Places that Work

Delivering productive workspace and homes in London's new neighbourhoods

GVA DAN HILL 00 CENTRE FOR LONDON

Authors

Joost Beunderman, **00**
Alice Fung, **00**
Dan Hill, **Dan Hill**
Martyn Saunders, **GVA**

With contributions from

Richard Brown, Centre for London - Contributor & Editor
Dominic Papa, S333 Architecture + Urbanism Ltd - Development of New London Mix scheme examples

July 2018

CONTENTS

Goodwin & Goodwin Signs, Wood Green

Executive Summary

Against a backdrop of global economic and technological change, London needs to accommodate a growing population and foster a more inclusive, innovative and resilient economy. But the capital's diverse portfolio of flexible commercial, light industrial, retail, lower value office, creative and hybrid workshop space is being eroded by redevelopment, both for housing and large scale industrial buildings while demand for such space is growing.

Draft New London Plan policy has stepped up protection for industrial land and proposes a sharper focus on mixed-use as a way of accommodating both commercial and residential needs. But much new mixed-use development provides a ground floor occupied by generic convenience stores, coffee shops or is never fitted out and is eventually flipped to poorly designed residential.

There will always be industrial activities that should not be mixed with housing and will need land that is protected from co-location. But mixing flexible commercial and light-industrial spaces within residential-led developments can work well in other industrial areas, high streets and high roads, town centres, and other regeneration schemes. We call this way of developing the **'New London Mix'**, and call for it to become a crucial pillar for London's growth policy, alongside retaining and intensifying protected industrial land.

Places That Work also demonstrates that there are many areas in London where such a mixed approach is viable now or could be viable with relatively modest changes in market conditions or funding availability. And this is not a niche opportunity. We estimate demand from an expanding urban service sector and from displaced businesses to exceed four million square metres – equivalent to all employment space in the Upper Lea Valley and Old Kent Road combined. And there is a growing and serious interest across the private, public and housing association sectors in taking the next steps required to move from the one or two exceptional examples that already exist to making them mainstream.

GLOSSARY
'New London Mix' - is our term to describe the close co-location of light industrial, distribution and productive workspace with homes in a way that works for occupiers and residents.

However, there are some persistent institutional barriers across London that prevent such solutions from progressing. To overcome these, new approaches and tools are needed – not just in policy terms but in the funding and institutions required to deal with widespread market failure. The scale of change is significant, but there is precedent: from small beginnings, housing associations now house more than one in ten Londoners, and are major players in growing the city.

Places that Work recommends:

1. Establishing a significant **London-wide Commercial Space Investment Fund** that accelerates and supports the provision of new forms of mixed residential and productive employment and industrial development.

2. Establishing **area-based Local Economic Growth Companies** to purchase, hold and manage new commercial space from an early stage in the development cycle with a focus in **Opportunity Areas** where there is potential for the New London Mix at scale.

3. Developing **enhanced and updated planning policies, area frameworks and development management approaches** and good practice guidance at both a regional and local level to support effective delivery of mixed productive employment and residential schemes.

4. Delivering **five trailblazing projects by 2022** that demonstrate a range of conditions, typologies and delivery routes, exploring social impact and diverse investment opportunities supported by a longitudinal research programme.

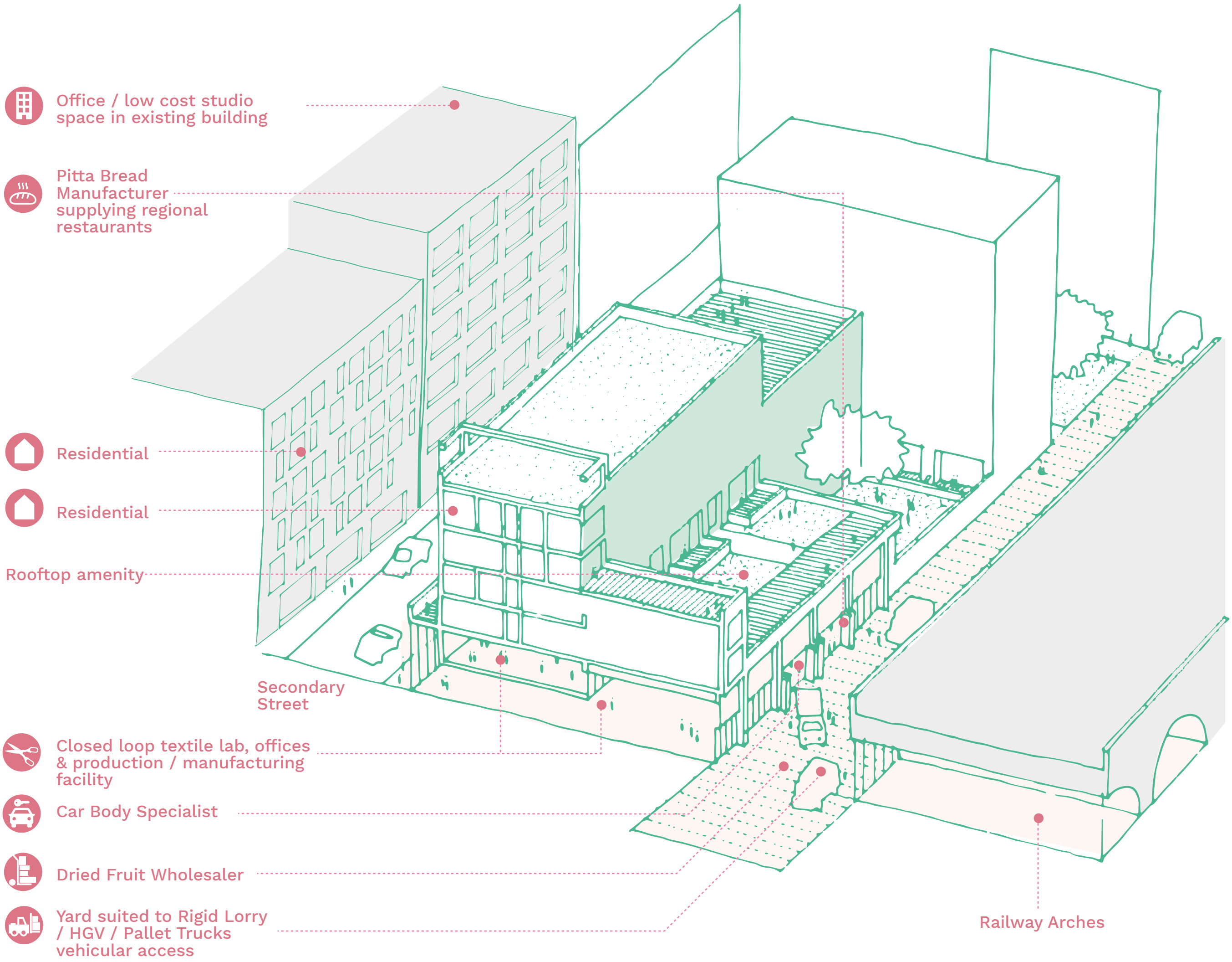
5. Supporting **wider and deeper understanding of the agenda set out in Places That Work** and other associated projects through conferences, publications, design competitions, exhibitions, training and other channels.

Places that Work sets out the scale of the challenge and opportunity London faces, and calls for a new approach to delivering New London Mix as the next generation of mixed use development in London's key areas of change.

GLOSSARY
'Opportunity areas' - are London's principal opportunities for accommodating large scale development to provide substantial numbers of new employment and housing, each typically more than 5,000 jobs and/or 2,500 homes, with a mixed and intensive use of land and assisted by good public transport accessibility.

[URBAN CONDITION #1]

Urban block adjacent to railway infrastructure



Imagine a neighbourhood next to a railway or other large scale infrastructure. A yard along the railway gives access to HGVs and other vehicles servicing a range of larger manufacturing or distribution units, whose offices or showrooms front a street. The housing above have large courtyards on top of the industrial unit. The surrounding streets have a mix of buildings types, old and new - some existing buildings offering affordable studios, whereas others are a mix of residential and active ground floor uses. An industrial estate protected as SIL or LSIS is located at the rear.

1

Introduction

The Mayor's vision of **'good growth'** is set out in the draft New London Plan and draft Mayor's Economic Development Strategy. It recognises that London needs to grow in a different way from how it has done in the past. In an attempt to solve one crisis – that of housing affordability – we have potentially created another for workspace. Over the past decade we have built tens of thousands of new homes in circumstances of tight land supply and there has been a growth in land-hungry logistics and utilities activities. This has led to the loss of significant amounts of smaller scale and often low-cost commercial space.[1]

The draft New London Plan suggests additional protection for **Strategic Industrial Locations** and beefed-up no-net loss policies for **Locally Significant Industrial Sites**. Helpful as this is, it still leaves 36 per cent of land [2] for small business units, light industrial workshops, last-mile logistics depots and creatives' studios unprotected and vulnerable to housing development. The overall pattern of loss is likely to continue unless we change our approach.

Debate and emerging policy have focused on three solutions: protecting industrial land for activities that cannot be mixed, **intensifying industrial** and employment space, and mixing a much wider range of employment space with residential and other uses. This report focuses on this third category.

GLOSSARY
'Good Growth' is growth that is socially and economically inclusive and environmentally sustainable.

'Strategic Industrial Locations' often known as SIL - are London's main reservoirs of industrial, logistics and related capacity for uses that support the functioning of London's economy.

'Locally Significant Industrial Sites' - (LSIS) are locations that have particular local importance for industrial and related functions and designated by boroughs.

'Industrial intensification' is the more efficient industrial use of land through higher plot ratios through the introductions of mezzanines, basements, multi-story schemes and introduction of smaller units.

Illustration 1 : New London Mix example activities

William Say, Old Kent Road,
source : Mark Brearley

Brook Farm Sausages, Wood Green,
source : 00

John Steele Framing, Wood Green,
source : 00

The New London Mix

We use the term the 'New London Mix,' to describe this approach[3] - mixing activities, co-locating a wide range of productive activities in close proximity to new homes without detriment to either residents or businesses. We believe this is a key condition for solving the twin challenges of the 21st century metropolis – providing suitable housing and places to work right across the city, thus underpinning a more inclusive and sustainable model for urban growth.

The New London Mix can include a range of activities from light industry, designer-maker, storage space or logistics depots, artist workspace, commercial and community uses (see page 10).

The emergence of new hybrids, between production and retail, between design, prototyping and marketing, between employment space and community space, between co-working and making space is blurring the lines between traditional use classes and building types. Many of these activities already happen side by side right across London's employment spaces and industrial areas that we risk losing [4].

The New London Mix would combine such employment activities with residential and other everyday uses such as shops, offices and cafes. Within one development site, urban block or neighbourhood, this could happen in 'vertical' mix (usually, housing stacked on top of other uses) or horizontal mix (employment space buildings next to housing). Much work has been done to look at the physical forms this might take - The GLA, the boroughs, industry bodies, architects and others have explored new design and typological possibilities [5].

They range from relatively simple combinations, which are effectively versions of 'living over the shop' to more complex combinations that include multiple floors of employment space, with specific ceiling heights, servicing or noise mitigation solutions. They may involve open or covered yards or be serviced from the street. They may range from multiple smaller maker units of 10 or 15 sq metres to a single unit of c.1000sq metres or even more[6]. The reality is that there are likely to be many different layouts and typologies. In order to provide a flavour of how these projects might work, we have included a sketch example at the beginning of each section that illustrates the variety of potential forms that this might take within the diverse urban context of London.


Gaunson House, source: The Mill Co. Project


Timber yard, Old Kent Road, source: 00


Gaunson House, source: The Mill Co. Project

A Delivery Focus

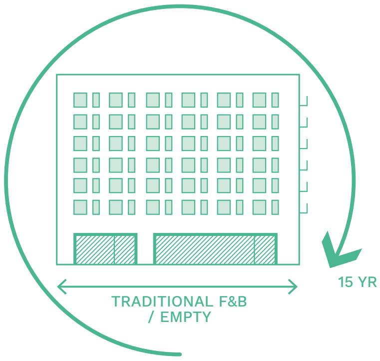
Despite this emerging discussion, there is only a handful of good examples that have been delivered in London. Conversely there are many examples of so-called 'mixed developments' with boarded up ground floors [7], or perhaps the provision of a generic convenience store. Therefore the focus of Places that Work is on understanding the remaining barriers to delivering the New London Mix, and exploring the financial tools, institutional arrangements and planning strategies that would overcome these.

Supporting and reinforcing Strategic Industrial Land

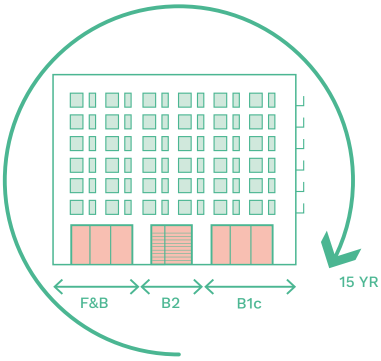
This report explores how the New London Mix can be provided both in existing industrial areas - the areas where the new draft New London Plan might allow limited land release for mixed development if **no net loss** was achieved - but also on the edge of town centres, in estate regeneration or in transport-led housing growth areas.

We recognise that there will always be activities in London that will, because of their scale, or local environmental impact, or transport needs, remain impossible or highly undesirable to mix in close proximity to housing. Those activities that need to stay in London should continue to be protected by the Strategic Industrial designation. This report is not about those activities, but is addressed elsewhere (for example, the GLA has commissioned work looking the potential for industrial intensification) [8].

GLOSSARY
'no net loss' of industrial floorspace (and operational yard space capacity) within designated SIL and LSIS is a policy proposal in the Draft New London Plan.



- Lower quality residential at ground floor
- Commercial challenges to F&B market
- No active curation of place



- Placemaking opportunities
- Socio-econmic contributor to the neighbourhood
- Growth in SME light industrial sector
- Business rates receipt for Local Authority
- Active curation

Illustration 2 : Current approach versus the potential benefits of applying the New London Mix

GLOSSARY
'business rates' are a tax on business properties set by the government and collected by local authorities to contribute towards the cost of local services

The benefits of a new approach

Through the New London Mix, we can increase the amount and range of employment space - not just to achieve 'no net loss' of employment space, as is currently the stated aim of current policy, but to achieve 'net gain' across London – and build better places.

A growing stock of diverse employment space (which, as Chapter 3 shows, we think could comprise several millions of square metres of new employment space) would better support the growth of a wide range of current and future sectors from low to high employment density: from creative tech to advanced digital manufacturing, from food production to artist studios and design-intensive crafts, and from social enterprises to last mile distribution and the circular economy of maintenance, repair and re-use. Critically it would benefit both start-up businesses and later stage growing businesses, supporting skills and the evolution of a rich economic ecosystem, and enabling effective business engagement and interaction with local communities. This would make local and London-wide economies more diverse, innovative, inclusive and resilient, as well as fulfilling councils' ambitions for **business rates** growth.

The New London Mix would also have benefits for developers, communities and the city as a whole – by improving the vibrancy, sense of safety and distinct character of neighbourhoods; by maintaining a critical mass for local facilities and sociable spaces that make a city liveable, healthy and innovative; and through the environmental benefits of localised supply chains, reduced commuting, and the potential for balanced district energy systems. As shown through some of our case studies, providing the right kinds of employment space need not impact negatively on housing delivery aspirations and property values; rather it can help create good places that support the long-term value of the residential market in mixed neighbourhoods[9].

Our research

Our research is rooted in years of experience of the authors, contributors, literature review, case studies, and more than 30 interviews with leading experts and practitioners - from the worlds of residential and workspace development, business occupiers, industrial space design, real estate finance, housing delivery and employment space operation.

The report is structured as follows:

Chapter 2	• **The Changing Context** reviews how the debate on employment space and mixed use has developed in recent years;
Chapter 3	• The **Scale of the Opportunity** looks at the potential for the New London Mix, in terms of demand and supply;
Chapter 4	• **Crossing the Viability Threshold** considers the commercial reality of delivering the New London Mix;
Chapter 5	• **The Remaining Barriers to Scaling Up** identifies what is holding this development model back;
Chapter 6	• Our **Five Propositions for Change** sets out recommendations, followed by a short conclusion.

Who is it for?

The report is intended for private sector developers and investors, industrial landowners, commercial operators and studio providers and public policymakers at local level, within the GLA and **LEAP** and beyond. It aims to inform elected representatives and practitioners in planning, surveying, real estate finance, economic development and design.

Although our research focuses on London, where this issue is currently most pressing, the lessons and suggestions will also be relevant in other cities and regions in the UK and abroad, where local authority leaders, economic development organisations like Local Enterprise Partnerships, planners and practitioners might already be grappling with these issues, or are soon likely to be.

GLOSSARY
'LEAP' - The London Economic Action Partnership (LEAP) is the local enterprise partnership for London. The LEAP brings entrepreneurs and business together with the Mayoralty and London Councils to identify strategic actions to support and lead economic growth and job creation in the capital.

Acknowledgements

The research team would like to thank all those who gave their time, passion and expertise to provide encouragement, challenge and insight to make this research far better than it would have otherwise been. The views in this report are nevertheless solely those of the authors, and all errors and omissions remain our own.

We are grateful to the advisory group members who supported the early stages and emerging findings:

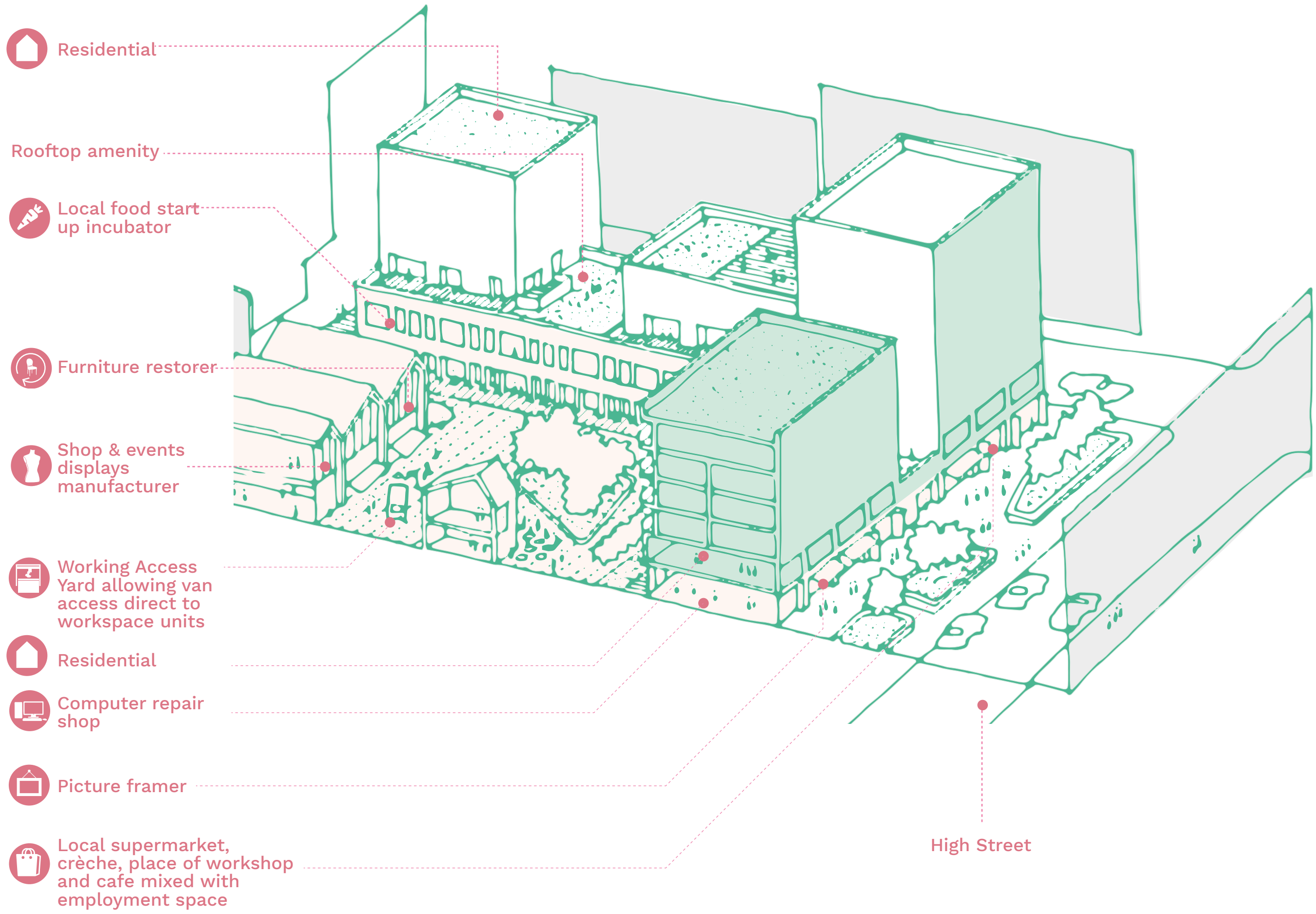
Alex Jeremy (Poplar HARCA)
Alex Marsh (GLA Regeneration)
Carolyn Cameron (Royal Docks Enterprise Zone Team)
Clare Payne (Royal Docks Enterprise Zone Team)
Dan Bridge (Royal Docks Enterprise Zone Team)
Dominic Papa (S333 Architecture + Urbanism Ltd)
Eleanor Fawcett (Old Oak and Park Royal Development Corporation)
Helen Dias (Ramidus Consulting)
Kitson Keen (Home Group)
Lawrence Barth (Architectural Association)
Louise Duggan (GLA Regeneration)
Maire Grogan (LB Brent)
Michael Delfs (British Land)

We would also like to thank those who shared their knowledge and feedback throughout the research. The full list is at the back of the document.

This project has been generously supported by Home Group, Royal Docks Team and LEAP. Additional thanks are due to GVA for providing in-kind support throughout the project with expertise and support from across the company as well as hosting the launch. Without them, this report would not have been possible. The arguments and analysis contained in the report are those of the authors and don’t necessarily reflect those of the funders.

[URBAN CONDITION #2]

Estate Regeneration



Imagine a large urban block that is part of an estate regeneration scheme - with high density infill or replacement housing forming a perimeter block. The ground and first floors form an employment 'plinth' with a mixture of workspace, social infrastructure and perhaps a local supermarket or crèche. Servicing happens from the rear, where a yard accommodates a range of spaces for start-ups, growing businesses and community use.

2

The Changing Context

GLOSSARY
'permitted development' allows for certain types of work to buildings and changes of use without having to apply for planning permission.

'Small and Medium-sized Enterprises (SMEs)' includes any business with fewer than 250 employees

'affordable workspace' is defined in the Draft New London Plan having rents maintained below the market rate for that space for a specific social, cultural or economic development purpose. Normally this is provided for specific sectors, disadvantaged groups or for start-ups.

In recent decades, London has been losing industrial and employment land far faster than planning policy had envisaged, as residential demand and land values have risen. Between 2010 and 2015 alone, London has lost 106 hectares of protected industrial land per year compared to the 37 hectares per year projected in the London Plan, out of a total of around 7000 hectares [10]. An estimated 30% of creative / artist studio spaces is projected to be lost by 2019 [11] and **"permitted development"** has enabled unprotected commercial space to be converted into housing often of poor quality [12].

Reflecting the mounting concern about the impact of losing productive commercial space on London's economic health and resilience, the draft New London Plan calls for a greater focus on protection and provision of industrial space premises for **Small and Medium-sized Enterprises (SMEs)** and **affordable workspace** [13]. Most industrial, logistics and creative businesses that can easily move out of the city have already done so; the remainder need to be here because of proximity to clients, supply chains and talented workers [14]. But many parts of the city are now reaching a tipping point. Vacancy rates in many employment areas, such as the Upper Lea Valley, Wandle Valley, Park Royal or Old Kent Road, are already well below a healthy 'churn' rate, and Outer London areas are seeing increasing demand from businesses crowded out from more central parts of London [15]. In addition, many non-industrial activities are relocating to Strategic Industrial Land – protected through planning – given its greater security, greater flexibility and often lower costs. This includes places of worship, artists studios, offices and the night time economy. It is estimated that 45 per cent of jobs accommodated on SIL are now in non-industrial roles [16].

The combination of dislocation, rent rises, and uncertainty destroys the rich ecosystem that enables small businesses to thrive, with local suppliers and collaborators, proximity to clients and designers and sophisticated networks of talent, ideas and finance. For many businesses, this is an existential crisis; and arguably the sheer lack of capacity may already be stifling innovation and growth of new businesses [17].

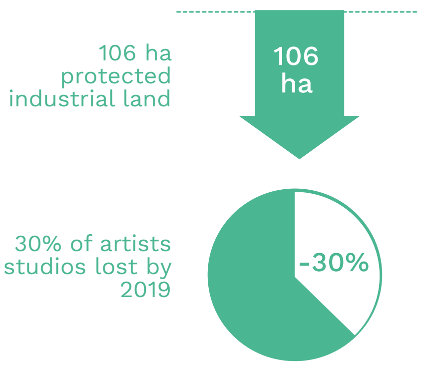


Illustration 3 : Amount of protected industrial land and artist studios lost between 2010-2015 (Source : see footnotes [10] and [11])

AKA Design, Wood Green
source: 00. Furniture makers.

Blue Nile Clothing, Wood Green
source: 00. Clothing manufacturers.

"It is estimated that 45% of jobs taking place on SIL are now in non-industrial roles."

A missed opportunity?

London has a proud history of successful integration of workshop and manufacturing uses with housing: Examples include in Hatton Garden (jewellery), Clerkenwell (breweries, distilleries and printing) and Whitechapel (garment manufacture). Post-war planning emphasised relocating and segregating 'dirty' economic activities from residential areas and shopping precincts. The idea that we can build high-density residential enclaves, whose inhabitants commute to a few metropolitan scale office and shopping hubs, or designated 'industrial' zones is still pervasive, despite seeming unsustainable and outdated. Zoning also stifles growth by not aligning with how we know innovation districts and vibrant urban places actually work [18].

The overwhelming relative value of housing provides developers with very strong incentives to both speculate on industrial premises and then minimise any non-residential space reprovision. Many new developments provide non-residential ground floors only when required by planners - and not enough attention is paid to the fundamentals that make space suitable for a diversity of businesses. These include ceiling heights, flexibility, depth and access/servicing, affordability, level of initial fit-out, flexible approaches to rental terms and track records, and early engagement with operators and occupiers. The phenomenon of newly built ground floor units remaining boarded up for several years is all-too-common across London.

Much of the future housing supply in London will come from existing 'brownfield' sites in zones 3 and beyond. Even in places where mixed-use projects are happening, there is often a lack of diversity of suitable and flexible workspace hardwired in from the outset. If carefully designed and suitable access, a wide range of activities can take place in similar spaces. The risk is that the opportunity to underpin a diverse economy through the DNA of London's new neighbourhoods is being missed if this pattern continues.

A debate whose time has come

Previous studies explored the concept of mixing industrial and residential development with reference to some pioneering early experiments: The Warwick Road Depot, Buiksloterham in Amsterdam and the King Spadina Quarter in Toronto [19].

[CASE STUDY]

Travis Perkins & UNITE student housing, Kings Cross

source : Cooley Architects

As owner occupiers of their 1.25acre site in Kings Cross, building merchant Travis Perkins spotted an opportunity to improve their customer experience and generate additional capital receipt. The site was redeveloped to include student accommodation with Travis Perkins taking a very long lease on the new commercial space provided at ground floor. The company is now exploring whether a similar approach could be replicated elsewhere.

The number of London based projects in this category is still limited but growing. The oft-cited student housing block above Kings Cross' Travis Perkins builders' merchants (see image), the artist studios integrated in a high quality mixed tenure new housing scheme in Royal Docks (see page 62-63), the light industrial studios in Caxton Works, Canning Town (see page 34), and Devons Road in Bow (see page 20) all show aspects of what might be possible, as well as highlighting valuable lessons regarding specific market conditions and delivery routes.

That said, despite significant investment interest in new industrial buildings in general, there has been relatively little innovation in terms of typologies or delivery approaches. Large floor plate distribution units command a 'premium' rent at one end of the scale, and residential schemes offer limited mixed use at the other. Both tend to come forward at the expense of smaller, more diverse forms of workspace, even despite the growing demand. While such new ways of mixing productive activities with residents have not yet become the norm, what was previously a niche proposition is now moving closer to the mainstream.

The emerging response

Against this backdrop of market failure, the Greater London Authority and London Boroughs across London are seeking to promote mixed use approaches in planning and regeneration policies. Both the London Legacy Development Corporation and the GLA and Boroughs have commissioned studies on how mixed use can generate good places both for living and working[20].

We have also seen an increase in direct public sector involvement in employment space provision [21]. But fiscal constraint means existing resources are spread thinly, and at times interventions could have a greater collective impact. Where new workspace is delivered, there is an overwhelming focus on creative studios or co-working for start-ups, potentially ignoring other important sectors. The New London Mix has yet to become mainstream, but some fundamental shifts are pushing it in that direction.

Bow Enterprise Park
Source : Photography by Robert Greshoff for Peabody

Bow Enterprise Park
Source : Photography by Robert Greshoff for Peabody

[CASE STUDY]
Devons Road, Bow Enterprise Park

The original Bow Enterprise Park consisted of c.7,000sq metres of dated industrial space. Owned and operated by the Workspace Group it no longer provided a suitable offer to businesses and had become largely vacant or under-utilised, offering few employment opportunities or services for the local area.

Alongside Poplar HARCA and Leaside Regeneration, Workspace Group promoted a mixed-use development proposition for the site over four phases. This included delivering c.6220sq metres of commercial space, a third of which is replacement B1c (light industrial) floor space at the ground floor of residential buildings.

Peabody purchased the land and has developed the first three phases, delivering 384 homes (46% of which are affordable) and eight B1c units, which are let and managed by Workspace Group. With their own secure access, the light industrial spaces have proved popular, attracting a range of business activities including a design agency and 3D print studio as well as providing local jobs and employment opportunities for the local area.

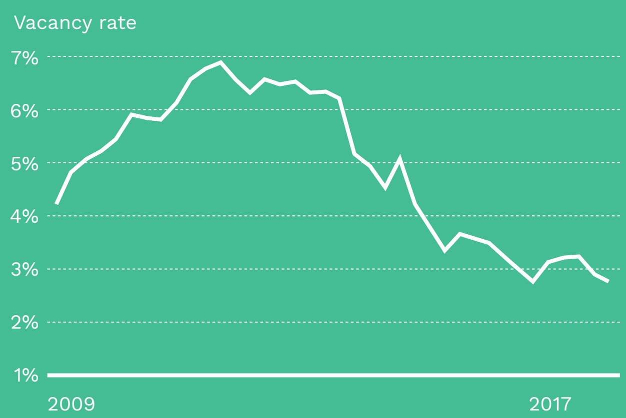
The scheme has been widely recognised and has been a finalist for seven awards, as well as being one of Savills' best performing schemes of 2017 for residential sales.

10 fundamental shifts

Traditionally, a series of barriers to mixing commercial and residential space have been identified - such as value and lease differentials between residential and employment uses; the risk aversion in the development industry; the reluctance of residents to 'live above the shop'; the mortgage industry's reluctance to lend money on such schemes; lack of skills amongst planners and designers; the lack of success of ground floor units where these have been provided. Many factors undoubtedly still apply (and are explored in Chapter 5); but many of the fundamental drivers are now changing.

1. Industry is no longer declining
The decline in activities needing industrial floorspace has been stemmed: those activities that do not require a base within London have long gone, leaving behind a high value core of businesses which are reliant on their location within London [22]. Vacancy rates have fallen to below healthy levels.

2. Re-appreciating local economies and supply chains
There is a growing understanding that many of London's employment areas are teeming with dynamic, innovative new SMEs alongside established companies with deep roots in their local area [23], and often offering relatively well-paying jobs to local people [24]. Ongoing local authority cuts and the devolution of business rates has focused minds in Town Halls right across London.



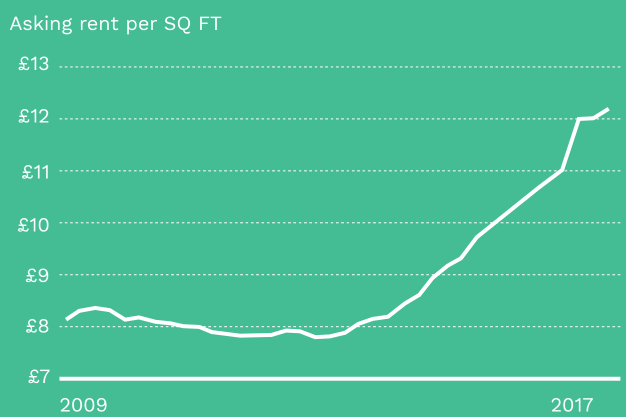


Illustration 4 : Vacancy rates and rental prices of industrial space 2009 - 2017
Source : CoStar

3. Servicing the city
Businesses that are vital to the city's functioning or its inhabitants' needs – whether food preparation, highly specialised furniture restoration, parcel delivery, store replenishment or waste management – have to be located within London's boundary if the city is to thrive sustainably. Losing these spaces has unintended consequences: the 'London Made' film[25] produced for the Seoul Design Biennale shows how world-class cultural institutions like the Barbican depend on fine-grain supply chains across London's industrial and employment estates. And logistics company DPD recently showed how the loss of their Kings Cross depot meant they could no longer service the eastern part of central London with locally based, low pollution electric vans, but make deliveries from much further afield meaning longer journey times and reverting to diesel vans with the knock-on impact on air quality [26]. And the more housing we deliver the more important this integrated urban servicing space within London will become.

4. Technology drives new growth and consumer trends
The use of technology is allowing London-based manufacturers to remain competitive as product development and innovation become cheaper. For example, immersive virtual reality technology alongside computer aided design has reduced the cost of product development; additive manufacturing (3D printing) has reduced the cost and increased the speed of prototyping. The future promises more such opportunities from technological developments such as distributed digital and 'on-demand' manufacturing, high value craft, instant repair and other circular economy activities [27]. Technology is complementing increasing consumer demand for the bespoke, on-demand, green, fresh, healthy, local and authentic.

5. Cross-over activities, hybrid workspaces
The design, prototyping, production and marketing of both goods and services are now taking place in ever more rapid cycles of iteration, often close to the target market. Artisanal workshops, digital start-ups or fast-growing SMEs need physical production as well as 'office space'. Such new activities require a new breed of hybrid workspaces that sit awkwardly between traditional use classes - a growing demand not fulfilled by the growth in co-working space [28]. There is a growing recognition that the current iteration of the Use Classes Order could be updated to better reflect this reality.

6. Centralisation vs. dispersal of activity

Whilst growth in the core is attracting more office activity, technology is also liberating entrepreneurs to work right across the city. We are seeing a high number of micro enterprises across London, many of them innovative ventures run by second-career professionals who choose to work close to home. For example, the development of small studios, micro-offices and workshop-retail units at Blue House Yard in Wood Green has revealed latent demand - from internet sale-driven designer-makers in fashion or homeware accessories, event and festival planners, electronic music PR businesses and graphic designers to name just a few [29].

Blue House Yard, Wood Green (Meanwhile Space & Jan Kattein)

The development of small studios, micro-offices and workshop-retail units at Blue House Yard in Wood Green has revealed a demand that few people knew existed in the local area - by internet sale-driven designer-makers in fashion or homeware accessories, event and festival planners, electronic music PR businesses and graphic designers just to name a few. [21]

7. The slack is gone

The combination of these trends means that simply put, the slack is gone: large scale, higher value distribution activities need more space; Strategic Industrial Land is filling up with industrial and non-industrial activities; and a range of energetic and innovative hybrid production activities is looking to grow. In Boroughs such as Haringey, sites are filling up with a range of creative enterprises which are forced out of more central areas like Hackney, whilst still accommodating traditional clothing manufacturers connected to the West End, alongside vibrant and growing local businesses.
As a result, rents have increased not just for larger premium units, but also for smaller flexible units, especially where these are threatened by Permitted Development [30].

8. Innovative districts, vibrant places

As our understanding of the innovation economy grows, there is a growing appreciation that creative and entrepreneurial ecosystems are connected to place - via human networks and because in higher value, innovation-driven activities, quality of place is increasingly understood to be a driver of talent attraction and innovative potential[31].

9. Traditional 'commercial' space under pressure
We are seeing a growing crisis in retail and 'casual dining', the uses traditionally included in active ground floors of residential development. This threatens not just thousands of jobs, but also town centres vitality. In some locations, the value differential between employment and retail space is closing so it may be equally attractive to provide workspace as it is to include retail. There are also signs that the market for co-working spaces might be reaching a moment of oversupply, even though larger co-working / serviced office firms are still expanding [32]. In many areas where large-scale office development won't work, the New London Mix could be an important driver of local job growth and vibrancy, in order to avoid single use residential development with little animation and few local jobs.

10. Long-term players
Institutional shifts in the housing market mean there are now more players with longer time horizon and incentives. Housing Associations are aiming to build tens of thousands new homes over the next decade, most of them for rent or shared ownership, and there has also been a rapid growth in the institutionally-funded **"build to rent"** [33]. New players such as pension funds have a clear interest in the long-term vitality of their rental properties; and they recognise that the success of ground floor uses can increase value and resilience of the housing above.

As a result of these changes, the range, nature and location of economic activity, and potential workspace demand and supply has fundamentally changed. These shifts have driven a diversification in the types of workspace that could be co-located with residential in London. Our understanding of what works in terms of policy, typologies and delivery has become increasingly sophisticated over the past decade. Developing the New London Mix will enable this to be applied not only in protected industrial areas, but also in and around our town centres, high streets and new or regenerated neighbourhoods, to create a 'net gain' of truly additional diverse employment space capacity. The next chapter will consider the potential scale of this opportunity.

GLOSSARY
'Build to rent' schemes are larger scale projects specifically designed for renters with self-contained units and typically on-site management.

[CASE STUDY]

Developing hybrid supply chains for Fashion in London

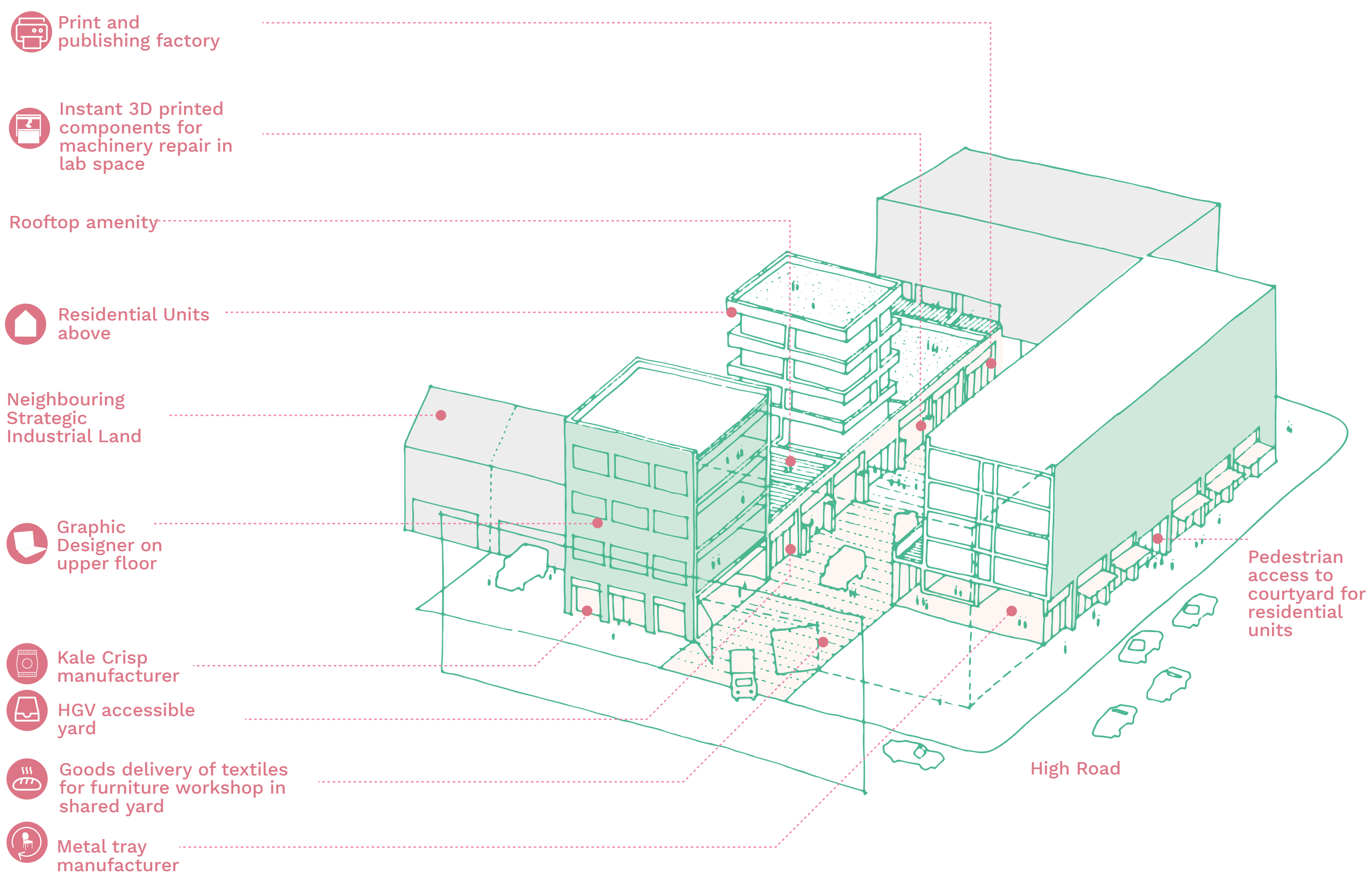
source : Fashioning Poplar

London's 'rag-trade' heritage of fashion manufacturing which can be traced back to the early Victorian period is now a high tech and highly skilled sector. The need to respond rapidly to emerging trends, and for designers to understand the making process, means that this industry benefits from being in London. However, it is facing serious challenges – principally around declining availability and increasing cost of premises as well as availability of relevant technical skills. These challenges are restricting the growth of the industry and threatening the future of the sector in the city.

A consortium of councils, education institutions and a housing associations is seeking to secure spaces for each segment of the 'fashion pipeline' and the entrepreneur journey. This aims to create an ecology of spaces for start-up and scale-up makers and designers. Several projects are underway with a focus on the Lea Valley with a mixture of Good Growth and private funding.

[URBAN CONDTION #3]

New development along a high road



Imagine a mixed use block on a major London high road - the ground floor units fronting the street accommodate a mix of production and service activities alongside specialist retail and the occasional cafe; a gate provides pedestrian access to a shared yard which leads to residential entrances as well as servicing a series of larger employment space units fit for a wide range of production-based businesses. Vans and trucks enter the yard from a side street; residential amenity space is provided on the roofs of employment space. An industrial estate protected as SIL or LSIS is located at the rear.

3

The Scale of the Opportunity

The previous chapter described how economic restructuring and change have created demand for new types of hybrid space – the New London Mix. This chapter aims to quantify the potential new demand and supply [34]. Understanding the scale of the opportunity will help us to understand the scale of the shift required and what this might mean institutionally and financially.

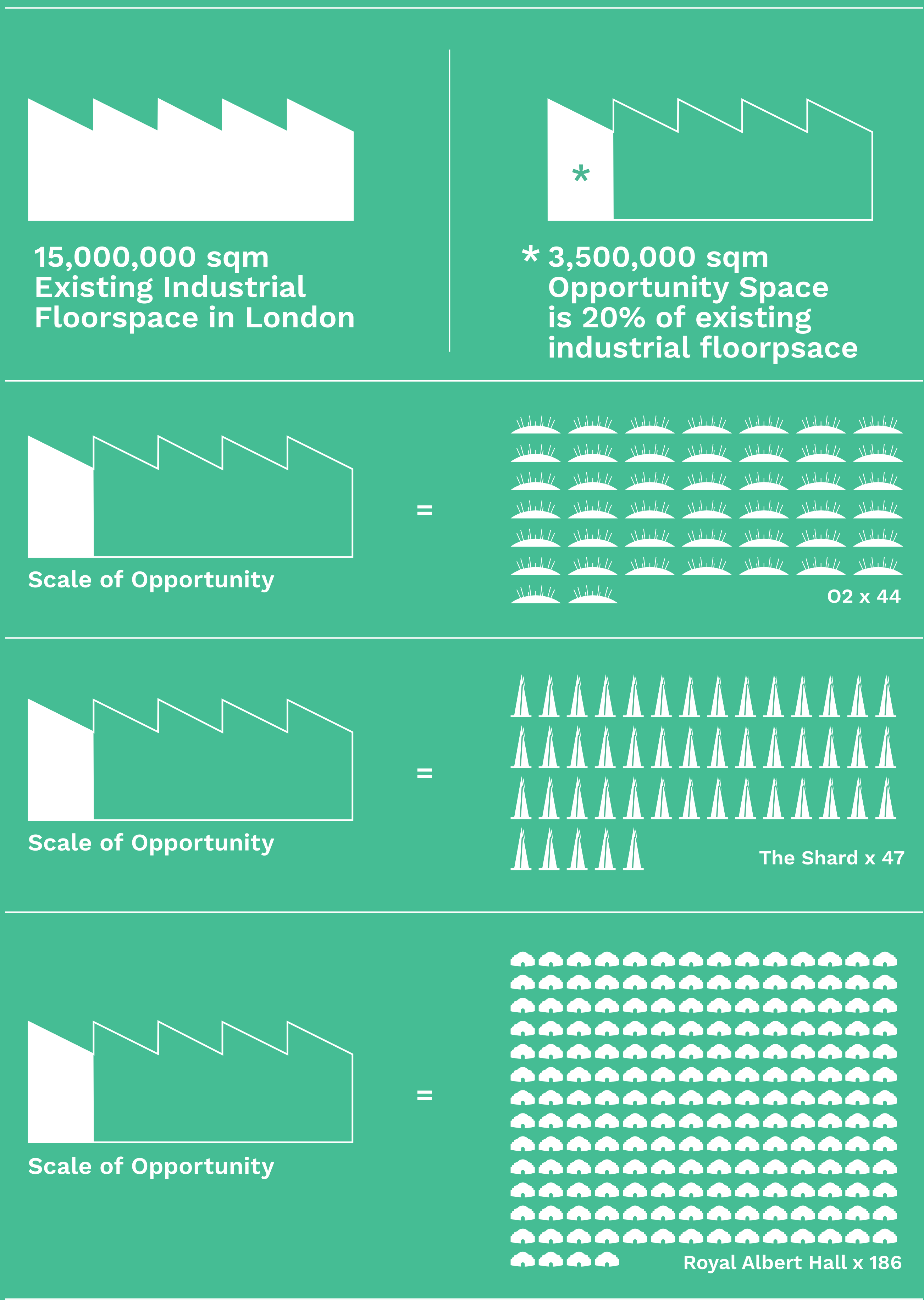


Illustration 5 : The scale of potential commercial space within the New London Mix

Stiletto x QRI, Wood Green
source: 00

Faith Carlton, Wood Green
source: 00

...within designated sites almost 20% of land is used for non-industrial purposes

Sources of future need

Given the dynamics of supply and demand, population growth and London's spatial policy already discussed, we believe that the impetus for the New London Mix is likely to come from three principal sources:

1 Demand from the expanding urban servicing sector, meeting the demands of a growing population, and comprising activities such as small batch producers, food preparation, urban logistics, commercial cleaners, printers (as discussed in the previous chapter).

2 Demand from displaced businesses, including from pressure on existing LSIS/undesignated employment sites which, even under tighter New London Plan policies, will require innovative new approaches to both retain the existing capacity and assist in meeting future housing needs.

3 Supply-led opportunities, through London's Opportunity Areas, strategic infrastructure corridors, town centres and Housing Zones integrating the New London Mix into new neighbourhoods.

It is important to recognise these are not discrete sources of need and opportunity, and there will be overlaps between them.

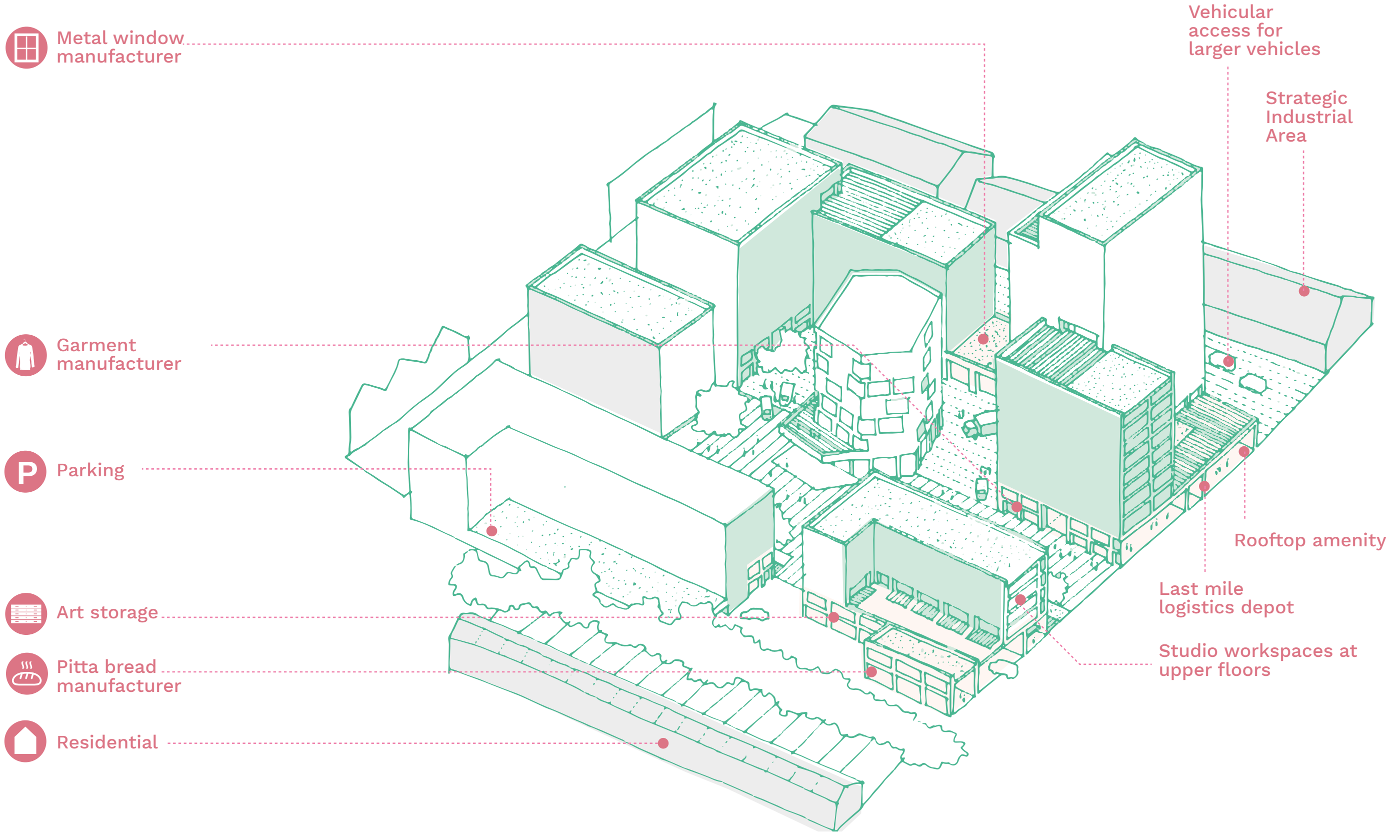
On the demand side, we estimate that the combination of **new** demand and demand from displaced activities could be for well over four million square metres. This is the equivalent to all of the existing employment floorspace in Upper Lea Valley and the Old Kent Road combined[35].

On the supply side, we estimate that in London's key areas of change as described above there is potential to deliver 3.2 million sq metres of commercial space within the New London Mix. This is the equivalent of 12% of London's current industrial land, or 20% of the estimated existing comparable floorspace.

These figures are indicative but provide a starting point. The opportunity is clearly substantial and requires equally ambitious investment and intervention to be realised.

[URBAN CONDITION #4]

High Density Development near Transport Node



Imagine an area where new or improved transport links create an impetus for high density residential development. A large development site borders on both existing housing and protected industrial land. A range of taller and lower residential blocks offer employment spaces on ground and first floor: larger (light) manufacturing and logistics units near the protected industrial land, and towards the existing residential area a finer grain of studio-workshop space mixed with other town centre uses. Some housing blocks have ground floor maisonettes, whereas in the centre of the site, an stand-alone workspace block offers a mix of flexible office and studio spaces.

4

Crossing the Viability Threshold

Given the scale of the opportunity, is it actually viable to deliver this New London Mix under current market conditions? The integration of light industrial space, other employment floorspace and residential is technically possible [36], but few projects have been delivered. Development viability is often cited as one of the principal constraining factors. In order to test this, the team undertook a number of high-level residual land value appraisals of a model scheme in different locations across London. (It should be noted these are high level assessments based on reasonable assumptions of cost and value. They do not constitute a valuation and should not be relied upon as such.)

Locations

Until the approach becomes more common, the New London Mix is most likely to happen in locations where there is sufficient appetite from both residential developers and (light) industrial space occupiers. Most light industrial businesses prefer to operate with as few constraints as possible, meaning that stand-alone or at least single-use environments are often preferred. But in areas of high demand, employment space occupiers are more prepared to compromise on what they see as 'optimal' space solutions in order to be in the location they need – making them more willing to consider mixed-use provision.

We considered demand, supply and value dynamics and market strength around a hypothetical model scheme across London, moving outwards from generally higher value areas to places where this becomes more marginal but is still positive, or could be in the near future given current trends. Based on current market dynamics our focus was on four places, all in TfL's Zone 3: the industrial edge of a town centre in South London; a mixed employment area in a regeneration zone in the Upper Lee Valley; an industrial location near the North Circular in northwest London, and an undesignated industrial area in East London. All test locations have an existing industrial market and therefore, to a greater or lesser degree, established demand for diverse employment space.

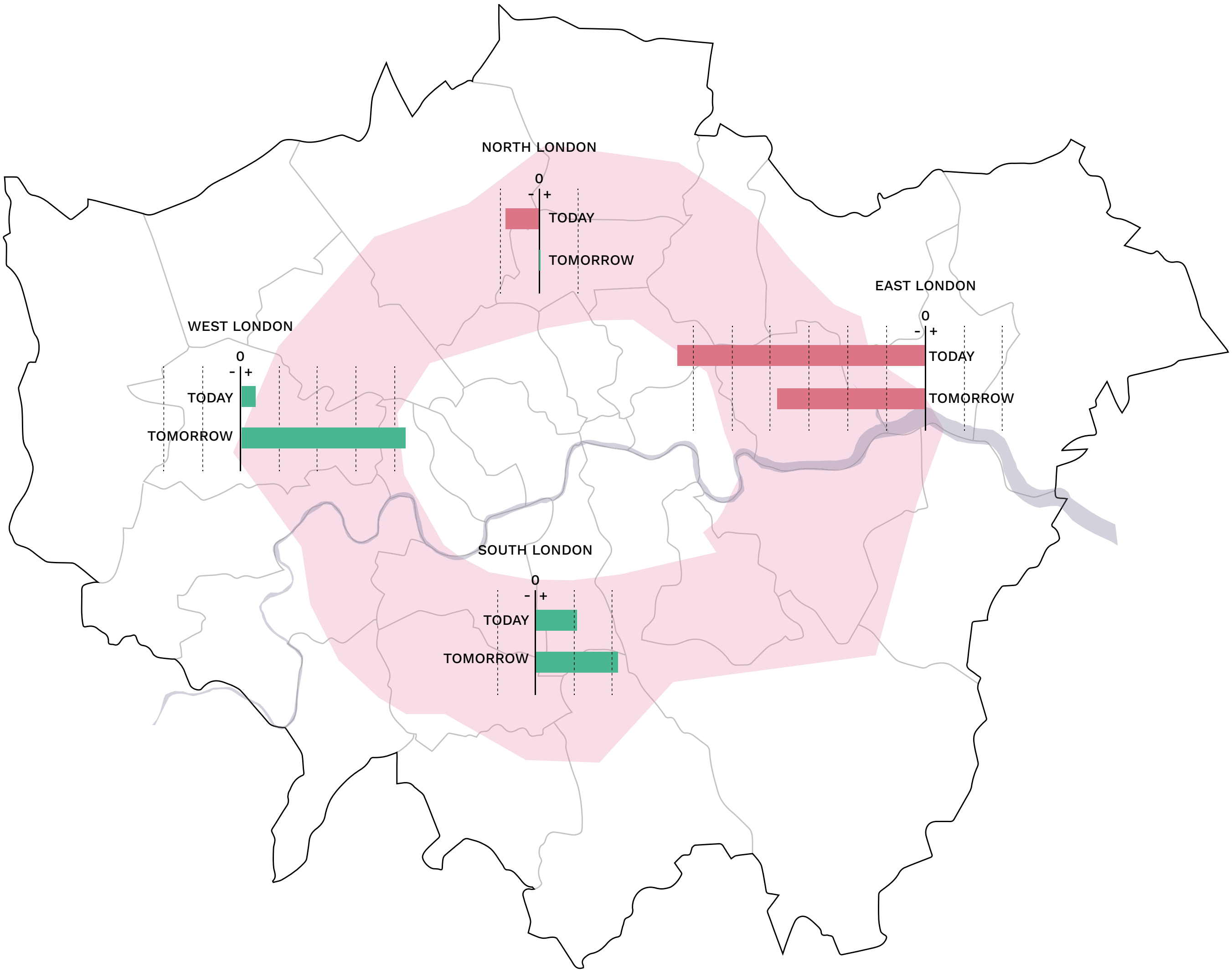


Illustration 6 : Potential for New London Mix delivery in current and project future market conditions (Source : GVA)

Future Potential

North

Our analysis suggests that a small increase over the average industrial rental levels (c.15% - the equivalent of c.£2/sq ft) would enable viability to be broadly achievable.

This increase is not unrealistic, nor would it make development unaffordable as these rents are already being achieved for some units in the area.

South

In this location development should be deliverable under current market conditions given both industrial and residential values are strong. In the future we would expect this to continue.

East

Neither industrial or residential values currently support this type of development at this point in time. We expect market conditions to be better closer in to Central London, particularly to the western end of the Royal Docks, where development may be more deliverable. However this has not been tested.

It is likely that in this location conditions will not support delivery in the near term. However it may be a viable proposition in the medium term or sooner where particular interventions can be made to overcome market challenges.

West

This location would support delivery under current market conditions and, we expect, will continue to do so in the future.

We have not sought to consider SIL locations, given the model scheme is best suited to more mixed locations – however the site-specific tests all assume sites are within existing industrial employment use and therefore have an existing use value for industrial activity.

The Model Scheme

The model New London Mix building we tested, provides c.4,000sq metres of light industrial space, split into three small units of c. 300-400 sq metres (suitable for a range of light manufacturing, production or servicing activities) below 120 apartments, and a larger unit of c. 3,000 sq metres (more akin to a final mile distribution depot or wholesale unit) with no development above to the rear. All employment units are serviced from an internal covered yard. A variant of the scheme tested the potential to introduce a first floor studio/office component of c.1,000sq metres. The model has factored in the additional build costs associated with developing industrial activities and residential development in close proximity such as noise abatement.

Viability Findings

What is evident from this analysis is that while specific site or local area conditions make generalisations difficult some broad themes emerge:

- Central Activities Zone market factors are more likely to support the New London Mix, which helps explain why the limited examples that do exist have been delivered in these locations.

- A geographic ‘tipping point’ tends to exist in and around Zone 3, after which there is a weakening of the residential and industrial market factors needed to support this type of development for a range of reasons.

- There is sufficient alignment in costs and values to suggest that over time it could become more commonplace and does already work in our ‘West segment’ and ‘South segment’ case study locations in and around Zone 3.

- In some locations (our ‘North segment’ example), delivering the New London Mix would only be marginally viable under current market conditions, i.e. it would not offer significant returns above the ‘Benchmark Land Value.’ In other locations (our ‘East segment’ example), it is indeed unviable (i.e. does not achieve a value above the Benchmark Land Value [37]). Future improvements to market conditions would help, and increased housing densities tend to support viability - but other interventions may be required to enable delivery, including public sector support.

- Such schemes cannot be over-burdened by ‘planning gain’ requirements. Our analysis is based on 35 per cent affordable housing provision, but if this is increased to 50 per cent, current market conditions tend not to support delivery in all locations in our Zone 3 locations.

- Therefore, if London is serious about the opportunity to enhance its employment offer through the New London Mix, some choices will need to be made, or the public sector may need to find ways to support developments if they are to deliver more than 35 per cent affordable housing.

[CASE STUDY]
Caxton Works, Canning Town

Caxton Works, Canning Town
source: U + i

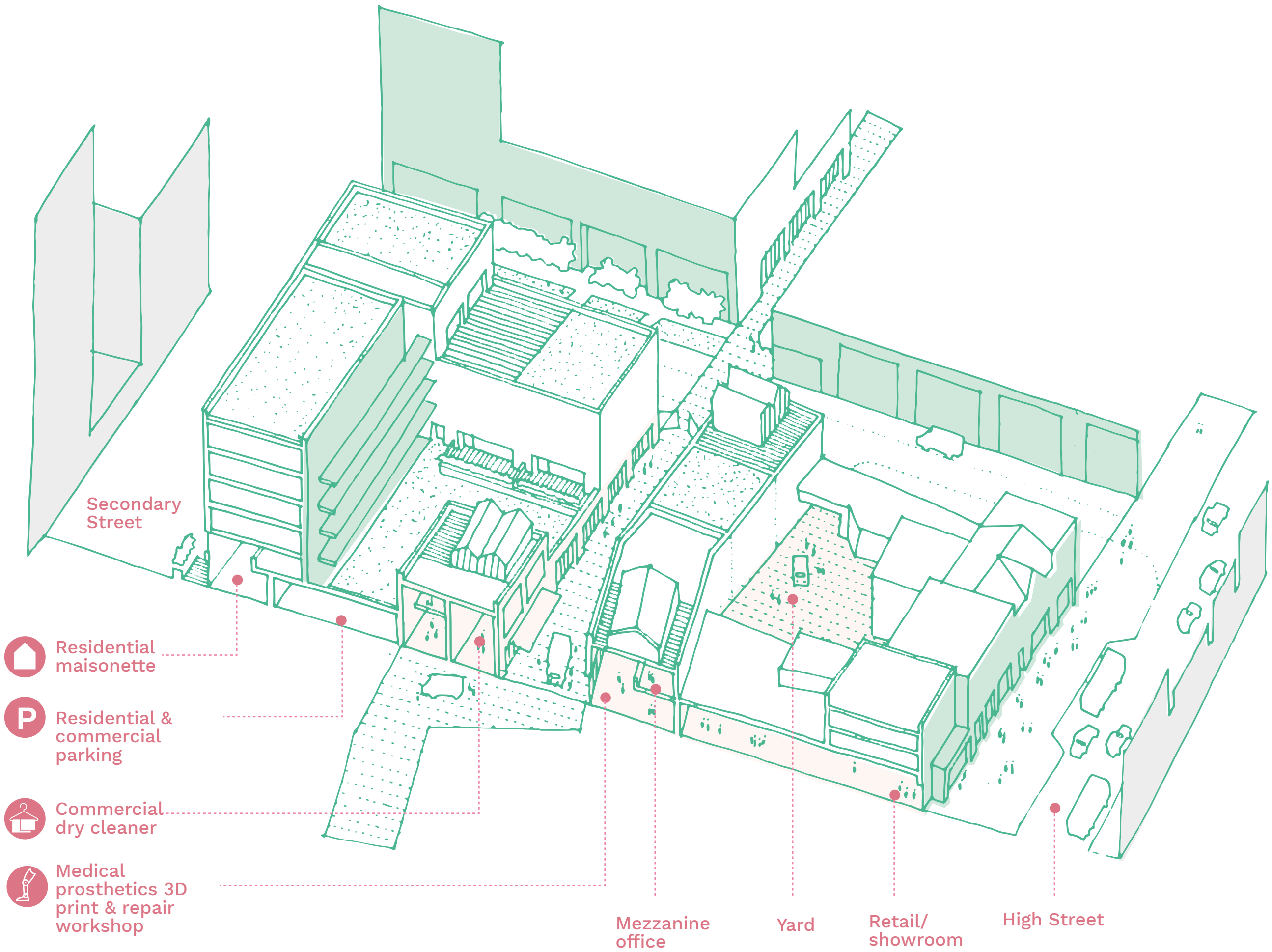
Caxton Works, Canning Town
source: U + i

Caxton Works at Canning Town in Newham provides over 300 new homes and over 20,000 sq ft of ground floor B1 employment space on a site that once included a bakery and an electrical supplies warehouse. The developer, U+I, in partnership with Galliard Homes has sought to provide a high quality, genuinely mixed employment environment for incoming businesses, to support the emergence of a new town centre in the Lower Lee Valley.

In order to attract businesses to this emerging location, U+I has offered space at sub-market rents for around 3 years (enshrined in the s.106) and takes an active and ongoing role in amalgamating the diverse mix of occupiers to create both economic and a social value. The low cost of the units has led to higher demand and lower vacancy rates and can provide a similar valuation to an equivalent higher rent. Tenants secured so far include Bamboo Bicycle, who build cutting-edge bikes that are sustainable and can be completely recycled after many years of use, and Dessert Manufacturers who's work will bring the history of baking back to the site. Discussions are also underway with an architectural practice and an innovative electrical manufacturer.

The scheme successfully provides a high-quality environment as well as external public realm. U+I believes that this positive approach to placemaking is producing a 'halo effect', supporting the value of the residential scheme. But this can only happen with significant and ongoing senior commitment to make the project work.

[URBAN CONDITION #5]
Town centre infill behind high street



Imagine a development site on the edge of a town centre, behind a traditional high road with historic buildings. A new mixed use block has maisonettes under apartments, wrapping around a car park and with a mix of enterprise spaces to the rear. These front on a new 'enterprise mews'; the units could have mezzanines making them suitable for a range of activities, including light industrial or craft makers who sell from the premises. A bar might be allowed too. Existing businesses on the high road, whether retail units, showrooms or car repair, have access to a yard which is shared with the units on the enterprise mews.

5

The Remaining Barriers to Scaling Up

Given the scale of unmet need, direction of policy travel, and the fact that New London Mix is now viable in many parts of London, we explored what was preventing more widespread adoption of this model. In fact, when asked about the potential for the New London Mix, almost all of the over 30 interviewees we spoke to agreed that it is a case of 'when rather than if'. But uncertainties and prejudices remain, amongst local authorities as well as developers, which are hindering a wider adoption of the approach. Some respondents cited concerns or a lack of experience with downside risks (vacancies, impact on residential values, operational risk and ability to redevelop) and questions about design, scale, end-user preferences and finance. Key concerns included:

Stella Polaris, Wood Green
source: 00. Recording studio.

Magnus Long Design Studio, Wood Green
source: 00. Design Engineer.

- How could an investment-ready product be delivered?

- Can any potential detrimental pollution, noise, or visual impact on the housing quality be overcome without adding to build cost in ways that jeopardise scheme viability?

- Is it possible and desirable to include multiple types of employment space within a scheme, and if so at what scale to achieve critical mass and manage complexity?

- Will end-user ability to pay be sufficient to generate sustainable revenue streams?

- Even if the initial commercial tenants are ‘good neighbours’, are there reliable ways of managing the risk that future commercial activities might become undesirable to residents?

- Will mortgage lenders be ready to lend on such units, and if so under what conditions?

- Can sufficient flexibility be created in the larger commercial spaces to meet the needs of a range of businesses over time – i.e. can it mirror how traditional sheds work in terms of their adaptability for a range of users? Or does having residential above restrict adaptability?

- How can a single site accommodate all of the ‘open space requirements’ of industrial and residential uses without severely limited development quantum and hence value?

Evolving the investment opportunity

Several of our interviewees drew parallels with the emergence of the Build-to-Rent (BtR) sector over the past decade. BtR is now major part of the development landscape in London with over 60,000 homes in development or completed [38]. The rapid growth of the sector has been supported by a government ‘task force’, a £1bn debt and equity fund and a debt guarantee scheme, along with clearer policies at both national and regional levels, which accelerated the market at the moment when many private funds were starting to invest.

Equally there is already a strong investment sector for industrial space with funds such as Royal London, CBRE Global Investors, Aberdeen Standard, Orchard Street, M&G, Fidelity complemented by investor-operator organisations including SEGRO, ProLogis, Goodman and First Panattoni.

Both industrial and Build to Rent investors share common characteristics: similar development timescales, a proactive approach to place, long-term asset management to protect/grow value, and the desire for a long-term revenue stream rather than quick capital receipts. Therefore we believe the New London Mix could become a tradable asset class and investment opportunity for both. But if this mixed sector is to grow significantly as an investment opportunity in a similar to the Build to Rent sector, a similar degree of public sector support and a clear policy framework will be needed.

Moving beyond siloed concepts of value and siloed practices

The private and public sector development and investment industry and the professions that support them are typically split by use, with developers, departments and teams arranged by housing, or industrial or retail specialisms and rarely as mixed use. Therefore the delivery of successful mixed use schemes often requires a bespoke mixture of skills, understanding of value creation, financing and focus. For many, delivering major mixed industrial and residential schemes would take them out of their comfort zone.

Much of the built environment sector is focused on delivering homes and often perceives the delivery of mixed use as unnecessarily complex and risky. This is particularly the case for traditional house builders and other developers /investors who are often focused on managing planning risk and shareholder returns. Many developers seek to sell completed schemes where the housing and employment space would be sold separately, to different parties with different investment perspectives. For many, the current difference in value between residential and employment space within a mixed-use development leads them to minimise provision of employment space. Where planning policies require commercial floorspace, they seek to reduce risk through selling space on to recognised ‘third party’ operators, larger businesses or chains with strong covenants.

But given the growing number of developers and investors with a long-term interest in their developments and an increasing understanding of the case for place-making through mixed schemes, the built environment sector is starting to take a different and more integrated approach. There is now a wider recognition that rather than being a burden, well considered enterprise space drives financial and social value, becoming part of the shared neighbourhood infrastructure that supports local jobs, skills and resilience.

Public sector policies, priorities and capacity

The cumulative policy requirements for planning contributions for affordable housing, S106/community infrastructure levy payments to fund social infrastructure, and infrastructure funding levies


Stussy, Wood Green
source: 00. Fashion wholesalers.


Jessica Buttons, Wood Green
source: 00. Button wholesalers.


London Calling, Wood Green
source: 00. Print distribution and digital marketing for arts, leisure and charity sectors.

(such as Mayoral CIL) can make New London Mix propositions unviable. Other well-meaning policies have led to a pepper-potting of smaller unconnected workspaces which are often harder to manage and do not support clustering.

At the same time, funding cuts to the London local authorities' planning and development departments of 55% per person over the past eight years [39] has inevitably led to the hollowing out of experienced teams in many boroughs. There is a lack of up to date and widespread expertise in typologies and design, how diverse uses and activities can be mixed; a loss of capacity to engage early with developers and occupiers; an impaired ability to actively manage public sector assets; a loss of knowledge about 'affordable workspace' and challenges in consistently drafting and monitoring effective S106 agreements. As a result, despite some good practice in some boroughs, the drive and expertise to provide a proportion of carefully considered and flexible workspace is not prioritised and opportunities for innovation in mixed-use are lost.

Councils also own significant amounts of commercial property, but again, cuts to resources and challenges in attracting and retaining staff mean that the opportunities for more active management and for developing the New London Mix are rarely taken. With the main focus of investment being developing new housing, local authorities are not exploring the potential for low cost public sector borrowing to support the delivery of new workspace.

The Missing Links

Finally there's a question of scale: given the relatively small scale of occupiers and some new-build projects, can commercial portfolios attain sufficient scale to enable institutional investors to engage?

The development process itself seems to be a crucial barrier to delivery at scale. In most new mixed-use schemes involving ground-floor retailers or food and beverage occupiers, developers will use an agency to market and negotiate with end occupiers, or may sell the space to a specialist company to market and manage.

But the complexity and multifaceted nature of employment space, where different sub-segments have different management models (e.g. co-working and artist studios are distinct from light industrial space, which is often let through industrial agents) and

[CASE STUDY]

Royal Albert Wharf, LB Newham

Royal Albert Wharf, LB Newham
source: Bow Arts

Royal Albert Wharf, LB Newham
source: Rob Harris

Situated at the far eastern end of the Royal Docks at Beckton, this former industrial site has been brought forward by Notting Hill Genesis Housing Association (NHG) as a phased scheme of mixed tenure homes and 9,000 sq metres of commercial space at ground floor. This project demonstrates how the remaining barriers can be overcome in a practical way.

The local authority – Newham – had insisted on no loss of floorspace and included terms in the s106 that stipulated that the developer target creative industries and provide rent free periods in the event that no occupiers could be found.

Given the scale of this project (their largest commercial project to date) in a peripheral and untested location, NHG realised that they would need to take a different approach to the commercial lettings.

Following internal discussions, NHG decided that rather pre-selling the commercial space to an investor, they would retain, invest and actively manage it to support early occupation, place making and resident satisfaction. NHG went out to tender to seek a creative industries operator who would take a lease on 1,000 sq metres of workspace and manage a further 2,000 sq metres on their behalf. In 2017 Bow Arts Trust was selected as its partner.

Since the appointment more than half of the space has been successfully occupied by artist studios, a café and multi-use event space (RAW LABS) run by NHG and Bow Arts, a commercial kitchen occupied by social enterprise Greenwich Community Development Association, and a Co-Op local supermarket. There have been a range of events, community drop-ins and strong resident satisfaction. Residential sales and rental values have been higher than expected. The approach has meant that future phases - which will triple the amount of commercial space – have seen stronger demand.

SOAR works in Sheffield by Architecture 00 provides new-build offices, workshops, business incubator and drop-in workspaces, artists' studios and meeting rooms, along with support services and community facilities.

expectations in terms of rent and lease conditions make delivery and management hard to navigate for mainstream residential / mixed use developers.

In the few instances where such issues have been overcome [see Royal Albert Wharf, Caxton Works and Bernard Works] there was significant engagement between all parties to get to workspace typologies, lease conditions in a collective delivery process.

Some private companies (such as Creative Space Management and the Workspace Group) as well as charities and social enterprises (The Trampery, TheMillCo, Bow Arts Trust), are providing an 'intermediary' function between the main developer and a mix of end users. But there is a mismatch between the scale of the opportunities being sought by potential investors (typically in the tens of millions of pounds in value), and the ability of existing operators to work at this scale. Hence we are seeing a growing number of interesting individual projects, but these are often relatively small scale and focussed on fairly specific sectors and end users, rather than the development of neighbourhood- or wider-scale approaches proportional of the opportunity in London's regeneration and housing growth areas.

Cost, Value and Occupier Affordability

Many businesses in industrial areas or other flexible employment buildings are located in older buildings and benefit from relatively low rents. Any new-build space tends to be more expensive to occupiers than existing buildings (in terms of rent, service charge and business rate). There is an understandable concern amongst both developers and occupiers that the New London Mix would require additional construction costs leading to expensive rents, or lower returns for developers and investors. Where emerging planning requirements ask for 'affordable' employment space, this might further affect values and viability. The relative unfamiliarity with New London Mix buildings, and how they would change users over time, might lead to over-specification, or fear of needing expensive upgrades later on. Therefore it will be important to agree space specifications - particularly for mechanical and electrical systems - that are both simple, effective and adaptable over the long term. Equally, interviewees emphasised that the proportion of costs and values directly associated with the non-residential elements (such as employment space) tends to be a relatively small part of the total scheme. Therefore a relatively low direct return on the employment space could be justified if it adds value over the long term to the development as a whole: if successful employment space ultimately leads to greater success and value for the housing within a scheme, the up-front build costs could be sustained. In some cases, particularly in places with more marginal development values, balancing the build cost for the employment space with end user affordability might only be possible through public sector support or outcomes-focused (social) investment.

In summary, there are a number of remaining structural barriers to be overcome, if we are to realise the potential of New London Mix. If these could be addressed, we are confident that long-term investors, from institutional investors to housing associations would come on board. In some cases, public sector loans or funding, or social investment, may be required in order to overcome low values in the short term or to achieve particular social or economic development outcomes.

The next chapter will elaborate on measures that will help overcome the barriers and deliver the support required.

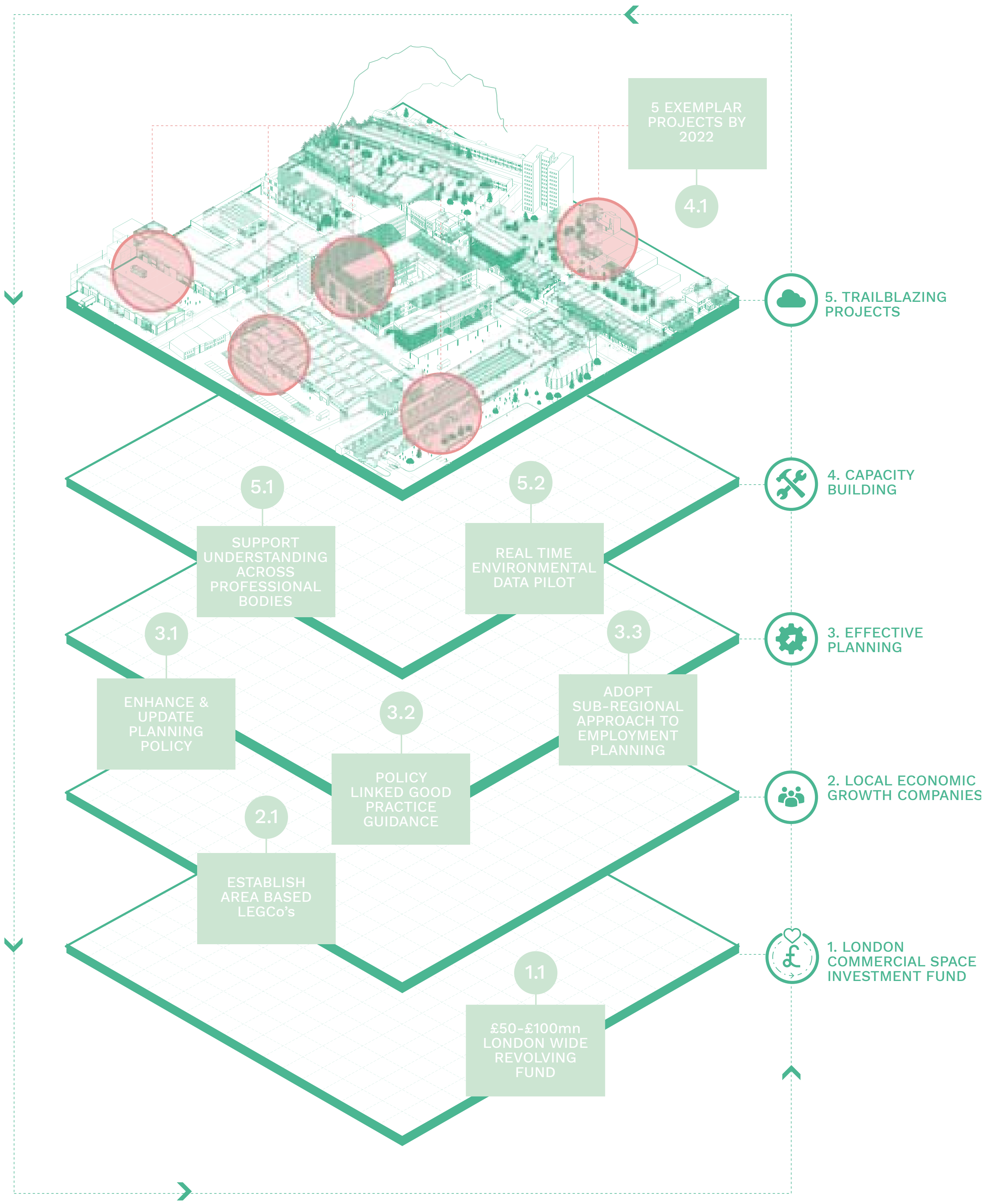


Illustration 7 : Five propositions for change ecosystem

6

Five Propositions for Change

No single development or financing model can address the scale and urgency of the challenge described in this research - or truly fulfil the potential of the opportunity to embed employment space into the very DNA of London's next generation neighbourhoods. What is needed is a combined approach to tackling the barriers described in the previous chapter and encourage large scale private sector engagement backed up by a supportive public sector policy framework, including planning policy and co-investment.

We have developed five broad initiatives which taken together would provide a resilient approach to plan, fund and build thousands of New London Mix projects. These 'Big Five' are 'platform' propositions that have the flexibility to be applied to, and enable, new models of development across a range of circumstances. The propositions are mutually reinforcing and so should be implemented as a programme and a complement to existing initiatives where possible. Programme leadership should come from within the LEAP and GLA, working with partners from across the GLA family, local authorities, investors, developers, housing associations, business improvement districts, operators, architects, consultants and others.

[IDEA #1]
Establish the London Commercial Space Co-Investment Fund

Recommendation

1.1 **The GLA/LEAP should establish a c. £100 million+ London-wide revolving fund that generates co-investment to accelerate and support the provision of the New London Mix.**

- We have seen how investors remain cautious about committing to major New London mix schemes. Overcoming this institutional inertia is critical to unlocking the sector's potential. Creating a co-investment fund which works with councils and the private sector to 'de-risk' projects through pioneering shared investment can support delivery of first projects that further test and develop the proposition, enabling developers and investors to gain experience more quickly, while sharing risk and reward with the public sector.

- The fund could engage in a variety of ways, for example matching private and public funding as upfront investment, acting as a 'backstop' guarantor on commercial space returns or investing public land assets as a match to private equity.

- The public funding role should therefore focus on smoothing the investment 'curve' by balancing the upfront capital costs with long term returns. It should focus on unlocking the first wave of projects that capable of demonstrating investment potential, with repayments providing an opportunity for reinvestment over the long term.

- The fund may need to be 'topped up' at early stages to ensure sufficient investment is available to establish a sustainable pool of projects. This fund 'top up' could come from a variety of sources such as retained business rates [40], prudential borrowing by local authorities, investment of locally controlled public sector pension fund capital, private sector matched funds or specific outcome linked funding (e.g. affordable housing and housing zone funding; grant-funding or social investment in employment and skills; entrepreneur and

[CASE STUDY]

Creating New Funding Models: The London Creative Land Trust Proposal

The Mayor of London, together with Arts Council England and Outset, have been working up a business plan for a Creative Land Trust (CLT), an innovative solution to finance affordable creative workspace in London. This forms part of the Mayor's Cultural Infrastructure Plan and cultural planning policy to protect and grow space for London's cultural and creative industries many of which are under threat or being lost through redevelopment.

The CLT will adopt a blended capital model, harnessing the power of philanthropic funding to catalyse additional investment at scale and at speed, as well as to lower the cost of capital.

The CLT is likely to use the following three routes to secure creative workspace:

1 Outright ownership: The CLT would purchase each property and then lease it to studio providers.

2 Joint ownership: The CLT would provide capital (equity) that enables a studio provider to access top up funding (debt).

3 The CLT receives assets/ properties through ownership transfers and long leases and then leases them to studio providers.

The entity is likely to be an independent charity, overseen by a Board of Trustees and supported by a team of property experts. The trust will fund projects on the basis of clear guiding principles. The team is currently in discussion with social impact investors, operators and a number of pilot project partners across London.

Rivenwood Coppice, Blue House Yard, Wood Green
source: 00

start-up business support or affordable space, carbon emissions reduction) where the investment contributes to these outcomes. These funding streams could add to the core fund or create specific investment streams.

- Critically the fund should be set up with a clear exit point and strategy established to ensure public money is only deployed as and when, and where, it is most needed. Prolonged visible investment may act as a deterrent to purely privately financed projects as long-term public sector support might be seen as sign that a project isn't viable.

- The scale of fund will be dependent on its scope and geographic coverage, as well as the particular conditions for each project proposed. Our hypothetical scheme suggests a base build cost could be in the region of £15 - £20million (before fees, land acquisition etc.) with the employment space representing a third of this; as such each project could require support up to c. £6million if the fund fully covered the cost of delivering the employment component as a mechanism to 'de-risk' the project.

[IDEA #2]

Establish Local Economic Growth Companies (LEGCo's) in areas of change

Recommendation

2.1 **The GLA, LEAPs and Local Authorities should work with Housing Associations, landowners, sector bodies, Business Improvement Districts, existing workspace providers and operators and others to seed fund and support the establishment of area-based Local Economic Growth Companies. These would purchase, hold and manage employment space where there is potential for mixed employment and residential development at scale.**

- Our research has found that there is often a missing link between developers and occupiers that requires bridging by a new form of intermediary institution with sufficient capital, capacity, business models, experience and know-how for institutional investors to engage. In areas where there is a critical mass of new development, such intermediaries would agree to take up the employment space in a New London Mix scheme early in the development process. They would make sure that spaces are delivered to the right specification and conditions, and let them to diverse end users.

- By careful letting and curating of activities both within buildings and the public realm (including managing service charges), they could steer economic activity taking place, thus reassuring and creating value for developers, residents as well as occupiers. Equally, they might be able to mix more affordable and more commercial units in line with local conditions and policy priorities, targeting a long-term yield across their portfolio. We have called these intermediaries 'Local Economic Growth Companies' (LEGCos).

- We would expect and encourage LEGCos of all shapes and sizes to emerge in different circumstances and parts of the city, with funding and operating models depending on local context and objectives.

- In many areas, they would be entirely commercial entities that are self-financing. Market borrowing should be possible if long leases are obtained at early development values in viable locations.

- In other cases, they would access a mixture of public and private funding. This might include the London Commercial Investment Fund described above, (pooled) Section106 funds, prudential borrowing, business rate retention, and other public funding such as Affordable Housing loan finance (where additional affordable homes are unlocked by this approach). Social investors, many of whom have shown an interest in investing in real estate to achieve social outcomes, are likely to play a role, as could outcomes-driven grant-makers and housing associations. Where public land is being developed, the public sector could recycle its land value back to support such arrangements.

- In some cases, LEGCos could be set up as mission-driven social enterprises or not-for-profits. This would focus them on supporting local regeneration in response to the local social context. For example, they might provide or work together with others to offer a range of complementary services such as start-up incubation and business support, platforms for community ventures, training and skills development and other local area initiatives. By leveraging mixed funding sources rather than relying solely on real estate income, they could become a key part of London's Good Growth infrastructure. Like Housing Associations provide affordable housing, they might offer affordable units in line with local conditions and policy priorities, possibly cross-subsidising them from more commercial units. This would support draft New London Plan Policy E4. Some of this early-stage business space could be exempt from business rates to help grow SME activity that would underpin long-term business rates growth. Accreditation schemes, such as recently proposed in response to London's workspace affordability crisis, might be developed to support such rate relief schemes[41].

- In order to achieve the multiple financial, economic and place-making outcomes, ongoing partnership working is critical. LEGCos need to be established early to work with developers and planning authorities to agree suitable terms, specification and design. This enables them to 'buy in' to schemes early, when values tend to be lower. LEGCos are then best placed to leverage these assets to develop and purchase space in future phases, as well as establish connections with local businesses and communities. LEGCos could also operate across administrative boundaries, especially where employment areas lie at the periphery and intersection of borough boundaries.

[CASE STUDY]

Camden BID

Camden BID exploring opportunities for mixed-use development: Over the past 9 years the Business Improvement District Camden Town Unlimited has transformed 17 properties, created 10,000 sq metres of new employment space and supported the creation of 200 jobs. In order to secure further economic benefits, it has created a charitable trust to work with Camden Council to purchase a site and carry out the development of a mixed-use building that combines affordable employment (co-working) space on the lower floors, with affordable residential (PRS) accommodation on the upper floors.

- LEGCos might operate and directly lease space to end occupiers, providing them with an income to repay any debts incurred, or in some cases would contract with a specialist operator. Some of these operators could be sector specific, such as artist studios, tech businesses, fashion industries, food production, or construction and engineering. Given the right conditions, many LEGCos will emerge from existing operators. The GLA should work with operators through the existing workspace providers group.

Poplar Riverside, source: LB Tower Hamlets

[CASE STUDY]

Local Economic Growth Co: Poplar Riverside Commercial SPV Proposal, LB Tower Hamlets

- Poplar Riverside aims to deliver a minimum of 10,000 new homes within the eastern third of Tower Hamlets in the next 10 years, virtually doubling the local population. Retaining employment space is a key component in the placemaking vision for the area although in reality it has proven challenging. Where provided, 'shell and core' employment spaces are then often left empty or mezzanine residential allowed (the area is in a higher flood risk area). This has a knock-on effect on developer confidence, sales rates and values and rental rates, thereby reducing the ability of schemes to support affordable housing and wider infrastructure provision.

- A local housing and regeneration association – Poplar HARCA – and its placemaking team Accents has been actively promoting a partnership with the Council, the GLA and private developers which seeks to deliver successful mixed employment space as part of residential-led schemes.

- The intention is to create a Special Purpose Vehicle (SPV) that would both support the creation of a successful place through residential delivery and 'off-plan' purchase of employment space on long leases with profit-share positions offered to the developers as required. The SPV would act as a repository of employment space, while promoting the area as a new business location, and providing early advice on type and quality of employment space to allow for targeted lettings.

- While the SPV would hold the premises, these will be let out by third-party operators, who in turn will be partially responsible for attracting and retaining new business as well as the operation and management of the employment space. Securing the scale of commercial space allows the SPV to provide the full range of affordability required to deliver a genuinely broad-based, accessible creative industry cluster over several phases.

- The project partners have agreed in-principle funding for the early projects that would be secured against rental income based on a viable business model. Accents is currently building the market through the project 'Fashioning Poplar', supported by the GLA's Good Growth Fund. The project includes converting over 100 vacant garages and investing in the Leaside Business Centre. Both spaces are currently owned and run by Poplar HARCA and are being delivered in partnership with London College of Fashion and workspace provider The Trampery.

- Accents is in active discussions with developers in Poplar Riverside to develop sustainable strategies for additional temporary and permanent employment space across the Lower Lea Valley. The key lesson – "get in early"!

[IDEA #3]
Bolstering delivery through effective planning

Our research has demonstrated that planners at all levels and across policy and development management have roles to play in achieving the New London Mix. Planning sets the basic 'rules of engagement' for development activity and can help to manage the expectations of all the parties – particularly around land value, development capacity, mix and tenure. The Draft New London Plan has become much more supportive of the development of mixed industrial/residential schemes, for example through policies for 'no net loss' of industrial floorspace.

It would, however, be unreasonable to expect these regional policy shifts alone to be successful in achieving vastly different outcomes across the city. Even after the New London Plan's adoption, local planning policy changes will be required to apply its policies locally, and for specific sites.

Recommendation

3.1 GLA and local planning authorities should develop enhanced and updated planning policies, area frameworks and development management approaches at both a regional and local level to support effective delivery of mixed employment and residential schemes. This is likely to include:

- Ensuring that the New London Mix forms a key element of a future new or updated London-wide Industrial Supplementary Planning Guidance. This would include polices on the redevelopment, quantum, mixing, design and access, fit-out levels, management, viability and typologies of employment spaces including those co-located with residential uses. Such an updated SPG should also set out where and how 'net gain' in functional employment space should be developed at borough level.

- Reviewing and updating other policy areas to enable the New London Mix. By way of example, in order to overcome siloed ways of working, any review of the London Housing Design SPG would need to address the design implications of including new homes in such mixed schemes.

- Recognising that viability for a scheme which re-provides employment floorspace may well perform worse than an equivalent residential-only scheme. This may be due to lower margins on employment uses, longer-term revenue streams, any occupier decant costs, as well as the additional costs associated with building more complex buildings with multiple uses. Therefore proposals may not be able to meet all policy objectives and remain viable, as was borne out by our viability test in Chapter 4. This may mean that planners will need to be clear on the trade-offs and work with colleagues to secure additional funding. For example, schemes seeking to provide 50% affordable housing may require higher levels of grant, very patient debt, or perhaps increased density.

- Providing further guidance on the 'plan-led' approach in draft New London Plan Policy E7 for industrial areas that include meaningful engagement and developing a robust evidence base. Planners and developers really need to understand the nature of and relationship between the businesses and activities represented in the area and how relocation could work. This needs to feed into every scale of plan-making – from the wider Opportunity Area Planning Frameworks to the more detailed masterplans. Policies need to resist piecemeal residential development that often undermines the long-term viability of employment areas.

- Revising local plans to identify new opportunities that should provide additional capacity for business activity through New London Mix schemes. This should look beyond solely industrial and employment land to new locations such as secondary retail parks, large housing estates or town centres benefiting from transport investment.

- Developing effective Section 106 approaches that provide the clarity and certainty that suitable spaces, of sufficient scale, will be delivered and filled with locally relevant and positive uses. This could include clauses that require developers to offer the space at sub-market rents if it is not occupied within a certain period. For example the agreement could offer the commercial space the LEGCo (see Idea 2 above) on preferential terms. Planners should seek to create clusters of business activities rather than dispersing smaller, less viable productive commercial spaces across a number of schemes.

Redemption Brewery, Northumberland Park
source: 00

Bernard Works
source: The Bernard Works Project
Workspace and event space in Tottenham, Haringey Works studios tethered to affordable live units. (Still to be built)

[CASE STUDY]

South Tottenham AAP and Bernard Works

The South Tottenham Employment Area (STEA), lying between Seven Sisters and Tottenham Hale, has traditionally been a key focus for productive activity within Haringey. The business base has diversified in recent years, attracting a range of creative businesses and new specialist productive activities alongside more traditional storage, distribution and processing activities. This growth has led to new permanent and interim workspaces, such as the curated offer at Gaunson House and Greenhouse Studio and live-work spaces at Fountayne Road.

Like many employment locations, South Tottenham has come under residential development pressure. The Council developed an Area Action Plan (AAP) to manage this process by identifying areas where a mixed-use approach would be appropriate, provided schemes retain/enhance the employment offer. This was underpinned by detailed feasibility analysis to demonstrate that the approach is deliverable.

Responding to this policy context the Bernard Works scheme (by GCAP Investments and designed by Duggan Morris Architects) will redevelop a site within the STEA to provide an integrated scheme containing 99 homes and 2,500 sq metres of light industrial/studio workspace. It includes 12 ‘tethered’ affordable rented units, which can only be occupied by business operators signed up to 3-year sub-market leases on the workspace.

Bernard Works Project Ltd. Has been established by social entrepreneur Nick Hartwright to manage and operate the workspace and tethered flats. The company will prioritise lettings to local businesses, meaning up to 40 Tottenham/Haringey businesses could benefit, creating space for 225 jobs. The role of Nick’s team’s in both ongoing management of interim uses of the existing site and in helping to shape the final proposals has been important in securing planning permission.

Recommendation

3.2 The GLA, working with London local authorities and other stakeholders should produce policy-linked good practice guidance (similar to the Mayor's Estate Regeneration Guidance) that sets out how New London Mix can be positively provided. Where redevelopment is involved, the Mayor should use London-wide planning powers and any funding to support adherence to the guidance.

The guidance should consolidate the growing body of research and policy work undertaken in recent years to cover the following topics:

- Understanding how businesses work both individually and collectively and who they employ as part of the brief definition stage of any project.

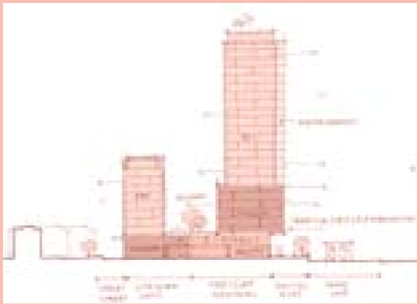
- Understanding existing and future occupier needs in terms of access, servicing of the housing element, requirements for specialist premises, flexibility, yards, access and public space, and the scale and specification of plant and machinery; and pros and cons of different typologies such as 'vertical' and 'horizontal' mix.

- Expecting enhanced levels of engagement (beyond those set out in statute) from landowners and applicants from the earliest stage of any development project and throughout the project. This should include meaningful liaison with existing and incoming businesses, operators and sector bodies.

- Preferred approaches to negotiations and a fair deal for decanted businesses, including good practice sharing on Section 106 agreements that support effective delivery and business relocation

[CASE STUDY]
Cedar Way, Camley Street Case Study

Camley Street - Cedar Way (existing)
source: Karakusevic Carson Architects



Camley Street - Cedar Way
source: Karakusevic Carson Architects

Cedar Way is a thriving industrial estate just north of Kings Cross. Employing over 500 mostly skilled workers in food production, processing and distribution, industrial laundry, model making and other sectors, the well-established businesses play an important role in servicing Central London. As majority freehold owner, Camden Council is preparing plans to redevelop the area to make better use of the land and support its regeneration programmes.

In response to these plans, the Camley Street Sustainability Zone and the Camley Street Neighbourhood Forum are linked local organisations bringing together the interests of the businesses on the industrial estate and those of residents on the residential estate opposite.

The Neighbourhood Forum has been developing a neighbourhood plan for the redevelopment of the industrial estate which would maintain the existing businesses in new premises, provide working space for new businesses as well as hundreds of new homes for local people. In the draft plans drawn up for the Zone and the Forum by the architects Karakusevic Carson, most of the homes would be for rent: either social housing or 'genuinely affordable', meaning that rents would be pegged to a third of the average Camden income. Some of the homes would be for sale. The plan will be submitted to the Council and form part of the statutory Development Plan for any future planning application.

Recommendation

3.3 GLA and London local authorities to adopt sub-regional approach within London to industrial space planning where feasible.

- There are many cases where planning across borough boundaries can offer the potential for effective consolidation, expansion and clustering of industrial and productive employment activities in a way that provides for more and better housing as well as supporting the ongoing viability of existing businesses and enterprise growth.

- Sub-regional approaches to addressing strategic servicing needs and the provision of vital services can unlock land potential. For example, the consolidation of local authority direct service operations, transport depots and waste facilities either within or between boroughs can free up land or remove bad neighbour issues, allowing mixed development to come forward.

- Cross-boundary economic planning also allows greater scope to address sector specific needs and ensure supply chains are fully catered for in terms of their space needs, retaining the complex inter-relationships that allow businesses to operate across London.

- Infrastructure corridors often provide these strategic linkages, locating close to stations on lines that offer access to clients and supply chains. The Victoria Line corridor is key example, with a range of creative, artisanal and digital businesses along its route from Brixton to Walthamstow, benefiting from access to central London markets and local networks. Future planning should recognise these dynamics when considering the strategy for infrastructure-linked growth.

Flux Metals, Old Kent Road
Source : Mark Brearley

[IDEA #4]

Develop 5 Trailblazing Projects over the Next 5 Years

Other than one or two modest scale or exceptional examples, London lacks significant New London Mix schemes that demonstrate the 'proof of concept'. The development of a number of scaled exemplars in different contexts across the city would go a long way towards turning the considerable interest expressed throughout this research into real projects as well as providing valuable learnings for future schemes.

Recommendation

4.1 The GLA and boroughs should convene partners to enable five exemplar projects to be delivered by 2022. Partners could include Homes England, social investors and the private sector

- There are already a number of schemes at feasibility or planning that could be supported through into delivery. The schemes could be financed partly by the London Commercial Space Investment Fund as well as other sources of funding set out above, which potentially includes including public sector land.
- Schemes would be selected to demonstrate a range of conditions, typologies and delivery routes. It is likely that the projects will be at the scale of an urban block (say at least around 2 acres/0.8 hectares) or neighbourhood in order to provide the flexibility and accessibility required. Schemes should demonstrate an effective mix of industrial, productive commercial and last-mile logistics activities with housing

- The five trailblazing projects would be supported by a longitudinal independent research programme undertaken by a suitable institution. Project teams would work with all tiers of government, agencies and other partners to better understand multiple social and financial impacts, such as getting people back into work, which is estimated to cost anywhere from £3,000 to £15,000 per person. This information could be used develop a social impact model that measures the benefits delivered and explores how alternative investment models could diversify and grow funding for future projects.

- The trailblazing schemes would also demonstrate how development projects can work with existing businesses and buildings to create a good employment-led public realm, support placemaking, and secure the development site. Rather than just being a meanwhile use, the pioneers occupying space on a temporary basis will help to de-risk the project and should be considered long-term occupiers[42].

- For many light industrial and workshop businesses, housing costs for employees are as much of a challenge as the availability of suitable commercial spaces. In the exemplar schemes, developers and housing associations should seek to establish 'tethered' live-work programmes where a new home (probably at intermediate rent with an Assured Shorthold Tenancy) is provided to those working within the employment space. Further research is needed to explore different ways this might work in practice.

[CASE STUDY]

Royal Docks West, LB Newham

Silver Building, Newham
Workspace and cultural centre, Silvertown, Newham
source: Silver Building

The Royal Docks was historically a centre for production, trade and London's gateway to the world. It is now an emerging area of change, where creative start-ups will exist alongside more established firms, and a balance of affordable and commercial workspace will create a sustainable and healthy working ecosystem. In short, it is the perfect place for trailblazing projects to happen.

The Royal Docks Enterprise Zone (EZ) became operational on 1 April 2013 and has the potential to deliver up to 35,000 jobs and 4,000 homes. The EZ comprises several GLA owned strategic development sites at the heart of the Royal Docks Opportunity Area. London's only EZ is designed to accelerate economic and housing growth and enables new business rate income within the area to be retained and recycled for a period of 25 years. As major land owner and with the ability to borrow against future business rates income, the GLA is able to provide up-front investment to make projects happen that the market, on its own, would not deliver.

Home to major employers such as Tate and Lyle, City Airport, Excel and Newham Council, the Royal Docks also includes major employment-led development projects including the ABP development at on site Royal Albert Dock (c.470,000 sq metres office plus 850 homes in total), Silvertown Quays (700,000 sq metres of commercial space and 3,500 homes) and London & Regional's Albert Island (100,000 sq metres of shipyard and industrial space).

The GLA and LB Newham together have established a team to bring forward these major schemes while at the same time diversifying and strengthening the wider employment offer – often as part of mixed-use projects.

Silver Building, Newham
Workspace and cultural centre, Silvertown, Newham
source: Silver Building

To achieve this, the Royal Docks team has been working with local stakeholders and its development partners to encourage meaningful pioneering meanwhile uses to come forward as a way of proving the opportunity, place-making and building longer term partnerships with operators. The team has used architectural competitions and the GLA's regeneration funds to kick start this process. Projects include:

- At Thameside West, workspace operator The MillCo Project has leased around 5,000 sq metres of studios and production space. Now mostly let, this project has demonstrated that there is demand for a range of creative and light industrial occupiers in this location. The intention is for MillCo, the GLA and the developers Keystone to work together to explore options for how best to manage commercial space in the permanent development.

- At nearby Silvertown Quays, the partners have appointed artist studio provider V22 to develop a temporary neighbourhood for affordable workspace, exhibition and community spaces, cafe/bar and leisure areas, as well as green spaces and gardens.

As explained in Chapter 4, the viability of mixed employment and residential schemes becomes more challenging the further out one travels in East London. With around 30,000 sq metres of commercial space either built or in the immediate pipeline around Royal Victoria Dock and 60,000 sq metres in ABP's first phase at Royal Albert Dock, the Royal Docks Team is working with partners to ensure an appropriate mix to enable successful projects. This includes working with the Creative Land Trust (see Case Study on page 47) as well as direct investment into a range of emerging projects. The intention to create a more diverse economic ecosystem to evolve (from start-up, move on, office, very light, and heavier industrial spaces) in the Royal Docks, and to diversify income streams.

IDEA #5

Capacity Building: Building capacity, skills and awareness and a suitable evidence base amongst professionals and operators

Recommendation

5.1 Professional bodies (RICS, RTPI etc.) and business groups (London First, House Builders Federation, British Property Federation, G15) as well as the LEAP and public sector groupings (London Councils) should support understanding of the agenda set out in Places That Work and other associated projects through conferences, publications, design competitions, exhibitions, training and other channels.

The growing body of evidence and good design practice on this topic needs to be better disseminated amongst practitioners in the public, private and financial sector. This includes urban design, architecture, planning and public realm design, as well as understanding of new financial models, lease structures, use of covenants and delivery process and long term management.

A high profile New London Mix design competition, ideally with joint public and private sector joint commitment for follow-through on a specific site, would increase the profile of this agenda and enable more debate and mutual learning. More generally the GLA should hold and maintain a list of all relevant projects at all stages and promote learning between teams.

Big Yellow Self Storage, Kingston
source : Big Yellow Self Storage

Big Yellow Group included 12 apartments in their new warehouse in Kingston following discussions with planners. This provides the company with another income and supports a positive streetscape.

Public perceptions of mixing commercial and residential uses also need to be addressed. 'Industrial' is often associated with dirty and noisy activities or uses that generate large numbers of commercial vehicle movements. This is often more prejudice than reality. While the New London Mix is not suitable for all industrial uses, improving technology and design is reducing the external impact even of challenging uses such as waste management.

New means of managing the relationship between neighbouring uses are already being explored as the city intensifies, such as 'agent of change' principles and smart contracts. A better evidence base is needed alongside exploring how real-time data can be embedded into the planning system.
.

Recommendation

5.2 **One or a consortium of industrial and logistics landlords and operators, together with the GLA should lead an environmental data pilot to include real-time monitoring of environmental pollution factors (noise, dust, air, vibration etc.) across a number of projects and conditions to provide a better evidence base on what activities could potentially be mixed.**

7

Conclusions

Whilst many businesses in London are uniquely rooted in place, fundamental shifts in technology and in how businesses organise themselves have shaken up the city's economic geography and are likely to do so again. But if London does not have the physical space for existing businesses to stay, grow or relocate, and for new activities to spring up and take root, it will not be able to sustain economic success, or optimise the life chances of its citizens.

Beyond 'no net loss'

In the realm of office space, planners in the City of London have long made sure that the Square Mile maintains a level of new office supply so it can always provide new activities with appropriately priced space [43]. We need to adopt a similar approach to productive commercial space across London, rather than letting such employment space continue to be eroded. If we want a diverse, distributed enterprise / SME economy, with startups and growing businesses in digital manufacturing, the repair economy or food innovation; if we want to maintain the deep sophistication of local supply chains whether in cultural sector, advertising or fashion, with its speed of product iteration and acute feeling for context and trend; and if we want to be able to innovate in last mile logistics to keep our city moving and sustainable, then we need diverse employment space. We must move beyond the 'no-net-loss' policy approach of trying to defend and re-provide what we have, towards a 'net gain' attitude where protecting SIL is complemented by adding flexible places to work across London.

Beyond the current market failure

This report has shown how a New London Mix of light industrial and residential development could be achieved and what benefits it could bring in generating vibrant, innovative and inclusive places and supporting housing delivery. It has also shown that, under current market conditions, a series of demand and supply factors need to align to convince investors, developers, operators and occupiers of both the residential and employment floorspace that this approach is viable and can create equally good environments for businesses and residents. Currently there is caution within both the residential and commercial market about this approach. Whilst our research has given us confidence that this is a genuine near-future opportunity, we are only at the start of a process of change: we are near the tipping point, but in the meantime, many businesses suffer from the pervading market failure and affordability crisis they currently face.

Things can change quickly - 10 years ago, Build to Rent was a marginal investment class. Now it is a major component of investment portfolios, particularly as other investments like long secure leases on commercial property look less certain. The disruption of the office market via the rise of WeWork and other co-working options has similarly happened in a very short time. We believe the development and de-risking of productive commercial and light industrial space via intermediaries could similarly happen quickly and have massive effect, with investors telling us that they expect this to be an important element of future investment portfolios. As techniques for evaluating the social, economic and environmental benefits of such workspace evolve, this will unlock further interest from impact investors at global scale.

The next steps

What is needed now is a concentrated approach to overcoming the remaining hurdles to enable delivery at scale. We have identified five big ideas and eight recommendations to enable a step change through new investment arrangements, intermediary employment space operators, supportive planning frameworks, best practice projects and capacity development amongst professionals. The recommendations complement and depend on each other: there is no single silver bullet to achieve the gear shift we need. The public sector has a big role to play, but the private and housing association sectors also need to take a leadership role to make this happen.

Our interviews have shown that many stakeholders in London are ready to work together on a range of pilot projects of differing scale, scope and specification. As stated in introduction this is also true outside London - though many of the market dynamics and pressure points will be different, this document holds important lessons for elsewhere.

Of course, ensuring London's enduring prosperity and economic dynamism this is not just about physical space - other factors required to support sustained prosperity for London and all Londoners. But space is and will remain a crucial platform for many economic activities: a shared infrastructure for the social and economic outcomes we want, whether for training, ideation, invention, idea validation, test trading, design, making, fixing and re-making. If we want Places that Work, we need to invest in embedding all these activities at the heart of London's new productive neighbourhoods. In the words of Jane Jacobs [44]:

'The vitality of neighbourhoods depends on the overlapping and interweaving of activities'.

Makerversity workshop, London
Source : Makerversity

GLOSSARY

'New London Mix' is our term to describe the close co-location of light industrial, distribution and productive workspace with homes in a way that works for occupiers and residents.

'opportunity areas' are London's principal opportunities for accommodating large scale development to provide substantial numbers of new employment and housing, each typically more than 5,000 jobs and/or 2,500 homes, with a mixed and intensive use of land and assisted by good public transport accessibility.

'Good Growth' is growth that is socially and economically inclusive and environmentally sustainable.

'Strategic Industrial Locations' - often known as SIL - are London's main reservoirs of industrial, logistics and related capacity for uses that support the functioning of London's economy.

'Locally Significant Industrial Sites' (LSIS) are locations that have particular local importance for industrial and related functions and designated by boroughs.

'Industrial intensification' is the more efficient industrial use of land through higher plot ratios through the introductions of mezzanines, basements, multi-story schemes and introduction of smaller units.

'no net loss' of industrial floorspace (and operational yard space capacity) within designated SIL and LSIS is a policy proposal in the Draft New London Plan.

'business rates' are a tax on business properties set by the government and collected by local authorities to contribute towards the cost of local services

'LEAP' - The London Economic Action Partnership (LEAP) is the local enterprise partnership for London. The LEAP brings entrepreneurs and business together with the Mayoralty and London Councils to identify strategic actions to support and lead economic growth and job creation in the capital.

'permitted development' allows for certain types of work to buildings and changes of use without having to apply for planning permission.

'Small and Medium-sized Enterprises (SMEs)' includes any business with fewer than 250 employees

'affordable workspace' is defined in the Draft New London Plan having rents maintained below the market rate for that space for a specific social, cultural or economic development purpose. Normally this is provided for specific sectors, disadvantaged groups or for start-ups.

'build to rent' schemes are larger scale projects specifically designed for renters with self-contained units and typically on-site management.

GVA

At GVA, we believe that our spaces shape us. The places in which we work, live and play have the power to make us all healthier, happier and bring out the best in us. This belief is at the heart of what we do.

What binds our 1,500 people is our shared sense of purpose; for real estate to have an active and positive impact on people's lives, wherever in the property lifecycle we are advising. From strategy and planning, through to delivery and management.

Our places build people.

www.gva.co.uk

Dan Hill

Daniel Hill is a leading regeneration and housing development consultant able to shape and deliver successful strategies, neighbourhoods and buildings that create better places for councils, housing associations, developers, social enterprises and communities. He brings passion and energy to his work and seeks to make an immediate impact to the projects it works on. He is currently working on Places that Work in Newham, Enfield and Thamesmead.

daniel_f_hill@hotmail.com

Architecture 00

Architecture 00 is a practice with a track record in delivering a broad range of activities relating to the shaping of our built environment. Founded in 2005, our office brings together skills in action-led research, urban design strategy, architecture and place making with a detailed understanding of how the physical fabric of buildings can be accompanied by innovative, engaging and collaborative processes.

www.architecture00.net

References

1 CAG Consultants et al. (2017) London Industrial Land Demand Final Report; Capital Enterprise et al. (2018) The Affordability Crisis: Overview and Recommendations. London Enterprise Action Partnership.

2 Greater London Authority (2017) Draft New London Plan, December 2017, p234.

3 Credit where credit is due: The term New London Mix was allegedly used by Deputy Mayor Jules Pipe in a speech on the regeneration of the Old Kent Road, however we have not been able to confirm when this was.

4 See e.g. Cities of Making (2018) Cities Report.

5 e.g. see Urhahn Urban Design (2006) Industry in the City; We Made That / Aecom (2015) LLDC Employment Space Study; Maccreanor Lavington (2016) Old Kent Road Employment Study - Urban Design Guidance; New London Architecture (2016) WRK / LDN: Shaping London's future workspaces; Greater London Authority (2017) Industrial Intensification Primer

6 e.g. see GVA / 00 (forthcoming) Wood Green Employment and Enterprise Study

7 Maccreanor Lavington et al (2016) Vacant Ground Floors in New Mixed Use Development

8 Greater London Authority (forthcoming; commissioned 2017) Industrial Intensification: Standards, Guidance, Viability, and Delivery

9 Regeneris / Future of London (2017) Making the Case for Place

10 CAG Consultants et al. (2017) London Industrial Land Demand Final Report

11 Greater London Authority (2014) Artists' Workspace Study data confirmed by Kirsten Dunne, 26 January 2018

12 Ramidus Consulting / CAG Consulting (2017) London Office Policy Review 2017

13 Greater London Authority (2017) Draft New London Plan December 2017, p. 225-234

14 Jessica Ferm / Edward Jones (2015) London's industrial land: Cause for concern? Working paper; Cities of Making (2018) Cities Report

15 e.g. see Greater London Authority (2016) Industry in the Upper Lea Valley; and see CoStar, 14 March 2017 "The Savills/CoStar logistics debate - Beds and Sheds and the need for industrial led mixed use" : A debate hosted by CoStar and Savills in 2017 showed widespread recognition that the London context has fundamentally changed and new forms of industrial and employment intensification and mix are more relevant and plausible to developers and operators than ever.

16 Figure derived from Aecom (2016) London Industrial Land Supply & Economy Study 2015 p.12

17 Evidence derived from empirical work undertaken by authors for Wood Green Employment and Enterprise Space Study, 2017-2018

18 Kat Hanna (2016) Spaces To Think: Innovation Districts and the Changing Geography of London's Knowledge Economy, Centre for London

19 Urhahn Urban Design (2006) Industry in the City

20 Urhahn Urban Design (2006) Industry in the City; We Made That / Aecom (2015) LLDC Employment Space Study; Maccreanor Lavington (2016) Old Kent Road Employment Study - Urban Design Guidance; Greater London Authority (2017) Industrial Intensification Primer

21 For example, through projects co-funded by the High Street Fund, London Regeneration Fund and Good Growth Fund

22 CAG Consultants et al. (2017) London Industrial Land Demand Final Report; Cities of Making (2018) Cities Report

23 GVA / 00 (forthcoming) Wood Green Employment and Enterprise Study

24 e.g. see Greater London Authority (2016) Industry in the Upper Lea Valley, p8 / p39 "'Manufacturing" as a designation generates better quality jobs (on average almost £66,000 GVA per job, compared to £57,000 GVA per job in transport and logistics) and provides almost 10,000 jobs in the ULV"; over 50% of jobs are es-timated to be local. Equally, our own assessment, using the Annual Survey of Hours and Earnings for London suggests an average wage (gross annual salary) for the sectors most likely to occupy the New London Mix, would be marginally higher than the London average (£43,395 vs £43,062) – which of course does not take full account of diversity within sectors but gives a useful indication.

25 Alice Masters / We Made That (2018) London Made. Available on https://vimeo.com/252790735 (ac-cessed 03 July 2018)

26 Presentation given by DPD at Old Kent Road Business engagement event, 12 March 2018

27 e.g. see Cities of Making (2018) Cities Report; Carlota Perez et al (2017) "Are We on the Verge of a New Golden Age?" Strategy+Business online https://www.strategy-business.com/article/Are-We-on-the-Verge-of-a-New-Golden-Age (accessed 03 July 2018)

28 Ramidus Consulting / CAG Consulting (2017) London Office Policy Review 2017; CAG Consultants et al. (2017) London Industrial Land Demand Final Report

29 GVA / 00 (forthcoming) Wood Green Employment and Enterprise Study

30 Ramidus Consulting / CAG Consulting (2017) London Office Policy Review 2017; Greater London Authority (2018) Strategic evidence to support London borough Article 4 Directions in London's nationally significant office locations; London Councils website https://www.londoncouncils.gov.uk/our-key-themes/housing-and-planning/permitted-development-rights-offices/impact-london (Accessed 03 July 2018).

In April 2017 government extended General Permitted Development Rights to allow conversion of some industrial premise to residential without the need for planning permission. The impact of this has yet to be fully understood, however the most recent MHCLG data suggests that in Quarter 4 of 2017, 11 Prior Approval Notifications were submitted across London, of which 4 were refused. This compares to 183 Prior Approval Notifications for office space conversions, of which 59 were refused in the same period,

31 Kat Hanna (2016) Spaces To Think: Innovation Districts and the Changing Geography of London's Knowledge Economy. Centre for London; Julie Wagner / Nathan Storring (2016) "So you think you have an innovation district?" Brookings Institution online - https://www.brookings.edu/blog/metropolitan- revolution/2016/03/30/ so-you-think-you-have-an-innovation-district/ (accessed 03 July 2018)

32 Radio 4 The Bottom Line, comments by Savills on recent changes in the London co-working market (09 June 2018)

33 e.g. See G15 website http://g15london.org.uk/londons-largest-housing-associations-plan-93000-new-homes/ (accessed 03 July 2018); and British Property Federation website "Build-to-rent sector grows pipeline of homes for UK renters by 30%" https://www.bpf.org.uk/media-listing/press-releases/build-rent-sector-grows-pipelinehomes-uk-renters-30 (Accessed 03 July 2018)

34 A detailed technical annex will be available on the partners' website

35 Comparison derived from Greater London Authority (2016) Industry in the Upper Lea Valley

36 e.g. see Urhahn Urban Design (2006) Industry in the City; We Made That / Aecom (2015) LLDC Employment Space Study; Maccreanor Lavington (2016) Old Kent Road Employment Study - Urban Design Guidance; New London Architecture (2016) WRK / LDN: Shaping London's future workspaces; Greater London Authority (2017) Industrial Intensification Primer

37 The benchmark land value is the value of a site in its existing use (say, use as an office building). This aims to recognise the reality that if a site has a valuable price in its existing use, no one is going to sell it for a lower price than that. In fact, in order to bother selling the site at all, the owner will want to get a bit of a margin over and above that existing use value (often referred to as "existing use plus") this is likely to be a range between 10-30% of BLV (the margins quoted in GLA viability guidance)

38 British Property Federation website "Build-to-rent sector grows pipeline of homes for UK renters by 30%" https://www.bpf.org.uk/media-listing/press-releases/build-rent-sector-grows-pipeline-homesuk-renters-30 (Accessed 03 July 2018)

39 Centre for London (2018) The London Intelligence - Issue 4 Online https://www.centreforlondon.org/reader/the-london-intelligence-issue-4/local-authority-spending/#overall-expenditure (Accessed 03 July 2018)

40 The predictability of business rates income could be particularly important as it provides a more regular and reliable flow of money into the fund, helping with business planning and predictability for funding windows. The provision of a more predictable investment pool and timetable will also help develop a stronger pipeline of projects, with those seeking to access the funds able to plan a project knowing the fund will be accessible, rather than reacting to a new funding opportunity in a short timeframe once it is announced. This should help both the quality of the projects supported and also the success rate in terms of their ability to pay back any loans.

41 Capital Enterprise et al. (2018) The Affordability Crisis: Overview and Recommendations. London Enterprise Action Partnership; Capital Enterprise et al. (2018) The Affordability Crisis: London Needs an Accreditation Scheme for Open Workspaces

Acknowledgements

We would also like to thank those who shared their knowledge throughout the research:

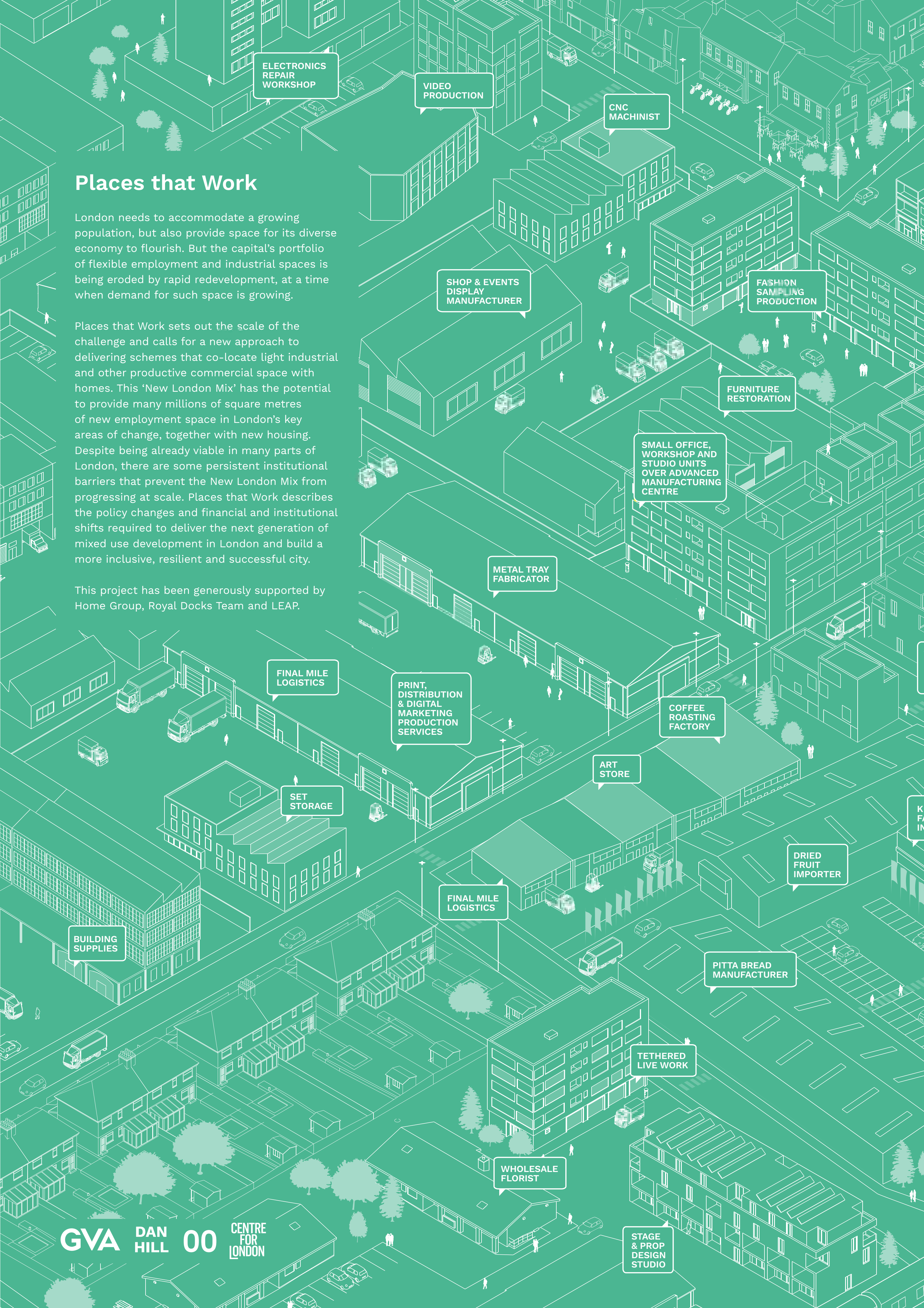
Aktar Choudhury, Operational Director Planning & Regeneration, LB Brent
Alison Partridge, Capital Enterprise Projects and Partnerships Lead
Amanda Reid, Head of Planning at LB Newham
Bethan James, Senior Development Manager, GLA
Blossom Young, Head of Operations, Poplar HARCA
Conor Moloney, Consultant and PhD candidate
Craig Sheach, Director, PRP architects
David Saxby, Architecture 00
Derryl Chen, Hawkins Brown
Gareth Crawford, Head of New Ventures, Home Group
Gerard Burgess, Strategic Planner, GLA
Holly Lewis, WeMadeThat
Ian Fletcher, Director of Policy, British Property Federation
Indy Johar, Dark Matter Labs
James Craddock, Regional Director, Greater London, SEGRO
Jennifer Ross, Director at Tibbalds Planning and Urban Design
Jerry Freeman, Senior Director, Development Consultancy, GVA
Jodie Norman, Commercial Property Manager, Notting Hill Genesis
John Allan, Director, Industrial Agency, GVA
John Montague, Managing Director, Big Issues Invest
John Spindler, CEO, Capital Enterprise
John Tatham, Senior Director, Investment Partnerships, GVA
Jonathan Kay, Regeneration, LB Brent
Kevin Logan, Maccreanor Lavington
Kirsten Dunne, Senior Cultural Strategy Officer, GLA
Lev Kerimol, Senior Regeneration Officer, GLA
Maire Grogan, Regeneration, LB Brent
Marcel Baettig, Bow Arts Trust
Mark Brearley, Owner, Kaymet & co-ordinator Vital OKR
Matt Dibben, Head of Employment & Skills, LB Brent
Matt Hayes, Senior Consultant, Development Consultancy, GVA
Neil Impiazzi, Partnerships Development Director, SEGRO
Nick Hartwright, Projekt and MillCo
Nick Roberts, Director, Investment, GVA
Nick Wigner, Head of Commercial, Peabody
Patrick Duffy, Head of Delivery, Peabody
Paul Augarde, Director of Placemaking, Poplar HARCA
Paul Lewin, Planning Policy & Projects, LB Brent
Paul Tebbit, Managing Director, BlackRock
Richard Upton, Deputy Chief Executive, U+I
Rob Harris, Ramidus Consulting
Rob Krzyszowksi, Head of Planning, LB Brent
Robert Baldwin, Senior Director, Valuation, GVA
Simon Pitkeathley, Chief Executive, Camden Town Unlimited
Sven Meundner, Owner Beispeil Ltd
Toby Hyam, Creative Space Management
Will Close-Brooks, Head of Structured Products, Investing for Good

Places that Work

London needs to accommodate a growing population, but also provide space for its diverse economy to flourish. But the capital's portfolio of flexible employment and industrial spaces is being eroded by rapid redevelopment, at a time when demand for such space is growing.

Places that Work sets out the scale of the challenge and calls for a new approach to delivering schemes that co-locate light industrial and other productive commercial space with homes. This 'New London Mix' has the potential to provide many millions of square metres of new employment space in London's key areas of change, together with new housing. Despite being already viable in many parts of London, there are some persistent institutional barriers that prevent the New London Mix from progressing at scale. Places that Work describes the policy changes and financial and institutional shifts required to deliver the next generation of mixed use development in London and build a more inclusive, resilient and successful city.

This project has been generously supported by Home Group, Royal Docks Team and LEAP.



GVA
DAN HILL
00
CENTRE FOR LONDON