large floor plate office development within the POL.*