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Croydon Employment Land Review Update

A Final Report by Hatch
November 2020

London Borough of Croydon

Croydon Employment Land Review Update

November 2020

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Introduction



1. Introduction

- 1.1 This Employment Land Review (ELR) Update was commissioned by Croydon Council in June 2020. It provides updated evidence on employment land and premises needs in Croydon borough to assist the Council as it carries out a partial review of the Croydon Local Plan (CLP) which was adopted in February 2018. The draft partial review of the Local Plan (Regulation 19) will contain several revised policies and proposals relating to the office, industrial and warehousing sectors.
- 1.2 The review has particular regard to demand for employment floorspace in the borough over the plan period (to 2039). The study's **main objectives were to:**
- Analyse market demand for the main B use employment land classes, specifically office and industrial uses (B1a, B1b, B1c, B2, B8);
 - Update evidence on future demand for employment land in Croydon in the main B use classes to 2039;
 - Consider future need for employment land in light of the provision made in the current Croydon Local Plan and the evidence that underpinned this, in particular the 2013 Employment Land Review update prepared by URS;
 - **Assess the implications of the ELR update for Croydon's employment land policies, with a particular focus on the 'no net loss' policy on industrial and warehousing land, and the requirements for office floorspace in Croydon town centre.**
- 1.3 During the course **of the study's preparation, regulatory amendments to the Use Classes Order (1987) were scheduled to enter into force on 1st September 2020.**¹ The key relevant changes are:
- **Creation of a new 'E' use class which absorbs B1a (non-high street financial and professional services office uses), B1b (Research and Development uses) and B1c (light industrial uses).** The new E use class includes the former A1-A3 uses (retail, high street financial and professional services, food and drink establishments), the D1 and D2 uses (social and community facilities such as health centres, childcare centres), indoor sports and recreation facilities, including gyms).
 - Retention of the separate B2 (general industrial) use class, typically considered to be the use class for larger scale manufacturing uses. The 2020 regulation (Schedule 2 Part A) **includes in the new E use class 'any industrial process...being a use which can be carried out in any residential area without detriment to the amenity of that area by reason of noise, vibration, smell, fumes, smoke, soot, ash, dust or grit'.** This effectively refers to light industrial uses (B1c) which are part of the new E use class, as distinct from B2 uses which remain a separate use class.
- 1.4 The thrust of the amendments is to provide greater flexibility for town centre uses. High street retail and leisure is under considerable pressure as a consequence of the growth of online retail and changes in consumer behavior. The new E use class provides this flexibility by enabling changes of uses within the use class without planning permission. For example, theoretically a shop could be switched to a gym, or a B1a office switched to a retail or recreational leisure use. It also theoretically enables buildings to be used for different purposes at the same time.

¹ The Town and Country Planning (Use Classes) (Amendment) (England) Regulations 2020 UK Statutory Instruments, 2020 No. 757, Regulation 13

Where relevant, the study therefore presents its analysis in light of the use class changes and comments on its implications for planning policy.

1.5 The report is structured as follows:

- The local and wider policy context (Chapter 2) incorporating recent changes to national, regional and local policies and strategies.
- The current economic position and socio-economic context within the Croydon context (Chapter 3), including emerging evidence on how the Covid-19 crisis is affecting the economic performance of the borough.
- Analysis (Chapter 4) of commercial property market demand in Croydon and across the South West Fringe Property Market Area (SWFPMA).
- Scenarios of future demand for employment space in Croydon (Chapter 5).
- A high-level overview of **the borough's employment land supply position (Chapter 6)**.
- The conclusions and recommendations of the ELR to be considered by the Council. (Chapter 7).

1.6 This is the final report.

Policy Context



2. Policy Context

- 2.1 This section summarises the most relevant national, regional and local policy to this ELR review and considers the key changes which have occurred since the 2013 ELR update was published. The key policy documents which have been reviewed as part of this ELR are shown in the table below, alongside a list of other relevant documents.

| Geography | Documents Reviewed |
|-----------|--|
| National | <ul style="list-style-type: none"> • National Planning Policy Framework, 2019 • Planning Practice Guidance |
| Regional | <ul style="list-style-type: none"> • Adopted London Plan, 2016 • Draft New London Plan & SoS Directions • London Economic Development Strategy, 2019 • Further Evidence Supporting the London Plan • South London Waste Plan, 2021 (Under Consultation) |
| Local | <ul style="list-style-type: none"> • Croydon Local Plan, 2018 • Croydon Economic Growth Strategy, 2019 • Croydon Employment Land Review Update, 2013 |

National

National Planning Policy Framework

- 2.2 **The National Planning Policy Framework (NPPF) sets out the Government’s planning policies for England and how these should be applied.** It provides a framework within which locally prepared plans for housing and other developed can be produced. The NPPF must be considered when preparing development plans and is a material consideration in planning decisions.
- 2.3 The purpose of the planning system as defined in the NPPF is to contribute towards achieving sustainable development – **defined as ‘meeting the needs of the present without compromising the ability of future generations to meet their own needs’.** One of the three overarching objectives of the NPPF is an economic objective, which aims to ‘help build a strong, responsive and competitive economy, by ensuring that sufficient land of the right types is available in the right places and at the right time to support growth, innovation and improved productivity’.
- 2.4 To create the right conditions to help build a strong and competitive economy, planning policies should (paragraph 81):
- Set out a clear economic vision and strategy which positively and proactively encourages sustainable economic growth, having regard to Local Industrial Strategies and other local policies for economic development and regeneration.
 - Set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period.
 - Be flexible enough to accommodate needs not anticipated in the plan, allow for new and flexible working practices (such as live-work accommodation), and to enable a rapid response to changes in economic circumstances.
 - Address the specific locational requirements of different sectors. This includes making provision for clusters of knowledge and data-driven, creative or high technology

industries; and for storage and distribution operations at a variety of scales and in suitably accessible locations.

- Allocate a range of suitable sites in town centres to meet the scale and type of development likely to be needed, looking at least ten years ahead. Meeting anticipated needs for retail, leisure, office and other main town centre uses over this period should not be compromised by limited site availability (paragraph 85).
- 2.5 Local planning authorities should also take a positive approach to applications for alternative uses of land which is currently developed but not allocated for a specific purpose in plans, where this would help to meet identified development needs. In particular, proposals should be supported when retail and employment land is used for homes in areas of high housing demand, provided this would not undermine key economic sectors or sites or the vitality and viability of town centres (paragraph 121).
- 2.6 Planning policies and decisions should support development that makes efficient use of land, taking into account the identified need for different types of housing and other forms of development and the availability of land suitable for accommodating it (paragraph 122).

Planning Practice Guidance

- 2.7 National Planning Practice Guidance (PPG, 2019) supports councils in determining the type of employment land that is needed locally².
- 2.8 Strategic policy-making authorities will need to prepare a robust evidence base to understand existing business needs, which will need to be kept under review so that it reflects local circumstances and market conditions.
- 2.9 In gathering evidence to plan for business uses, strategic policy making authorities will need to liaise closely with the business community, taking account of the Local Industrial Strategy to understand their current and potential future requirements. They will need to assess:
- the best fit functional economic market area;
 - the existing stock of land for employment uses within the area;
 - the recent pattern of employment land supply and loss – for example based on extant planning permissions and planning applications (or losses to permitted development);
 - evidence of market demand (including the locational and premises requirements of particular types of business) – sourced from local data and market intelligence, such as recent surveys of business needs, discussions with developers and property agents and engagement with business and economic forums;
 - wider market signals relating to economic growth, diversification and innovation; and
 - any evidence of market failure – such as physical or ownership constraints that prevent the employment site being used effectively.
- 2.10 Further guidance is provided by the government within the PPG on how current market demand can be analysed, how employment floorspace and land requirements should be estimated, how

²<https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments#economic-need>

authorities can assess need and allocate space for logistics and how specific locational requirements of specialist or new sectors can be addressed.

Regional

Adopted London Plan

- 2.11 The currently adopted London Plan (adopted in 2016) sets out the overall strategic plan for London over the next 20-25 years. This includes the framework for the development and use of land across London and a policy framework within which boroughs should set out their detailed local planning policies.
- 2.12 The Mayor will work with partners to promote and enable the continued development of a strong, sustainable and increasingly diverse economy across all parts of London, ensuring the availability of sufficient and suitable workspaces in terms of type, size and costs.
- 2.13 In relation to office uses, the Mayor supports the management and mixed-use development and **redevelopment of office provision to improve London's competitiveness, including enhancing** its varied attractions for businesses of different types and sizes, including SMEs (Policy 4.2). It seeks to encourage the renewal and modernisation of the existing office stock in viable locations to improve its quality and flexibility. The Mayor seeks to support increases in the current stock of offices where there is authoritative, strategic and local evidence of sustained demand for office-based activities.
- 2.14 Authorities should work with sub-regional partners to develop co-ordinated, phased strategies to manage long-term, structural changes in the office market, focusing new capacity where there is strategic as well as local evidence of demand. This should encourage renewal and modernisation in viable locations and supporting changes of surplus office space to other uses.
- 2.15 In relation to managing industrial land and premises, the Mayor will work with boroughs and other partners to adopt a rigorous approach to industrial land management to ensure a sufficient stock of land and premises to meet the future needs of different types of industrial and related uses in different parts of London, including for good quality and affordable space (Policy 4.4). Authorities should plan, monitor and manage release of surplus industrial land when it contributes towards strategic and local planning objectives.
- 2.16 **Authorities should demonstrate how the borough's stock of industrial land within strategic** industrial locations, locally significant industrial sites and other industrial sites will be planned and managed, taking account of:
- The need to identify and protect locally significant industrial sites where justified by evidence of demand.
 - Integrated strategic and local assessments of industrial demand to justify retention and inform release of industrial capacity in order to achieve efficient use of land.
 - The potential for surplus industrial land to help meet strategic and local requirements for a mix of other uses where appropriate.
- 2.17 The Mayor will promote a rigorous, evidence based approach to reconcile demand and supply of industrial land and to take account of the needs of industrial and related uses in terms of clustering, capacity, environment, accessibility and cost requirements in strategic industrial locations, locally significant industrial sites and other industrial sites. To justify strategic

recognition and protection, locally significant industrial sites must be designated on the basis of robust evidence demonstrating their importance locally.

- 2.18 Taking account of trends across industrial type activities, industrial land use change should be monitored against benchmarks based on an average pan-London annual net release of 37ha 2011-31. Within Croydon, the transfer of industrial land to other uses is restricted, with careful management required by the Council to manage this going forward.

Draft New London Plan

- 2.19 *The current 2016 London Plan is still the adopted Development Plan for London, but the draft London Plan is now a material consideration within planning decisions. As the London Plan gets to a more advanced stage in its development, its significance becomes more important. At present, an ‘Intend to Publish’ version of the Plan has been submitted to the Secretary of State, however this has been rejected with a number of amends suggested. The detail provided in the ‘Intend to Publish’ version is provided below, followed by the changes recommended within the response from the Secretary of State.*
- 2.20 The Draft London Plan (Intend to Publish version; December 2019) sets out a policy framework for London from 2019 to 2041. It builds on the concept of Good Growth – growth that is socially and economically inclusive and environmentally sustainable.
- 2.21 The Plan has aspirations to create sustainable mixed-use places that make the best use of land and:
- Enable the development of brownfield land, particularly in Opportunity Areas, on surplus public sector land, and sites within and on the edge of town centres, as well as utilising small sites.
 - Proactively explore the potential to intensify the use of land to support additional homes and workspaces. (Policy GG2).
- 2.22 Policies relevant to the delivery of this Employment Land Review includes:
- *Policy E1 (Offices):* there is a need for improvements to the quality, flexibility and adaptability of office space of different sizes (for micro, small, medium and larger-sized enterprises), which should be supported by new office provision. There should be increases in the current stock of offices in the strategic outer London office location at Croydon town centre. The scope for the re-use of otherwise surplus large office spaces for smaller office units should be explored, including the redevelopment, intensification and change of use of surplus office space to other uses (including housing).
 - *Policy E2 (Providing suitable business space):* boroughs should include policies in their local Development Plan Documents that support the provision, and where appropriate, protection of a range of B Use Class business space, in terms of type, use and size, at an appropriate range of rents, to meet the needs of micro, small and medium-sized enterprises and to support firms wishing to start-up or expand. Development proposals that involve the loss of existing B Use Class business space in areas where it is identified there is a shortage of lower-cost space or workspace will only be permitted should they demonstrate there is no reasonable prospect of the site being used for other purposes, or that business space is re-provided elsewhere.
 - *Policy E4 (land for industry, logistics and services to support London’s economic function):* a sufficient supply of land and premises should be provided and maintained to meet current and future demands for industrial and related functions, taking into account

strategic and local employment land reviews and the potential for intensification, co-location and substitution. The retention, enhancement and provision of additional industrial capacity should be planned, monitored and managed. This should ensure that in overall terms across London there is no net loss of industrial floorspace capacity within designated SIL and LSIS. Boroughs should ensure that the need to retain sufficient industrial and logistics capacity is not undermined by permitted development rights by introducing Article 4 Directions where appropriate. Croydon is expected to **'retain' its industrial capacity by seeking to intensify industrial floorspace capacity** following the general principle of no net loss across designated SIL and LSIS.

- *Policy E7 (Industrial Intensification, co-location and substitution)*: Development plans should be proactive and encourage the intensification of business uses in Use Classes B1c, B2 and B8 through the introduction of small units, multi-storey schemes, basements and more efficient use of land using higher plot ratios.
- *Policy E8 (Sector growth opportunities and clusters)*: employment opportunities for Londoners across a diverse range of sectors should be promoted and supported along with support for the development of business growth and sector-specific opportunities. **The evolution of London's diverse sectors should be supported by ensuring the availability of suitable workspaces.** This includes start-up incubation and accelerator space for SMEs, flexible workspace, conventional space for expanding businesses, laboratory space and affordable workspace.

Secretary of State's Direction

- 2.23 Following feedback from the Secretary of State (SoS), a Direction has been made in relation to industrial land. It considers the policies within the Draft New London Plan as over-restrictive, **hindering boroughs' ability to choose more optimal uses for industrial sites where housing is in high demand.** A direction has been made for the Mayor to take a more proportionate stance, by **removing the 'no net loss' requirement on existing industrial sites** whilst ensuring Boroughs bring new industrial land into the supply.
- 2.24 This Direction has been made based on the findings of the Inspectors' Report, in which the Panel concluded that "the approach to meeting those needs set out in Policy E4 and E7 is aspirational but may not be realistic" and that it appears to be inconsistent with paragraph 7 of the NPPF 2012 which requires that "sufficient land of the right type is available in the right places and at the right time to support growth and innovation". In removing the 'no net loss' requirement, it was thought this would make it easier for London Boroughs to identify a supply of industrial land to meet demand, or to replace other land that can subsequently be released for housing development.
- 2.25 For Croydon, this means that the 'no net loss' on existing industrial sites would be removed, and the requirement that Croydon is expected to **'retain' its industrial capacity by seeking to intensify industrial floorspace capacity** would be lost. Negotiations between the GLA and the SoS are ongoing over a resolution. No Direction was given by the SoS in relation to office uses.

London Economic Development Strategy

- 2.26 **The Mayor's Economic Development Strategy (EDS) sets out how he will create a fairer, more inclusive, sustainable economy that works for all Londoners, with all able to benefit from the growth generated within the city.**

- 2.27 To create **the conditions to support the growth of London’s economy, the EDS** looks to create **space for business and work, accommodating London’s businesses and balancing the** competing demands for space. The EDS works to ensure that the varied innovation and workspace **requirements of London’s businesses are met. This includes the retention and** provision of flexible and other forms of workspace to support start-up, existing and growing SMEs.
- 2.28 Through the London Plan, the Mayor will work with London boroughs to ensure there is sufficient office space capacity to meet future needs. This includes the implementation of Article 4 directions where office space is at risk of redevelopment. The importance of industrial space is also recognised, with industrial areas needed to **help keep London’s economy working** effectively. The Mayor wants to ensure that London retains sufficient industrial land to keep the economy functioning efficiently, by setting out policies in the London Plan to maintain a sufficient supply of land and premises and supporting more efficient and intense use of industrial land.
- 2.29 A number of sector-specific opportunities and challenges have been identified in the EDS, which will require a more targeted approach in order to deliver specific business growth opportunities. This includes: advanced urban services; culture and creative industries; financial and business services; life sciences; low carbon and environmental goods and services sector; tech and digital sector; and tourism.

Further Evidence Supporting the London Plan

- 2.30 To support the development of the Draft New London Plan, a large evidence base was developed to inform policies being developed. Those of most relevance to this Employment Land Review are summarised in the table below.

| Table 2.1 London Plan Evidence | |
|---|---|
| Evidence Paper | Supporting Evidence |
| London Industrial Land Supply and Economy Study, 2015 | <ul style="list-style-type: none"> This study identified the current supply of industrial land across London to provide evidence of the declining industrial land available for business activities. Based on current trajectories, it estimated that by 2041, 31% of industrial floorspace could be lost. As a result, the report recommends that there will be a case (potentially within the life of the current London Plan), to switch from releasing industrial land to retaining it. Care is needed at a local level to be clear on what industry is being protected and to ensure that policies are sufficiently robust to deal with land-use conflicts and the viability of industrial land in the future. |
| London Industrial Intensification Primer, 2017 | <ul style="list-style-type: none"> This primer identifies ways in which uses in industrial locations can be intensified. This includes a number of intensification methods, including operational intensification, site and built intensification, multi-storey industrial units, and co-location with residential. |
| Analysis of Plot Ratios in Industrial Development in London, 2018 | <ul style="list-style-type: none"> To support the ‘no overall net loss’ of industrial floorspace policy within the draft London Plan, there was a need to identify a robust plot ratio, which could support the policy. This builds on evidence found within the London Development Database for builds between 2011 and 2018 For Outer London industrial-only developments, the average (mean) plot ratios were: 95% for B1c, 78% for B2, 87% for B8, and 77% for mixed B1c/B2/B8. |

| | |
|-----------------------------------|--|
| London Office Policy Review, 2017 | <ul style="list-style-type: none"> • This review analyses the current office policy in London and provides an independent review of market trends and office demand. • The study finds that Croydon is forecast to have a negative net additional office floorspace demand of -27,034sqm between 2016 and 2041, the lowest of all London boroughs. • Croydon has one of the lowest office floorspace densities across London boroughs, with 17 sqm per employee (compared to a London average of 14sqm per employee). |
|-----------------------------------|--|

Source: GLA EIP Library

South London Waste Plan, Proposed Submission Draft, September 2020

- 2.31 The South London Waste Plan will set out policies and safeguards sites for waste facilities across the boroughs of Croydon, Kingston, Merton and Sutton from 2021 to 2036. It will be used for the determination of planning applications relating to waste facilities (i.e. a facility on a site where waste is sorted, processed, recycled, composted or disposed of or a facility on a site where waste is mainly delivered for bulking prior to transfer to another place for processing, recycling, composting or disposal).
- 2.32 **The Waste Plan has a vision for South London’s boroughs to have sufficient waste management facilities to be net self-sufficient in terms of waste generation and waste management for all types of waste. In order to ensure that South London’s boroughs have sufficient capacity, the boroughs aim to safeguard existing waste sites. There are currently 12 sites within Croydon that are expected to be safeguarded for waste uses. Combined, these sites cover an area of 10.4 ha.**

Local

Croydon Local Plan, 2018

- 2.33 The Croydon Local Plan 2018, comprising the Strategic Policies and the Detailed Policies and Proposals, was adopted on 27 February 2018 by Croydon Council. This document sets out the **council’s planning policy ambition** to 2036, with ambitions to make Croydon a better borough to live, work and visit.
- 2.34 The Local Plan identified a number of key issues that face the borough in terms of planning for employment up to 2036. This includes:
- Land for industry and warehousing will need to have continued protection to support these sectors in the future.
 - There is approximately 30% vacant office floor space in Croydon Metropolitan Centre and current low rents do not support the development of new office floor space, although some speculative office is being built out.
 - Supporting the area around East Croydon Station and New Town as Croydon **Metropolitan Centre’s office centre.**

- Croydon faces competition from other areas of London and the South East for inward investment both in office and retail markets.
- The increase in the population of Croydon and planned house building will result in an increase in the need for jobs.

2.35 In response to these key issues that are facing the borough, the Council has a number of strategic objectives, including:

- Establishing Croydon as the premier business location in South London and the Gatwick Diamond.
- Foster an environment where existing, new, innovative, cultural and creative enterprises can prosper.
- Reduce social, economic and environmental deprivation, particularly where it is spatially concentrated, by taking priority measures to reduce unemployment, improve skills and education and renew housing, community and environmental conditions.
- Improve accessibility, connectivity, sustainability and ease of movement to, from and within the borough.
- Ensure the responsible use of land and natural resources and management of waste to mitigate and adapt to climate change



2.36 To achieve the council’s ambition to encourage innovation and investment into the borough, it has applied a presumption in favour of employment-related development, provided it meets the standards of policy SP3 (Employment) and other applicable policies within the Local Plan.

2.37 There are a number of sub-policies within policy SP3 (Employment) which show how the Council will achieve its strategic objectives. Those of most relevance to this study include:

- **SP3.2: The Council has also adopted a ‘4-tier’ approach to the retention and redevelopment of land and premises relating to industrial/employment activity, as set out in the table below:**

| Tier | Designation | Locations | Approach | Permitted Uses |
|------|--|--|--|---|
| 1 | Strategic & Separated Industrial Locations | <ul style="list-style-type: none"> Marlpit Lane Purley Way Selsdon Road Gloucester Road (East) Vulcan Way | Strong protection for industrial and warehousing activities with no loss of Class B floor space permitted | Class B1b, B1c, B2 and B8 uses and employment-generating sui-generis uses. |
| 2 | Integrated Industrial Locations | <ul style="list-style-type: none"> Gloucester Road (West) Thornton Road Union Road | Strong protection for industrial and warehousing activities | Class B1b, B1c, B2 and B8 uses and employment-generating sui-generis uses. |
| 3 | Town Centre Industrial Locations | Industrial sites in Croydon Metropolitan Centre, a District Centre or a Local Centre | Protection for industrial and warehousing activities encouraging opportunities to provide additional workshop/studios on town centre sites | Class B1b, B1c, B2 and B8 uses and employment-generating sui-generis uses. |
| 4 | Scattered Employment Sites | Other employment locations/sites falling outside of Tier 1, Tier 2 and Tier 3 | Protection for industrial and warehousing activities. Allowance for community uses in accessible locations | Class B1 (excluding B1a office), B2 and B8 uses and employment-generating sui-generis uses. |

Source: Croydon Local Plan, 2018

- *SP3.3:* The Council will promote the growth and expansion of Cultural and Creative Industries, with the focus for accommodating these around a network of Enterprise Centres in Croydon Metropolitan Centre, Purley District Centre, Crystal Palace District Centre and South Norwood District Centre/Portland Road.
- *SP3.8:* The Council will promote and support the development of all B1 uses within Croydon Metropolitan Centre, District Centres and Local Centres.
- *SP3.9:* Croydon Metropolitan Centre will remain the principle location in the borough for office and cultural activity and also be the largest commercial centre in South London.
- *SP3.10:* The Council will adopt a flexible approach to B1 uses within Croydon Metropolitan Centre.
- *SP3.11:* The Council will promote and support measures to improve the quality of the **borough's stock of office premises, particularly in Croydon Metropolitan Centre.**
- *SP3.13:* The Council will promote and support the development of new and refurbished office floor space in Croydon Metropolitan Centre, particularly around East Croydon station and within New Town, and the District Centres as follows:
 - Up to 92,000m² by 2031 to be located in Croydon Metropolitan Centre.
 - Retaining of through refurbishment providing higher quality office floorspace (Grade A), or lower quality floor space for which there remains a demand within the Office Retention Area.
 - Up to 7,000m² to be spread across the borough's District Centres.

- 2.38 It is anticipated that the demand for office space (as identified in the 2013 ELR) will be between 29,400m² and 91,840m², with the potential for 60,010m² of space. The majority of this office space demand (90%) is projected to be for Grade A accommodation in prime locations within the Croydon Metropolitan Centre in the vicinity of East Croydon station and within the New Town area. Therefore, development in this area is encouraged to be office based (in part or full) and it is required that office development is explored fully as part of any development proposal.

Croydon Article 4 Directions

- 2.39 Since May 2013, the conversion of offices to residential use no longer requires planning permission. In Croydon, and in particular within the Croydon Opportunity Area, there was **concern this would impact on the area's ability to retain existing jobs and attract further investment and employment into the central area of Croydon.**
- 2.40 To address these concerns, the council adopted a non-immediate Article 4 Direction in September 2015, that requires planning permission to be sought for any change of use from office to residential in the Croydon Opportunity Area.

Croydon Economic Growth Strategy, 2019

- 2.41 **Croydon's Economic Strategy 2019-2024** sets out how Croydon will build on its recent economic successes to deliver sustainable and inclusive growth through collaboration an innovative **approaches. It aims to create a strong, resilient and dynamic economy that places the borough's residents and businesses and the heart of opportunity.** The strategy is based on four key objectives:
- To create places where businesses, investors and residents want to live, trade and invest
 - To create the business environment for growth
 - To invest in ideas that can deliver real change for Croydon
 - To invest in our people
- 2.42 Key actions that are relevant to the development of this Employment Land Review includes:

| Table 2.3 Croydon's Priorities Relevant to this Study | |
|---|--|
| Priority | Actions for Croydon Council |
| To create places where businesses, investors and residents want to live, trade and invest | <ul style="list-style-type: none"> • Create public spaces that transform the look and feel of the borough around major employment sites to bring investment and growth. • Work with stakeholders and partners to facilitate the development of good quality flexible workspace through initiatives such as business rates relief, planning and inward investment. |
| To create the business environment for growth | <ul style="list-style-type: none"> • Implement a responsive development management and building control offer that drives commercial and industrial development in key locations. • Support the creation of new business spaces to accelerate local business growth. • Take action to create commercial space and protect it from planning applications that seek change in use that doesn't support good growth in the metropolitan and town centres. |
| To invest in ideas that can deliver real change for Croydon | <ul style="list-style-type: none"> • Support creative, digital, innovation and new green technology clusters. |
| To invest in our people | <ul style="list-style-type: none"> • No actions relevant to this study |

Source: Croydon Economic Strategy 2019-2024

2.43 There are a number of key developments and proposals coming forward in the near future that are expected to enhance the economic trajectory of Croydon. This includes:

- **The borough's £5.2bn** regeneration programme is gaining momentum bringing forward 1,346 net additional homes (in 2018/19), 15 mixed use developments on site, 13 pipeline developments and planning approved for a further 15 sites.
- The Purley Way Masterplan aims to bring forward a significant 140ha mixed-use area, with high quality development including new and intensified industrial uses and a step change in mixed use and residential development. The masterplan is still under development at the time of writing, with a land use and capacity strategy still to be developed. There are aspirations to consolidate SIL allocations within the masterplan area and support the development of light industrial spaces, particularly for the creative sector. The proposed Fiveways Junction improvements would have delivered significant improvements to a congestion hotspot in the area, however funding for this has recently been withdrawn.
- The Brighton Mainline Upgrade Programme, providing increased rail capacity around East Croydon station, in addition to redeveloping East Croydon station and adding two new platforms.
- The redevelopment of Fairfields Hall, completed in 2019, which created an upgraded arts centre in Croydon town centre.
- The development of Croydon Creative Campus will support London South Bank **University's expansion into Croydon, bringing 112 jobs into the town centre and helping** to develop more collaboration opportunities between higher education institutions, businesses and local communities. It is expected that this development will incorporate new R&D lab space in Croydon, including a 500sqm Innovation Centre for the energy and

bioengineering sector and a 500sqm Creative Digital Lab space to be fitted out with specialist music/video/animation/gaming studios.

- Essex House is a new 44-storey block private rented residential development which includes commercial units (potential for offices, retail, food and drink businesses).
- Development proposals around London Biggin Hill airport aim to increase its usage and provide new facilities.

Covid-19 Recovery Plan

- 2.44 Croydon Council and its partner organisations are in the process of developing and implementing a Covid-19 recovery plan for the borough. Key to the recovery plan is action to **support the safe reopening of Croydon's town and district centres**. This includes both the return to shopping, leisure and other service uses in town and district centres, and the return to employment premises of office-based workers in particular as lockdown restrictions are eased.

Croydon Employment Land Review Update, 2013

- 2.45 The current ELR provided an update on the 2010 ELR study, updating the policy and socio-economic context as well as the demand and supply of employment space. The context of the 2013 Study (which was largely based on economic data produced in 2012), was one of sluggish growth, with the UK economy entering a recession in the first three months of 2012 and employment in Croydon falling by 13%.
- 2.46 To understand future demand for employment floorspace, the forecast draws upon projections published in the GLA Economics Working Paper 51 (WP51) and Reigate and Banstead ELR 2008. The forecasts produced in WP51 are trend-based employment forecasts, based on historical employment up to and including 2009. No adjustments to these forecasts were made.
- 2.47 The employment projections produced within WP51 showed that employment in Croydon over the ELR period (2011-31) was expected to decline by 13.3% (-16,000 jobs). This drop was largely associated with contractions in sectors such as public administration, health and education, which reflected the austerity measures at the time.
- 2.48 As the WP51 forecasts provided no breakdown of the employment projections by use class, data from the GLA Economics Working Paper 38 (2009) was used to estimate the breakdown of employment by B-use class.
- 2.49 Based on a number of a number of local factors that were influencing employment growth in Croydon (e.g. transport schemes, masterplans, Connected Croydon and Economic Development programmes), three potential growth scenarios were been developed to show the range of growth that could occur. They were based on the compound average growth rates (CAGR) for recent floorspace and the performance of the historic property market. These are based on the following:
- High growth scenario: the figure which is higher between the Croydon floorspace CAGR and the property market historic CAGR for that use class.
 - Medium growth scenario: this is the average of the high and low CAGR for each use class.
 - Low growth scenario: the figure which is lower between the Croydon floorspace CAGR and the property market historic CAGR for that use class.
- 2.50 Based on these three growth scenarios, the following floorspace forecasts were produced.

| | Current Floorspace (sqm) | Future Floorspace by Scenario at 2031 (sqm) | | |
|------------------------|--------------------------|---|----------|---------|
| | | Low | Medium | High |
| Gross | | | | |
| Office CMC | 609,000 | 633,140 | 661,870 | 691,830 |
| Office Local | 130,000 | 135,180 | 137,000 | 138,890 |
| Industry / Warehousing | 943,000 | 833,990 | 838,780 | 843,600 |
| Net Additional | | | | |
| Office CMC | | 24,260 | 52,990 | 82,950 |
| Office Local | | 5,180 | 7,020 | 8,890 |
| All Office | | 29,440 | 60,010 | 91,840 |
| Industry / Warehousing | | -109,010 | -104,220 | -99,400 |

Source: Croydon Employment Land Review Update, 2013

- 2.51 For industrial and warehousing space, the 2004 CLG ELR guidance was used to convert floorspace requirements into land need. The full net demand for industrial and warehousing land is provided in the table below.

| | Hectares | | |
|---|----------|--------|-------|
| Demand for industrial land use | Low | Medium | High |
| A. Supply of industrial land occupied by B-use class | | 178.3 | |
| B. Current vacant industrial land | | 3.5 | |
| C. Land with vacant buildings | | 2.9 | |
| D. Total occupied industrial land & developable land | | 184.7 | |
| E. Land demand to 2013 to 2031 | -21.8 | -20.8 | -19.9 |
| F. Additional demand for waste and recycling facilities | | 5.8 | |
| G. Frictional vacant land at 2031 | 13.0 | 13.1 | 13.1 |
| H. Gross demand for industrial land 2013 to 2031 | 175.3 | 176.3 | 177.4 |
| I. Net demand for industrial employment land (ha) | -9.4 | -8.4 | -7.3 |

Source: Croydon Employment Land Review Update 2013

- 2.52 The demand for office space in the borough over the period 2013 to 2031 is between 29,440 sqm and 91,840 sqm (for the low and high growth scenarios respectively). The favoured estimate was the mid-growth forecast, which predicted a need for 60,010 sqm of office space.

Table 2.6 Supply – Demand Summary of Office Floorspace (sqm), 2013 to 2031

| Demand for industrial land use | Sqm | | |
|--|---------|---------|---------|
| | Low | Medium | High |
| 1. Total office space (all borough) | | 738,900 | |
| 2. Vacant office space (all borough) | | 171,000 | |
| 3. Total project demand for office uses | 29,440 | 60,010 | 91,840 |
| Office CMC | 24,260 | 52,990 | 82,950 |
| Office Local | 5,180 | 7,020 | 8,890 |
| 4. Vacancy less projected demand | 141,560 | 110,990 | 79,160 |
| 5. Potential loss of office floorspace as a consequence of PD rights (all borough) | | >67,000 | |
| 6. Excess office floorspace | <74,560 | <43,990 | <12,160 |

Source: Croydon Employment Land Review Update 2013

2.53 Based on the evidence collected, the promotion of B1a office development in the Croydon Metropolitan Centre is supported within a number of clusters who have characteristics highly suitable to office development. These clusters are broken down into two priority levels:

- *Tier 1 priority clusters:* East Croydon Masterplan Area (West), College Green Masterplan (North of College Road), George Street and Landsdowne Road (Dingwall Road & George Street).
- *Tier 2 priority clusters:* East Croydon Masterplan Area (East) and Mid Croydon Masterplan (North of Park Street).

2.54 Given the positive demand for office space outside of Croydon Metropolitan Centre, it is also recommended that the council should seek to encourage the retention of office floorspace in the District Centres, although this may be difficult given permitted development rights.

Other Relevant Strategies

London 2036: An Agenda for Jobs and Growth, LEAP, 2015

2.55 **'London 2036: An Agenda for Jobs and Growth' sets out an agenda for London on which stakeholders should focus in order to maximise job creation and economic growth between 2015 and 2036. Its scope is tightly focused on jobs and economic growth, with ambitions to create the fastest income growth among cities of its scale and type. It concludes that 'London's fundamental strengths in research, talent, creativity and finance should make it an unparalleled location for commercial innovation'. The report highlights three core themes for successfully developing and safeguarding London's economy:**

- Cementing existing leadership: The Global Hub
- Fuelling more diverse growth: The Creative Engine
- Addressing weaknesses: The City that Works

2.56 To support rapid growth, there are ambitions to provide a better environment for fast growing firms, with the right physical and virtual infrastructure in place to support growth.

Strategic Economic Plan, Coast to Capital LEP, 2018

2.57 The Strategic Economic Plan (SEP) has ambitions to develop business infrastructure and support across the region. The SEP identifies Croydon as being the largest single urban area in

the Coast to Capital area, with strong ambitions to become a Smart City and leading cultural destination. **Croydon's economy is closely linked to the growing economy around Gatwick Airport, with 1,000 new airport-related jobs in Croydon by 2025.**

- 2.58 The SEP has ambitions to identify new and existing sites for investment to bring forward high quality business space for a variety of needs and securing funding to support the delivery of new space. The LEP will actively support the delivery of business space for the area, including through statutory and market-led frameworks and incentives. It is recognised that in Croydon, **Gatwick's links are vital in attracting employers and investment into the area, supporting ambitious new office developments.** Improvements to the infrastructure in Croydon, will further **enhance the area's links with Gatwick.**
- 2.59 The LEP is also targeting the delivery of growth in urban centres, supporting regeneration work to deliver sustainable economic growth and prosperity within urban centres. There are ambitions to develop a higher education presence in Croydon, helping to strengthen the research and innovation opportunities in the area.
- 2.60 Croydon has the highest business start-up rate in the Coast to Capital area, with more than 17% of businesses starting in the last year (2017). The lack of business space to support these businesses is identified as an issue within the SEP, with 15% of employment space lost to Permitted Development Rights since 2013.
- 2.61 Croydon has been identified as having strengths in the following sectors (which have been identified as key sectors in the SEP): computer software programming and publishing, insurance and financial services, telecommunications and automotive manufacturing. There are ambitions to continue developing these sector strengths into the future.

Conclusions

- 2.62 A review of the policy context underlines the need to revisit the demand and market analysis for Croydon. Key changes that have taken place since the previous 2013 Employment Land Review was undertaken include:
- Outdatedness of the evidence base – the previous ELR was undertaken in the aftermath **of the previous recession, with uncertainty about how Croydon's economy would develop in the future.** Although there is currently a huge amount of uncertainty within the current economic situation (COVID-19 and Brexit), the ELR needs to reflect the latest economic evidence.
 - Croydon's Local Plan Review process – due to be adopted in 2022, there is a need for an up-to-date ELR to support new and updated policies coming forward in the Croydon Local Plan Review. There have been significant changes in the economic context in **which Croydon's previous Local Plan policies were set, and** these must be reflected in the evidence underpinning the revised policies.
 - Changes in London Plan – The Draft New London Plan, sets out a new policy framework **for London from 2019 to 2041, which will need to be incorporated into the ELR's evidence.** Of critical importance to the ELR is the Direction made by the SoS, for a more proportionate stance to be taken on industrial land, with the removal of **the 'no net loss'** requirement on existing industrial sites. **This would remove Croydon's 'no net loss' position on existing industrial sites and therefore a clear view on the borough's future industrial space requirements is needed.**

- Changes in the NPPF and PPG – updates to the NPPF and PPG since the previous ELR was undertaken means that a review is needed to incorporate the latest policy national planning context.

Economic Context & Baseline Position



3. Economic Context & Baseline Position

- 3.1 This section sets out the essential economic context for the preparation of updated Local Plan policies on employment land in Croydon. Much has changed in Croydon, Greater London and the UK since the last employment land evidence was prepared and the ongoing impact of Covid-19 has the potential to create significant, adverse short to medium-term impacts on the local economy, on Greater London and the UK.
- 3.2 Future demand for employment floorspace and land, and the locations and sites in which future employment development should be focused, should be underpinned by an understanding of the current picture in Croydon, the strengths and weaknesses of its economy and its recent trajectory.
- 3.3 The section is structured as follows:
- National economic context, including the emerging impacts of the Covid-19 pandemic;
 - Current employment and business base in Croydon;
 - Recent trends in employment and business growth;
 - Commercial property market analysis – current picture and recent trends;
 - **Qualitative analysis relating to key developments in Croydon’s economy** over the past five years.
- 3.4 The impacts of the Covid-19 pandemic are still emerging. With a few exceptions (for example, claimant count data), government data on the economy, including both business and employment data, is not yet available to show how its impacts are affecting Croydon. In this regard, the data referred to in this section is the latest available but the picture for 2020 is likely to have changed substantially as the crisis increases unemployment and business failures. A recommendation of this ELR Update is that Croydon Council carries out further analysis of changes in economic conditions that occur through 2020 and the first half of 2021, and how these bear upon its need for employment sites and premises.

National Economic Context

- 3.5 This ELR Update was produced in Summer 2020 at a time when the Covid-19 crisis had resulted in far reaching lockdown restrictions imposed across the UK, and an unprecedented programme of UK government support including the Coronavirus Job Retention Scheme and its equivalent for self-employed workers and business grants. However, there remains a great deal of uncertainty in relation to the short- to -medium-term economic trajectory of the UK and the global economy, and how these impacts are affecting Croydon now and will affect it in the short run.

Emerging COVID-19 Impacts

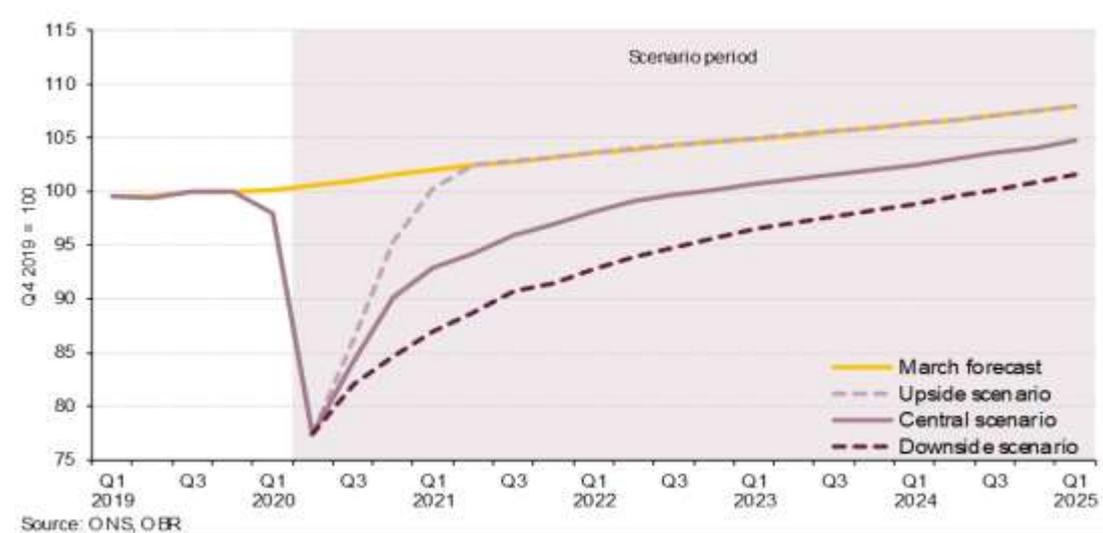
- 3.6 COVID-19 is the biggest economic shock to face the UK economy in living memory, impacting all areas of the economy and (temporarily) shutting down some sectors including retail and the visitor economy. **At the time of the report’s production (Summer 2020), it is still not possible to accurately forecast the impact on GVA with any precision; there are simply too many unknown factors.** External estimates of the year on year impact of COVID-19 on GDP have ranged from a drop of 2.1% (KPMG) to a drop of 30% (Morgan Stanley).

3.7 For the purposes of a central estimate, the OBR have produced coronavirus reference scenario. Given the current uncertainty over the final economic trajectory and length of the lockdown, three main scenarios have been produced:

- Upside scenario: activity rebounds quickly, recovering to its pre-virus peak by Q1 2021, and there is no enduring economic impact.
- Central scenario: output recovers more slowly, regaining to its pre-virus peak by 2022-23. Cumulative business investment would remain 6% lower than in March 2020 over the next five years, while unemployment and business failures remain elevated.
- Downside scenario: output recovers even more slowly, returning to its pre-virus peak only in Q3 2024. This results in a more significant loss of business investment, more firm failures and persistently high unemployment as the economy undergoes significant restructuring.

3.8 Under all scenarios, there is a significant adverse impact on the overall output of the UK economy, with the expectation that higher levels of unemployment will continue for the foreseeable future. As shown in the graph below, the short-term picture for the economy’s recovery is still very unclear, particularly the speed and extent of the recovery. This may not necessarily lead to any longer term effects, but it is not possible to quantitatively capture these effects until there is a much clearer picture of both how the recession impacts of different sectors of the economy, and what impact this will have on the commercial property market and the use of space.

Figure 3.1 Forecasted Impact on Real GDP, Nationally



Source: OBR Coronavirus Analysis, Office for Budget Responsibility, July 2020

3.9 Lockdown measures from March 2020 through the summer saw the economy enter recession. Limited signs of recovery as restrictions were eased during July and August 2020 have been followed by renewed uncertainty in light the second wave of infections that took hold from **September 2020**. **The renewal of lockdown measures, extension of the Government’s job protection scheme and indications that unemployment will rise steeply during Autumn and Winter 2020** raise concerns about how deep recessionary conditions will be, and consequently how quickly and strongly recovery will actually occur. Worst case scenarios suggest that unemployment nationally might exceed 4 million. Breakthroughs in the form of viable vaccines

which could be rolled out in early 2021 are cause for optimism about recovery, but there remains considerable uncertainty about how the UK economy will continue to be impacted.

Impacts on Croydon's Economy

- 3.10 The impacts of the Covid-19 pandemic on Croydon's economy and that of the wider area in which it is located are yet to become clear. As is the case across Greater London, restrictions on movement and meeting have had adverse impacts on town and district centre, particularly on the retail and leisure sector, with retail already under substantial pressure from the growth of online retail. A Croydon economy in which office-based businesses and organisations are major contributors to employment have been heavily affected by the shift to home working, with knock on impacts on the volume of people (workers) using town and district centres. Anecdotally, footfall fell dramatically during the lockdown period and has been slow to recover, exacerbated by a very limited return to offices by employees and consumers who remain cautious about spending time in retail and leisure centres.
- 3.11 There is limited data to show how the crisis has impacted upon Croydon. The available evidence points to several emerging trends and possibly some shifts in thinking about the future of work and employment space:
- Slow-down in the commercial property market: there has been a significant contraction in the number of commercial property transactions made over the lockdown period. According to initial research, £1bn worth of deals out of £4bn under offer across London have been withdrawn since lockdown began³. A further £500m worth in deals have also been paused. This will have a significant knock-on impact on commercial development coming forward.
 - Loss of employment: The full impact of COVID-19 has not yet been fully felt in Croydon. However, there have already been a number of job losses in the town. As of July 2020, 44,600 people in Croydon were furloughed⁴, a figure which fell to 21,700 at the end of August although this reflected an easing of lockdown restrictions during the summer months. With the return to restrictions in October 2020, there are clearly significant risks that further people lose their job losses in the borough will rise
 - A new workplace ecosystem: there is some anecdotal evidence suggesting that the enforced need to work from home during lockdown is creating opportunities to assess how this arrangement impacts on productivity, corporate culture and employee wellbeing. As restrictions are eased, it is conceivable that companies may embrace an alternative office/home working balance, impacting on the amount of office space required by businesses in the future.
 - Increased demand for office space in Outer London: as companies respond to relaxed restrictions on office working, many may in turn adopt a more flexible approach to working in the future, including the potential for so-called **'touchdown' points in the form of smaller, affordable space in public transport linked locations in suburban locations**. In this regard, there may be increased demand for office floorspace in Outer London given lower rental prices and proximity to a substantial part of the office-based **workforce of inner London's** office economy.

³ <https://www.fnlondon.com/articles/pandemic-triggers-25-drop-in-londons-commercial-real-estate-deals-20200407>

⁴ Coronavirus Job Retention Scheme (CJRS) Statistics, HMRC, 2020

- Move towards online retail and increased demand for logistics: COVID-19 has seen a significant shift away from high street retail towards online retail. As companies have been forced to upgrade or transition towards online retail, there has been an increase in demand for logistics spaces, particularly in areas close to large centres of population.
- 3.12 Whilst the future of workspace and office-based activity is the subject of active dialogue in light of the Covid-19 crisis, the consideration of future workspace requirements by organisations across a range of sectors has not yet been translated into action on a significant scale. This could be because organisations are still assessing what their requirements might be in a world continuing to live with Covid-19, **as well as assessing what the impacts of the UK's exit from the EU** might be on their business.
- 3.13 As a consequence, there is little or no data on organisational moves to less central locations upon which to build a credible scenario for the potential impact of such shifts in working patterns for Croydon. The flexible workspace sector is typically more responsive to changes due to flexibility of leases and here there is some evidence of a move to smaller suburban work hubs - **the world's largest** provider of flexible workspace, IWG, has seen a growing interest in the hub-and-spoke model where companies have their headquarters in a major city and smaller satellite offices in the regions. However, the traditional office market is likely to be less responsive given the inflexibility of lease terms and hesitancy from major occupiers to relocate during a period of uncertainty.
- 3.14 Even if decentralisation trends gain traction, Croydon will be in competition with a range of locations to capture demand for space. For example, organisations may decide to be more radical and relocate some activity from central London further afield than Croydon to reduce costs, or deploy a model more based around home working than satellite offices.

Brexit Impacts

- 3.15 The UK continues to negotiate its separation from the EU, with the Withdrawal Agreement (signed by the UK to manage its transition away from the UK) coming to an end at the end of **2020**. **The UK's** future relationship with the EU still in doubt, with Brexit likely to impact on the UK economy in a number of ways, including its trading relationships, legislation, migration flows and investment.
- 3.16 The full impact of Brexit is still not fully understood, as it depends on the deal that the UK is able to negotiate with the EU. The UK economy is already 2-3% smaller than it would have been had the Brexit referendum not taken place⁵. As the final deal is negotiated through 2020, more clarity will emerge on the relationship the UK will continue to have with the EU, and how this will impact on its economy.

Croydon Economic Baseline

- 3.17 Croydon is an outer London borough at the southern edge of Greater London. It forms part of the South West Fringe property market area and contributes towards the economic growth and prosperity of London and the South East of England. Its position as part of the wider Gatwick Diamond area, locates it in an economically dynamic sub-region anticipated to be a major driver of employment and business growth, although the effects of the Covid-19 crisis on the aviation

⁵ <https://www.aberdeenstandard.com/en/ireland/insights-thinking-aloud/article-page/the-impact-of-brexit>

sector are leading to considerable uncertainty about short to medium term prospects for the industry and future development around Gatwick.

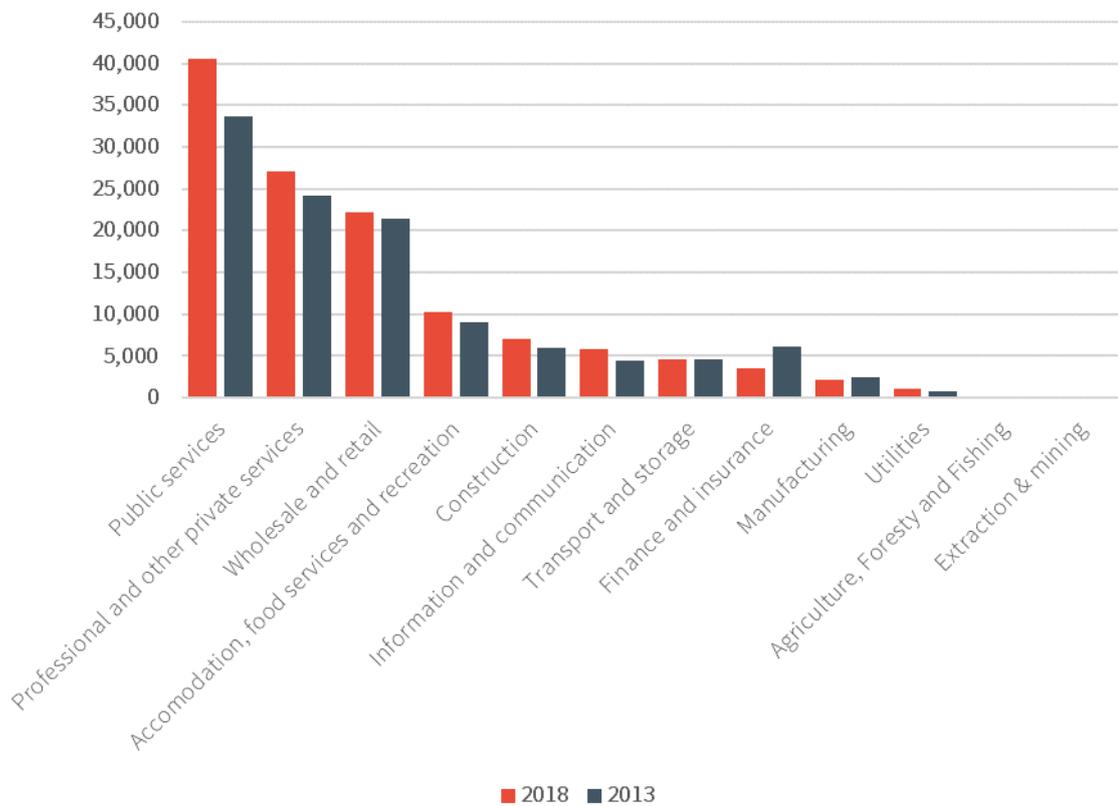
- 3.18 The economic geography of Croydon is diverse. Economic activity and growth is concentrated in north and south western areas of the borough, driven by a large concentration of office and retail space in Croydon Town centre and industrial land in Purley Way. These areas of the borough are well served by transport links and support large commuting populations. In contrast, areas to the south east of the borough are more sparsely populated and suburban in nature, with small self-contained town centres serving the needs of the local population.
- 3.19 The following baseline includes analysis of employment and business trends, sector trends, employment floorspace trends and initial COVID-19 impacts. This draws on a range of socio-economic datasets, property market data and local intelligence provided from Croydon Council and other key stakeholders.
- 3.20 Employment analysis in this subsection draws on two datasets: The Business Register and Employment Survey (BRES), the official public source of employee and employment estimates provided by the ONS; and Experian Employment Forecasts, a private dataset used in this study to forecast future employment space requirements. Both are used in the employment baseline analysis to serve the following purposes:
- BRES is used to compare trends in Croydon to wider comparators (including the South West Fringe property market area and London) and for detailed sub sector analysis, both of which are not possible using Experian data.
 - Experian data is used to inform historic trend analysis, given that it provides consistent historic employment data over the last 20 years compared to BRES that provides less than 10 years.

Employment

- 3.21 According to BRES data, total employment⁶ in Croydon in 2018 was around 124,000. This has grown by +10% (11,200 jobs) between 2013 to 2018, similar to +10% in the South London Fringe but lower than +12% in London. This indicates good sub-regional performance but below average performance compared to the wider job market in London.
- 3.22 Public services account for 40,000 jobs, around for 33% of all employment in Croydon. Other key sectors include professional and other private services and wholesale and retail, containing 22% and 18% of employment respectively.

⁶ Employment includes full time employees, part time employees and working owners.

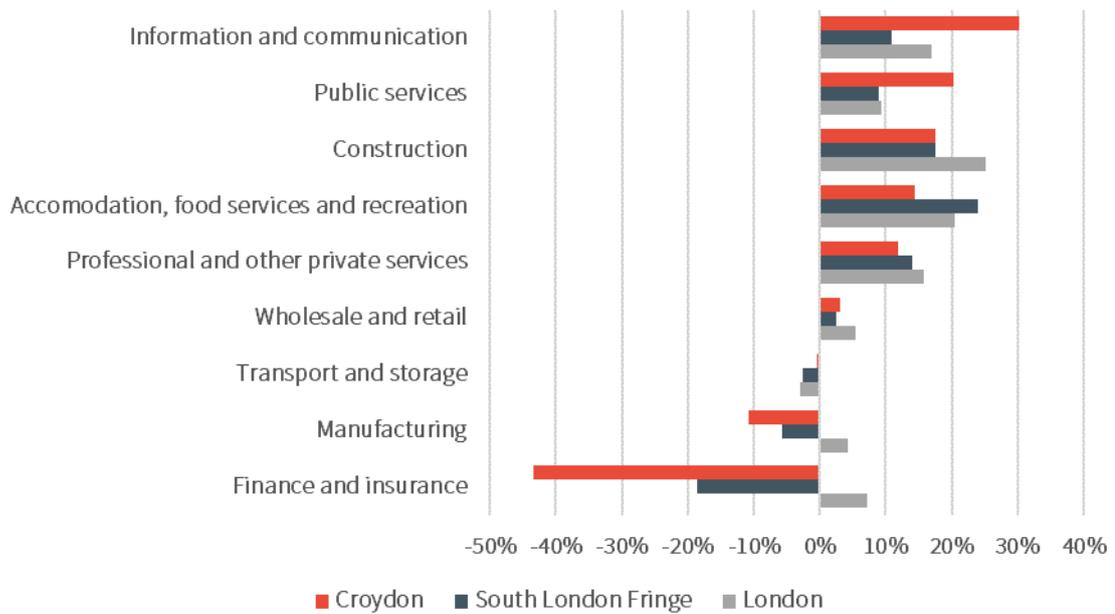
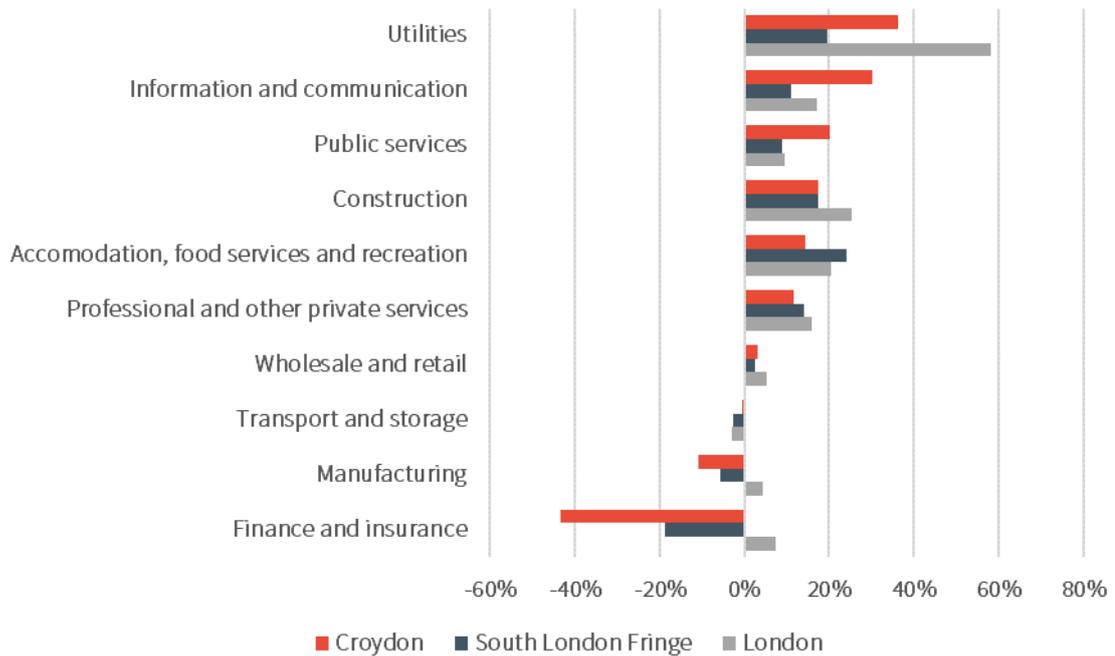
Figure 3.2 Total Employment by Sector in Croydon, 2013 and 2018



Source: ONS BRES, 2019

- 3.23 Employment growth in the information and communication sector and public services sectors have been high in comparison to the South London Fringe and London. In particular, the information and communication sector has grown by +30% (1,400 jobs) compared to +11% in the South London Fringe and +17% in London. In contrast, employment in manufacturing and finance and insurance has declined at a faster rate compared to the South London Fringe and London.
- 3.24 A full breakdown of total employment, location quotient (specialisation) and growth is provided overleaf in table 3.1.

Figure 3.3 Proportional employment change by sector in Croydon vs London, 2013 - 2018



Source: ONS BRES, 2019 Note: Chart does not include the agriculture, forestry and fishing sector and extraction and mining sector due to small sample sizes.

Table 3.1 Broad Sector Summary: Total Employment, Specialisation and Trends

| Sector | 2018 | % total | LQ* vs London | Absolute Change 2013 - 18 | % change 2013 - 18 |
|---|--------|---------|---------------|---------------------------|--------------------|
| Public services | 33,680 | 33% | 1.5 | 6,805 | 20% |
| Professional and other private services | 24,230 | 22% | 0.7 | 2,860 | 12% |
| Wholesale and retail | 21,480 | 18% | 1.5 | 675 | 3% |
| Accommodation, food services and recreation | 9,020 | 8% | 0.8 | 1,300 | 14% |
| Construction | 6,055 | 6% | 1.6 | 1,060 | 18% |
| Information and communication | 4,530 | 5% | 0.6 | 1,370 | 30% |
| Transport and storage | 4,610 | 4% | 0.9 | -20 | 0% |
| Finance and insurance | 6,185 | 3% | 0.4 | -2,680 | -43% |
| Manufacturing | 2,485 | 2% | 0.8 | -270 | -11% |
| Utilities | 810 | 1% | 1.4 | 295 | 36% |
| Agriculture, Forestry and Fishing | 180 | 0% | 1.9 | -100 | -56% |
| Extraction & mining | 30 | 0% | 0.0 | -30 | -100% |

Source: ONS, BRES, 2020 *Note: LQ is a measure of specialisation compared to London (i.e. a score of 2 represents a sector 2 times more specialised than London).

3.25 A number of sectors listed above have direct implications on B class commercial space required in the short, medium and long term. These sectors have been identified below, alongside additional insight into their characteristics, sub sector drivers and major employers.

Public Services:

- The public services sector contains 40,500 jobs and has grown by +20% (6,800 jobs) between 2013 and 2018. It is 1.5 times more specialised than the London average.
- 20% (c. 9,500 jobs) in this sector are in general public administration activities which has grown by 5,000 jobs since 2013. Local intelligence indicates that this growth is largely driven by the relocation of HMRC to Croydon. Future growth in general public administration activities is likely to be driven by additional relocations of government services, as opposed to organic growth from existing services in Croydon.
- The majority of the public services sector (80%) contains employment in education, health and care activities. These types of activity will not require commercial floorspace and therefore have no implications on future floorspace requirements.
- Major public service employers in Croydon includes HMRC, Croydon Council and Croydon Magistrates Court.

Retail:

- The retail sector supports around 16,000 jobs in Croydon and has grown by +9% (1,300 jobs) between 2013 and 2018. It is 1.5 times more specialised than the London average.

- Key sub sectors within Croydon includes food and drink stores, cosmetic and toiletry stores and clothing stores.
- The majority of retail employment is **located in Croydon's** eight town centres, including Addiscombe, Coulsdon, Croydon, New Addington, Purley, Selsdon, South Norwood and Thornton Heath.
- Croydon town centre is the largest in Croydon, classified as a metropolitan town centre **in the GLA's town centre health check**⁷. According to this data it has the majority (87%) of comparison retail floorspace whilst convenience and service retail floorspace is spread more equally across all town centres Croydon town centre.
- The main retail locations in Croydon Town Centre are the high street (including the Whitgift Centre and Centrale Shopping Centre) and retail parks in Purley Way.
- Major employers located in Croydon includes Primark, House of Fraser and M&S in the town centre and IKEA, Next and PC world in Purley Way.

Professional services:

- The professional services sector supports around 11,200 jobs and has grown by +14% (1,600 jobs) between 2013 and 2018.
- A large proportion of employment in within the sector is in other engineering activities, management consultancy activities and accounting. Most businesses are located in the town centre in close proximity to East Croydon Station.
- Major employers located in Croydon includes AIG Europe, Goldman Sachs, and American Express.

Wholesale, transport and storage:

- The sector contains around 10,500 jobs and declined by -6% (600 jobs) between 2013 and 2018.
- The main sub sector activities located in Croydon are in maintenance and repair of motor vehicles, passenger transport and operation of warehousing and storage facilities.
- Major employers are all located in Purley Way, which includes Royal Mail, Tesco (Distribution centre) and Amazon.

Creative and Cultural:

- **Cutting across the 'information and communication', 'professional' and 'recreation' sectors, the creative and cultural sector plays an important role in Croydon's economy.** Croydon Metropolitan Centre was designated as one of the first six Creative Enterprise Zones (CEZ) in London, reflecting the emerging sector in the area, with 6,000 people employed across the borough in the sector⁸ in 2018. There has been no employment growth in the sector across the borough, however there has been rapid growth in

⁷ London Plan Town Centre Health Check 2017, Appendix 4 – Technical Appendix

⁸ Based on DCMS definition for Creative Industries.

Croydon's Creative Enterprise Zone (Metropolitan Centre), growing by 93% over the last five years⁹.

- The main sub-sector with Croydon is the IT and software sub-sector, with other prominent activities including publishing, music, film and design.
- One of the key actions of the CEZ is to address the low levels of creative workspace identified relative to other London boroughs. There is an identified need for space in theatre, music and visual arts, whilst there is a wider need for affordable workspace (primarily B1a) across the whole sector.

3.26 Experian data provides historical full-time equivalent (FTE) employment trends covering multiple economic cycles over last 20 years. Trend rates and absolute change are set out in table 3.2 overleaf. Analysis of trends identifies a number of key findings:

- Overall employment in Croydon has declined by 7,700 FTEs (-0.6% CAGR) in the period of 1997 to 2010. Employment has since increased post-recession by 5,500 FTEs (+0.9% CAGR) but still remains below 1997 levels.
- The office market post-recession has been driven by employment growth in public services (+2,500 jobs), information and communication (+600 jobs) and professional services and other private services (+500 jobs). In contrast financial and insurance employment declined by -2,000 jobs in the same period.
- Transport and storage employment declined by -900 FTEs in the period between 1997 to 2010 and has since increased by +200 jobs between 2010 and 2018. Continued growth in this sector will place increasing demand on warehousing and storage space. Whilst growth in the sector has been modest post-recession, **it's important to note other sectors of the economy will require warehousing and storage space to grow.** As such demand for warehousing and storage space should be considering in the context of wider sectoral growth

⁹ Croydon Creative Enterprise Zone Research Report, 2018

Table 3.2 Compound Annual Growth Rate and Absolute Change by Sector, FTE Jobs, 1997 to 2039

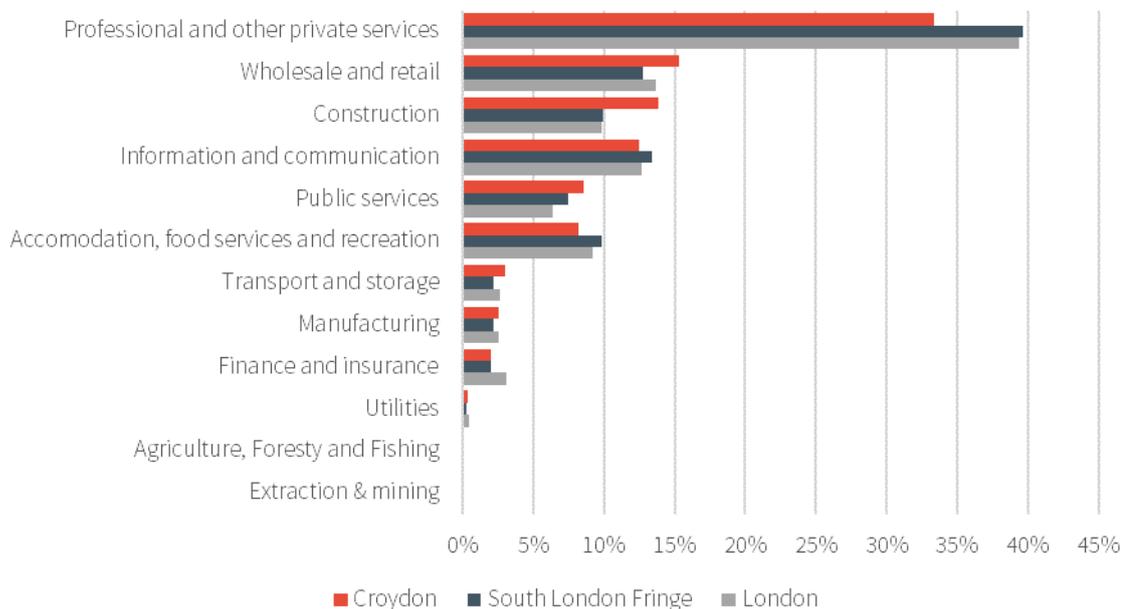
| | 1997 – 2010 | | 1997 – 2018 | | 2011 – 2018 | | 2013 – 2018 | |
|---|-------------|------------------------|-------------|------------------------|-------------|------------------------|-------------|------------------------|
| | CAGR | Absolute Change (000s) |
| Accommodation, Food Services & Recreation | -0.3% | -0.30 | 0.4% | 0.60 | 2.5% | 1.10 | 2.7% | 0.80 |
| Agriculture, Forestry & Fishing | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Construction | -1.8% | -1.40 | -0.4% | -0.60 | 3.5% | 1.20 | 3.4% | 0.80 |
| Extraction & Mining | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Finance & Insurance | -4.4% | -3.90 | -4.8% | -5.90 | -7.3% | -2.00 | -8.5% | -1.50 |
| Information & communication | -2.8% | -2.10 | -1.2% | -1.60 | 1.9% | 0.60 | 3.4% | 0.70 |
| Manufacturing | -6.7% | -4.20 | -6.1% | -5.30 | -5.2% | -0.80 | -4.3% | -0.40 |
| Professional & Other Private Services | -0.1% | -0.20 | -0.2% | -1.00 | 0.4% | 0.50 | 0.9% | 0.80 |
| Public Services | 2.5% | 8.20 | 1.6% | 8.80 | 1.3% | 2.50 | 1.6% | 2.00 |
| Transport & storage | -1.4% | -0.90 | -1.0% | -1.10 | 0.7% | 0.20 | 0.5% | 0.10 |
| Utilities | -1.8% | -0.20 | 0.9% | 0.20 | 7.0% | 0.40 | 14.4% | 0.50 |
| Wholesale & Retail | -1.2% | -2.70 | -0.4% | -1.40 | 1.7% | 1.80 | 1.0% | 0.70 |
| Total | -0.6% | -7.70 | -0.3% | -7.30 | 0.9% | 5.50 | 1.1% | 4.50 |

Source: Experian, 2020 Note: CAGR = Compound Annual Growth Rate

Businesses

- 3.27 According to UK Business Count data there were around 16,800 businesses operating in Croydon in 2019. This figure is likely to be higher given that UK Business Count data does not account for businesses not registered for PAYE. Companies House data, which accounts for all business registrations, suggests there are around 27,800 businesses currently operating in Croydon. Given that Companies House data is only available as a snapshot of the current business base, UK Business Count data will be used to analyse past trends.
- 3.28 Around a third of businesses operate in the professional and other private services sector, lower than the average across the South London Fringe and London. Croydon has a higher proportion of wholesale and retail (16%), construction (13%) and public services (8%) activities compared to the South London Fringe and London.

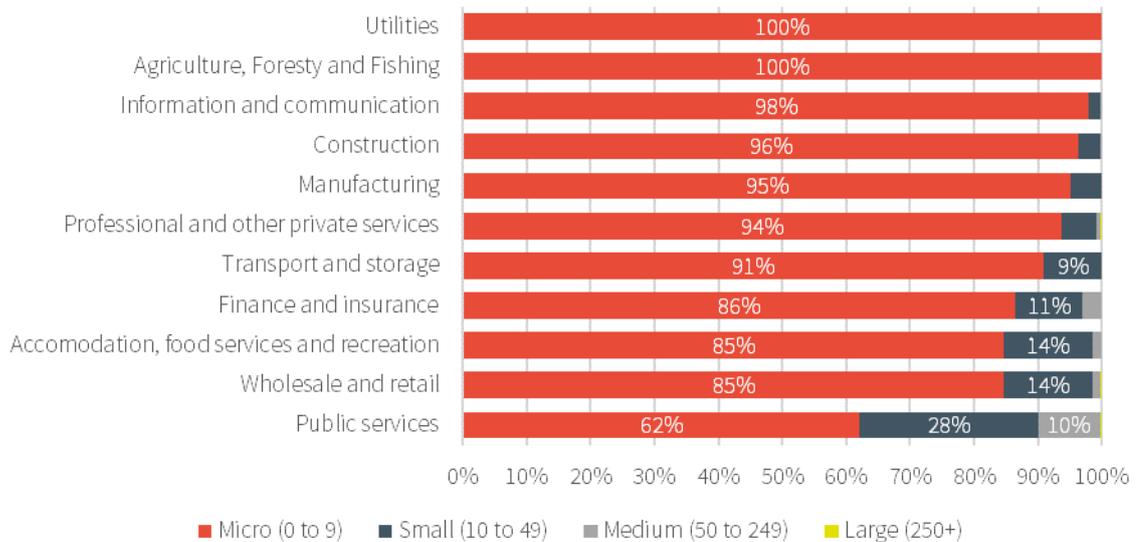
Figure 3.4 Proportional of businesses by sector vs comparators, 2019



Source: ONS UK Business Count, 2020

- 3.29 Space requirements will differ dependent on business size and its maturity. Similar to London and the UK, the majority (89%) of businesses are classified as micro businesses, employing less than 10 people. A further 8% are small businesses (10 to 49 employees), 2% medium sizes (50 to 249 employees) and less than 1% are large (250 employees).
- 3.30 The business composition differs across sectors. For example, businesses operating sectors such as information and communication, creative and cultural, construction, manufacturing and professional and other private services have higher rates of micro businesses than the average. In contrast, businesses operators in sectors such as public services, wholesale and retail, and accommodation, food services and recreation businesses have lower rates of micro businesses and a higher proportion of small and medium businesses. This has important implications on the type, size and specification of employment space required to meet business needs.

Figure 3.5 Total businesses by sector and size, 2019



Source: UK Business Count, 2019

Note: The Creative and Cultural sector hasn't been included in this graphic, as the sector cuts across a number of those listed above. However, 98% of businesses in the sector are micro (0-9) businesses.

Employment Floorspace and Land

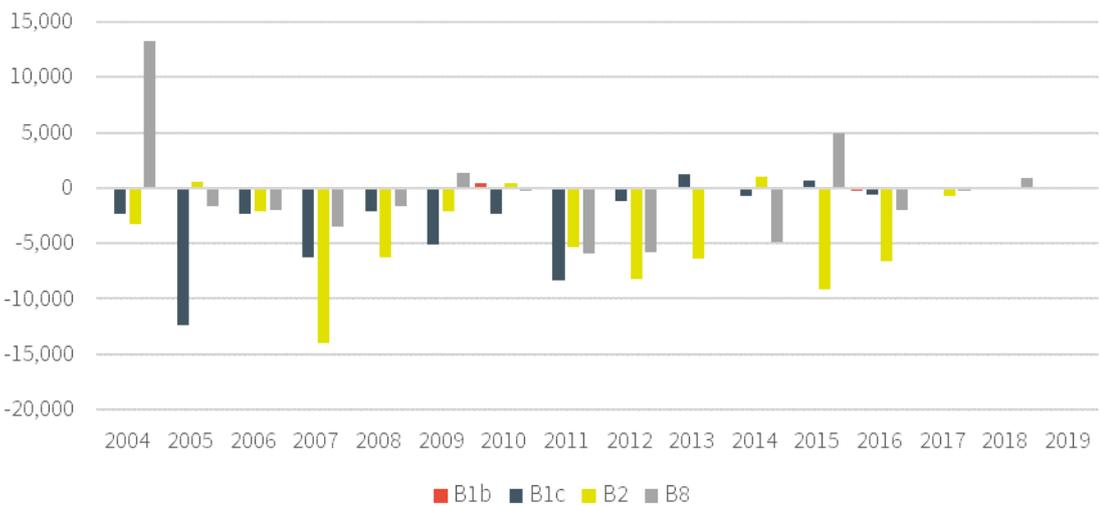
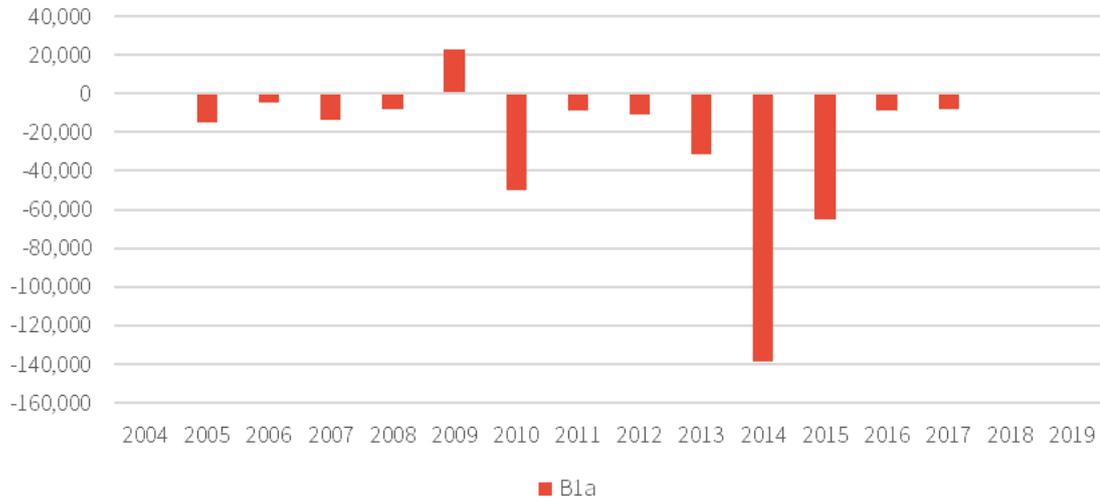
- 3.31 According to data from CoStar there is 7.97million sqft of office space and 5.87million sqft industrial and warehousing space in Croydon. Office space is predominantly located in **Croydon's Metropolitan Centre (CMC) and clustered around East Croydon Station and the High Street**, in addition to a small amount of space in surrounding towns such as South Croydon and Purley. The majority of industrial and warehousing space in the borough is located around Purley Way, a strategic industrial location to the South West of the borough.
- 3.32 The total amount of commercial space in both the office and industrial and warehousing market have declined in recent years. Office space has declined by 10% (924,000 sq ft) since 2012 and industrial and warehousing space has declined by 1.6% in the same period.

Completions

- 3.33 Changes in the total amount of commercial space has largely been driven by new developments, including the delivery of new floorspace and the conversion of existing floorspace to different uses (such as housing). Completions data from the Council (see figure 3.6 below) shows the total net floorspace delivered through completions, categorised by use class and permission year. Analysis of the data identifies a number of trends:
- The total amount of net office floorspace has declined almost every year since 2004 (aside from 2009) with the largest increases experienced between 2010 and 2015. This amounts to a net decrease of 342,188 sqm between 2004 and 2019, an average annual loss of 21,387sqm per year.
 - The total amount of light industrial, industrial and warehousing floorspace has also declined most years since 2004. This amounts to a total loss of 110,773sqm, average loss

of 6,930sqm per year. This includes losses of B1c space (-41,597sqm), B2 space (-61,837sqm) and B8 space (-7,444sqm).

Figure 3.6 Net floorspace delivered through completions by use class and permission year: B1a (Above) and B1b/B1c/B2/B8 (Below)



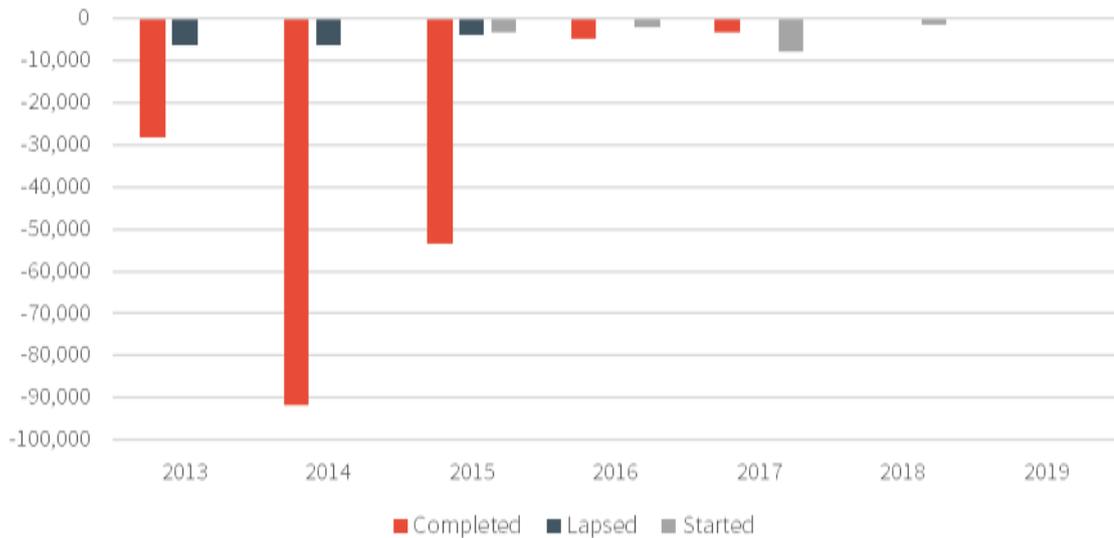
Source: Croydon Council, 2020

Permitted Developments

- 3.34 A key driver of the net loss of office floorspace has been permitted development. Since its creation in 2014, permitted development rights provide a fast track route to converting commercial space into housing in the UK. This places greater pressure on the supply of commercial space, encouraging housing development to replace commercial space which could have otherwise supported business and provided employment. In September 2015, the council introduced an article 4 direction removing permitted development rights powers in the Croydon Opportunity Area.
- 3.35 Figure 3.7 below shows the net commercial B1a floorspace loss by permission year. Prior to the article 4 direction, permitted developments resulted in the net loss of -363,844sqm of B1

floorspace and -2,460sqm B8 floorspace (no net loss of B2 floorspace). The majority of permitted development losses were from permissions in 2013 and 2015 that have now been completed. The majority of net floorspace lost between 2013 and 2015 (as shown in figure 3.6) were due to permitted developments.

Figure 3.7 Net Commercial B1a Floorspace Lost through Permitted Development by Use Class and Permission Year, 2013 to 2019



Source: Croydon Council, 2020

Note: Only includes completed PDR schemes (submitted, started and lapsed schemes not included)

3.36 It is worth noting that there have also been a number of significant office developments delivered in recent years that have brought new high-quality office floorspace onto the market. These include (but are not limited to):

- Ruskin Square – 2.8 million sqft commercial space
- Interchange – 180,000sqft Grade A office space
- Renaissance Croydon – 100,000 sqft Grade A Office space

3.37 Whilst net floorspace has decreased with the influence of permitted development, anecdotal evidence suggests that office floorspace converted was most likely low quality and not fit for purpose. With the addition of new high quality being delivered, evidence indicates that there is less office floorspace in Croydon but it is of higher quality.

Covid-19 Impacts

3.38 Whilst the medium and long term impacts of COVID-19 are still becoming clear, initial evidence is available to understand the short term impacts for Croydon, in terms of business and employment. A high-level summary of the initial findings are listed below:

- Business Insolvency: 23 companies filed for insolvency in Croydon in May and June 2020. The largest proportion of businesses (9) operated in financial and professional services. Other business sectors include wholesale, ICT & Digital, creative, business support and construction.

- Employees furloughed: 44,600 employees in Croydon have been placed on the Job Retention Scheme since the start of the scheme up to 31st May 2020.
- Unemployment: 1,528 residents claimed job seekers allowance in May 2020, an increase of nearly 1,000 residents since March 2020.

Conclusions

3.39 This review of the current economic context within Croydon has taken place at a time of unprecedented economic challenges and uncertainty in the UK economy. The COVID-19 crisis is the biggest economic shock on the UK economy in living memory, and it is still not possible to accurately measure the full impact of the crisis. There have been a number of initial observations coming from the crisis, including a slow-down of the commercial property market, loss of employment, a new workplace ecosystem and increasing demand for both office and logistics space in Outer London.

3.40 The most recent **economic data has been analysed to understand Croydon's recent economic trajectory** prior to the COVID-19 crisis to enable the development of the employment land review. Some of the key conclusions that can be drawn from the data includes:

- **Croydon's employment growth rate has been strong in recent years, growing by 10%** between 2013 and 2018 to a total of 124,000 jobs. This has been much better than past employment trends in which Croydon lost jobs between 1997 to 2010.
- The most significant employment growth sectors in the last five years are public services (+6,800 jobs), professional (2,900 jobs) and information and communication (1,370), all requiring B1a office floorspace. Public service jobs account for a third of jobs in the borough, with other prominent sectors including professional services, wholesale and retail. The strongest growth (as a proportion of overall employment) has been in the information and communications sector, with growth of 30% over the last five years.
- **Croydon's businesses are of a similar size to the London average, with the majority of businesses (89%) employing fewer than 10 people.** Less than 1% of businesses employ more than 250 people in Croydon, with many of the largest businesses being in public services.
- **Croydon's strengths in creative and cultural industries not only plays an important role** in providing employment for local residents, but also in providing opportunities to people from socio-economic groups who are less mobile and typically of higher unemployment.
- There is nearly 8 million sqft of office space in Croydon. The total amount of net office space has decreased since 2013, amounting to an average loss of 21,387sqm per year. A key driver of the net loss of office floorspace has been permitted development rights, with 363,844sqm of B1 floorspace being lost since 2013. Evidence suggests that whilst there is less office floorspace available, the quality of space overall has improved as a result of permitted developments removing low quality office stock and new high quality floorspace coming on to the market.
- There has also been a net loss of light industrial, industrial and warehousing floorspace over the last five years, although not to the same degree as office space. There has been an average loss of 6,930sqm per year over the last five years, much of which was B1c and B2 floorspace.

- Some of the initial economic indicators for the COVID-19 crisis show that there has been a significant impact on the local economy. 44,600 employees in Croydon have been **placed on the Government's Job Retention Scheme**, and **1,000 more residents are now** claiming job seekers allowance. The full impact of COVID-19 will not be felt until later in 2020, with a number of businesses already struggling in the current economic climate.

Commercial Property Market Signals

CROYDO

4. Commercial Property Market Signals

4.1 This section provides a review of the current commercial property market performance in **Croydon**. This considers both the market's performance pre-COVID-19 and also initial insights into the performance of the commercial property market since the COVID-19 crisis. This section continues as follows:

- A review of the recent office commercial property market performance in London, the South London Fringe and Croydon, and the potential implications of COVID-19.
- A review of the recent industrial and logistics commercial property market performance in London, the South London Fringe and Croydon, and the potential implications of COVID-19.

Office Market

London

4.2 The London office market started 2020 in a relatively strong position after a degree of certainty was restored following the General Election and good performance in the preceding year; stable rental growth, particularly within the core regions of the City, South Bank and West End, coupled with healthy occupier interest resulted in nearly 3m sqft of take-up in Q4 2019, 4% ahead of the ten year quarterly average (C&W). Moving in to 2020, we began to see the impacts of the COVID-19 pandemic on Q1 take-up volumes, which dropped to 1.7m sqft (JLL). However, the downturn in leasing cannot be directly attributed to the pandemic, given most of the quarter was functioning under normal circumstances. We address some of the key office market themes of 2019 and 2020 below:

- 1) Pre-lets rose as supply weakened. Throughout 2018 and 2019, the pre-lets office market saw increasingly high levels of activity, underpinned by an extended period of low supply. Of the 7.6m sqft speculatively under construction in the Central London office market in Q4 2019, 54% was pre-let or under offer (C&W). One of the largest pre-lets of 2019 involved the leasing of 310,000sqft of One Braham in Aldgate to BT.
- 2) 2019 investment volumes were down to £12.3bn, 30% below the five-year annual average (C&W). However, volumes were predominantly a reflection of low stock levels rather than necessarily the depth of demand. Potential sellers also held off bringing their assets to market for the first three quarters of 2019 due to the uncertain UK political environment with volumes picking up in Q4. A key investment transaction of 2019 included the £1.16bn acquisition of Plumtree Court in Farringdon to LaSalle IM, on behalf of **Korea's National Pension Service**, reflecting a 4.1% NIY.
- 3) Overall the banking & finance and flexible office sectors were the most active for 2019, each accounting for 22% of take-up (JLL). The European Bank for Reconstruction and Development's **360,000sqft** transaction in Canary Wharf was the largest deal signed during 2019, fuelled by banking & finance activity. Similarly, WeWork continued to dominate the flexible office sector with a further 908,000sqft of acquisitions, albeit demand has significantly tailed off during the pandemic.

South London Fringe

- 4.3 Below we present key points on the South London Fringe (SLF) office market, comprising: the inner London Boroughs of Southwark, Wandsworth, Lambeth and Lewisham; the outer London Boroughs of Croydon, Merton, Sutton and Bromley and; the Surrey district of Reigate & Banstead.¹⁰
- 4.4 In Q2 2020 the SLF office market overall comprised 56.5m sqft of B1a office accommodation, an increase of 53.9% on 2012 volumes (CoStar). At a submarket level there is a large disparity between the changes in stock volumes between the inner boroughs, which showed growth of 140.1% between 2012 and 2020, and the weaker performing outer boroughs, where a 7.1% decrease was recorded over the same period (CoStar). In part, the variance is due to the significant deliveries within the inner Boroughs, for example at Southbank Place, Southbank Central and 240 Blackfriars. Southbank was the third most active submarket in Central London, with seven new starts recorded in 2020 amounting to 560,000sqft (Deloitte, 2020). Given the recent planning consent for the 1.2m sqft redevelopment of Elizabeth House adjacent to Waterloo Station, activity is likely to be maintained in the submarket.
- 4.5 Comparatively, the outer Boroughs have suffered disproportionately in terms of stock shrinkage. Bromley, Merton and Sutton saw floorspace volumes fall by -5.4%, -8.8% and -5.3% respectively between 2012 and 2020, whilst volumes in Reigate & Banstead remained unchanged to the nearest hundred thousand sqft (CoStar). LB Croydon saw the most severe loss, recording a 10.4% decrease in floorspace. To a great extent, the disparity is due to the introduction of Permitted Development (PD) Rights allowing the conversion of B1a offices to C3 residential. Whilst PD conversions are happening across London, there has been a notable market skewedness toward outer boroughs since the legislation came into force in 2013. LB Croydon and LB Sutton are within the top five London boroughs that have suffered the greatest loss of office floorspace under PD approvals (GLA, 2017).
- 4.6 The lack of new supply, particularly within the outer Boroughs is continuing to tighten vacancy rates. In Q2 2020 average SLF vacancy rates were at 3.9%, down from the 7.7% recorded in 2012. Vacancy rates are lowest in Sutton which has seen a large number of PD conversions and only one significant new office development in the last decade. In contrast, the neighbouring borough of Merton has seen a cluster of small new deliveries in Wimbledon town centre and fewer PD conversions, explaining the 5.6% vacancy rate, the highest in the SLF. The lower availability of stock is in turn stabilising SLF market rents which have held at c.£38psf since 2017 (CoStar). Similarly, the shortage of options on the market is driving

Figure 4.1 Geographies for CoStar Analysis



Source: Cushman & Wakefield, 2020

¹⁰ The southern fringe is a property market area identified by real estate analytics companies including CoStar and EG's Radius.

take-up levels, particularly for the inner Boroughs where supply constraints are more pronounced, encouraging occupiers to consider other locations in outer London. Indeed, LB Croydon has absorbed much of this demand with 2019/20 (1 April to 31 March) take-up levels of new and refurbished stock 29.5% higher than the average annual take-up levels recorded since 2012/13 (VOA).

| Submarket | Inventory | Headline Rent | Average Yield | Take-up 2019/20 | Vacancy Rate |
|--------------------|------------|---------------|---------------|-----------------|--------------|
| Southbank | 21m sqft | £88psf | 4.9% | 674,000sqft | 3.9% |
| Inner South London | 15.5m sqft | £50psf | 4.4% | 216,000sqft | 4.2% |
| Merton | 3.1m sqft | £53psf | 5.0% | 81,000sqft | 5.6% |
| Sutton | 1.8m sqft | £20psf | 5.5% | 43,000sqft | 0.7% |
| Croydon | 7.97m sqft | £30psf | 5.3% | 382,000sqft | 3.7% |
| Bromley | 3.5m sqft | £25psf | 5.6% | 32,000sqft | 3.3% |
| Reigate & Banstead | 3.6m sqft | £26psf | 6.5% | 37,000sqft | 4.0% |

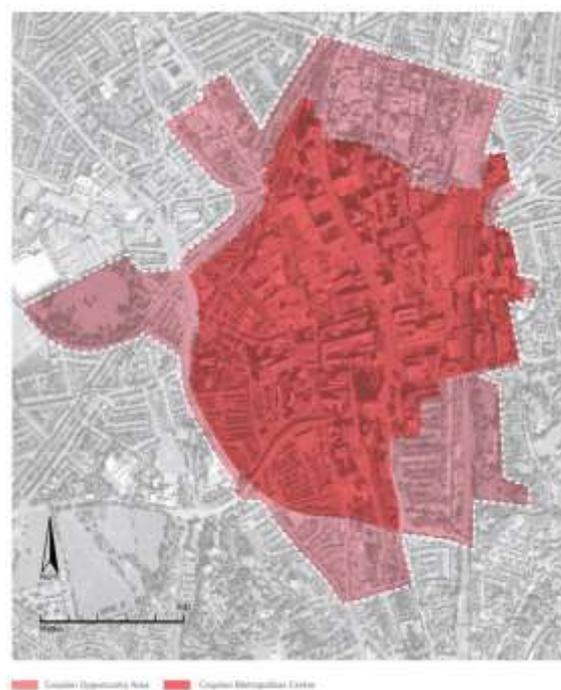
Source: CoStar, 2020

London Borough of Croydon

Demand

- 4.7 Overall, the office market across LB Croydon as a whole comprises 7.97m sqft of office accommodation, approximately 10.4% - the equivalent to 924,000sqft - less than 2012 volumes (CoStar). The market is heavily **weighted towards Croydon’s Metropolitan Centre (CMC)**, where offices are predominately clustered around East Croydon Station. The CMC accounts for approximately 67% - the equivalent to 5.35m sqft - of total stock within the Borough and drives the greatest level of demand. Whilst there is a small contingent of accommodation in surrounding towns including South Croydon (c.164,000sqft) and Purley (c.144,000sqft), these are more local markets relative to CMC that plays a broader and more strategic role as an employment centre.

Figure 4.2 Key office locations within Croydon’s Metropolitan Centre (CMC)



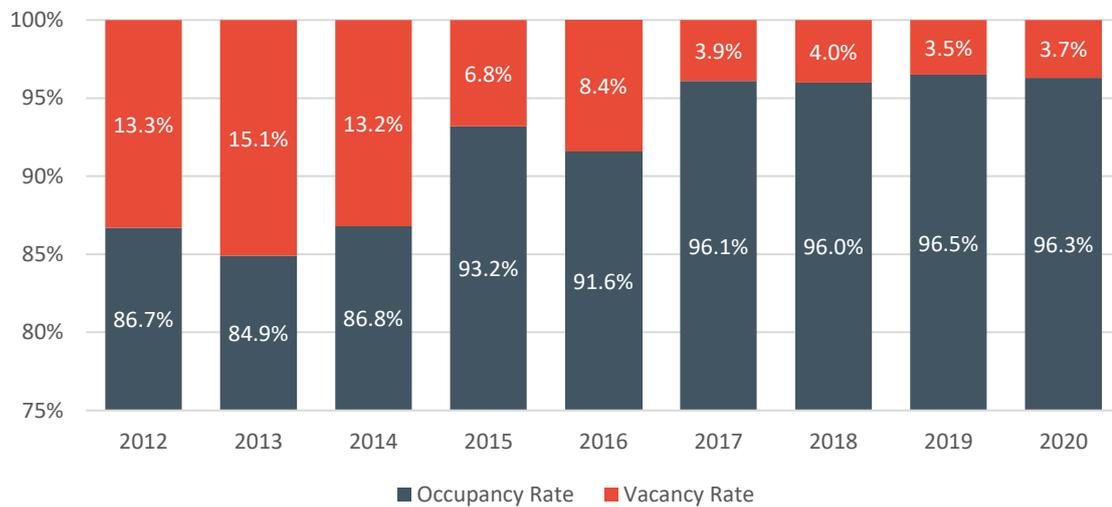
Source: Cushman & Wakefield, 2020

Vacancy Rates

- 4.8 The Croydon office market currently has the third tightest office vacancy rate within the SLF. In 2015, rates dropped from their 5-year average of 10.9% and have since consistently sat below 7.7%. Between 2015 and 2020 rates across the

borough dropped from 11.8% to 4.7%. There is approximately 198,000sqft of vacant office floorspace on the market in the CMC going into H2 2020, mostly concentrated in the key locations of East Croydon Station and the High Street. This differs significantly from 2013 when 15.1% of the total CMC stock was vacant.

Figure 4.3 Change in office occupancy and vacancy rates 2012 to 2020 in the CMC



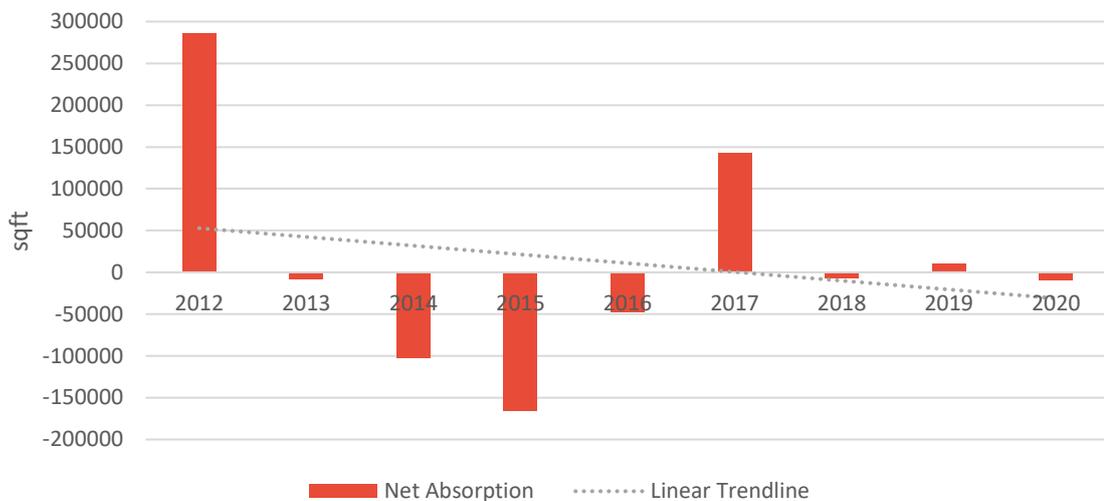
Source: CoStar, 2020

4.9 The primary reasons for tightening vacancy rates are twofold: first, the Borough has suffered from a period of undersupply with just three notable deliveries in the past decade including the 281,800sqft Bernard Weatherill House in 2012, the 102,300sqft Renaissance in 2013 and most recently, the 179,000sqft Building One, Ruskin Square completed in 2016. These were all within the CMC. All buildings are fully let demonstrating demand for good quality space is outstripping supply. Secondly, a number of notable demolitions and conversions, specifically on dated stock, have further tightened vacancy rates through lack of supply. Increasing pressures on housing demand in London and rising house prices has led to a high number of proposals for office to residential conversions in the Borough. LB Croydon has seen the most residential units delivered through PD of any London Borough since the legislation came into force in 2013; of the 15,929 new homes built through PD in London between 2013 and 2015, 17% were in LB Croydon. Whilst the Council removed the PD rights within the Croydon Opportunity Area in 2015, an estimated 3 million sqft of employment space has been lost to residential (Savills). Key conversions include:

- Delta Point, Wellesley Road – Criterion Capital acquired the freehold interest in the former British Telecom HQ in 2013, 0% leased at sale. Permission was granted for the conversion of the 313,000 sqft office block into 404 residential apartments;
- Emerald House, Lansdowne Road – The 83,000 sqft office block was bought by Hayden Properties Investment in 2014, at which time it was 35% leased, and developed into 121 residential apartments;
- Noble Lowndes House, Bedford Park – Criterion Capital purchased the freehold interest in the 47,000sqft office block in 2014 for residential conversion. The building was 100% leased prior to sale.

4.10 Across the borough, net absorption rates¹¹ were at -18,300sqft going in to H2 2020, the lowest level since Q1 2017 and no doubt a consequence of occupier hesitancy towards taking-up new space during the COVID-19 pandemic. Since 2012 the average annual net absorption rate has been c.30,000sqft indicating more office space was leased than vacated/ supplied in the market (CoStar). Net absorption rates¹² were at -10,100sqft going in to H2 2020, averaging annually at 34,400sqft since 2012. A steadily declining trend in absorption is visible, indicating that on average more office space was vacated than that leased in the market. There is a strong indication that the disparity between space vacated and space leased is due to the market suffering from office to residential conversions and new deliveries not replacing the space lost. This limited new supply has been a factor in both slowing leasing activity and tightening vacancies, with occupancy of existing assets almost at capacity.

Figure 4.4 Net absorption (sqft) between 2012 and 2020 in the CMC



Source: CoStar, 2020

Take-Up

- 4.11 Annual take-up levels across the Borough have been variable. The strongest performing year was 2016/17 when HMRC leased 179,000sqft. 2019/20 has been the weakest performing year with take-up within the CMC hitting a record low of c.21,000sqft. This is likely a response to a combination of factors including the ongoing political uncertainty over leaving the European Union, URW's announcement to remove the Westfield scheme from its pipeline and review the proposals, combined with an undersupply of new stock. However, shortly after the 2019/20 financial year closed, the Home Office pre-let 330,000sqft of Building Two at Ruskin Square.
- 4.12 Beyond these purpose-built Grade A premises, there are a large number of 1960s-style refurbished Grade B office suites which accounted for the majority of the CMC's take-up in 2019/20. This type of accommodation typically attracts SMEs and local businesses which require basic and affordable space in central locations. Agents suggest enquires tend to revolve around

¹¹ Net absorption is the measure of total square feet occupied less the total square feet vacated over a given period of time. Lease renewals are not factored into net absorption.

sub-10,000sqft floorplates, averaging at 7,100sqft (CoStar). For something larger and of better quality, available space is very limited.

Table 4.2 Annual take-up levels in LB Croydon and the CMC

| | LB Croydon (sqft) | CMC (sqft) | CMC take-up as a proportion of total borough take-up |
|---------|-------------------|------------|--|
| 2019/20 | 52,401 | 21,561 | 41% |
| 2018/19 | 295,270 | 132,496 | 45% |
| 2017/18 | 182,219 | 106,790 | 59% |
| 2016/17 | 460,684 | 374,149 | 81% |
| 2015/16 | 270,536 | 127,631 | 47% |
| 2014/15 | 362,006 | 254,359 | 70% |
| 2013/14 | 227,482 | 154,196 | 68% |
| 2012/13 | 86,496 | 63,032 | 73% |
| Average | 242,137 | 154,277 | 64% |

Source: CoStar, 2020

- 4.13 Since 2012 a number of key occupiers have relocated to the town centre including Siemens, Liverpool Victoria and Superdrug Stores. Also notable was the letting to Regus in late 2017, increasing their occupation in the area by 18,223sqft and highlighting demand for serviced offices. The Body Shop also relocated their international head office from London Bridge to **24,000sqft of Knolly's House near East Croydon Station in 2016, however in 2019, citing ongoing** issues with the Southern Rail link and uncertainty over the Westfield development, the company decided to withdraw from Croydon and relocate back to Central London. Agents suggested that with a view to improving the chances of retaining existing tenants and attracting other major occupiers to the town centre, there is the need to provide the right quality of local amenities and facilities.
- 4.14 Data since 2008 shows the key drivers of demand in the CMC have been Government & NGOs which accounted for 42% of all take-up. In the last two years, there has been a significant increase in Business Services take-up, which comprised 42% of total take-up (C&W).

Rents

- 4.15 **Supply constraints have prolonged landlords' ability to push higher rents with year-on-year rent growth seeing an acceleration from 0% in 2013 to 13.7% in 2016.** Since then, growth followed the wider London trend of a sharp decline and has flattened as of Q2 2020 (CoStar).
- 4.16 Headline rents agreed in 2019/20 were 20% above asking with average incentives of 12 months rent free and 11% rent discount. Average market rents across the submarket are £24psf, up 50% from the £16psf averaged in 2012 (CoStar). At the prime end of the market, rents are achieving a c.20% premium above Grade B stock. Recent transactions on Grade A space include 18,299sqft at Interchange let to Siemens for £26.01psf, 20,455sqft at Renaissance leased by Green Energy Network for £30.71psf and HM Revenue & Customs paying a record £33.92psf at Stanhope-Schroders Building One, Ruskin Square. Yet despite the town centre seeing rental levels soar, Croydon still offers a comparatively cheaper alternative in contrast to other inner south London submarkets.

- 4.17 Such competitive discounts to Central London could help lure more firms, especially if rents expand further in the near future as a result of COVID-19. The 2016 179,000sqft HMRC pre-let at Ruskin Square was a key letting for LB Croydon, bringing forward the first phase of the Ruskin Square office development and occupying Building One in its entirety. One of the remaining four office buildings in the scheme is due to come forward after the Home Office pre-let 330,000sqft of Building Two in April 2020. The lease is for a term of 25 years post-completion in 2023, with rents and further details to be confirmed. Major lettings have recently been somewhat subdued elsewhere in the CMC, with no lettings greater than 10,000sqft in 2019/20, however, a number of smaller lettings did take place for low quality stock. No doubt the limited levels of supply enabled these to be priced competitively with Grade B space at **Knolly's House and 4 Bedford Park** achieving £26.50psf and £27.97 respectively.

Sales

- 4.18 Since 2012 there have been 136 recorded office deals within LB Croydon, of which 63 took place within the CMC. Approximately 5.1m sqft of accommodation was transacted across the Borough, equating to an average per year of 637,500sqft (CoStar). 53% of these transactions were on units less than 10,000sqft and 24% were on units in excess of 50,000sqft, reaching an upper limit of 300,000sqft. This shift away from office stock and towards residential also heavily influenced investment volumes with four of the ten largest deals – in terms of floorspace – to transact in the CMC since 2012, being for the purpose of residential conversion.

Supply

- 4.19 LB Croydon has a significant lack of supply with currently no Grade A office space available. Supply of all grades is at an all-time low, down from its peak in 2012. Over the past five years the majority of office sites have been sold and converted to residential use, allowing very few opportunities for large scale office development in the CMC. It is likely that only Ruskin Square will be in a place to deliver large scale new build office space within the next five years. Currently, a total of 850,000sqft of pre-lets is being sought for the remaining three buildings planned at the site, but a lack of activity since the delivery of Building One – in part due to Schrodgers seeking certainty over the future of the Westfield Centre – **has halted development. Schrodgers' position** surrounding progression of Ruskin Square will likely now depend on appetite for pre-lets. However, historically developers have always approached speculative office developments in the CMC with caution due to low rental values which present significant viability challenges.

Development Pipeline

| Development | Landlords | Status |
|--------------------|------------------------------------|--|
| Ruskin Square | Schroders-Stanhope | First building delivered to HMRC (179,000sqft) in 2016. Pre-let to Home Office on second building (330,000sqft) secured in 2020 and three remaining buildings that could accommodate up to 850,000sqft. |
| 1-5 Lansdowne Road | Guildhouse-Rosepride | Full planning permission was granted in July 2019 for the demolition of the existing buildings and erection of a part 11, part 41 and part 68 storey development, comprising 794 residential flats and 376,000sqft of office space and other uses. Unlikely to be delivered in the short to medium term. |
| Norfolk House | Kennedy Wilson/Abstract Securities | Scheme designed but not submitted for planning. Capability to deliver 350,000sqft of office accommodation. Landlord needs to undertake a number of lease surrenders and relocation of tenants to deliver the scheme, estimated timeline of 5+ years. |

Source: Cushman & Wakefield, 2020

Existing Plot Ratios

| Scheme | Lot Size Acre (sqft) | Floorplate (sqft) | Plot Ratio | Site Coverage | Comments |
|---|----------------------|-------------------|------------|---------------|--|
| <i>Renaissance, 9-16 Dingwall Rd, CR0 2NA</i> | 1.13 (49,223) | 102,275 | 2.08 | 37% | Including 18 surface parking spaces |
| <i>Bernard Weatherill House, 8 Mint Walk, CR0 1EA</i> | 0.69 (30,056) | 281,838 | 9.38 | 83% | Below surface parking spaces |
| <i>Citylink East Wing, 4 Addiscombe Rd, CR0 5TT</i> | 0.27 (11,761) | 26,166 | 2.25 | 41% | Car parking at rear, c.8 spaces |
| <i>Lansdowne Building, 2 Lansdowne Rd, CR9 2ER</i> | 0.71 (30,928) | 109,335 | 3.54 | 44% | Wide pavement, office setback from street. |

Potential Implications of COVID-19

- 4.20 How the office market locally and across London as a whole responds to the COVID-19 crisis remains to be seen. The past couple of months have shown that much of the office-based workforce can be productive anywhere, and when combined with people's desire for flexibility,

we expect that the workplace will no longer be a single location. The future way of working will be likely to leverage a total workplace system consisting of a variety of locations including the office, the home and third places offering flexibility and experiences to support convenience, functionality and wellbeing. With that said, we have listed some potential impacts on the office sector.

- Significant consolidation across the flexible workspace sector. Unlikely to see expansion of this sector in the near to medium term.
- Occupiers, particularly large corporates, will be hesitant to commit to inflexible leases and may look to implement more regular breaks.
- Incorporating lower employee density and deployment of remote-working with tenants looking to occupy smaller floorplates.
- Shift to out-of-town business parks, particularly outside of the M25, where space is typically cheaper, more available and accessible via car.

Industrial & Logistics Market

London

- 4.21 London's large, affluent population and international connectivity make it a key industrial and logistics hub, particularly in the areas around Heathrow Airport, the Wandle Valley, the M1 motorway corridor and the Thames Gateway. A host of retailers and delivery specialists have taken big and small sheds in strategic locations across the capital in recent years, in order to support London's growing pool of workers and their increasing demand for same day delivery. Healthy demand combined with a persistent lack of new supply has brought London's industrial vacancy rate down to a record low of around 2% (CoStar). In principle, this suggests that Croydon Council should take an active stance towards protecting its existing stock and to promoting the supply of additional stock to enable choice and churn in the market. This issue is addressed in the scenarios for future need set out in Section 5 of the report.
- 4.22 With land in London at a premium, industrial developers have been significantly squeezed out by other sectors such as residential, which in turn will likely keep vacancies low in the coming years. We address some of the key industrial market themes of 2019 and 2020 below:
- Industrial speculative development is picking up as developers see an opportunity in the low supply and high demand market. This is off the back of several years of undersupply with a lack of sites coming forward and limited choice for occupiers to fulfil **their requirements**. **Based on a Q1 2020 survey, there is less than 10 months' worth of supply** in the wider London and South East market (Colliers). Consequently, both London and the South East out-performed other UK locations in terms of rental growth, with the latest MSCI quarterly data for Q4 2019 showing an annualised rental growth of 3.9% in both markets.
 - E-commerce, technology and labour trends will dictate space requirements. As the **UK's population increasingly embraces online shopping**, the shift from retail to warehouse space is gaining momentum. The average warehouse transaction size has increased from 95,000sqft ten years ago to 145,000sqft in 2018. Most occupiers say that labour availability is the No.1 priority in site selection. For that reason, companies are now taking more measures to attract and retain a skilled workforce – including new amenities and expanded benefits. However, improving the workplace environment with

facilities such as breakout areas and gyms requires more space and even a degree of customisation. As logistics increasingly turns towards technological solutions, buildings will need significant investment in off-grid energy sources to charge electric trucks, vans, and robots – as well as dedicated floor configurations and office space to accommodate them. These measures often require XXL warehouses with headroom for multiple levels.

South London Fringe

- 4.23 Below we present the South London Fringe (SLF) market, comprising: the inner London Boroughs of Southwark, Wandsworth, Lambeth and Lewisham; the outer London Boroughs of Croydon, Merton, Sutton and Bromley and; the Surrey District of Reigate & Banstead.
- 4.24 In Q2 2020 the SLF comprised 38.9m sqft of B1c, B2 and B8 industrial accommodation. Time series data on industrial floorspace in the SLF shows a 5.5% total decline over the period 2012 to 2020 (CoStar). All submarkets except LB Bromley – which recorded a 2.9% increase – experienced a decline in floorspace across the eight year period; Inner South London (-10.2%), Croydon (-1.7%), Merton, (-1.7%), Sutton (-4.3%) and Reigate & Banstead (0%). Due to the comparatively higher residential land values in the inner London Boroughs and PD rights allowing B1c light industrial to convert to C3 residential, industrial space is facing growing competition.
- 4.25 LB Bromley has been the most active submarket in terms of supply following a sharp rise in 2019 after a flurry of rare speculative developments. 240,000sqft of space was delivered across Halo Business Park and Klinger Industrial Park, securing major occupiers including Halfords and Titan Storage Solutions. However, demand has not kept pace with supply as approximately 198,000sqft is still available across both industrial parks going in to H2 2020. LB Sutton is also experiencing an uncommon level of speculative development, specifically around Beddington Lane. 46,250sqft across Affinity X & Y were delivered speculatively in Q3 2019 by Aberdeen **Standard Investments**. **146,120sqft is also under construction at Prologis’ Beddington Park** across 6 industrial and logistics units and a further 85,000sqft distribution warehouse at Valor Park on Redhouse Road is available to let Q3 2020. All units across all three sites were available going into H2 2020. Of all outer London boroughs, LB Croydon has seen the least amount of new supply, with no new deliveries recorded since 2014.

Table 4.5 SLF key performance indicators in Q2 2020

| <i>Submarket</i> | Inventory | Headline Rent | Average Yield | Take-up 2019/20 | Vacancy Rate |
|--|------------|---------------|---------------|-----------------|--------------|
| <i>Inner South London inc. Southbank</i> | 16.7m sqft | £31psf | 3.8% | 159,000sqft | 2.4% |
| <i>Merton</i> | 5.9m sqft | £17psf | 3.9% | 149,000sqft | 1.6% |
| <i>Sutton</i> | 4.5m sqft | £16psf | 4.0% | 84,000sqft | 1.9% |
| <i>Croydon</i> | 5.9m sqft | £15psf | 4.0% | 112,000sqft | 1.3% |
| <i>Bromley</i> | 3.6m sqft | £13psf | 4.1% | 79,000sqft | 6.5% |
| <i>Reigate & Banstead</i> | 1.5m sqft | £8psf | 5.1% | 148,000sqft | 6.3% |

Source: CoStar, 2020

- 4.26 Despite the uptick in deliveries in LB Sutton and LB Bromley, on the whole the SLF area is suffering from a lack of new supply which in turn is tightening vacancy rates. In Q2 2020 average

SLF vacancy rates were at 2.6%, down from the 5.6% recorded in 2012. Vacancy rates are lowest in LB Croydon due to a prolonged period of undersupply. LB Bromley have the weakest rate in the SLF following the cluster of new deliveries in 2019. The lower availability of stock is in turn strengthening market rents which have grown 5% year-on-year to c.£15psf (CoStar). Similarly, the shortage of options on the market is driving take-up levels with over 1.1m sqft leased in 2018 across the SLF, the highest level recorded since 2014.

London Borough of Croydon

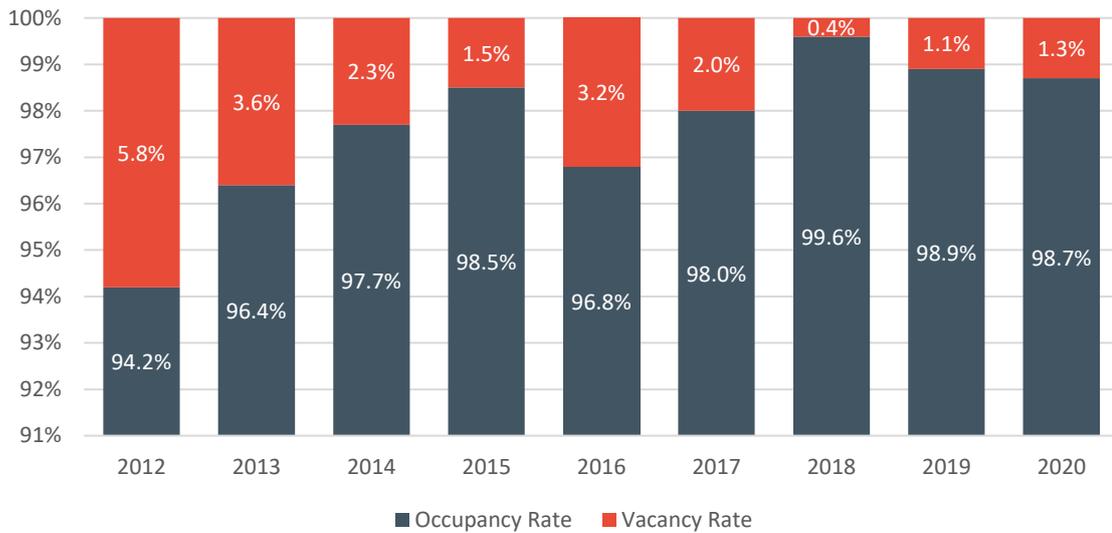
Demand

- 4.27 **LB Croydon's** industrial inventory has decreased by 1.6% from 2012 volumes, after climbing to 6.08m in 2014 (CoStar). The 5.87m sqft of stock that currently composes the industrial market is predominantly located on the Purley Way, a key commercial location in South London. Within a 0.75 mile radius of the Purley Way sits 3.95m sqft of industrial accommodation, approximately 67% of the total market stock (CoStar). The remaining floorspace is split across smaller, less established locations including Roman, Ullswater, Redlands and Thornton Road Industrial Estates.
- 4.28 An audit of the existing businesses on the Purley Way was undertaken in early 2020 by We Made That on behalf of LB Croydon as part of a Purley Way Masterplan evidence base. The survey provided some important insights into the employment size, uses and building and workspace **typologies of occupiers in LB Croydon's key industrial location. The study found that the majority** of businesses are SMEs employing less than 50 people and that three of the four most active sectors operated within the wider industrial sector. These comprised of vehicle sales and repair (14%), construction (10%) and logistics, transport and storage (8%). When looking at the share of total employment, the logistics sector is the largest at 21%, predominantly due to the distribution centres operated by Royal Mail and Tesco. Similarly, the logistics sector occupies the second largest amount of total floorspace (12%) after retail.
- 4.29 This reflects the spatial requirements of these types of businesses, where large industrial warehouses with large operational yards with surface car parking spaces are key requirements. In terms of future demand, 60% of the businesses interviewed anticipate their space requirements to remain the same in the next 2-10 years. 35% expect space requirements to increase slightly and the remaining 5% expect their requirements to decrease slightly. This suggests the majority of businesses interviewed will need to look for additional space either through reconfiguration of existing premises or relocation into larger premises. It was noted that there is a correlation between newly installed businesses in the Purley Way and anticipated growth of employee numbers and floorspace.

Vacancy Rates

- 4.30 There is approximately 290,300sqft of vacant industrial floorspace on the market in LB Croydon going in to H2 2020. Total vacant floorspace represents around 1.3% of total industrial floorspace in the Borough. This is significantly below the GLA guidance frictional vacancy rate of 8% for effective operation of the market, indicating a severe shortage of floorspace. Data relating to the change of industrial vacancy rate and occupancy rates in the borough, shows there has been a steadily declining trend in vacancies, dropping in 2018 to just 0.4%. This reflected an actual vacant floorspace of 26,440sqft and 5,879,582sqft occupied (CoStar).

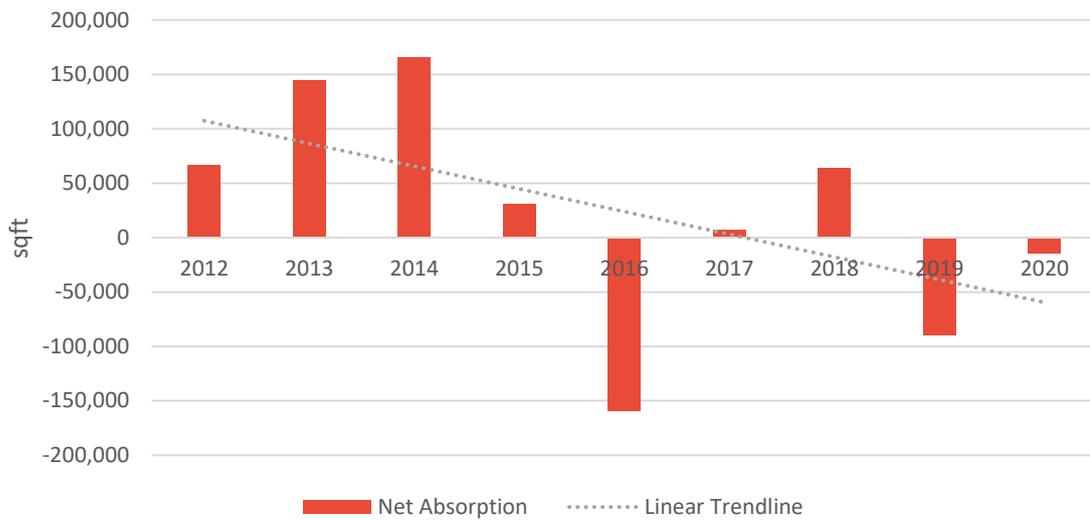
Figure 4.5 Change in industrial occupancy and vacancy rates 2012 to 2020



Source: CoStar, 2020

- 4.31 Across the Borough, 12 month net absorption rates were at -14,500sqft going in to H2 2020, up from -89,100sqft from the previous 12 month period. When analysing the change in net absorption rates across the Borough, there has been a steadily declining trend in absorption over the last eight years, indicating that on average since 2017, more industrial space was vacated than that leased in the market. There is a strong indication that the disparity between space vacated and space leased is due to the market suffering from industrial to alternative use developments and new deliveries not replacing the space lost. This limited new supply has been a factor in both slowing leasing activity and tightening vacancies, with occupancy of existing assets almost at capacity.
- 4.32 In the last 5 years more space has been lost to alternative use developments, specifically residential, than the amount built. Indeed, the last notable delivery in the market was in 2015 when a 53,800sqft Waitrose warehouse was built in Ullswater Industrial Estate, Coulsdon. However, the market lost over 230,000sqft worth of obsolete stock over the same five year period (CoStar). Residential is the most common avenue of redevelopment, with notable examples including Stanley Works on Osbourne Road which was redeveloped into 31 affordable homes in 2017. Similarly, a 37,000sqft light industrial unit on Whitehorse Road was converted into 38 apartments in 2018. Both of these schemes were approved following the new legislation allowing the change of use from B1c light industrial to C3 residential under PDR. However, industrial and logistics land values have soared in recent years enabling them to compete with residential land values and this may mitigate the recent trend for redevelopment. We anticipate this factor could be heightened in importance with COVID-19 and the boom in online retail.

Figure 4.6 Net absorption (sqft) between 2012 and 2020



Source: CoStar, 2020

Take-Up

4.33 Average annual take-up across the borough since 2012/13 was approximately 207,000sqft (CoStar). 2018/19 levels were driven by the lease renewal of **Tesco’s 172,000sqft distribution warehouse at 33 Factory Lane and Alliance Healthcare’s 64,000sqft distribution warehouse on 60 Vulcan Way**. On average, deals have centred around unit sizes of c.7,400sqft (CoStar). Purley Way was the most active industrial location in the borough, comprising 88% of take-up in 2019/20.

| | LB Croydon (sqft) |
|---------|-------------------|
| 2019/20 | 109,535 |
| 2018/19 | 364,325 |
| 2017/18 | 181,914 |
| 2016/17 | 151,489 |
| 2015/16 | 104,745 |
| 2014/15 | 167,697 |
| 2013/14 | 255,613 |
| 2012/13 | 317,845 |
| Average | 206,954 |

4.34 **The Borough’s proximity to Central London markets** has meant it has enjoyed strong demand from occupiers serving more central areas of London as well as local markets, particularly those looking for last-mile logistics hubs. Key leasing deals on industrial distribution space include DHL Express taking 53,000sqft in Access 23, adjacent to the Purley Way in 2016 and **most recently Amazon signing on the former Toys ‘R’ Us store on the Purley Way**. The vacant unit has received planning permission for conversion from A1 retail to a 51,000sqft B8 distribution unit, with Amazon expected to move in late 2020. Other notable deals include Royal Mail taking 30,000sqft in 2013, Expert Logistics taking 26,000sqft in 2012 and timber merchants, Arnold Laver, taking 28,000sqft in 2019 (CoStar). All of these deals took place on units within proximity to the Purley Way, demonstrating the prominence of the industrial location.

Rents

4.35 Industrial market rents in LB Croydon are on average £13/14psf, experiencing a growth of 4.1% over 2019 (CoStar). Rental growth in the Borough has followed the wider London trend having slowed from the peak levels seen in 2016 and is expected to slow further in the short-medium

term but continue on an upwards trajectory. A combination of the shift in consumer spending increasing delivery-based business models, particularly during the pandemic, and the **submarket's tight occupier market will likely support this growth. Despite compressed vacancy rates and a strong occupier market, LB Croydon's industrial sector is among the most affordable** in London and comparatively cheaper than the neighbouring south London submarkets of Bromley, Merton and Sutton, and well below more centrally located submarkets.

Sales

- 4.36 Since 2012 there were 122 recorded industrial deals within LB Croydon, of which 80 took place within a 0.75mile radius of the Purley Way. Approximately 2.1m sqft of accommodation was transacted across the Borough, equating to an average take-up per year of 233,300sqft (CoStar). 61% of these transactions were on units less than 10,000sqft and only 8% were on units in excess of 50,000sqft, reaching an upper limit of 240,000sqft (CoStar).

Supply

- 4.37 As highlighted within earlier sections of the report, LB Croydon has not witnessed a significant new industrial development since 2014. As a result, there is little that could be considered as prime stock, with the majority of stock ranging from early to mid-2000s (Commerce Park and Spitfire Business Park), refurbished 1980s stock (Emerald House and Selco) to poor quality 1950s and 1960s stock (Silver Wing Industrial Estate and Imperial Way). The manufacturing industry, construction and creative sectors are more prevalent in the older industrial buildings than newer ones. The vehicle sales and repair sector, as well as the wholesale sector, are quite evenly split between all ages of industrial building with the former sector dominating half the yard spaces around Purley Way.
- 4.38 Enquires for lower grade secondary stock remains strong within the borough, particularly from independent SMEs and local businesses who are the most common organisational structure in the borough (comprising 69% in the Purley Way) and are encouraged by the lower rents. Nearly all of the creative sector and manufacturing businesses surveyed in the audit mentioned affordability of rent and availability of space as some of the main reasons for being located around the Purley Way. These sectors tend to be located in older buildings with lower rents.
- 4.39 At the prime end of the market, large occupiers are more exacting with their requirements and are willing to pay a premium for bespoke units. Distribution hubs in particular demand floorplates between 50,000 and 100,000sqft with as much as 300 van parking spaces to deliver a last-mile service. Good access, large land plots and strong power supplies are therefore key requirements for major occupiers.
- 4.40 Looking ahead we could see a shift in the sector, driven by a motivation to incorporate industrial, specifically B1c light industrial, into urban locations. Whilst this creates issues around access, traffic and vehicle movements, in the longer-term there will likely be potential for vertical mixed-use schemes with the inclusion of industrial uses.
- 4.41 The Purley Way masterplan highlights the potential for growth in supply to be accommodated. However, given the development constraints in the Purley Way area this growth will be likely to be delivered in a series of stages over a 20 year period. The timing of future developments will partly be dependent on the appropriate assembly of land and ensuring adequate transport infrastructure capacity is in place.

Development Pipeline

| Development | Landlords | Status |
|--|---|--|
| Former Stewart Plastics Site, Waddon Marsh Way | Maizelands Ltd, Arringford Ltd and Aberdeen Standard Investment | Permission was granted in January 2020 for the erection of up to 11,398sqm (GEA) of new floorspace arranged as three 1-2 storey buildings for industrial, warehousing and ancillary use (Use Classes B1b, B1c, B2 and/or B8). Net loss of floorspace of 117,576sqft following demolition. Plot ratio reduced from 0.8 to 0.41. |
| Former Toys 'R' Us, Trojan Way | Nuveen's Janus Henderson Investors | Full planning permission was granted in October 2019 for the demolition of the vacant Toys 'R' Us retail unit for conversion into a B8 51,000sqft storage and distribution unit, later pre-let to Amazon. |

Source: Cushman & Wakefield, 2020

Existing Plot Ratios

| Scheme | Lot Size Acre (sqft) | Floorplate (sqft) | Plot Ratio | Site Coverage | Comments |
|--|----------------------|-------------------|------------|---------------|---|
| <i>Ullswater Crescent, Coulsdon, CR5 2NG</i> | 1.49 (64,904) | 53,820 | 0.83 | 83% | Distribution warehouse with trailer and car parking spaces. |
| <i>19 Commerce Way, CR0 4YL</i> | 1.42 (61,855) | 25,093 | 0.41 | 41% | 72 surface spaces. |
| <i>33 Factory Lane, CR0 3RL</i> | 8.80 (383,328) | 172,680 | 0.45 | 45% | Distribution centre with 210 surface spaces and 120 trailer spaces. |
| <i>37-39 Imperial Way, CR0 4RR</i> | 1.72 (74,923) | 44,878 | 0.60 | 60% | Yard at rear and 26 surface spaces. |

Potential Implications of COVID-19

4.42 The most common theme of discussion to come from the COVID-19 pandemic, in relation to the industrial and logistics sector, surrounds the structural shifts to supply chains. Below we discuss a couple of the key topics.

- Diversifying manufacturing locations. A reduced reliance on factories located great distances from consumers has been discussed as a likely consequence of the pandemic. A number of major businesses have expressed the need to bring some element of their manufacturing back on to UK shores and shorten the supply chain to reduce risk.

- Continued e-commerce adoption. With online orders increasing by 30% in April 2020, **there is a strong likelihood that consumers' shift to shopping online is here to stay.** In turn, we may see an increase in demand for last-mile delivery hubs from the grocery and retail sectors, particularly close to urban locations.
- Last-mile centres located in increasingly populated urban locations. The industrial and logistics sector continues to drive take-up where occupiers demand locations close to large populations for deliveries, but also access to labour supply, technology and transport infrastructure. Two recent purchases demonstrate the attractiveness of these **locations including Prologis' purchase of the Ravenhill Retail Park in North London and Segro's purchase of Perivale Industrial Park in West London.** However, there is less evidence that combined residential and industrial or logistics schemes are successful. **Whilst there are examples such as Unite's scheme in Camden, this** is a student accommodation led scheme with light industrial use (Travis Perkins) incorporated rather than market sale housing.

Summary of Commercial Property Market Signals

4.43 From the analysis undertaken, there are a number of key insights that have implications on the employment land review:

- Falling office vacancy rates: the Croydon office market still has relatively high levels of vacancy, although these levels have fallen considerably over the last five years, particularly in the CMC area. This reflects an undersupply of office space in recent years and high demand for good quality space in the area. With 3 million sqft of employment space lost to residential uses across the Croydon Opportunity Area, there has been a significant reduction in the supply of space.
- Recent demand for affordable office space: recent take-up of office space has been mixed, and 2019/20 was the weakest performing year for office take-up. There has been growing demand for Grade B office suits, reflecting new demand from SMEs and local businesses looking for more basic and affordable space in central locations.
- Lack of high-quality office space: LB Croydon has a significant lack of supply of office space, with no Grade A office space currently available. Supply of all grades of office space is currently at an all-time low, down from its peak in 2012.
- Uncertain future for office space in Croydon following COVID-19: although the impacts of COVID-19 are still not fully understood, it is expected the future way of working will be likely to leverage a total workplace system consisting of a variety of locations including the office, home and third places offering flexibility and experiences.
- Low industrial space vacancy: only 1.3% of industrial space is currently vacant, well below the GLA guidance frictional vacancy rate of 8% for effective market operation. This is one key marker that there is now a significant shortage of space across the borough.
- Strong demand for industrial space from last-mile logistics hubs, with this expected to continue into the future: **the borough's proximity to Central London means it has** enjoyed strong demand from last-mile logistics hubs, with recent leasing activities including DHL Express, Amazon, Royal Mail and Arnold Laver. The effects of COVID-19 is likely to accelerate this trend as more businesses adopt e-commerce with a need for last-mile centres.

- Potential for future changes in supply/demand for space in the future: there is potential for a shift in the sector to incorporate more industrial space (specifically B1c) into urban locations, incorporating them into mixed-use schemes.

Future Demand



5. Future Demand

- 5.1 **This section considers Croydon’s future economic growth needs for floorspace and employment land.** It sets out three scenarios to quantify future needs for B use class floorspace and land, based on both potential future employment growth and a continuation of past trends in the commercial property market and the take-up of floorspace.

Relevant Planning Policy Guidance

- 5.2 Provisions in the National Planning Policy Framework (NPPF, 2019) on planning for employment land are contained in Chapter 6 (Building a strong, competitive economy). The start point is that planning policies and decisions should help create the conditions for businesses to invest, grow and adapt. Planning policies should:
- Set out a clear economic vision and strategy which positively and proactively encourages sustainable economic growth;
 - Set criteria or identify strategic sites for local and inward investment to match the strategy and to meet anticipated needs over the plan period;
 - Seek to address potential barriers to investment;
 - Be flexible enough to accommodate needs not anticipated in the plan, allow for new and **flexible working practices...and to enable a rapid response to changes in economic circumstances.**
- 5.3 The thrust of the NPPF is on positive plan making. Paragraph 11 (Presumption in favour of sustainable development) specifies that plans should positively seek opportunities to meet the development needs of their area, and be sufficiently flexible to adapt to rapid change. Paragraph 15 (Plan-making) specifies that Plans should provide a positive vision for the future **of each area. Paragraph 16 states that Plans should ‘be prepared positively, in a way that is aspirational but deliverable’, amongst other requirements.**
- 5.4 In assessing future needs for employment floorspace and land, this requirement for positive planning should be recognised. **At a time when the UK’s economy is in a state of flux as a consequence of the unprecedented nature of the Covid-19 crisis, with steep rises in unemployment and likely business failures, a strategy which sustains current employment and assists in delivering new employment in the borough would reflect both the need for positive plan making and the imperative to back the recovery of the borough’s economy.**
- 5.5 On how to assess future needs, a broad methodology is set out in the Planning Practice Guidance (PPG, 2019). It suggests (Paragraph: 027 Reference ID: 2a-027-20190220) a range of possible approaches which include:
- Employment forecasts and projections (Labour Demand)
 - Demographically derived assessment (Labour Supply)
 - Past take-up of land and property, essentially projecting forward on the basis of past trends continuing.
 - Consultations with relevant organisations, studies of business trends, an understanding of changing business models and monitoring of business, economic and employment statistics.

- 5.6 The approaches described above provide a range of methods to quantify future need employment floorspace and land. It is important to recognise that quantitative scenarios are a starting point for Local Plan economic growth policies, and that the output of these approaches must be supplemented with qualitative analysis in determining the detail of specific policies.

Study Methodology

- 5.7 This study considers three scenarios for future economic growth requirements in Croydon. These are:
- Scenario 1, Labour demand scenario: Drawing on recently published employment forecasts produced by Experian to establish a base case for employment growth in 38 sectors between 2018 and 2039 covering the Local Plan period. **At the time of the study's preparation, 2018 was the latest year for which actual employment data was available based on ONS BRES and self-employment statistics, and therefore provides the base year.**
 - Scenario 2, Labour demand reduced growth scenario: Drawing on Greater London Authority **forecasts and analysis of the borough's economy**. The implication of this scenario is lower levels of employment growth than Scenario 1.
 - Scenario 3, Past-take up: Based on past trends in the completion of employment floorspace in the borough drawing on annual monitoring report data from Croydon Council.
- 5.8 It was agreed with Croydon Council that the study would not carry out a separate labour supply scenario. A scenario of this type considers the potential future **growth in the borough's resident workforce** and its in-commuting workforce, and asks how many future jobs are implied by change in the workforce using appropriate assumptions about the relationship between the labour supply and employment. The reasons for excluding a labour supply approach are:
- Volatility in population projections. For example, the latest ONS sub-national population projections (2018-based) **assume that Croydon's core working age population (16-64) is expected to fall by 2,000 from 2018-39, whilst the GLA's most recent central projections (2018-based suggests that the same age cohort will increase by c. 22,000 people over the same period.**¹³ **It is understood that further analysis on the borough's potential future population is being carried out as part of an updated Croydon SHMA.**
 - **The complexity of London's labour market** means that developing a robust projection of **the borough's future workforce would be a substantial and complex exercise**, not least because it would need to take account of the significant flows of working people into and out of the borough across Greater London and beyond.
 - There is no up-to-date source of evidence on commuting on which to base a robust projection of labour market flows. The 2011 Census data was produced almost a decade ago, and with Greater **London's** population and employment having changed significantly over that period, there is no reliable evidence on which to base assumptions about commuting patterns which are important to a robust labour supply scenario.
- 5.9 The relationship between future population and employment is an issue that Croydon Council will need to consider further as the Local Plan review progresses.

¹³ Greater London Authority, <https://maps.london.gov.uk/population-projections/>

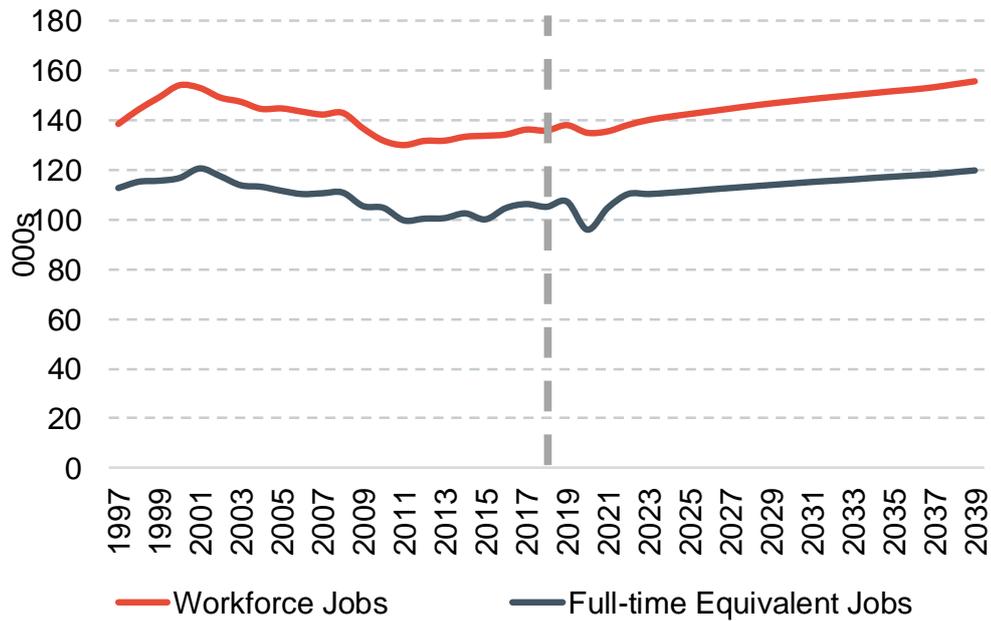
Labour Demand Scenarios

Scenario 1: Labour Demand

- 5.10 Long-term forecasts for economic growth in Croydon were commissioned from Experian to provide the **base case scenario**. **Experian’s local economic forecasting model draws on past trends, current data and forecasts for the national and regional (London) economy, and the economic characteristics and performance of individual local authority areas relative to the region to produce 38 sector forecasts for future employment and GVA growth to 2040.**
- 5.11 The Experian forecast was issued in July 2020, and takes account of the latest national economic data including the emerging impacts of the **Covid-19 crisis, together with Experian’s view of the likely impacts of the UK’s exit from the European Union.**
- 5.12 However, it must be acknowledged that COVID-19 has seen the UK enter into recession, the depth and duration of which cannot yet be known with any degree of certainty. Whilst Experian, **other forecasters including the Office for Budget Responsibility, the Government’s advisory body for public finances and the GLA assume a deep but short-term recession, a relatively swift recovery is also assumed. A return to Covid-19 restrictions in Autumn 2020, and the winding down of the UK Government’s employment protection measures, are seeing significant increases in redundancies and this is also likely to have a bearing on short and medium term prospects for employment growth.**
- 5.13 Figure 5.1 shows the Experian forecast to 2039 along with past employment change for total employment (workforce jobs¹⁴) and full-time equivalent jobs from 1997. Croydon saw employment fall through the 2000s, partly resulting from a combination of closures and relocations of private and public sector employers, and the loss of employment floorspace to non-employment uses. The data indicates that employment fell further during the recession years from 2008 before modest gains occurred during the 2010s.

¹⁴ Workforce jobs is the sum of employee jobs, self-employment, government-supported trainees and armed forces jobs.

Figure 5.1 Past and Forecast Total Employment and Full-Time Equivalent Employment, Croydon, 1997-2039



Source: Experian/Hatch Regeneris

- 5.14 The Experian forecast shows the anticipated recessionary impacts of the Covid-19 crisis. Full-time equivalent (FTE) jobs are forecast to fall by 10% through 2019 and 2020 before recovering in 2021. The larger impact in the Experian forecasts is on gross value added (GVA), which falls by 14% in the same period.
- 5.15 The GLA has recently published its analysis of the short-term impacts of the Covid-19 crisis on the London economy.¹⁵ This suggests that workforce jobs are projected to fall by 7% in 2020 before returning to growth in 2021. Real GVA is forecast to fall by just under 17%. Whilst there are therefore differences between the Experian and GLA short-term forecast, the overall picture is one of a substantial and adverse impacts through 2020-21, before recovery in the early to mid-2020s.
- 5.16 Comparing annual growth rates over different periods of time shows the extent to which the more recent period up to 2018 has seen growth rates substantially improve relative to earlier years. Employment growth picked up from 2011, with total employment growth rates at 0.6% during the 2010s. The Experian forecast implies that that total employment grows at a higher rate (0.7% pa) between 2018 and 2039. Full-time equivalent jobs grow at a slower rate (0.6% pa) than recent averages, suggesting that the borough sees fewer full-time jobs created and more part-time jobs.

¹⁵ GLA Economics, Working Paper 98, *The new GLA Economics forecast models for London's Economy*

| | 1997-2010 | 1997-2018 | 2011-2018 | 2013-18 | 2018-39 |
|------------------|-----------|-----------|-----------|---------|---------|
| Total Employment | -0.4% | -0.1% | 0.6% | 0.6% | 0.7% |
| FTE Jobs | -0.6% | -0.3% | 0.8% | 0.9% | 0.6% |

Source: Experian/Hatch

- 5.17 This represents a positive growth forecast which is in line with recent overall rates of new job creation in Croydon. In this regard it meets the NPPF's requirement for a positive approach to planning for economic growth.
- 5.18 A comparison of the 0.6% pa FTE growth rate for Croydon and 0.7% pa total employment growth with the latest GLA long-term labour market projections (2017) shows that these rates are also broadly consistent with the 20 year forecast for London as a whole of 0.65% per annum between 2021-2041.¹⁶ This provides added weight to the conclusion that the forecast for Croydon should be regarded as a positive view of future employment growth.
- 5.19 The Experian forecast also needs to be considered in the context of significant uncertainty about the lasting impacts of the Covid-19 crisis, and the potential for the adverse effect on employment to be deeper and longer-lasting than forecasts currently suggest. Furthermore, the UK's exit from the European Union will see the effects of withdrawal from the single market and changes to trade rules start to emerge, generating further uncertainty and the potential for adverse impacts on economic growth. The forecasts to which this study refers take some account of the possible effects of Brexit on economic growth, but the substance of the UK's new trading relationship with the EU is not yet known and there is potential for any adverse effects to be larger than is currently assumed. This further reinforces the conclusion that the Experian forecast provides a positive scenario for Croydon.
- 5.20 The summary figures for the Experian forecast for FTE employment growth is shown in Table 5.2 below.

¹⁶ GLA (2017) London Long-term Labour Market Projections, Borough Projections, 1971-2050. The GLA projection gives employment change figures for 5 year intervals. The period 2021-2041 is the closest match to the 2018-39 period.

| | 2018 | 2039 | Change 2018-39 | Annual Growth | Annual % Growth Rate |
|--|---------|---------|----------------|---------------|----------------------|
| Accommodation & Food Services | 6,500 | 7,200 | 700 | 33 | 0.5% |
| Administrative & Support Services | 8,400 | 9,100 | 700 | 33 | 0.4% |
| Civil Engineering | 900 | 1,000 | 100 | 5 | 0.5% |
| Computer & Electronic Products Manufacture | 300 | 300 | 0 | 0 | 0.0% |
| Computing & Information Services, Telecoms | 4,800 | 6,100 | 1300 | 62 | 1.1% |
| Construction of Buildings/Specialised Construction | 5,600 | 6,800 | 1200 | 57 | 0.9% |
| Education | 9,100 | 10,200 | 1,100 | 52 | 0.5% |
| Finance & Insurance | 3,500 | 3,600 | 100 | 5 | 0.1% |
| Health, Residential Care, Social Work | 13,700 | 18,400 | 4700 | 224 | 1.4% |
| Land Transport, Storage & Post | 4,800 | 5,400 | 600 | 29 | 0.6% |
| Media Activities | 700 | 700 | 0 | 0 | 0.0% |
| Manufacture of Metal Products | 200 | 100 | -100 | -5 | -3.2% |
| Other Manufacturing | 500 | 400 | -100 | -5 | -1.1% |
| Other Private Services | 2,600 | 2,700 | 100 | 5 | 0.2% |
| Professional Services | 9,500 | 11,000 | 1,500 | 71 | 0.7% |
| Printing & Recorded Media | 400 | 200 | -200 | -10 | -3.2% |
| Public Administration & Defence | 10,100 | 10,100 | 0 | 0 | 0.0% |
| Real Estate | 2,000 | 2,400 | 400 | 19 | 0.9% |
| Recreation | 1,500 | 1,600 | 100 | 5 | 0.3% |
| Retail | 12,800 | 13,900 | 1100 | 52 | 0.4% |
| Utilities | 1,200 | 1,400 | 200 | 10 | 0.7% |
| Wholesale | 5,500 | 6,700 | 1200 | 57 | 0.9% |
| Total | 104,600 | 119,300 | 14,700 | 700 | 0.6% |

Source: Experian/Hatch Regeneris

5.21 Forecast employment growth is distributed across a broad range of sectors. The broad picture for the main use classes (office, manufacturing, warehousing), along with other sectors, is summarised below:

- Office-based: In key office-based sectors, information, communication and technology (ICT) is forecast to see strong growth of 1.1% per annum, reflecting a sector which is expected to grow nationally. Growth in this sector is being driven by factors including the continued increase in use of digital technology in business, automation and artificial intelligence, together with a substantial skills and business base across Greater London. Professional services are also forecast to see a reasonably robust annual growth rate of 0.7%, a very broad sector which includes activities such as management and specialist consultancy (including engineering consultancy, architecture), accountancy, law,

marketing and advertising amongst others. Again, these are strengths of the Greater London economy generally, fuelled by both business to business service provision and consumer services to a large population. The finance and insurance sector is forecast to see much lower growth (0.1% pa), consistent with a sector which has seen employment fall over the last decade as switches to online technology in the sector, offshoring of lower value services and the aftershocks of the 2008 financial crisis affected it.

- Manufacturing (B1c and B2): **The sector is a relatively small component of Croydon's economy (2,100 FTE jobs or 2% of total FTE jobs).** The forecast loss of manufacturing employment is consistent with past trends in Croydon, regionally (ie Greater London) and nationally. Higher volume employment in manufacturing is forecast to continue to decrease as modern technology, and trends including automation and artificial intelligence limit future demand for labour to support growth. It is not clear what **proportion of Croydon's manufacturing sector are engaged in** primarily domestic or international trade, but factors including the risks of restrictive trade deal with the EU, continued offshoring of lower value processes and international competition are all likely to play a part in limiting the potential for any substantive growth in employment in the sector.
- Warehousing (B8): Key sectors driving demand for warehousing space are forecast to grow including wholesale (0.9%pa) and the transport and storage sector (0.6% pa). Sectors requiring warehousing space are a sub-set of these broad sectors. Growth in labour demand in these sectors is consistent with an economy in which continued growth is expected in online retail and the expansion of final mile urban logistics. Croydon benefits from an outer London location which provides distribution and logistics operators with access to the substantial London market and a wider market across Surrey, and the northern part of Sussex, and to the M25 to serve a wider area market.
- Growth in the construction sector is forecast to be strong at 0.9% pa, although this is likely to reflect in part construction firms based in Croydon who are serving a market across a much wider area, meaning that the increase in employment does not necessarily mean jobs carried out within the borough. **Analysis of Croydon's business base shows a large number of firms (several hundred) operating in standard domestic and commercial building activity, specialised construction and civil engineering.** This will include sole traders and micro-businesses serving a localised market, firms meeting demand from a dynamic market across Greater London and the wider area to the south and west of Croydon, and a small number of firms delivering national and international contracts.
- The public services sector (public administration, health, education, social care) are forecast to see strong growth at 0.8% pa. This is the largest broad sector in Croydon and the figures are driven primarily by strong growth in the health, residential care and social work sectors, and more modest growth in education. Croydon has a large population, and as this population ages over time it would be expected to generate increasing demand for health and care services, fuelling labour demand. An expanding population of families with children would be expected

5.22 Forecast growth by use class is summarised in Table 5.3 below. This is based on converting employment in each sector to one or more of the main B use classes (B1a/b, B1c, B2, B8). Details of the allocations to use classes are provided in Appendix A.

| Year | 2018 | 2039 | Change 2018-39 | Annual % Change |
|-------------------------------|--------|--------|----------------|-----------------|
| B1a | 29,500 | 32,700 | 3,200 | 0.5% |
| B1b | 280 | 320 | 40 | 0.6% |
| B1c | 2,000 | 2,300 | 300 | 0.8% |
| <i>E Class Uses Sub-Total</i> | 31,780 | 35,320 | 3,540 | 0.5% |
| B2 | 2,200 | 1,900 | -300 | -0.6% |
| B8 | 6,300 | 7,400 | 1,100 | 0.8% |
| Total | 40,280 | 44,620 | 4,340 | 0.5% |

Source: Experian/Hatch Note all figures rounded to nearest 100 or 10 where appropriate

- 5.23 The increase in FTEs in B1a office space is driven by two sectors. Professional services account for around 1,400 additional jobs, the ICT sector a further 1,300 jobs over the 21-year forecast period. These are sectors in which there are clear strengths in London, and which are reasonably expected to be a source of long-term employment growth.
- 5.24 Whilst administrative and support services are also forecast to see growth (700 jobs) analysis of the current employment data for Croydon suggests that many of the jobs in this sector are in temporary employment agencies, general cleaning of buildings, security services and general business support services. It is likely therefore that this part of the sector, and potentially a significant part, includes firms with registered offices and which operate as paypoints in Croydon, but whose employees and jobs may actually work across an extensive area and which do not therefore generate substantial need for office space within the borough.
- 5.25 To address this uncertainty, the study has taken a cautious approach to allocating administrative and support services sector jobs to B1a office space, assuming that 20% of future employment for this use class. This is the assumption applied to the figures that are included in Table 5.3 above.
- 5.26 However, a further sensitivity test has been carried out for the sector which assumes that a majority (60%) of future jobs are B1a office based. The effect of this assumption is to increase B1a jobs by a further 300 (ie 3,500 additional jobs in total), with effects on the implied need for floorspace which are addressed later in this section.
- 5.27 The increase in B8 warehousing FTEs is significant at 0.8% per annum, and is consistent with trends in sectors which reflect the growth of online retailing and the continuing need for the **storage and distribution of goods and materials for production and consumption in the UK's largest metropolitan area.**

Home-working

- 5.28 At the time this report was being prepared, the future of office-based working patterns in particular was the subject of debate about the likely and lasting impacts of the Covid-19 crisis. Through much of 2020 during lockdown conditions, many office-based employers had switched to homeworking, many either exclusively or predominantly. Office for National Statistics data published in July 2020 suggested that 86% of people had worked at home the previous week for

some part of the week as a direct result of the crisis, and 47% had worked at home.¹⁷ The figure was much higher in London (57%) **which is likely to reflect the structure of the capital's economy** in which the service sector and office-based activity are major employers¹⁸. The data also shows that the workforce in higher paid, higher skilled occupations including higher managerial and professional occupations, have a far higher propensity to be working at home during the pandemic. This is part of a shift to homeworking for some office-based industries which has accelerated during the crisis, backed by new and improved communications software and broadband provision.

- 5.29 **Robust up-to-date evidence on the propensity of Croydon's working residents to be working from home is not available.** The most recent data remains the 2011 Census. This shows that 15,800 working residents of the borough reported home as their main place of work, with a further 17,000 reporting no fixed place of work. In the latter category, the ONS states that a proportion of these workers may spend part of their time working from a home address. **Combined, these two figures amount to around 20% of Croydon's working residents, with those citing home as their main place of work representing 9.5%.**
- 5.30 It is too soon to determine how far changes that have occurred in 2020 are lasting and permanent, and how they will affect future requirements for office space. However, it is clear that the return to work encouraged by the UK government from August 2020 has been slow to occur, particularly for office-based employers. There is growing anecdotal evidence that the impact of the crisis has seen employers in office-based sectors in particular consider whether and how to rationalise their estates to reflect both the increase in homeworking and the need to manage social distancing requirements.
- 5.31 The need to make safe office space in light of the transmission of the virus has also prompted discussion about whether future densities of office-based employment will change in terms of space requirements. The assumption is that, to ensure social distancing is practiced within offices, more space per employee will be required, meaning lower employment densities and reversing recent trends which have seen space per employee reduced. It is not yet possible to determine whether it is appropriate to apply an appropriate lower employment density in determining how much future office space (and land) will be required. In the absence of robust evidence, the risk is that increasing the assumed space per employee overstates the need for office space.
- 5.32 How far this is a short-term reaction as opposed to an emerging trend therefore remains to be determined, but it is reasonable to assume that homeworking will become a stronger feature of working patterns in future years. Advances in software to enable remote working and meetings had been driving increases in homeworking prior to the Covid-19 crisis, but the large number of people now working at home is expected to see this shift accelerate as both the technology and the practice have been extensively tested during this period. There are some widely recognised sustainability benefits from homeworking through reductions in the amount of commuting, travel by car in particular, with the need to tackle climate change a strong imperative for a shift in the medium to longer-term.

¹⁷ ONS (July 2020) Homeworking, <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/homeworking>

¹⁸ ONS (July 2020) Coronavirus and homeworking in the UK: April 2020

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/coronavirusandhomeworkingintheuk/april2020>

- 5.33 To account for the impact of homeworking on the future employment figures, and therefore on assessed need for floorspace, the **study's starting point** was Office for National Statistics data, published in 2019, which shows the percentage of workers in different sectors whose main place of work is at home, or is in the same buildings and site as their home.¹⁹ The detailed data are provided in Appendix B, and the key figures are summarised below:
- Office based sectors: In the main office-based sectors home-working rates range from 27% (ICT), 26% (Professional, Scientific and Technical), 25% (Real Estate), 22% (Administration and Support Services), 11% (Financial and Insurance). This is likely to reflect the proportion of jobs carried out by people running businesses from a home base, or where working arrangements enable an employee to work primarily from home.
 - Manufacturing: The data suggests 10% homeworking in manufacturing, a similar proportion to those working in utilities.
 - Warehousing: The proportion of workers in sectors which include warehouse-based activity range from 11% (Transport and Storage) to 7% (wholesale and retail). However, these are the figures for the broader sectors. Given the nature of warehouse operations, it must be assumed that home-working percentages are likely to be lower for jobs in sub-sectors including wholesale, logistics and distribution and storage.
- 5.34 The relevant home-working percentages for each broad sector are applied to the FTE job forecast. The ONS data is only available for broad sector classifications, so the relevant figure for a sector (for example, manufacturing) is applied to all of the sub-sectors in the forecast. It should be noted that the homeworking data is produced at UK level only, and there are likely to be significant variations regionally and locally depending on the mix of sectors and business types in an area, the characteristics of the labour force, and infrastructure and connectivity including for some sectors the quality of digital infrastructure.
- 5.35 The effect of allowing for homeworking is to dampen the implied number of jobs for which floorspace would be needed because the job is assumed to be carried out by an employee working from home. The effect of applying the homeworking assumptions to the FTE employment growth figures for Scenario 1 is shown in Table 5.4 below. The effect is to reduce the overall number of FTE jobs by around 20%. In other words, it is consistent with the 19% figure described above from the 2011 Census.

| | No Homeworking | With Homeworking |
|-------------------------------|----------------|------------------|
| B1a Offices | 3,200 | 2,400 |
| B1b R&D | 40 | 30 |
| B1c Light Industrial | 300 | 240 |
| <i>E Class Uses Sub-Total</i> | <i>3,540</i> | <i>2,670</i> |
| B2 Manufacturing | -300 | -200 |
| B8 Warehousing | 1,100 | 1,000 |
| Total | 4,340 | 3,470 |

¹⁹ ONS (2020) Homeworking in the UK Labour Market, March, <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/homeworkingintheuklabourmarket>

- 5.36 Whilst there is clearly uncertainty about current and future homeworking patterns in the borough and how this will influence floorspace needs, Scenario 1 with the homeworking assumption applied provides the basis for the floorspace and land needs identified later in this section of the report.
- 5.37 However, homeworking increases triggered by the Covid-19 crisis provide grounds to further test the implications of the temporary increase in homeworking becoming a permanent shift for office-based work. Press coverage across the UK points to some high profile office-based employers rationalising their current operations by closing facilities, or moving to embed homeworking practices. With no imminent end to homeworking for many businesses, it is **reasonable to consider whether many more of Croydon's future jobs might be home-based**.
- 5.38 To test this, for sectors in which B1a office space is the primary use class or the highest of the allocations to different use classes, a rate of 50% homeworking is applied to future employment. These include:
- Administrative and support services
 - Computing and information services
 - Finance/insurance
 - Media
 - Professional services
 - Public administration and defence
 - Real estate
 - Telecoms
- 5.39 The effect is substantial, further reducing the number of additional FTE jobs in the B1a category from 2,400 to 1,600. The implications of this for floorspace and land requirements are considered further below.
- 5.40 This lower figure for B1a is not recommended as the basis for future employment land planning. It is intended to provide an indication of the potential impact for future needs if recent shifts to homeworking become a permanent pattern.

Scenario 2: Lower Employment Growth Rate

- 5.41 **Scenario 1 provides a positive view of Croydon's future growth potential.** The overall growth rate in scenario 1 is broadly consistent with the GLA's most recent (2017) forecast for the London economy as a whole²⁰.
- 5.42 However, the same GLA forecast indicates an annual average growth rate of 0.23% per annum for Croydon between 2021 and 2041, significantly lower than the scenario 1 figures of 0.6-0.7% pa (FTE and total employment growth). The GLA forecast provides a growth rate for the **borough's economy rather than detailed forecasts for individual sectors corresponding with those used in Scenario 1.**
- 5.43 To provide an alternative growth scenario for Croydon, this study has therefore applied the overall growth rate of 0.23% per annum for FTE jobs in the borough over the 2018-39 period. It does so for the following reasons:

²⁰ GLA (2017) London Long-term Labour Market Projections, Borough Projections, 1971-2050

- Whilst recent employment growth rates have been comparatively strong in Croydon (0.9% pa 2011-18, 1.1% pa 2013-18), this has been driven by gains in sectors including public services (public administration, education, health, residential care and social work), retail, food services and accommodation. It is reasonable to assume that recent growth in these sectors will not continue at the same pace in the long-term given continuing public spending constraints, the ongoing shift to online retail and the likely impacts of the current recession.
- **Croydon's longer-term** record of employment growth (see Table 5.1 above) has seen employment contract overall rather than expanding. Whilst it is not reasonable to assume the borough should plan for overall contraction in future, this is justification to consider a scenario in which future growth might be slower given **the borough's track record**.
- The Covid-19 crisis is creating uncertainty about how soon and how strong any return to employment growth will be. In this context, assessing the implications of a more downbeat view of future growth is a reasonable alternative to consider. However, the assumption is that the growth rate averages 0.23% in the long-term rather than much more complex assumptions about short v. long run growth rates that would be difficult to justify given the lack of clarity about the extent and nature of the recessionary impacts of the crisis.

5.44 Scenario 2 takes the overall growth rate of 0.23% pa as the starting point. For simplicity it then adjusts downwards the forecast percentage change in employment for each of the individual sectors described in Scenario 1 proportionate to the difference between the overall percentage change in FTE jobs (14%) that Scenario 1 assumes for the 2018-39 period, and the overall percentage change in employment (5%) implied by the GLA model. The overall result for Croydon is an annual growth rate equating to 0.23% pa over the 2018-39 period.

5.45 A comparison of the headline FTE jobs growth figures for all sectors is provided in Table 5.5 below.

| | Scenario 1 | Scenario 2 |
|-------------------------------|------------|------------|
| Change in FTE Jobs | 14,700 | 5,250 |
| Percentage Change in FTE Jobs | 14% | 5% |
| Annual % Growth Rate | 0.63% | 0.23% |

5.46 For the individual use classes, the figures are shown in Table 5.6 below.

| Change in FTE Jobs, 2018-39 | Scenario 2 | Scenario 1 |
|--------------------------------------|------------|------------|
| B1a Offices | 300 | 2,400 |
| B1b R&D | No change | 30 |
| B1c Light Industrial | 100 | 240 |
| <i>E Class Uses Sub-Total</i> | 400 | 2,670 |
| B2 Manufacturing | -300 | -200 |
| B8 Warehousing | 500 | 1,000 |
| Total Excluding Losses in B2 Sectors | 900 | 3,670 |
| Total | 600 | 3,470 |

- 5.47 In B1a sectors, the implied change in FTE jobs in Scenario 2 is significantly lower than Scenario 1. Growth is driven by increases in computing and information services, and the professional services sectors, but is offset by significant reductions in the public services and finance sectors. The forecast for administrative and support services is static. If sectors which switch to implied reductions are excluded, the forecast implies around 1,200 additional FTE jobs in B1a compared with 2,400 in Scenario 1.
- 5.48 For B1c sectors, the implied figure of 100 additional FTE jobs compares with 240 jobs in Scenario 1. Assumptions about the need for light industrial units in the specialised construction sector and a small allowance (5%) for such units for the wholesale sector account for virtually all of the jobs growth in Scenario 2.
- 5.49 For B2 sectors, Scenario 2 implies a larger reduction in jobs in these sectors than Scenario 1, the result of more substantial contraction implied in manufacturing sectors.
- 5.50 In B8 sectors, the implied change in jobs in Scenario 2 is around half that in Scenario 1. Growth is largely driven by assumptions about demand from the wholesale sector, and from the land transport sector covering logistics and distribution activity.

Establishing Floorspace Needs

- 5.51 To convert employment growth figures into floorspace, employment densities are applied which represent the quantity of floorspace (sq m) per full-time equivalent job. The figures and their sources are shown in Table 5.7 below.

| | Density (sq m per FTE) | Source |
|----------------------|---------------------------|---|
| B1a Offices | 10.9 | GLA (2017) London Office Policy Review |
| B1b R&D | 50 | HCA (2015) Employment Densities (3 rd Edition) |
| B1c Light Industrial | 47 | HCA (2015) Employment Densities (3 rd Edition) |
| B2 Manufacturing | 36 | HCA (2015) Employment Densities (3 rd Edition) |
| B8 Warehousing | 70-77 | HCA (2015) Employment Densities (3 rd Edition) |

- 5.52 A range of densities is applied to the B8 figures (70-77 sq m per FTE). This reflects what the guidance identifies as two different forms of warehousing operation:
 - Final mile distribution facilities (70 sq m per FTE), a form of operation associated with the growing online retail industry, and the lowest in the range of densities for this use class.
 - Regional distribution centres (77 sq m per FTE) which describes the storage and distribution facilities operating to direct goods, materials and equipment to end users across the full spectrum of business sectors.
- 5.53 A higher density (95 sq m per FTE) is also included in the guidance referring to national distribution facilities, which are large scale operations identified in the guidance as the type of facility that would handle bulk imported goods for onward distribution. It is not considered appropriate to assume that all future warehousing demand in Croydon would be of this type. The number of large scale national distribution facilities is much more limited than other forms of warehousing operation, and the borough is not an area where there is evidence that its sites,

infrastructure and other characteristics have positioned it as a primary location for national facilities of this type.

- 5.54 In practice, densities for warehousing space will vary widely depending on the nature of the operation. With growing use of artificial intelligence and automated technology in the industry, there may be instances in which the quantity of floorspace per FTE is significantly higher than the figures identified in the guidance but planning provision on the basis of very low density may overstate the floorspace demand the industry will generate.
- 5.55 For the reasons outlined above, B8 warehousing requirements are shown as a range the range 70-77 sq m per FTE.
- 5.56 In addition to assumptions about employment densities, allowance is typically made in employment land studies to allow for there to be some vacancy at any given point in time, and for what is often described as a flexibility factor to notionally allow some choice in the floorspace available to potential occupiers. This essentially slightly over-provides planned for floorspace relative to the need implied by jobs growth alone.
- 5.57 Croydon has seen its vacancy rate in offices fall very substantially over the past 20 years, from highs of 14% in 2011 to around 4% in 2019. In part, the high figures were the result of the impacts of the last recession and also the quantity of office stock released as larger occupiers exited premises in the borough. The most recent, low figures are likely to reflect the lack of Grade A space in the borough and the continuing effects of the conversion of office space to other uses generated by PDR.
- 5.58 **However, the GLA's 2011 Supplementary Planning Guidance on industrial land specified that an 8% frictional vacancy rate should be assumed, and this has continued to feature in later evidence (for example, the GLA's 2017 London Industrial Demand Study)²¹.** The purpose of assuming a frictional vacancy rate, rather than simply applying the current rate (ie 4% for offices), is to ensure that planned provision builds in headroom to allow some flexibility regarding the availability of premises at any given point in time. Too small an amount of headroom risks the availability of space, and the 8% figure is considered to be a reasonable assumption to make and one which is reflected in GLA guidance.
- 5.59 For industrial (B1c/B2,B8), Croydon currently has very low vacancy rates average around 1-1.5% between 2018 and 2020. This is symptomatic of a very limited supply of available premises in the borough, and of strong demand, and it does not represent a normal vacancy rate. Vacancy rates fell during the 2010s from highs of 6% during the last recession. For consistency, the study has also applied the 8% vacancy rate assumption used in GLA evidence to provide headroom in the demand figures.

Scenario 1

- 5.60 The floorspace implications of Scenario 1 are shown in Table 5.8 below. Totals are given for the B uses which now form part of the new E use class, and overall totals including and excluding the implied fall in B2 need. It cannot be assumed that land released by the loss of B2 employment and floorspace will become supply available for other uses, which risks slightly understating overall need.

²¹ Mayor of London (2012) Land for Industry and Transport Supplementary Planning Guidance, September, para. 3.7

| | Additional Need 2018-39 (sq m) | Annual Need (sq m) |
|---|-----------------------------------|-----------------------|
| B1a | 30,500 | 1,450 |
| B1b | 1,500 | 70 |
| B1c | 13,500 | 640 |
| <i>E Class (Relevant Employment Uses)</i> | <i>45,500</i> | <i>2,160</i> |
| B2 | -8,500 | -410 |
| B8 | 78,000-85,500 | 3,710-4,070 |
| Total (excluding B2 losses) | 123,500-131,000 | 5,880-6,240 |
| Total (including losses) | 115,000-122,500 | 5,480-5,830 |

Scenario 2

- 5.61 The outcome of scenario 2 is summarised in Table 5.9 below. The total need is 47,000-50,000 sq m (including B2 losses), the majority of which is B8 floorspace with a much lower need of 3,500 sq m in B1a and 5,500 sq m in B1c. Implied losses of B2 floorspace are more substantial at 13,500 sq m than is the case in scenario 1.

| | Additional Need 2018-39 (sq m) | Annual Need (sq m) |
|------------------------------------|-----------------------------------|-----------------------|
| B1a | 3,500 | 170 |
| B1b | 700 | 30 |
| B1c | 5,500 | 260 |
| E Class (Relevant Employment Uses) | 9,700 | 460 |
| B2 | -13,500 | -650 |
| B8 | 37,000-40,900 | 1,810-1,950 |
| Total (excluding B2 losses) | 46,700-50,600 | 2,220-2,400 |
| Total (including losses) | 33,200-37,100 | 1,580-1,770 |

- 5.62 Scenario 2 implies a substantially lower need for B1a which is the result of a combination of sectors with lower or static growth rates compared with scenario 1, and sectors which move from low or static growth to losses (for example, public administration). Warehousing sectors are still forecast to see growth, but the implied floorspace requirement reduces to just over half that implied in scenario 1.

Additional Sensitivity Tests

- 5.63 Two additional sensitivity tests were described above for the employment growth figures and allocations to use classes:
- For the administrative and support services sector, the assumption that 60% of jobs would be in B1a office space compared with the basic and cautious assumption of 20%.
 - The assumption of 50% homeworking to future jobs in office-based sectors.
- 5.64 The impact of these sensitivity tests for scenario 1 is shown in Table 5.10 below.

Table 5.10 Scenario 1 Office Floorspace Needs with Sensitivity Tests

| | Adjusted Admin & Support Services | Exc. adjusted Admin & Support Services | Difference |
|----------------------------------|-----------------------------------|--|-------------|
| B1a office need | 33,000 sq m | 30,500 sq m | +2,500 sq m |
| B1a office need, 50% homeworking | 22,500 sq m | 20,500 sq m | +2,000 sq m |

5.65 Whilst the assumption that a much higher proportion of office-based need for the administrative and support services sector increases the figure by c. 2,500 sq m, the application of the 50% homeworking assumption has a much more substantial effect, reducing need by around 10,000 sq m.

Other Demand Drivers

5.66 Scenarios 1 and 2 are driven by forecast employment growth. In this regard, they represent scenarios which are free of considerations relating to policy objectives or growth targets in Croydon and London, and do not take into account any major planned investments for the borough and their potential impact.

5.67 One key initiative that has emerged in initial research is **linked to the development of Croydon's Creative Campus**, with the borough having received external funding for the implementation of two new labs:

- Innovation Centre – this is expected to be a new R&D space of between 500-1,000sqm (depending on the funding made available). The centre will be university-led and will harness the growth of the energy and bioengineering sector developing new low carbon emission, energy waste, CCUS, medical, artificial vision, artificial intelligence, wireless communication and radar sensing technologies.
- Creative Digital Lab – this is expected to be a 500 sqm space fitted out with specialist music/video/animation/gaming sound proofing studios. The lab will be for the use of the creative businesses, residents, and students as a space to prototype and create new creative digital content and products, collaborate and innovate, incubate the start-up of new creative digital businesses.

5.68 Croydon are currently in the process of identifying alternative spaces which could host the above labs, in addition to other spaces that could support R&D activities that spin-off from the two labs. It is believed that the establishment of the university presence in the borough, will lead to the expansion/new implementation of R&D facilities, away from more traditional workspaces, that would aim to stimulate and enable collaborations between business and academia to make and develop market products.

5.69 The initiatives described above are part of **Croydon's objectives to support the development of the borough's creative and cultural industries sector**. This is a broad sector, whose development will be driven by micro and small businesses and organisations specialising in a wide range of activities from online content production to music and the arts. In this regard, it is likely to be reflected in the employment forecasts in several different sectors.

5.70 Space requirements for the sector typically focus on the provision of affordable and flexible workspace, including both office and light industrial space, but also in spaces converted from other uses (for example, retail units). As such, **maintaining the borough's supply of affordable space** should be part of the mix of policy instruments that Croydon Council puts in place to support future economic growth and the further development of the sector.

Past Trends

Scenario 3: Past Completions

- 5.71 Projecting forward on the basis of past development rates is a reasonable alternative to labour demand-led approaches. This should be on the basis of long-term past trends, since this reflects the variation that occurs over an economic cycle when there are typically periods of expansion through growth and contraction through recession.
- 5.72 This scenario draws on Annual Monitoring Report data on employment development activity provided by Croydon Council. This evidence is drawn from the London Development Database and provides a long-term time series dating back as far as 2004 for some property sectors.

Offices

- 5.73 **The starting point is to consider past completions in the B use classes. For offices, Croydon's latest Annual Monitoring Summary recognises that the borough has been losing office space, primarily driven by the exercise of permitted development rights.²² The AMR Summary indicates that if approved developments were completed, it would result in a net loss of 123,961 sq m of office spaces in the Metropolitan Centre since 2011, implying an average of around 15,500 sq m a year over an 8 year period 2011-19.**
- 5.74 Detailed AMR data for completed development/redevelopment from 2004 shows the scale of losses Croydon has seen since 2004. The net loss of B1a floorspace averages 25,000 sq m per annum, with particularly substantial losses in 2010, 2014 and 2015 totalling 256,000 sq m. This was driven in turn by the conversion to residential use of several large office buildings including Saffron Square (2010), BT's Delta Point (2014), Croydon Council's Taberner House (2014), Galaxy House (2014) and Leon House (2015).

²² Croydon Council (June 2019) The Croydon Monitoring Report

| Table 5.11 B1a Office Gains and Losses, Completed (sqm), 2004-18 | | | |
|--|----------|--------------|--------------|
| Planning Permission Financial Year | Net B1a | Existing B1a | Proposed B1a |
| 2004 | -488 | 6,514 | 6,026 |
| 2005 | -15,235 | 15,235 | 0 |
| 2006 | -5,968 | 5,968 | 0 |
| 2007 | -16,248 | 20,659 | 4,411 |
| 2008 | -9,122 | 9,122 | 0 |
| 2009 | 21,867 | 14,871 | 36,738 |
| 2010 | -50,158 | 53,404 | 3,246 |
| 2011 | -8,963 | 18,894 | 9,931 |
| 2012 | -13,400 | 13,534 | 134 |
| 2013 | -32,210 | 32,378 | 168 |
| 2014 | -140,043 | 141,603 | 1,560 |
| 2015 | -66,485 | 67,854 | 1,369 |
| 2016 | -10,460 | 10,805 | 585 |
| 2017 | -7,883 | 7,883 | 0 |
| 2018 | -888 | 888 | 0 |
| Total | -355,684 | 419,612 | 64,168 |
| Annual average | -23,712 | 27,974 | 4,278 |

Source: Croydon Council Annual Monitoring Report, 2019

- 5.75 There have been very few significant new B1a developments over the 2004-18 period, and the analysis of the commercial property market in this study highlights in particular the lack of new B1a office space completed in Croydon. The most recent large completions include Croydon Council's new Bernard Weatherill House (2012, opened 2013) and Impact House (2007) which is now converted to residential units.
- 5.76 Data on B1a development started is also provided in the AMR. This is largely consistent with the pattern evident in completed development. The exception is 2011, with permission for the development of new office space in the Renaissance scheme reflected in a large net increase in that year. However, this skews the total and annual average, with the latter showing as positive over the 2011-18 year period when in all but two years the borough saw starts result in further losses of B1a floorspace.

| Table 5.12 B1a Office Gains and Losses (Started), 2011-18 | | | |
|---|---------|--------------|--------------|
| Planning Permission Financial Year | Net B1a | Existing B1a | Proposed B1a |
| 2011 | 143,412 | 8,008 | 151,420 |
| 2012 | -20,440 | 20,440 | 0 |
| 2013 | 0 | 0 | 0 |
| 2014 | 4,806 | 2,804 | 7,610 |
| 2015 | -5,319 | 5,238 | 143 |
| 2016 | -64,511 | 64,638 | 127 |
| 2017 | -13,757 | 14,113 | 356 |
| 2018 | -2,250 | 3,530 | 1,280 |
| Total | 41,941 | 118,771 | 160,936 |
| Annual average | 5,243 | 14,846 | 20,117 |

Source: Croydon Council

- 5.77 Projecting forward on the basis of these past trends implies that substantial losses of B1a space in Croydon would continue. The implication of the data on completed and started permissions is a combined annual average loss of 18,469 sq m per annum. Applied over a 20 year Local Plan period, this would imply a further loss of 369,380 sq m, or 3.97 million sq ft which equates to **around half of the borough's estimated currently supply of office space**. By way of comparison, the London Office Policy Review (2017) forecast a future loss of 318,300 sq m for Croydon over a 2016-41 forecast period, or 12,372 sq m per annum.²³
- 5.78 However, the planning permissions data does not provide a complete picture of office gains and losses in Croydon. Known developments (for example, Ruskin Square Phase 1) appear to be excluded in the AMR data, and data for 2018-19 are not included in the dataset. A review of the London Development Database records very little new office floorspace completed since 2018.²⁴

B1b Research and Development

- 5.79 This is a very small sector in Croydon in which there has been little development activity over the 14 year period 2004-18. A net total of 105 sq m of completed planning permissions is recorded between 2004 and 2018. There were gains of 564 sq m, although this was largely driven by a single recorded development in the Purley Way area which appears to have been a flexible unit with the space also recorded as B1c. There were also two developments recorded as started totalling 346 sq m.
- 5.80 Projecting forward on the basis of the trend shown in the completed planning permissions data implies a negligible need of only 140 sq m (1,600 sq ft) over a 20 year period. This compares with 1,743-2,365 sq m in the labour demand scenarios described above.

B1c Light industrial/B2 Manufacturing

- 5.81 For B1c and B2 floorspace, past completions and starts data from the AMR shows a net loss of floorspace in both use classes between 2004 and 2018.

| B1c | | | |
|--------------------------------|------------|------------------------|--------------------------|
| Planning Permission FY 2004-18 | Net (sq m) | Existing (sq m) | Proposed (sq m) |
| Total Completed | 41,957 | 66,043 | 24,446 |
| Annual Average | -2,773 | | |
| Total Started | -24,462 | 24,988 | 526 |
| Annual Average | -1,747 | | |
| B2 | | | |
| Planning Permission FY 2004-18 | Net (sq m) | Floorspace Lost (sq m) | Floorspace Gained (sq m) |
| Total Completed | -61,837 | 85,687 | 23,850 |
| Annual Average | -4,122 | | |
| Total Started | -2,675 | 2,705 | 30 |
| Annual Average | -191 | | |

²³ GLA (2017) London Office Policy Review, Figure 9.11

²⁴ GLA (2020)

Source: Croydon Council, Annual Monitoring Report, 2019

- 5.82 For B1c, Croydon saw 23 applications which added B1c floorspace either on existing sites and buildings, or in new developments. The majority of these were very small scale (under 100 sq m) with seven developments exceeding 1,000 sq m including developments at Purley Way, Thornton Road Industrial Estate, and centrally on Milton Road.
- 5.83 Developments of B2 space have been very limited, with a small number at Purley Way. It is noted that several developments recorded as B2 involve the redesignation of B8 floorspace.
- 5.84 Projecting forward on the basis of the annual averages recorded for completed developments implies:
 - B1c: A loss of 55,640 sq m over a 20-year period.
 - B2: A loss of 82,440 sq m over a 20-year period.
- 5.85 The data is **consistent with Croydon Council’s latest summary of industrial development**. It suggests that between 2011 and 2018 the borough lost 34,800 sq m of industrial space (B1c, B2, B8) or an average of around 5,000 sq m per annum over 7 years.

B8 Warehousing

- 5.86 Past trends in B8 warehousing also shows that Croydon saw a net loss of floorspace between 2004 and 2018. However, the overall loss is much more modest than is the case for B1c/B2, totalling 7,400 sq m (79,900 sq ft) over the 14 years from 2004 to 2018. Losses were offset by gains of 69,900 (750,000 sq ft). Data on started planning permissions shows a further 5,700 sq m lost (61,000 sq ft) averaging 407 sq m per annum over 14 years.

Table 5.14 Past Gains and Losses, Completed and Started Development, B8 Warehousing, 2004-18

| Planning Permission Financial Years 2004-18 | Net (sq m) | Losses (sq m) | Gains (sq m) |
|---|------------|---------------|--------------|
| Completed Total | -7,423 | 77,332 | 69,888 |
| Annual Average | -495 | | |
| Started Total | -5,703 | 5,703 | 0 |
| Annual Average | -407 | | |

Source: Croydon Council, Annual Monitoring Report, 2019

- 5.87 Of completed permissions reported as gains, a substantial majority of the larger completions were facilities in the Purley Way area, together with a number of wholesale/distribution facilities elsewhere including Waitrose in Coulsdon and development off Stafford Road.
- 5.88 Future projections for B8 based on the annual rate of development reported as completed would imply a loss of 9,900 sq m (106,500 sq ft) over a 20-year plan period.
- 5.89 **Based on Croydon Council’s data, the outcome of this past trends scenario is that the borough would see a reduced, long-term requirement for employment space and land across all the E use classes (B1a, b, c), B2 and B8.** The study has pointed to several reasons why further conversions of office space to non-employment uses is not likely to occur at the rate seen over the past 10-15 years given that such conversions appear to have absorbed much of the lower quality and older space in the borough. Furthermore, employment forecast data suggests that growth in office-based employment should be planned for.

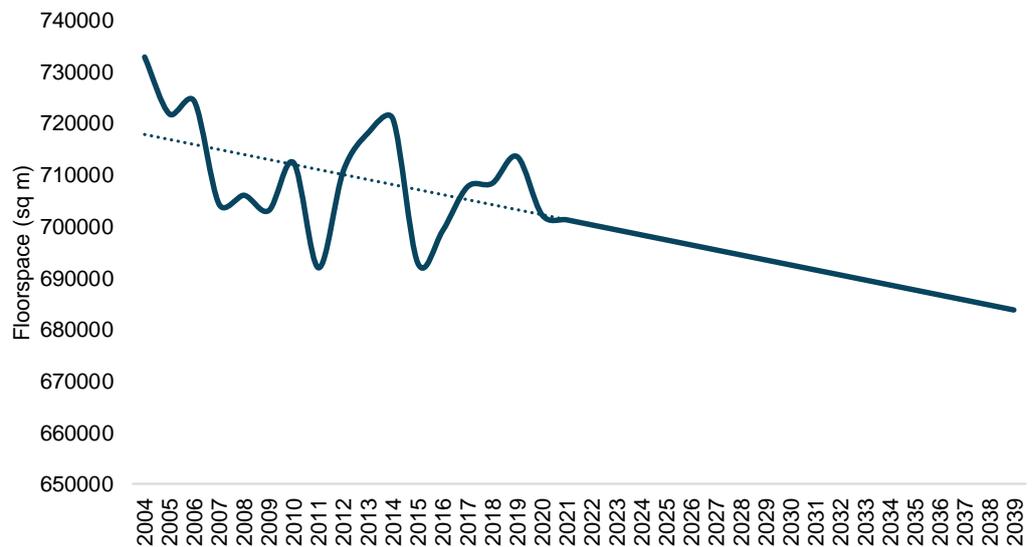
5.90 For industrial space, the borough’s ability to support a micro and SME business base operating in an extensive array of industrial sectors, the potential for employment growth in some sectors, and the need to provide both modern space for growth and inward investment and affordable workspace points to significant risks in pursuing a strategy which assumes that further, substantial losses of land and premises will continue.

Occupancy

5.91 Occupancy trends were also considered as an alternative to past completions data. In principle, rising occupancy levels are one marker of additional demand for floorspace. Increases in occupancy may be driven by expansion demand from companies already located within Croydon, or incoming companies and organisations taking space in the borough.

5.92 Office occupancy levels were lower at the end of 2019 than in 2004, and the borough has clearly seen a continued loss of office space over this period. There have been substantial fluctuations in occupancy, but the overall trend has been steadily downward. Figure 5.2 shows the implications of a simple linear trend projected forward to 2039.

Figure 5.2 Office Occupancy Trend, Croydon, 2004-19 and Projection 2020-39 (sq m)

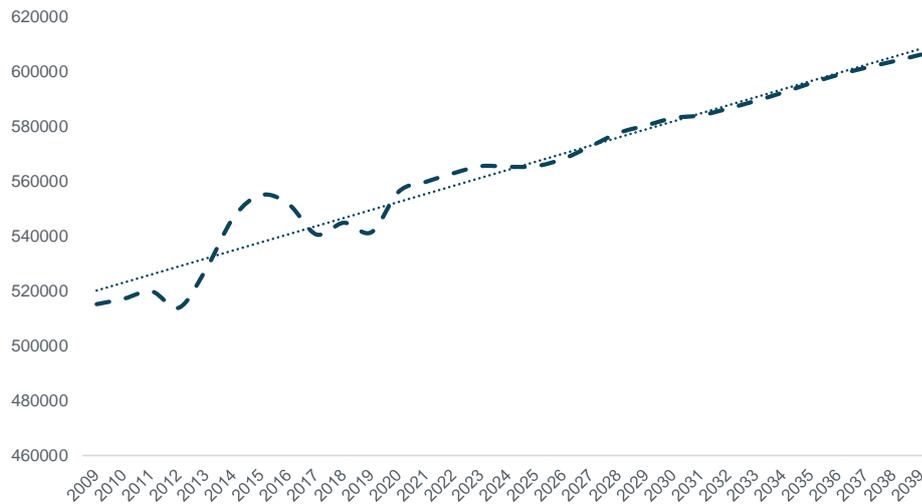


Source: CoStar/Hatch Regeneris

5.93 The projected fall in office occupancy equates to around 30,000 sq m from 2019 to 2039, or c. 1,500 sq m per annum. As such, this would not represent a positive view of future office needs in Croydon. Furthermore, the recent occupancy trend between 2015 and 2019 has been upward. Analysis of the office market suggests that a combination of demand for good quality office space combined with a shortage of supply and continued losses to residential uses is occurring. For these reasons, the occupancy approach is not taken forward as an alternative scenario.

5.94 For industrial uses, occupancy data shows a different trend. Taking the period from 2009, the occupancy trend is upward, consistent with the market analysis in section 4 of this study which points to robust demand for industrial space, particularly storage space, evidenced in rising development values and in leasing activity with the Purley Way industrial area having been a focus for recent deals.

Figure 5.3 Industrial Occupancy Trend, Croydon, 2004-19 and Projection 2020-39 (sq m)



Source: CoStar/Hatch Regeneris

5.95 Projecting the recent past trend forwards implies that the quantity of floorspace occupied would continue to rise in the long-term. Indicatively, projecting forward a linear trend would see occupancy increase by 49,000 sq m from 2020-39, or c. 2,630 sq m per annum over 19 years. With low industrial vacancy rates in the borough and evidence that there is strong demand for good quality and affordable industrial space, the implication is that continued increases in occupancy would translate into requirements for additional floorspace.

Flexibility Factor/Safety Margin

5.96 It is now standard practice in employment land reviews to adjust upwards floorspace and land scenarios by adding a flexibility factor or safety margin. The purpose of this adjustment is to build additional headroom into the need figures to reflect:

- The need to provide choice to developers and occupiers. The safety margin theoretically allows for a wider choice of sites.
- The lack of availability of land at any given point time, which may occur for several reasons. This is sometimes described as frictional vacancy.
- The provision of headroom in the supply to allow, for example, for stronger growth than is assumed in setting employment land requirements.

5.97 A range of methods is used to factor in a safety margin. Typical approaches include allowing for an additional two years of past take-up, flat rate adjustments (eg. 10%) or building in two additional years of need to demand figures. These are frequently applied in addition to an assumed vacancy rate.

5.98 The study already allows for a standard 8% frictional vacancy assumption in the floorspace needs it identifies. A method which is based on past take-up is not relevant for Croydon, since the study clearly shows that there have been net reductions in floorspace and land in the borough.

5.99 Adjusting the figures to build in two years of future take up would have the following impact on the demand figures of the 2018-39 period using the highest of the scenarios (scenario 1):

- B1a: It would add around 3,500 sq m to the B1a need figures in scenario 1 incorporating homeworking;
- B1b: Negligible impact of around 170 sqm in the same scenario;
- B1c: An additional 1,300 sq m;
- B2: Not applicable;
- B8: An additional 7,800 sq m.

5.100 Following discussion with Croydon Council, it was agreed that no additional safety margin should be added to the 8% frictional vacancy rate assumed in the study.

Converting Floorspace to Land

5.101 The floorspace figures that emerge from the scenarios are summarised in Table 5.15 below. They imply a broad range of need across the three core scenarios and their variants.

| Use Class | Scenario 1 Labour Demand | Scenario 2 Lower Growth Scenario | Scenario 3 Past Completions |
|----------------------------------|--------------------------|----------------------------------|-----------------------------|
| B1a | 30,500 | 3,500 | -369,380 |
| B1b | 1,500 | 700 | 140 |
| B1c | 13,500 | 5,500 | -55,640 |
| <i>E Class (Relevant B Uses)</i> | 45,500 | 9,700 | na |
| B2 | -8,500 | -13,500 | -82,440 |
| B8 | 78,000-85,500 | 37,000-40,900 | -9,900 |

5.102 The final step is to translate the future floorspace need figures into implied employment land need. This is driven by the application of plot ratios, essentially the size of land area assumed to be required to accommodate the floorspace, which typically includes allowances for delivery vehicle car parking, employee and customer parking, and other infrastructure.

5.103 Plot ratios can vary widely between sites, buildings and use classes. As Table 4.4 and Table 4.7 show, there are significant variations between the examples of office and industrial/logistics sites in Croydon, with buildings occupying land in proportions ranging from c. 40-85%. In town centre and urban locations, together with intensively developed industrial areas, space constraints may push plot ratios higher, whilst for greenfield and out of town business park developments (of which there are very few in Croydon) plot ratios are more likely to be at the lower end.

5.104 To reflect this variability, two scenarios have been tested with different plot ratios, with the figures shown in Table 5.16 below:

| | B1a | B1b | B1c | B2 | B8 |
|----------|-----|------|------|------|------|
| Option A | 2.0 | 0.95 | 0.65 | 0.65 | 0.65 |
| Option B | 2.0 | 0.95 | 0.4 | 0.4 | 0.4 |

5.105 The sources of the assumptions for Options A and B are as follows:

- Option A: For B1a, a high-density plot ratio reflects the assumption that all office space would be town centre or edge of town in development of more than one storey. The figure for B1b is consistent with evidence for the London Plan which cites a GLA study finding of 95% for non-industrial uses.²⁵ For B1c, B2 and B8 the same evidence refers to a 65% plot ratio for industrial uses in London.²⁶
- Option B: For B1b, the non-industrial land use figure cited above is applied. For B1c, B2 and B8 a standard 0.4 plot ratio is applied. This is somewhat lower than the 0.65 cited by the GLA, but a review of other evidence suggests wide variation in industrial plot ratios by inner and outer London borough, and a lack of consensus about the appropriate ratios to assume.²⁷ It should be noted that Option B is not a plot ratio which should be applied to B1a in particular given the priority attached to CMC office development and the form of offices (ie multi-storey buildings) this implies. For this reason, the plot ratio of 2.0 is also used for B1a in Option B.

5.106 The land needs that arise from applying the two plot ratio scenarios to the labour demand scenario 1 are shown in Table 5.17 below. All figures show hectares.

| Scenario 1 | | | | | | |
|------------|-----|-----|-----|------|-----------|-----------|
| | B1a | B1b | B1c | B2 | B8 | Total |
| Option A | 1.5 | 0.2 | 2.1 | -1.3 | 12.0-13.2 | 14.5-15.7 |
| Option B | 1.5 | 0.2 | 3.4 | -2.1 | 19.5-21.4 | 24.1-26.0 |

5.107 The land needs from scenarios 2 are shown in Table 5.18 below.

| Scenario 2 | | | | | | |
|------------|-----|-----|-----|------|----------|---------|
| | B1a | B1b | B1c | B2 | B8 | Total |
| Option A | 0.2 | 0.1 | 0.8 | -2.1 | 5.7-6.3 | 4.7-5.3 |
| Option B | 0.2 | 0.1 | 1.4 | -3.4 | 9.3-10.2 | 7.7-8.6 |

5.108 Land needs for scenario 3 are not assessed since for all but a negligible need for B1b space (140 sq m), this points to significant reductions in employment land needs, since the scenario implies substantial further losses over the plan period.

Conclusions

5.109 The findings of the demand assessment show a range of scenarios for future floorspace and land needs in Croydon. The B1a office need figures are at the low end of the range given in the 2013 URS Employment Land Review Update, which pointed to floorspace needs from 29,000 to 92,000 sq m for offices, with a preferred forecast of 60,000 sqm. For industrial and warehousing sectors, the URS study did not distinguish between B1c, B2 and B8 and concluded that there would be losses of floorspace and land driven by reductions in the number of jobs.

²⁵ GLA (2017) London Industrial Land, p. 87

²⁶ Ibid., p.87

²⁷ See for example, Mayor of London (2018) Analysis of plot ratios in industrial development in London (2011-2018), p. 4. Industry commentary responding to the Draft London Plan suggests lower ratios for outer London borough ranging from 0.33 to 0.45.

- 5.110 There have been important changes in economic conditions since 2013, and these are reflected both in employment trends and in the commercial property market. Much of the employment evidence on which the 2013 study drew is out-of-date, with the GLA employment projections which were a key source of evidence dating back to 2011 when the UK was in recession. Close to a decade has elapsed during which time the UK exited the last recession, took a decision to leave the European Union, and is experiencing a global health crisis with unprecedented negative economic impacts. For this reason, comparison between the findings and recommendations of the 2013 URS study and this 2020 update is of very limited value.
- 5.111 However, a number of issues are common to both studies. Croydon has continued to see a loss of both office and industrial floorspace and land, largely driven by the exercise of permitted development rights in light of sustained demand for housing development. The borough has seen older and outdated office stock, including numerous larger office facilities, converted and increasing pressure on its supply of industrial premises. The challenge of ensuring that Croydon provides a supply of employment floorspace and land to sustain existing employment, support business growth and attract new investment remains pressing. Given the scale of floorspace **losses evident in the Council's planning data, the safeguarding** of both office provision and industrial space are key considerations in setting future Local Plan policies. This has added **significance in light of the Secretary of State's direction on the new London Plan to remove the** no net loss of industrial floorspace approach that has applied in Croydon and elsewhere through previous Plans.
- 5.112 The requirement for positive planning specified by the NPPF, and the evidence on future need provided in this section of the study, points to the need to carefully consider both the level of floorspace and land that Croydon Council should plan for, and related policies on safeguarding existing provision against further losses. The reports key findings on future demand are set out below.

Relevant E Class Uses

B1a/b - Office/R&D

- 5.113 The study points to additional demand for office floorspace in all but the past completions-based scenario. The two labour demand scenarios identify floorspace needs ranging from a low of just 3,500 sq m (170 sq m per annum) to 30,500 sq m (1,450 sq m per annum) in scenario 1 including homeworking.
- 5.114 The land needs implied by the B1a floorspace scenarios range from 0.2 to 1.5 ha. However, this study agrees with the conclusions of the 2013 URS study that the likely variability of office development and the focus on town centre/edge of centre sites means it is not appropriate to specify land needs for offices²⁸.
- 5.115 The sectors driving this need are private sector office-based activities including ICT, professional services and administrative and support services in an overall increase of 3,500 jobs between 2018 and 2039 drawing on the latest Experian forecast. This represents a positive scenario. It **implies a growth rate on par with the overall growth rate for London in the GLA's latest 2017 forecast**, and it should be noted that it is also consistent with the employment projections

²⁸ URS (2013) London Borough of Croydon Employment Land Review Update, p.47

contained in the GLA's 2017 London Office Policy Review, the latest detailed such analysis carried out to support the London Plan²⁹.

- 5.116 **Croydon's intention is to capture more higher paid, higher quality office employment, and a bigger share of sectors which are key drivers of employment in London as a whole.** The forecast should be considered consistent with these objectives. In light of the considerable uncertainty about how the UK economy will recover from the Covid-19 recession and the deal the UK will strike with the European Union, a higher growth scenario is not considered appropriate.
- 5.117 Of the alternative demand scenarios and sensitivity tests considered for B1a offices, the lower growth scenario should be treated as indicative, since the employment growth it implies in office-based sectors (c. +330 jobs, 2018-39) **is far below that of the Experian forecast, the GLA's latest forecast for London and the borough's recent track record of creating office jobs.** The past completions-based scenario simply projects forward what have been significant losses linked to **PDR and the quality of the borough's supply of office space. It is not considered a sound basis for future planning.** Recent gains in office-based jobs and evidence of increasing occupancy of offices in Croydon suggest that a strategy which assumes that further, substantial reductions in **office space would have adverse impacts on the borough's capacity to support growth.**
- 5.118 The application of an adjustment to the proportion of administrative and support services sector jobs in offices results in a further 2,500 sq m of need. Application of an assumption that homeworking in office-based sectors rises to 50% reduces need significantly, which falls to c. 20,000 sq m in scenario 1.
- 5.119 Given the scale of past office losses to residential uses the borough has experienced and evidence that the borough should plan for some growth in office employment, the study findings point to the continuing validity of the Article 4 direction to mitigate against further such losses.
- 5.120 The recent change in the use class order, which has introduced the new E use class incorporating B1a, b and c amongst other uses, has **implications for the borough's office supply** in both town and district centres. The potential for new pressures to convert office stock to other E class uses. For larger, multi-storey office buildings, it is unlikely that whole building conversion would occur given the range of alternative uses that the new E class theoretically permits. However, it is conceivable that ground and lower floors might be open to such conversion (for example, for retail, leisure or community uses).
- 5.121 For smaller office stock, the issue is whether such buildings would be suitable for conversion to other E class uses. The need for affordable workspace from the creative and cultural sector, for example, might see additional demand for premises currently in office use, but it is not possible to assess either what the scale of such demand might be, or the type of activity that might be the purpose of any conversion.
- 5.122 In light of the challenges facing retail, it seems unlikely that there would be substantial demand for this type of conversion. Whilst town centres have seen increases in temporary or meanwhile uses in empty units (for example, pop-up retail or food and drink units), there is no evidence that such uses would generate substantial pressure to convert offices on a permanent basis.
- 5.123 For B1b, the demand scenarios point to small scale need for additional floorspace ranging from 140 sq m (past completions-based) to 1,500 sq m (labour demand scenario 1). This equates to land needs of well-under 1 hectare. Neither the floorspace nor land figures are therefore a significant consideration in terms of future allocations.

²⁹ GLA (2017) London Office Policy Review, Figure 9.6

5.124 However, there is potential additional demand for R&D space linked to the further development **of Croydon’s Creative Campus and an opportunity linked to a new university presence in the borough.** Space requirements for c. 1,500 sq m of R&D space have been suggested by the Council, but there may be further requirements for such space linked to activity which spins out from clusters around new facilities. For this reason, planning for B1b space at the higher end of the range identified in the scenarios, and potential for a modest amount of additional provision, appears to be an appropriate response.

Light Industrial B1c

5.125 This is the category of B use class space about which there is probably least clarity in the demand evidence. In part, this relates to the characteristics of the use class, which is typically driven by small and medium-sized enterprises and an extensive range of different types of business activity in B1c space. For example, growth in employment in the specialised construction sector, part of which operates from smaller industrial units in the borough, is one of the drivers of additional floorspace needs in the sector.

5.126 As a consequence, there is no straightforward way of matching either current or future employment by sector to the specific B1c use class. Furthermore, in many employment land studies, B1c is considered with B2 as part of the analysis of future manufacturing activity.

5.127 With the exception of the past-completions scenario (scenario 3), the B1c need assessment figures are positive but relatively modest, ranging from 5,500 sq m to 13,000 sq m. This translates to land need figures of 0.8 to 3.4 hectares.

5.128 The key question that arises from the assessment of B1c need is whether this provides sufficient justification to plan for additional floorspace and land. The most recent GLA forecasts (2017) for manufacturing, used in the 2017 Industrial Land Demand Study, showed significant losses of jobs in the broad sector from 2016-41, part of which is accommodated in B1c stock.³⁰ For Croydon, the same study ranked Croydon as the seventh highest London borough in terms of the loss of manufacturing employment. Forecasts for a continued net loss of manufacturing jobs are part of a long-term trend evident across the UK, despite the priority now attached in national and local policies to advanced manufacturing and engineering.

5.129 However, the occupancy data presented in this report suggests that industrial occupancy has risen in Croydon. Whilst this does not distinguish between manufacturing (B1c/B2) and B8, it is likely to reflect some demand from businesses operating in B1c light industrial premises. This may be driven by business growth, inward investment or the need for modern manufacturing and engineering companies to operate in newer premises with good technological infrastructure. The use of light industrial units for purposes other than those of traditional small scale manufacturing and engineering is also a factor to consider. Businesses requiring smaller scale workshop and storage space, for example, may well operate out of light industrial units.

5.130 **Furthermore, with London’s growing population and the scarcity of development land, there is a long-term need to provide floorspace and land that meets the needs of businesses serving the capital’s population and businesses, as well as for companies which will be operating in national and international markets.**

³⁰ GLA (2017) London Industrial Land Demand Study, pp.85-86

B2 Manufacturing

- 5.131 The initial assessment of need in this study points to continuing losses of B2 manufacturing floorspace and land in all the scenarios. In the labour demand scenarios, the loss of floorspace ranges from 8,500 to 13,500 sq m, with implied reductions in the need for land. The figure is much higher in the past completions scenario, which reflects significant losses of B2 space in previous years.
- 5.132 These findings are consistent with the manufacturing employment forecasts, the change in employment floorspace the borough has experienced, and the bigger picture at London level.
- 5.133 However, the implication of accepting **this scenario is that Croydon's employment land planning policies should be based on a strategy which assumes that B2 floorspace can and will continue to be lost, and that premises and land in B2 uses could be switched to other uses, including non-employment uses.** This needs careful consideration by Croydon Council and is relevant in light of the proposed change to the no net loss of industrial land policy in the London Plan. The importance of Croydon as an industrial location serving the inner London and wider South East markets contributes to a strategic case for ensuring that B2 provision is maintained within the borough, **including for heavier and 'dirty' uses relating to utilities and waste handling.** Furthermore, responses to Covid-19 and Brexit that have seen companies shorten the geographical reach of their supply chains to enhance security of supply would provide further grounds to consider whether planning for further, substantial losses of B2 floorspace and land is appropriate. In addition, recent rises in industrial land values in the area would allow them to compete with other alternative uses which could mitigate further loss.
- 5.134 Projected losses in B2 should also be considered alongside the evidence that demand for B1c space may increase. Both the **employment forecast evidence and analysis of the borough's commercial property market signals** provide positive indications to this effect. In this regard, there are grounds to assume that Croydon Council should not set its local plan employment policies on the basis that industrial land in these uses should be lost.

B8 Warehousing

- 5.135 In the B8 use class, the demand scenarios point to some employment growth in Croydon amounting to around 1,200 new jobs over the 2018-39 period in scenario 1. This is a sector in which Croydon has evident strengths, particularly in the Purley Way industrial area, as a strategic location for logistics and distribution activity. Beyond this, wholesale, retail and the need for storage and distribution facilities for companies across a wide range of sectors are also drivers of recent and forecast demand.
- 5.136 This is the sector with the largest space requirements relative to the number of people working in facilities. The labour demand scenarios translate into floorspace growth needs ranging from 37,000 to 78,000/85,500 sq m, equating to land needs of 6-21.4 ha over a 21 year period.
- 5.137 The scenario 1 figure (1,200 FTE jobs, 78,000/85,500 sq m of floorspace) implied by this study represents a positive view of the warehousing sector. This contrasts with **the GLA's 2017 London Industrial Demand Study**, and the forecasts which underpin it, point to a significant net loss of floorspace (-27,300 sq m) between 2016 and 2041.³¹ However, this was based on past floorspace trends rather than employment growth, a similar basis to the -9,900 sq m implied by the past completions scenario (scenario 3) described above.

³¹ GLA (2017) London Industrial Land Demand Study

- 5.138 The warehousing sector is a dynamic and growing component of the commercial property market. Nationally and across London, sustained consumer demand, the growth of online retail and technological developments in modern warehousing operations have seen a shift to larger, modern distribution and logistics facilities. **London's substantial and growing population and business base** is a driver of increasing urban logistics activity, with strong demand for facilities with good access to the road network to service central London as well as local markets.
- 5.139 As the commercial property market analysis in this report suggests, there are currently low vacancy rates across industrial sectors in the borough, including in the warehousing sector. Furthermore, the evidence (Section 4) points to a shortage of good quality, well-connected sites capable of accommodating modern distribution hub demands which typically range from 4,600 sqm (50,000 sq ft) to 9,300 sq m (100,000) sq ft. This point is reinforced by annual average take-up of industrial space between 2012 and 2020 which has been 18,900 sq m (207,000 sq ft).
- 5.140 The implication is that Croydon Council should resist changes of use for residential development purposes on its supply of good quality industrial sites, a point which applies both to B1c/B2 and B8 uses. The study considers in its conclusions the implications for the safeguarding of sites, the intensification of uses on existing sites and emerging policies for the Purley Way masterplan area.
- 5.141 However, for future B8 uses in particular, potential requirements for a relatively substantial amount of additional floorspace and land in scenario 1 (78,000-85,500 sq m, 19-21ha) raises several key issues for the Council in setting its related policies:
- The need for land a borough which lacks large, high quality and well-connected sites capable of accommodating larger scale warehousing uses. Whilst the total need implied by the study represents the volume of floorspace of just two or three modern, large scale logistics and distribution facilities, the land required to support them would nevertheless represent a significant land take.
 - The related issue of the compatibility of larger scale industrial uses with other uses, including residential uses, retail and leisure, and smaller scale business uses. Such uses can generate substantial volumes of additional private vehicle (employees, customers) and goods vehicle movements, with potentially adverse implications for congestion and pollution in existing urban and industrial areas. Examples in this study point to the very limited number of new developments in urban areas in which industrial uses have successfully integrated residential and industrial schemes, although there are many more in which office and/or leisure and retail are successfully combined. For the Purley Way masterplan area, emerging policies recognise the need to make provision for housing and employment growth in ways which are sensitive to and strengthen existing uses, and which promote development or redevelopment which contributes to good quality place making objectives for the area. The policies earmark specific forms of development for defined areas within the Purley Way, including employment-led development in a revised SIL area.
 - How far future demand for storage and distribution facilities, but also other forms of industrial development, might be met through the intensification of development on established sites. **The study's conclusions and recommendations address the mechanisms the Council should consider to achieve this.**
- 5.142 The extent to which future needs for additional B8 warehousing land and floorspace can be met through the existing supply, and how much through additional allocations of land, is a matter to be determined by Croydon Council.

6. Supply Overview

- 6.1 The brief for this study focused on future demand for employment floorspace and land in Croydon. However, to draw conclusions and recommendations from the analysis that will inform **emerging policies in Croydon's Local Plan review, particularly those relating to the location for future office and industrial development and the possible revision of policies in the current Local Plan (2018) a high level overview of the borough's key locations has been carried out.**
- 6.2 This section of the study provides the key findings of desktop research carried out in August 2020 on the existing supply of B1a office and B1b, B2 and B8 industrial land use and establishes how the quality and characteristics have changed since the 2013 ELR. It provides a high level qualitative commentary of each employment land cluster considering factors including age and condition of premises, access, parking facilities, visual amenity such as landscaping and signage, complimentary facilities and perceived vacancy rates. The clusters have been separated by two **geographical areas: those within Croydon's Metropolitan Centre (CMC) and those outside of the CMC.** All cluster boundaries are drawn from the 2010 ELR.

Outside the CMC

- 6.3 This survey of employment land outside of the CMC includes Tier 1 and Tier 2 industrial (B1c, B2 and B8) clusters, as outlined in the Croydon Local Plan (2018).

Strategic Industrial Locations (Tier 1 Clusters)

Marlpit Lane (20ha)

- 6.4 The Marlpit Lane SIL comprises Ullswater Industrial Estate and Redlands Industrial Estate, incorporating a mix of B1a, B1c, B2 and B8 use class premises. Since the 2013 ELR there have been two new additions: a 6,456sqft office unit built in 2014 and an 88,811sqft distribution unit also completed in 2014. The latter is the largest premises within the cluster. Most buildings date from the 1950s to the 1980s and are judged as being in satisfactory to poor condition.
- 6.5 Buildings are typically standalone industrial and warehousing units with ancillary office space. The occupiers are mainly B8 and B2 orientated given the site has good access to the M23/M25 interchange, availability of on street parking and access to dedicated parking yards with loading/unloading facilities. These units typically attract major tenants including Waitrose, Biffa and Jewson. There are also a handful of B1c units, typically occupied by local SMEs. There is little visual amenity or landscaping in the immediate area. However, the location is accessible from Coulsdon town and the train station.
- 6.6 Whilst there are limited prospects for expansion, given Marlpit Lane is tightly constrained by residential to the north, east and south and a railway line to the west, the potential for intensification should be considered. In this regard, the desktop survey identified three vacant warehouses sitting on adjacent parcels of land on Redlands Industrial Estate, with a combined floorspace of 47,647sqft.

Purley Way (98.1ha)

- 6.7 The cluster comprises Purley Way North (64.2ha) and the Purley Way South (33.9ha) and is a key industrial employment area in LB Croydon. There has been no new development since 2014 and as a result little could be considered as prime stock, with the majority of stock ranging from early

to mid-2000s (Commerce Park and Spitfire Business Park), to poor quality 1950s and 1960s stock (Silver Wing Industrial Estate and Imperial Way).

- 6.8 There is a mix of B1c, B2 and B8 use classes as well as a small contingent of ancillary B1a office accommodation. Businesses in the manufacturing industry are more prevalent in the older B2 industrial buildings, whereas the distribution and logistics sector are more prevalent in the newer B8 buildings. The latter is a large market in the Purley Way cluster and has attracted major occupiers including Amazon, Tesco and DHL who benefit from access to the A23/Purley Way, a major arterial road connecting London with Brighton. The high connectivity of the Purley Way was regularly mentioned as being a benefit for businesses in the Purley Way Masterplan audit. Small and independent businesses in particular noted the strategic location between supplier and consumer/customer as being an advantage. It was also mentioned the challenge that the heavy traffic and poor road quality has on businesses that relied on deliveries.
- 6.9 Purley Way North has comparatively superior public transport connections to the South, as it has good access to a number of tram stations. Businesses reported that the tram has been beneficial for fast link to central Croydon and London. However, poor permeability and infrastructure, particularly in Purley Way North, discourages walking and cycling.
- 6.10 There is only a limited amount of vacant land or buildings available for immediate development along Purley Way. This includes 0.38 acres on Lysander Road currently used as a skip storage site, 0.5 acres available to let on Commerce Way, and 0.51 acres on Beddington Lane. The vast majority of vacant buildings around the Purley Way are 1945-2005 (73%) industrial units. There is a cluster of vacant units within Silver Wing Industrial Estate on Horatius Way, which is a post-1990 estate with dedicated parking and yard space. Another three vacant units are clustered on Enterprise Close. Otherwise, vacant space is quite evenly distributed across the Purley Way.

Separated Industrial Location (Tier 1 Clusters)

Selsdon Road (6.8ha)

- 6.11 Selsdon Road is a fragmented employment area incorporating a mix of B1a, B1c and B2 uses across three sites: Capital Business Centre, Twin Bridges Business Park and Selsdon Goods Yard. The latter two sites are low density with predominantly industrial uses, including a building materials supplier and four vehicle service centres. The buildings are dated stock and the surrounding area is not well maintained. Access is also limited to narrow sloping roads on both sites and finite dedicated parking spaces. Selsdon Goods Yard (0.83 acres) and a 6,962sqft industrial unit on Twin Bridges Business Park are available to let.
- 6.12 Capital Business Centre is a well-used and coherent employment area, built between 2000 and 2010 and home to a mix of B1a and B1c uses. The units are all served by dedicated parking and benefit from well-maintained landscaping and good signage. There are currently no vacant B1c units and 2,090sqft of B1a office space available with the Centre.
- 6.13 The Selsdon Road cluster is within walking distance of two mainline stations and South Croydon and Purley towns. The immediate surrounding area is either railway lines or built-up residential estates; there is an allotment to the south of Capital Business Centre.

Gloucester Road (East) (3.2ha)

- 6.14 Gloucester Road comprises two high density industrial estates, Roman Road and Tait Road, containing B1c, B2 and B8 uses with a small contingent of ancillary office space. The cluster is coherent in layout, incorporating a series of industrial terraces built in the 1980s and 1990s. The

condition of the buildings and surrounding environment is considered satisfactory. Occupiers are typically SMEs including timber merchants, decorating centres and vehicle maintenance.

- 6.15 This is the closest Tier 1 cluster to Croydon town and is within walking distance from East Croydon, West Croydon and Selhurst train stations. It also sits adjacent to Gloucester Road (West), a slightly larger and well established industrial employment area.
- 6.16 The compact nature of the cluster – in part due to railway lines bordering the north and east boundaries – means parking is constrained to spaces at the front of the units and appears to also serve as loading/unloading facilities. It was noted in the 2013 ELR that there is small site to the south of the self-storage building that is of poor quality and could be intensified. There are three 1980s units available to let ranging in size from 2,289-2,680sqft and comprising single-floor brick construction with roller shutter access.

Vulcan Way (9.2ha)

- 6.17 Vulcan Way is an isolated employment area containing predominantly B1c and B2 uses, as well as a small contingent of B8 warehouse/distribution and B1a office space. There are a number of vehicle repair workshops and car dealers including We Buy Any Car and smaller independent traders. Similarly, there are several independent building material suppliers, manufacturers and business centres with flexible studio/office/workshop space.
- 6.18 Road access is via low density residential areas and it is a short walk to the New Addington tram stop and local parade of shops and amenities. Public realm is generally considered to be in poor condition with limited parking and poor signage and landscaping.
- 6.19 There are high proportions of low quality and dated stock on Vulcan Way, ranging from 1950s to 1980s build. Since the 2013 ELR there has been two planning applications granted, firstly, for the demolition of an existing warehouse and erection of a four-storey self-storage building, and secondly, the demolition of an existing warehouse and erection of a new warehouse. **The 1.3ha developable site identified in the 2010 and 2013 ELR's is still in use as a car pound.**

Integrated Industrial Location (Tier 2 Clusters)

Gloucester Road (West) (5.3ha)

- 6.20 The cluster incorporates a mix of B1c, B2 and B8 uses, predominantly focused on general industrial. Occupiers are typically SMEs including several vehicle repair and maintenance workshops and building material suppliers and services. The buildings – of which most are B2 use – are older stock built between the 1920s and 1980s. The low availability rates would suggest the units are fit for purpose.
- 6.21 The industrial elements sit alongside residential, community and retail uses which makes for a fragmented cluster. Road access to the majority of industrial units is poor given the integration of high density residential, associated on street parking which narrows access and finite dedicated parking facilities. The desktop survey identified a small portfolio of adjacent pieces of land for sale totalling 0.47 ha with potential for redevelopment.

Thornton Road (4.7ha)

- 6.22 Thornton Road comprises majority large format warehouses containing a wide mix of uses. Alongside the B8 warehouses and B1c light industrial units, there are a number of retail warehouses (Wren Kitchens, Topps Tiles), a Big Yellow Self-Storage unit, two religious centres

and a business centre providing office and workshop space. Since the 2013 ELR, which found non-B uses comprise over half the cluster's area, a further 53,100sqft was converted from B8 warehouse to D1 church hall. With no new deliveries over this period, there is a decreased stock of B uses.

- 6.23 Most of the industrial units are 1970s/1980s build and are judged as being in good condition with dedicated parking and unloading facilities. Whilst there is little visual amenity or landscaping, the area has good strategic road access due to its proximity to the A23. The 2010 and 2013 ELRs identified a vacant warehouse on the north west corner of the cluster, this has since been converted into a Hindu temple. There is one 11,400sqft unit currently available to let, previously used as a retail warehouse.

Union Road (3.3ha)

- 6.24 The survey identified a small number of B uses including a self-storage unit and vehicle repair workshop, in line with the 2010 and 2013 ELR findings. The majority of uses within Union Road are non-B with a large number of retail and community uses and residential firmly integrated in all parts of the cluster. The industrial elements are older stock with minimal parking, poor signage and no landscaping. The self-storage unit at Union House provides a harsh frontage onto the street.
- 6.25 As identified in previous ELRs, there is limited scope for industrial development and intensification at Union Road due to the fragmentation of sites. The only potential site identified is the small cluster off Windmill Road, opposite the junction of Queen's Road, though given multiple freeholder interests, this may be challenging to bring forward.

Within the Croydon Metropolitan Centre (CMC)

- 6.26 Croydon Metropolitan Centre is identified within the London Plan (2016) as an Opportunity Area (COA) and one of three Strategic Outer London Office Development Centres. This demonstrates the important role central Croydon has to play in London's office supply and future economic growth. The CMC contains the majority of the borough's B1a office floorspace after undergoing significant development between the 1950s and 1980s. From 1959 and over the next decade, 45 office blocks, most of which were skyscrapers, were built. Office blocks including Southern House, Lunar House and No.1 Addiscombe Road are some of the largest developments built over the period and continue to provide office space today.
- 6.27 The typical style of office buildings in the CMC is 1960s brutalist architecture, built in concrete and raised above ground level by concrete stilts. Given the age of the buildings and demand from occupiers for modern office space, landlords undertook large restoration projects, particularly in the early 2000s, meaning there is now a wealth of refurbished Grade B accommodation.

East Croydon and New Town

- 6.28 The East Croydon and New Town area was designated in the Local Plan (2013) as an Office Retention Area. The Council's ambition for the area is to encourage and support new and refurbished office accommodation by improving development and investment opportunities and increasing employment. At the centre of the retention area, and acting as the borough's front door, is East Croydon Station. In 2013 Network Rail and Croydon Council delivered considerable improvements to the station to increase passenger capacity, including a new footbridge and station concourse. The surrounding public realm was also enhanced, connecting commuters and visitors to the town centre and providing an attractive entrance to the CMC.

- 6.29 Improvements to the train station acted as a catalyst for the regeneration of the surrounding area by optimising the development potential of adjacent parcels of brownfield land. To date, 17,810sqm of office space has been delivered through Building One Ruskin Square, marking the only new office development delivered in the CMC since 2013. A further 30,658sqm at Building Two was pre-let in early 2020 and is due for completion in 2023. There is still 78,000sqm of office space granted planning permission at Ruskin Square, however the developers Stanhope-Schroders are seeking pre-lets before committing to build. A further 35,000sqm has been granted planning permission at One Lansdowne.
- 6.30 The majority of existing stock is located in the New Town area, specifically around Lansdowne Road, Bedford Park and Sydenham Road. Large 1960s to 1980s multi-storey office blocks characterise the area, with attractive tree-lined roads and wide paving that help to make it feel like a commercial district. However, a number of the lower grade blocks were converted into residential between 2013 and 2015 including Exchange Court, Canterbury House and Emerald House, albeit this has improved the exterior of previously unattractive office blocks. The higher grade stock was renovated to meet the needs of present day occupiers including Bedford House and Lansdowne Building. **The latter are home to some of Croydon’s largest occupiers including Superdrug, Goldman Sachs and Mott Macdonald.**
- 6.31 As well as good connectivity to Gatwick Airport, central London and the south coast, the East Croydon and New Town area also benefit from complimentary uses and amenities. A £5.25bn regeneration programme is underway at the adjacent Cultural and Educational Quarter, incorporating Fairfield Halls and a new campus for London Southbank University. The future of the Westfield shopping centre could also play a key role in attracting major occupiers to Croydon. In summary, East Croydon and New Town have considerable potential to accommodate new office development in the CMC, through both refurbishing the existing stock and delivering new-build schemes.

Mid Croydon

- 6.32 There is also a smaller contingent of office accommodation in the Mid Croydon masterplan area **including Croydon Council’s Bernard Weatherill House, Davis House and Saffron House.** Since the 2013 ELR, when it was identified there was a large proportion of vacant office stock available in the area, a significant redevelopment of employment use class has commenced in Mid Croydon. The demolitions of low grade office blocks including Taberner House and Ellis House, Segas House West, Katherine House and St Georges Walk and the conversion of St Georges House and Park House East for residential, has squeezed the previously high proportion of vacant stock in the area. However, the redevelopment is residential-led and there is no new office accommodation proposed. Due to the scale of the project, there is limited potential for the re-introduction of office stock in Mid Croydon.

Old Town

- 6.33 The Old Town masterplan area has a grouping of tall modernist and contemporary office **buildings around Overton’s Yard, including** the largest building in the masterplan area, Ryland House, which is occupied by BT. However, the majority of office accommodation is located on the High Street in suites above ground floor retail units. The offices are fragmented by urban and suburban terraced housing which reduces future development potential. Since the 2013 ELR, the Old Town masterplan area has lost a number of office blocks to residential conversions including Green Dragon House, Canius House and Surrey House. **While these conversions gave the exterior and public realm a face lift, it severely depleted the Old Town’s office inventory and scope for**

development. The Whitgift Centre sits adjacent to the masterplan area, and whilst URW's proposals for the site are yet to be announced, there is the potential to use the redevelopment to introduce office accommodation.

Conclusions & Policy Recommendations



7. Conclusions

- 7.1 This report provides Croydon Council with a focused update of evidence on future demand for employment land in the borough. It combines analysis of the current and past performance of the commercial property market with need scenarios to draw conclusions about future demand and the implications for employment land policies in **Croydon's emerging Local Plan**.

Policy Context

- 7.2 **Croydon's Local Plan Review and the preparation of any revised employment policies reflects** some significant changes in the policy context both locally and at London level. The report highlights in particular:

- Pressing need to update the employment land evidence: Current Local Plan policies on employment land were informed by an ELR Update produced in 2013, which in turn **relied on evidence generated in 2010 and 2011 on the borough's employment growth** potential and commercial property market. This would fail to meet the requirements set out in the NPPF and PPG for Local Plans to be prepared using up-to-date evidence. Significant changes in the UK, London and Croydon economy have taken place since 2013, together with close to a decade in the commercial property development and losses in the area, and an update is both timely and essential.
- Croydon's Local Plan Review process: Potential revisions to employment land policies are one component of a much more substantial process of reviewing and revising **Croydon's Local Plan**. **Looking ahead to the adoption of the Plan scheduled for 2022**, employment land policies will need to be underpinned by robust evidence on the requirements it identifies, and the measures it **sets out to support Croydon's economy**.
- Changes in London Plan – The Draft New London Plan on adoption will set the overarching strategic policy framework for Local Plans in the capital, and on their respective employment land provisions. Of the changes that are emerging on London employment land policies, the most significant is Secretary of **State's recent direction** in response to the Draft London Plan to effectively remove the no net loss of industrial land which applies in current Plan policies. This has significant implications for the future provision of industrial employment floorspace and land in Croydon and other boroughs, at a time when commercial pressure to convert such land and property to residential uses is very high. This requires a **clear understanding of the borough's future need for industrial land**, and its implications for the removal of the no-net loss provision.
- Changes in the NPPF and PPG: The NPPF has been updated since its original publication in 2012, and several updates to related Planning Practice Guidance have been published since 2014. The latter post-dated the 2013 URS Employment Land Review Update, and local planning authorities are required to demonstrate that their assessment of economic development needs (including employment land) is consistent with both the NPPF and the PPG. Of particular note in the NPPF is an emphasis on positive plan making and support for sustainable economic growth.

- 7.3 Whilst this update study has compared its findings to those of the 2013 ELR Update, the significant amount of time that has elapsed since its publication, and the changes in the policy **context described above, set different parameters for how Croydon's employment land needs** should be assessed and what policies are expected to achieve.

Economic and Property Market Trends

7.4 The study provides a headline update of key economic data for the borough which are relevant to the setting of employment land policies. Alongside this, Cushman & Wakefield have carried out a comprehensive review of commercial property market demand evidence for the borough and the wider South London Fringe Property Market Area. The key points that emerge from this evidence review are:

- Croydon's employment growth rate has been strong in recent years, growing by 10% between 2013 and 2018 to a total of 124,000 jobs. This has been much better than past employment trends in which Croydon lost jobs between 1997 to 2010.
- The most significant employment growth sectors in the last five years are public services (+6,800 jobs), professional (2,900 jobs) and information and communication (1,370), all requiring B1a office floorspace. Public service jobs account for a third of jobs in the borough, with other prominent sectors including professional services, wholesale and retail. The strongest growth (as a proportion of overall employment) has been in the information and communications sector, with growth of 30% over the last five years.
- Croydon's businesses are of a similar size to the London average, with the majority of businesses (89%) employing fewer than 10 people. Less than 1% of businesses employ more than 250 people in Croydon, with many of the largest businesses being in public services.
- There is nearly 8 million sqft of office space in Croydon. The total amount of net office space has decreased since 2013, amounting to an average loss of 21,387sqm per year. A key driver of the net loss of office floorspace has been permitted development rights, with 363,844sqm of B1 floorspace being lost since 2013. Evidence suggests that whilst there is less office floorspace available, the quality of space overall has improved as a result of permitted developments removing low quality office stock and new high quality floorspace coming on to the market.
- There has also been a net loss of light industrial, industrial and warehousing floorspace over the last five years, although not to the same degree as office space. There has been an average loss of 6,930sqm per year over the last five years, much of which was B1c and B2 floorspace.
- Some of the initial economic indicators for the COVID-19 crisis show that there has been a significant impact on the local economy. Around 44,600 employees in Croydon have been placed on the Government's Job Retention Scheme, and 1,000 more residents are now claiming job seekers allowance. The full impact of COVID-19 will not be felt until later in 2020, with a number of businesses already struggling in the current economic climate.

7.5 **Analysis of demand signals in Croydon's commercial property market and that of the wider area** highlights several trends and issues which are critically important in setting the direction of future employment land policies.

- **Lack of new office development activity:** The borough has seen very little office development over a long period, particularly in the form of larger and higher quality stock. Croydon has long-standing and widely recognised challenges in terms of both the loss of office space to PDR, a surfeit of older, poor quality, lower grade stock, and an urban environment which has not proved attractive to office developers with a few exceptions. Supply of all grades of office space is currently at an all-time low, down from its peak in 2012.

- Little market activity for higher quality and larger offices: The borough finds itself in a situation in which leasing activity for higher quality, larger and higher value stock is very limited, with most deals at sub-10,000 sq ft. Anecdotal evidence suggests the borough has lacked the supply necessary to meet demand for higher grade and bigger stock, and this is part of the rationale for safeguarding and bringing forward sites in the metropolitan centre. However, it is also apparent also that the borough has not established a strong reputation as an attractive location for modern office occupiers. Approximately 150,000 sq m of office accommodation with planning permission in the Croydon Opportunity Area has not yet been built out, principally across Ruskin Square and One Landsdowne. This is significantly higher than the amount actually allocated in the OAPF (2013) of 95,000 sq m, implying it could be the result of the market not moving to develop space rather than a lack of consented space.
- Recent rises in occupancy and falling vacancy rates: whilst Croydon still has relatively high levels of office vacancy, the recent trend has been downward. Occupancy data for the past 3 years points to an increase in occupancy through to 2019, although the impact of Covid-19 is likely to affect this. The borough is now facing an undersupply, with only three significant deliveries of high-quality stock over the last decade which includes the **Council's headquarters**. With 3m sq m of employment space lost to residential uses across the Croydon Opportunity Area, there has been a significant reduction in the supply of space.
- Recent demand for affordable office space: recent take-up of office space has been mixed, and 2019/20 was the weakest performing year for office take-up. There has been growing demand for Grade B office suits, reflecting new demand from SMEs and local businesses looking for more basic and affordable space in central locations. There are advantages in offering affordable office accommodation given high **prices in London's** larger and established markets, with Covid-19 having the potential to see companies seeking lower priced accommodation as they reassess their needs and recessionary conditions take hold. The implication is that the Article 4 direction to maintain the supply of office space should continue so that Grade B and other lower grade stock continues to be available for SMEs and start-up businesses. However, this safeguards only against conversion to residential uses. The introduction of the new E Use Class may see additional pressure on office space to be converted to other uses within this much wider new use class, an issue considered further below.
- Low industrial space vacancy: only 1.3% of industrial space is currently vacant, well below the GLA guidance frictional vacancy rate of 8% for effective market operation. This is one key marker that there is now a severe shortage of space across the borough. Occupancy levels have risen over the past decade, a further marker of strengthening demand, whilst rising industrial and logistics land values have risen significantly.
- Shortage of industrial supply: There is evidence that a shortage of industrial property supply has become more acute across both the South West Fringe Property Market Area and Croydon. In part, this is the result of the continued loss of industrial and warehousing space to other uses, without premises being replaced. The result has been a slow-down in leasing activity and high occupancy rates.
- Continuing need for affordable industrial workspace: The commercial property market review points to continuing demand for affordable industrial workspace in Croydon. In part, this reflects a business base in which there is high representation of SMEs. Sectors including creative industries and manufacturing in the borough, which are

important in terms of economic development priorities and the supply of good quality jobs, appear to be drivers of this demand. Evidence of rising industrial rents, despite Croydon being relatively more affordable than neighbouring boroughs, also points to the affordability becoming more challenging. The Purley Way area in particular is a key location for these industries, with affordability and the availability of space being established strengths of the area for businesses. This points to the need to continue to safeguard and provide affordable and flexible workspace for these sectors. In this regard, the findings is consistent with one of the conclusions of the 2013 Employment Land Review which found a need to manage and improve the borough's industrial stock to meet the needs of SMEs, start-up enterprises and companies requiring lower cost workspace.

- Strong demand for industrial space from last-mile logistics hubs, expected to continue into the future: **the borough's proximity to Central London means it has** enjoyed strong demand from last-mile logistics hubs, with recent leasing activities including DHL Express, Amazon, Royal Mail and Arnold Laver. The effects of COVID-19 is likely to accelerate this trend as more businesses adopt e-commerce with a need for last-mile centres. **Beyond the logistics and distribution sector, the size of London's economy** and its future growth generate requirements for floorspace and land to support manufacturing and other uses occupying light industrial property (B1c).
- Potential for future changes in supply/demand for space in the future: there is potential for a shift in the sector to incorporate more industrial space (specifically B1c) into urban locations, incorporating them into mixed-use schemes.

- 7.6 The pattern that emerges through the analysis to date of commercial market demand evidence is consistent with a borough which has seen both its office and industrial supply substantially **eroded over a long period, primarily as a result of PDR. Much of Croydon's poorer quality stock has now been subject to PDR but there remains continuing pressure to meet London's** substantial housing need, which will continue to include the conversion of office stock to residential use. **In this regard, the borough's Article 4 direction and a policy position** that seeks to ensure that it can provide both affordable and higher grade office space to support the **borough's future economic growth.**
- 7.7 The introduction of the new E use class has the potential to create a new source of pressure on **Croydon's supply of office premises, but also on other smaller scale industrial premises. This** reflects the apparent flexibility of the broad use class which gives permitted development rights across a very broad use class.
- 7.8 The intent of the new E use class is to support high streets and town centres, reflecting significant and accelerating changes in consumer behaviour affecting the retail sector in particular, and acknowledging that diversification of high streets will be essential to sustaining them.
- 7.9 Since the new Use Class Order entered into force only in September 2020, it will take some time before its impacts begin to emerge. For the town centre office market, it is not clear why larger, multi-storey buildings would be the subject of substantial conversion, but conceivable that the lower floors of such buildings might be adapted for café/restaurant, leisure or community uses. The new E use class appears to permit parts of buildings to be converted, and also to enable buildings to be in different uses at different times of the day.
- 7.10 For light industrial (B1c) and research and development (B1b) uses, the implications of the new E Use Class are more significant for edge of town and out of town centre sites. Uses such as gyms, play centres and indoor leisure activities are already well established across the UK in small

industrial units and it is reasonable to assume that the new E Use Class might encourage more such conversions. Given evidence that Croydon has low vacancy rates and healthy demand for industrial space, the Council will need to consider its strategy for business sectors in the borough that require B1c or B1b space, the provision it needs to make in terms of floorspace and land to support employment growth in those sectors.

- 7.11 It is not clear that the scale of demand to convert light industrial premises to other uses would be substantial. However, given the volume of losses of industrial space Croydon has experienced in recent years, it is an issue that the Council will need to monitor.

Future Need Evidence

- 7.12 The study provides an assessment of future demand for floorspace and land across all of the main B use classes based on three scenarios. The implied land needs are presented in the form of two options using alternative assumptions about plot ratios.
- 7.13 Detailed conclusions on this demand evidence are provided in section 5 of the study, but they key figures and are summarised in Table 7.1 below. Total figures are shown for all land including losses of B2. No land figures are provided in the past-completions scenario since this shows significant reductions in floorspace with the exception of B1b.

| Use Class | Scenario 1 Labour Demand | Scenario 2 Lower Growth | Scenario 3 Past Completions |
|--|--------------------------|-------------------------|-----------------------------|
| B1a | 30,500 | 3,500 | -369,380 |
| B1b | 1,500 | 700 | 140 |
| B1c | 13,500 | 5,500 | -55,640 |
| E Use Class (Relevant Employment Uses) | 45,500 | 9,700 | na |
| B2 | -8,500 | -13,500 | -82,440 |
| B8 | 78,000-85,500 | 37,000-40,900 | -9,900 |
| B1a | 1.5 | 0.2 | na |
| B1b | 0.2 | 0.1 | na |
| B1c | 2.1-3.4 | 0.8-1.4 | na |
| E Use Class (Relevant Employment Uses) | 3.8-7.0 | 1.1-2.0 | |
| B2 | -1.3 to -2.1 | -2.1 to -3.4 | na |
| B8 | 12-21.4 | 5.7-10.2 | na |

- 7.14 The key points that emerge from the assessment are:

- A positive economic forecast: Scenario 1 provides what in the context of current economic conditions, the recent performance of Croydon, and forecast employment growth in London, provides a positive view of employment growth in the borough. Forecast employment growth 2018-39 is around 14,500 jobs, a growth rate of 0.63% which is on par with recent trends across several sectors, and in line with the most recent forecast for the London economy. The long-term picture is also optimistic when it is considered in light of the current Covid-19 triggered recession and continuing uncertain about the trading terms the UK will secure from the European Union.

- Scenario 2 (lower growth) which assumes jobs growth of only 5,250 over 21 years should be seen as a downside scenario. The annual growth rate (0.23%) is consistent with the most recent GLA forecast for Croydon, and the scenario demonstrates the implications for the borough if growth is significantly lower than that of the forecast. It is reasonable to consider a lower growth rate in light of current uncertainty about the prospects for the UK economy to recover from the Covid-19 crisis and the risk that the recession is deeper and longer-lasting than anticipated and has long-term adverse impacts.
- The initial conclusion is that any higher growth scenario beyond that outlined in scenario 1 is not justified. Whilst the forecast growth rate in scenario 1 is a little lower than recent rates achieved in Croydon, growth during the last few years partly reflects the expansion of public administration employment in the borough and there are grounds to conclude that this will not be sustained. Recent increases in private sector office-based jobs are reflected in a scenario 1 forecast that sees these sectors growing.
- Homeworking assumptions have an important bearing on the employment growth figures that generate floorspace needs. The study applies national figures for individual business sectors to Croydon, and some caution is needed about interpreting the results because it is outside the scope of the study (and no local data is available) to show whether these rates align with homeworking trends in Croydon. However, it is clear that homeworking is increasing, particularly in office sectors, and that the Covid-19 crisis may accelerate the shift in some sectors.

7.15 The need figures that emerge from the assessment should also be considered in the context of previous evidence, including the London Plan, the URS 2013 ELR Update:

- On B1a office need, the need implied by scenario 1 lies within the range of scenarios generated in the 2013 ELR Update. However, the figure taken forward into the Local Plan was the highest of the scenarios at 90,000 sq m plus 7,000 sq m earmarked for district centres. As such, figures of c. 31-33,000 sq m are significantly lower than the current Local Plan requirement.
- Our review of the 2013 ELR Update suggests that the 90,000 sq m need was based on the application of a simple growth rate for office sectors drawn from a forecast for the South West Fringe Property Market Area. This was a much higher rate than that assumed for Croydon. It was outside the scope of this study to produce forecasts for the SWPMA, but we do not consider the approach that yielded this figure was one that should be replicated given the substantially different characteristics of borough office markets in this area, several of which lie within an area of London are well-established locations for corporate office occupiers and which saw very substantial growth during the last 20 years.
- The latest London Plan Office Policy Review (2017) suggested that office employment and floorspace needs would fall in Croydon between 2016-41. Whilst some caution is needed because of the variability of forecasts over time, this study does not support that **conclusion. It is inconsistent with the borough's aspirations for employment creation**, would not represent a positive approach to plan making, and would not recognise the potential for Croydon to capture more of the office employment and new investment elsewhere in London.
- For industrial demand, the 2013 URS ELR Update did not distinguish B1c/B2 and B8 needs in its conclusions. The net result was a projection of significant future reductions in the need for floorspace and land. Whilst the borough has sustained losses in industrial

floorspace and land, recent evidence which suggests a tightening supply-demand balance, and the need to respond to growing demand for logistics and distribution space across the capital, suggests that the borough should adopt a positive approach to meeting demand for B8 warehousing.

- The issues for what are broadly defined as the manufacturing sector in B1c and B2 uses are more complex. Forecasts typically suggest further contraction in manufacturing employment, translating into losses of B2 space. Whilst scenario 1 points to some growth in demand for B1c, the implied future need is small. In sectors in which technology is a driver of demand for modern, high quality premises, scenarios which assume that the borough should plan for further losses need careful consideration. Furthermore, these are sectors associated with higher value, good quality jobs, and which are essential to **London's economy**.

- 7.16 The quantity of future floorspace and land to plan for will ultimately be a decision for Croydon Council to make as it revises Local Plan employment policies, taking account of the borough's current employment land supply and potential future allocations. Given the need to demonstrate a positive approach to plan-making, scenario 1, with the application of assumptions about homeworking, best aligns with this requirement.
- 7.17 The need for office space in scenario 1 (30,500 – 33,000 sq m) is at the low end of the scenarios presented in the 2013 ELR Update (29,440-91,840 sq m), and is much lower than the figure eventually adopted in the Local Plan (90,000 sq m CMC plus 7,000 sq m in the district centres). However, the latter was based in part on the distribution of potential needs across the South West Fringe Property Market Area, an area which included major London office locations, and this appears to have been reflected in the forecasts for substantial employment growth. Since Croydon was assumed to have a share of this substantial employment growth, the risk is that it may have overstated the likely level of office-based jobs growth that would occur in the borough. Evidence of extant but not yet developed planning consents for major office schemes in the borough is consistent with this point.
- 7.18 For B1b space, the implied need in scenario 1 is very modest. However, this is a category of employment space which is often simply included with B1a, and can be difficult to define. In practice, some modern R&D activity is also likely to occur in office premises (ie B1a). The issue for the Council here is whether supporting potential initiatives linked to South Bank University and promoting higher value R&D activities with requirements including lab space in the borough requires additional provision not reflected in scenario 1. The quantity of such floorspace may not be significant, with the study pointing (for example) to requirements for around 1,500 sq m of floorspace associated with the initiatives described above.
- 7.19 In the light industrial (B1c) and B2 categories, the evidence points to additional need for B1c space but an assumption that the borough could continue to see reduced need for B2 floorspace and land. In scenario 1, potential additional need for B1c more than offsets the implied reduction in the need for B2.
- 7.20 **This is a key issue for the Council. It is directly relevant to the proposed removal of the 'no net loss' provision in the London Plan, to the four tier designation of industrial land and locations in the current Plan, and to the provision of sites and premises for part of the borough's business base.**
- 7.21 The evidence does not suggest that Croydon is a major location for manufacturing industry. However, a review of the business base and consideration of employment sites in the borough suggests that smaller industrial premises in particular are seeing both strong demand and are

important in supporting jobs in Croydon in a wide range of sectors. This includes, for example, traditional small scale engineering activity, arts and other creative activities (with a concentration in industrial space in the Purley Way area), suppliers of construction materials and services, and trade counters amongst others.

- 7.22 On balance, the study suggests that the borough should look to retain good quality industrial premises and sites if it is to continue to support a wide range of businesses and jobs, and contribute to future growth. For the borough, it also implies continued application of a no net loss approach in Croydon to safeguard such sites and premises, and to intensification of uses on existing sites where new land and development is not an option.
- 7.23 Future need for B8 warehousing space is the most challenging issue for Croydon Council. The forecast need in scenario 1 (78,000-85,500 sq m) is substantial, driven by future employment growth in the freight transport and wholesale sectors. The 78,000 figure should be regarded as the minimum implied by scenario 1 should the Council adopt that scenario as its future need figure. This is likely to reflect **Croydon’s existing strengths in the area, with a small number of major distribution facilities having opened over the past decade, and the contribution that Outer London borough’s make to the storage and movement of goods for Greater London.**
- 7.24 With a floorspace need at this level, the implied land need is also substantial at 12-21.4 hectares. In a borough with constraints on the availability of large, good quality sites, the presence of green belt and challenges in terms of intensification, the issue is whether and how the borough might plan to meet such need. These are typically uses which require significant movements of vehicles, including goods vehicles, with attendant need for good quality road infrastructure and proximity to the strategic road network. They are not straightforward to accommodate either in established (and in some cases dense) industrial areas, nor in residential or town centre locations. Putting the B8 figures into context, emerging development capacity evidence for the Purley Way masterplan indicates a total capacity of just under 47,000 sq m across the four local centres.

Implications for Local Plan Policies

- 7.25 Further high-level analysis of the borough’s supply, together with additional sensitivity testing and refinement of the demand analysis, and consultations, are necessary to provide input on the policy implications. The implications of this initial demand evidence for Croydon’s employment land policies are as follows:

Redevelopment and Intensification

- 7.26 The redevelopment and intensification of existing sites and premises is an established part of **employment land policies in both the London Plan and Croydon’s Local Plan. The study’s findings on the borough’s future growth needs imply that such approaches should continue to be key mechanisms in future policies.** Approaches to facilitating the redevelopment and intensification of industrial sites should be considered as broader initiatives to pursue to complement planning policy, and could include:
- Carrying out more detailed work on case study locations to assess potential design solutions to intensification and associated viability together with the benefits of this in terms of floorspace delivered and jobs;
 - Partnership working between the Council and private sector landowners to facilitate delivery of new intensification models. This could include facilitating collaboration and joint ventures between landowners, developers and workspace providers;

- Use of wider funding (eg. Business Rates income) to enable Council led redevelopment of Council owned sites, on the premise of generating future commercial and financial income generation;
- Business and/or landowner groups could be encouraged to act as point of contact and orchestrate coordination between businesses intensification requires and organise the ongoing management of security and public space and enhancements to the public realm;
- Secure funding for enhanced infrastructure and transport accessibility which will raise property values and make redevelopment more attractive.

Future CMC Focus for Office Development

- 7.27 Croydon Metropolitan Centre is well-established as the policy focus for office development in Croydon. The current Croydon Local Plan (Policy SP13.3) assumes that the overwhelming majority (93%) of the 97,000 sq m of future office space the borough should plan is earmarked for the CMC, with 7,000 sq m for the district centres.
- 7.28 It has not been possible to establish how this distribution in the Local Plan was determined. The CMC focus is clearly consistent with policy objectives to concentrate major office development in and around Croydon Town Centre and in the best connected locations in the borough by **public transport. It is also the area in which most of Croydon’s larger scale office-based activity** has been located historically.
- 7.29 These are characteristics which remain relevant, and they point towards maintaining a CMC focused policy approach to planning future provision for office based jobs. The contribution that substantial numbers of office-based workers make to the strength of town centre retail, leisure and service provision is widely recognised. Trends in large scale office development and take-up over the last decade have seen preferences for rail linked locations in urban areas with good access to such facilities (as opposed to emphasis on out-of-town business park or campus models during the previous decade. In essence, accommodating new office employment in the CMC continues to have a rationale rooted in regeneration and sustainability.
- 7.30 The implication of the demand evidence in this study is that future need for office floorspace (30,500 sq m) is substantially lower than the very high growth scenario taken forward in the Local Plan. In this respect, planning for the majority of growth to be focused in the CMC does not represent the stretching figure implied by the current Local Plan, although it still represents a potentially significant requirement for office space.
- 7.31 The question of whether the 93% CMC figure remains appropriate is difficult to address without the underpinning evidence to test to understand what has changed. The study has drawn on Office for National Statistics BRES data covering all sectors in the borough, and applied the use class allocations set out in Appendix A, to assess the proportion of office-based jobs in the CMC, district centres and rest of the borough in 2018. This gives the following outcome:
- Croydon Metropolitan Area (proxy for the CMC): 73%
 - District Centres: 13%
 - Rest of the borough: 14%.
- 7.32 Applied to a future need for 30,500 sq m of office space, this approach would imply 22,500 sq m for the CMC area, 3,850 sq m for the district centres and 4,270 sq m across the rest of the borough.

- 7.33 Decisions about the strategy to be taken forward by the Council through its Local Plan Review, and whether there are to be changes in the extent of the focus on the CMC, is occurring at a time of considerable uncertainty about the lasting impacts of the Covid-19 crisis on the future of office-base employment.
- The sector has seen a large scale shift to homeworking during 2020 in lockdown conditions.
 - Whilst return to offices has started, this has so far been limited amidst localised lockdowns, concern about public transport commuting, caution on the part of employers and the risk of a second wave of infections.
 - Safety restrictions implemented in offices are likely to see offices occupied by fewer workers on a daily basis.
 - A recession whose severity and impact will only become apparent over the course of autumn and winter 2020 is likely to see some significant reductions in office-based employment (along with many other sectors). How far these impacts become permanent, and the scale and timing of recovery, are not yet clear.
 - The market demand analysis for this study points to anecdotal evidence of employers considering touchdown locations outside city centres to provide an office environment for workforces currently homeworking, the rationalisation or relocation of office operations to lower cost suburban areas or other cities and towns, and relocation to offices that better enable them to respond to social distancing measures (ie more space).

- 7.34 **In summary, whilst Croydon’s location and the relative affordability of its office market present opportunities to increase office-based employment, what this implies about both the quantity of future office space to plan for and whether provision at 30,500 sq m is the appropriate figure is difficult to determine before the implications of Covid-19’s impacts on the market are clearly understood.**

Office Retention Policy

- 7.35 In general the area around East Croydon Station is likely to continue to be the most attractive area in the Borough for many businesses seeking office accommodation. In particular, this area is likely to continue to be the main focus for Grade A offices in the Borough whilst it could also cater for businesses needing more affordable, lower quality office space. This attractiveness is due to characteristics of the area that include:
- A high level of public transport accessibility;
 - Close proximity to the complementary uses and amenities of the rest of the town centre;
 - An improving quality of public realm;
 - Momentum being generated through the Ruskin Square scheme
- 7.36 Given these characteristics of the area and the forecast growth in requirements for businesses needing office space in Croydon, it is considered that an office retention policy around East Croydon Station will continue to be required. Boundaries of the designated area, however, should be reviewed to reflect changes where office space has been lost to other uses (such as parts of Cherry Orchard Road).
- 7.37 The area around East Croydon Station (specifically the Office Retention Area) should also continue to be the focus for new office developments in the town centre, due to the advantages

of the location set out above. Ruskin Square has the most substantial availability of development land with planning permission already granted.

- 7.38 In terms of the likely effectiveness of a future office retention policy, the risk is that this is significantly weakened by the changes to the Use Classes Order in September 2020 which make conversion of office space to other uses much easier than in the past. Our understanding is that Article 4 direction cannot be applied in these instances, because switches of use within the E Use Class would not be considered to be development.
- 7.39 However, there may be potential for the Council to apply restrictions on flexibility for new permissions. For planning applications for new office space within an area designated for office protection, there could be the opportunity for the Council to condition any planning consent to restrict uses to office space within Use Class E. The same could apply to applications for new light industrial space in designated industrial areas.

Stimulating New Office Development in Croydon

- 7.40 The Council and its partners have several potential mechanisms that could be used to stimulate office development in Croydon town centre. These are broader measures the Council could consider to support its planning policies, and could include:
- Securing certainty over the future of Westfield – this will give clarity to the market on the future direction of Croydon town centre and assist in increasing confidence and interest amongst businesses seeking to locate in the area and take office space;
 - Capitalise on the arrival of London South Bank University, for example working with the University to assess the business space requirements of future spin-out companies;
 - Continuing to enhance the quality of environment, public realm and open space across the town centre as a whole to make Croydon an ever more attractive location for businesses and to differentiate it from competitor locations. There is potentially a significant prize to be gained by locations that enhance these features during the period of recovery from Covid-19 to demonstrate that public health concerns are being addressed – an example is the provision of new open spaces as part of new development;
 - Marketing the town as a location for satellite offices in a post-COVID world including the encouragement of co-working facilities. This could also include marketing and lobbying to central Government for Croydon as a relocation choice for civil service departments, building upon the arrival of the Home Office;
 - Continuing to enhance the leisure and cultural offer of the town centre to creating a place where more people would want to work and companies wish to locate;
 - Delivering enhancements to accessibility and public transport, for example delivering the proposed East Croydon Station expansion (plans released May 2020).

Designation of Industrial Locations

- 7.41 There are several grounds to justify retaining the four tier designation of industrial locations **specified in Croydon’s current Local Plan (Policy SP.3, Table 5.1):**
- **The review of current employment evidence and the borough’s business base points to a broad mix of sectors across the borough occupying industrial space ranging from very small scale and affordable light industrial and storage space to a small number of businesses operating out of large scale, modern and higher value industrial premises.**

- Further review of the distribution of current B1b, B1c, B2 and B8 shows that the picture of employment in these sectors is much less concentrated than is the case for office space. For example, whilst 46% of B1c/B2 employment is estimated to be in Croydon, a further 24% is estimated to be located in district centres (10% in Purley) and 30% elsewhere in the borough. B8 employment, 19% of employment is located in Purley, 21% in Croydon and 44% in the rest of the borough.
- The forecast evidence points to growth in business sectors which are likely to generate continued demand for a wide range of property types and locations. The potential need for larger scale logistics and distribution facilities has been described above, but a **continued supply of premises and sites to meet the needs of Croydon's substantial SME base should be an integral part of the Council's policy approach to supporting its economy.**
- Evidence generated from surveys and consultations for the Purley Way Masterplan points to the vital role the area plays in accommodating micro and small businesses within a range industrial premises.

7.42 This study has focused on existing Tier 2 sites only rather than any additional ones that the Council may wish to designate. In terms of the boundaries for Tier 2 locations, whilst this study has only carried out a high level, desktop assessment of supply, the following are highlighted:

- Gloucester Road (west) – given the apparent low level of vacancies on the site we would assume the units are fit for purpose. The units are typically small (c.2,000sqft), lower quality and have cheaper rents, suggesting they are suited to SMEs and affordable workspace users. Given demand is expected to grow for this type of space, we propose that the boundary of the area should be maintained.
- Thornton Road – since the 2013 ELR two industrial units (one being 53,100sqft) have been converted into religious centres/church halls. These sit adjacent to one another on the west corner of the cluster and could potentially be taken out of the Tier 2 boundary. Similarly, on the eastern corner of the cluster, Wren Kitchens moved into a previously vacant industrial warehouse and converted to A1 use class. It was also raised in the Councils Tier 2 Policy Review (2015) that the increasing amount of non-B classes located in Thornton Road may suggest it is less suitable for industrial and warehousing uses.
- Union Road – there are a small number of B uses including in this area including a self-storage unit and vehicle repair workshop (all appear to be let), in line with the 2010 and 2013 ELR findings. The majority of uses within Union Road are non-B with a large number of retail and community uses and residential included in many parts of the area. The industrial elements are older stock with minimal parking, poor signage and no landscaping. Whilst the quality of the area is relatively poor, from the desktop survey units appear to be let. It may be prudent to consider refining the boundary of the area to exclude non B1b, B1c, B2 and B8 uses such as the residential uses along Willis Road as an example.

7.43 The study has been carried out during a period when the UK is experiencing an economic shock of an unprecedented type and magnitude. In these circumstances, economic forecasts are subject to greater uncertainty than is normally the case when they are used in the context of the planning of future employment land policies. However, given this is a long term study and the current issues are shorter term, our recommendation is that, as the Council moves forward towards the testing of its Local Plan, economic evidence and the market demand analysis is revisited and, if necessary, revised during 2021. It is likely that much more data on the extent of

the Covid-19 recession, the terms of the UK's future trade relationship with the EU and how changes in working patterns might affect key parts of the commercial property market will become available over the next 6-9 months. This is information that should be taken into account in determining the quantity and type of employment premises and land that Croydon Council should plan for.

Appendix A - Employment to B Use Class Conversion

- A.1 Assumptions about allocating jobs to an individual use class are a key part of assessing how future jobs growth might translate into a need for different types of employment floorspace.
- A.2 There is no standard and comprehensive source of data that connects jobs located in an area to the premises in which those jobs are based by use class. A process of obtaining and then matching individual business data for enterprises operating in the borough to detailed data about individual business premises was outside the scope of the brief for this study, and would also require substantial primary research where matching was not possible.
- A.3 The method typically used to determine jobs-to-use class allocations is based on a combination of evidence about the locations and sites in which different business sectors are based in an area, with professional judgement about the appropriate assumptions to make. Some employment land need studies make very broad assumptions about allocations to use classes, for example treating all manufacturing as B1c/B2 or all professional services as B1a office-based. In other studies, and in this report, the potential for different sectors to operate in premises in several different use classes is assumed (for example, manufacturing sectors where there is some evidence of storage space requirements).
- A.4 The approach taken in this study was first to consider assumptions that Hatch has applied in other employment land reviews as a starting point. This was then combined with two additional sources of information to arrive at a judgement about the assumed distribution of floorspace:
- Reviewing current employment from the ONS Business Register and Employment Survey to understand the broad mix of employment in Croydon by detailed sub-sector (up to 5 digit SIC codes). This shows, for example, that in the administrative and support services sector currently in Croydon the substantial majority of jobs (c. 80%) are in services including employment agencies, security, cleaning and other services involving a workforce travelling to deliver a service elsewhere. In the case of employment agencies, it is very likely that only a small proportion of jobs registered to a Croydon pay point would actually be physically based in the borough.
 - Reviewing Companies House data by 5 digit Standard Industrial Classification to explore the types and locations of businesses with registered addresses and operating from Croydon. There are several thousand businesses in the borough, and the data simply provided a means to sense check a small number of individual sub-sectors, particularly those where there appear to be a limited number of businesses accounting for the majority of employment.
- 7.44 The focus of the assessment in this study is on B use classes (B1a, B1b, B1c, B2, B8), and the allocations shown in the table below reflect this. Commentary is provided on the justification for the assumptions applied to each sector.

Table A.1 Employment to B Use Class Assumptions

| Sector Categories | B1a | B1b | B1c | B2 | B8 | Other | Comment |
|--------------------------------------|------|-----|-----|------|----|-------|--|
| Accommodation & Food Services | 0% | 0% | 0% | 0% | 0% | 100% | Assumed to be based in A class uses (now part of the new E use class). |
| Administrative & Supportive Services | 20% | 0% | 5% | 5% | 0% | 70% | The most difficult sector to allocate to use classes. The key issues are how many of the jobs and people working in those jobs are based <u>in the borough</u> , and the nature of business activities such as security services which might involve a central office operation, but where the majority of employed staff are mobile or based in buildings within and outside the borough. Cautious base assumptions about office and other requirements are therefore applied given the number of jobs in employment agencies, cleaning and security where recorded employment appears unlikely to correspond to office space. To reflect this, the study has sensitivity tested a much higher B1a assumption of 60% B1a. |
| Chemicals | 0% | 0% | 0% | 100% | 0% | 0% | Very low number of jobs and no growth in forecast. Assume small requirement for storage space. |
| Civil Engineering | 5% | 0% | 0% | 0% | 0% | 95% | Assumes some requirement for office space for central functions but nature of sector such that it is typically assumed not to require other forms of B use class floorspace |
| Computer & Electronic Products | 0% | 0% | 0% | 100% | 0% | 0% | Manufacturing sector assumed to operate in B2 facilities. |
| Computing & Information Services | 100% | 0% | 0% | 0% | 0% | 0% | Sector typically occupies office space and no clear evidence to suggest other types of space requirements. |

| | | | | | | | |
|--------------------------------|-----|----|-----|-----|-----|------|--|
| Construction of Buildings | 2% | 0% | 0% | 0% | 0% | 98% | Small allowance for B1a space to reflect office functions of construction companies. Majority of sector assumed to be non-B class in line with typical treatment of sector in employment land studies. Also need to recognise that construction jobs registered to Croydon companies could be carried out in many different locations. |
| Education | 0% | 0% | 0% | 0% | 0% | 100% | General approach is to treat as non-B use class requirements. |
| Extraction & Mining | 0% | 0% | 0% | 0% | 0% | 100% | General approach is to treat as non-B use class requirements. |
| Finance | 90% | 0% | 0% | 0% | 0% | 10% | Typically considered to be B1a based, but small allowance made for high street finance and insurance provision. |
| Food, Drink & Tobacco | 0% | 0% | 0% | 90% | 10% | 0% | Predominantly manufacturing sector with small allowance made in assumptions for storage requirements. No forecast growth in sector so no impact on figures. |
| Fuel Refining | 0% | 0% | 0% | 0% | 0% | 100% | Non-B use class sector. |
| Health | 0% | 0% | 0% | 0% | 0% | 100% | General approach is to assume non-B use class (employment in hospitals, GPs, other health care facilities) |
| Land Transport, Storage & Post | 0% | 0% | 0% | 0% | 50% | 50% | Review of current sector in Croydon borough shows c. 50% of employment in passenger transport (eg. rail, rail stations, buses) and sub-sectors including taxis and other private passenger carriers. 50% assumed to be freight and distribution sector. |
| Machinery & Equipment | 0% | 0% | 0% | 90% | 10% | 0% | Manufacturing sector with small allowance made for storage (B8). No growth forecast for sector so additional need figure unaffected. |
| Media Activities | 90% | 0% | 10% | 0% | 0% | 10% | Generally assumed to be an office-based sector but publishing, film & television may require industrial |

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| | | | | | | | premises. Small allowance therefore made for B1c uses. |
| Metal Products | 0% | 0% | 5% | 85% | 10% | 0% | Manufacturing sector with small allowance made for storage (B8). Sector forecast to see small loss of employment so no impact on any additional need. |
| Non-Metallic Products | 0% | 0% | 5% | 85% | 10% | 0% | Predominantly manufacturing and assumption that majority B2 but review of business base in borough points to light industrial premises, and small allowance made in figures. No additional need generated by employment forecast. |
| Other Manufacturing | 0% | 0% | 5% | 85% | 10% | 0% | As for non-metallic products. |
| Other Private Services | 0% | 0% | 10% | 0% | 0% | 90% | Review of employment and businesses in borough suggests predominantly personal services, religious organisations, membership organisations. Small allowance for B1c to reflect employment in repair businesses but no clear evidence to point to B1a office or other B class uses. |
| Pharmaceuticals | 0% | 0% | 0% | 90% | 10% | 0% | Manufacturing sector with small allowance made to reflect sector storage requirements. No forecast growth in sector so no impact on additional floorspace need. |
| Printing and Recorded Media | 0% | 0% | 5% | 95% | 0% | 0% | Review of borough's business base indicates predominantly printing and binding operations. Assumed to be B2 with small B1c allowance but likely to be either B1c or B2. No employment growth in sector so no effect on additional need. |
| Professional Services | 95% | 3% | 1% | 0% | 0% | 2% | Diverse sector with review of current business base suggesting substantial majority office-based sub-sectors including wide range of consultancy activity, head offices, advertising and marketing agencies, legal and accounting businesses. Small allocations to B1b to reflect R&D activity, and negligible allowance |

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| | | | | | | | for B1c reflecting small amount of employment in sub-sectors likely to occupy industrial premises. |
| Public Administration & Defence | 90% | 0% | 0% | 0% | 0% | 10% | Predominantly general public administration and government functions assumed to occupy office space. Small proportion of employment in non B uses (eg. fire service, police). |
| Real Estate | 45% | 0% | 0% | 0% | 0% | 55% | Review of business base suggests employment in a mix of office-based operations, high street type businesses and also likely to have self-employed/home-based component. Cautious approach to allocation to B1a with assumption that small majority in non-B uses. |
| Recreation | 0% | 0% | 5% | 0% | 0% | 95% | Predominantly employment in sports clubs and facilities, gambling and betting. Small allowance for B1c to reflect arts, cultural and creative sub-sectors, assumed to include for example uses such as rehearsal, set construction, workshop and storage space. |
| Residential Care & Social Work | 0% | 0% | 0% | 0% | 0% | 100% | Generally assumed to be non-B use class sector, although potential for some activity to be office based (ie administrative functions) as part of care facilities or centralized operations. |
| Retail | 0% | 0% | 0% | 0% | 0% | 100% | Non-B use class sector. |
| Specialised Construction | 5% | 0% | 20% | 0% | 0% | 75% | The sector is often treated in the same way as the general construction sector (ie little or no B use class requirement). However, review of employment and businesses in the district suggest small proportion of activity is office-based, and substantial number of jobs in electrical installation, plumbing, joinery and other specialist building trades. Small allowance therefore made for likelihood that businesses will require light industrial space (storage, preparation of materials and equipment etc). |

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|---------------------|-----|----|----|-----|-----|-----|--|
| Telecoms | 90% | 0% | 0% | 0% | 0% | 10% | Sector is generally assigned to office space (B1a). Likelihood that some employment in non-B uses or possibly light industrial. No impact on additional need for floorspace with no growth forecast in sector. |
| Transport Equipment | 0% | 0% | 0% | 90% | 10% | 0% | Manufacturing sector with small allowance for storage space. No growth forecast in sector so no additional need generated. |
| Utilities | 0% | 0% | 0% | 40% | 0% | 60% | Uses generally associated with larger industrial premises, and c. 40% in waste handling and disposal premises. This figure is assumed to be the B2 allocation. |
| Wholesale | 0% | 0% | 5% | 0% | 70% | 15% | Review of business base and employment suggests some activity in light industrial premises, although percentage difficult to determine. Majority likely to be in B8 warehousing, with some sub-sectors likely to operate out of non-B uses (possibly including retail premises). |

A.5 There are several additional points to note about the allocations and descriptions given above, and their application in assessing future employment land and floorspace needs:

- In a small number of sectors including in particular administrative and support services, finance and real estate, it was not possible for the study to accurately establish the proportion of current employment in Croydon in B1a space. In the case of the administrative and support services sector, a cautious approach was adopted to limit the risk of overstating office needs. To reflect this uncertainty, however, a sensitivity test is included in the assessment to show how B1a office need would vary if it were assumed that a much more substantial proportion of employment in the sector were based in the borough in office operations.
- The related question about the sub-sectors that will drive future employment growth. Whilst the assessment is based on a reasonably substantial number of individual sectors, those sectors in turn break down into many sub-sectors and precisely how each sub-sector will change cannot be known at this point in time. This is amplified by the considerable challenges now facing Croydon, London and the UK economy as a result of the Covid-19 pandemic and impending exit from the EU, the implications of which for future employment growth are yet to become clear.

- Within individual business sectors there are likely to be space and land requirements which do not align with assumed use class allocations, but which are about the operations of individual businesses and organisations. Examples include parts of the specialised construction sector, where contractor businesses may require light industrial workspace to assemble materials and storage space to store materials and equipment. Businesses operating in the creative digital sector are often assumed to operate from office space, but there are also likely to be requirements for flexible workshop/studio type space, including hybrid units.
- In practice, there is frequently flexibility in the designation of industrial land and planned development, for example, land for which the allocation specifies that B1/B2/B8 uses are earmarked for it. Planning applications in which no specific end user or business sectors are identified often provide flexibility through the provision of industrial units which could be configured for production, workshop/repair activity, trade counters or storage (ie different use classes).

7.45 In terms of planning policies which support future employment growth, these are issues which underline the need to ensure that there is sufficient flexibility to enable Croydon borough to respond to the specific needs of businesses and to changing economic conditions.

Appendix B - Homeworking Assumptions

B.1 Assumptions about the proportion of homeworkers are based on recent national data produced by the Office for National Statistics in March 2020³². The relevant percentage figures for each of the sectors assessed in this report are shown in the table below.

| Sector Categories | Homeworking (%) |
|--------------------------------------|-----------------|
| Accommodation & Food Services | 6% |
| Administrative & Supportive Services | 22% |
| Agriculture, Forestry & Fishing | 50% |
| Air & Water Transport | 11% |
| Chemicals | 10% |
| Civil Engineering | 26% |
| Computer & Electronic Products | 27% |
| Computing & Information Services | 27% |
| Construction of Buildings | 28% |
| Education | 9% |
| Extraction & Mining | 9% |
| Finance | 11% |
| Food, Drink & Tobacco | 7% |
| Fuel Refining | 9% |
| Health | 8% |
| Insurance & Pensions | 11% |
| Land Transport, Storage & Post | 11% |
| Machinery & Equipment | 10% |
| Media Activities | 26% |
| Metal Products | 10% |
| Non-Metallic Products | 10% |
| Other Manufacturing | 10% |
| Other Private Services | 25% |
| Pharmaceuticals | 10% |
| Printing and Recorded Media | 26% |
| Professional Services | 26% |
| Public Administration & Defence | 6% |
| Real Estate | 25% |
| Recreation | 24% |
| Residential Care & Social Work | 8% |
| Retail | 7% |
| Specialised Construction Activities | 28% |
| Telecoms | 26% |

³² ONS (2020) Homeworking in the UK Labour Market, <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/homeworkingintheuklabourmarket>

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|---------------------|-----|
| Textiles & Clothing | 10% |
| Transport Equipment | 11% |
| Utilities | 15% |
| Wholesale | 7% |
| Wood & Paper | 10% |

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