

INSIGHT
FEB 2018

Industrial evolution

Planning for London's industrial needs

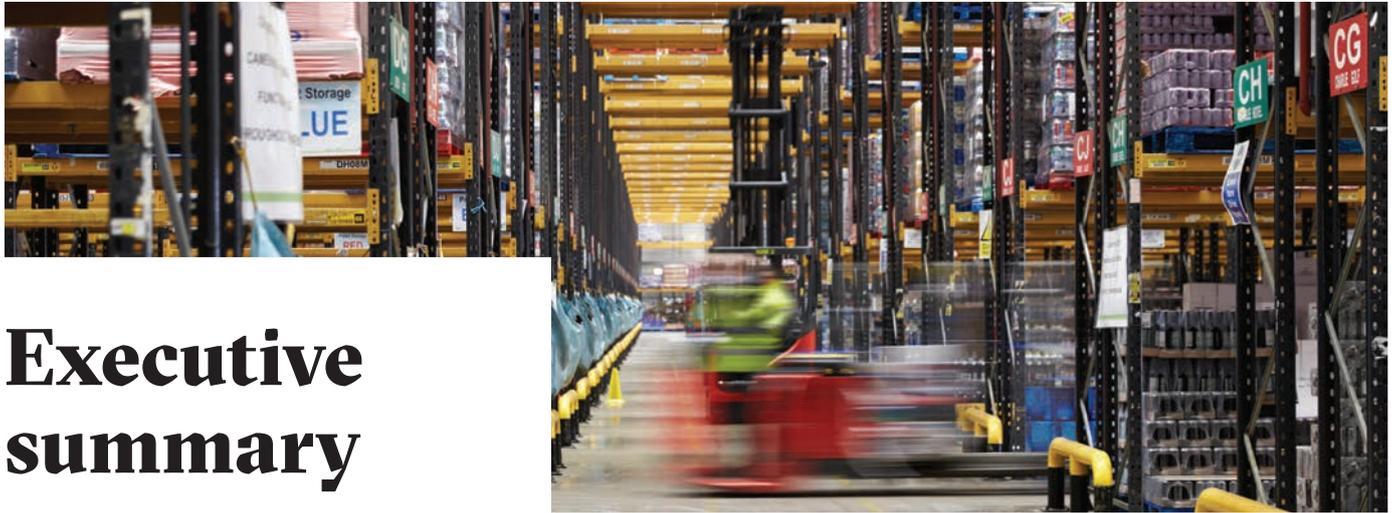


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Executive summary

The draft London Plan heralds a bold new approach to planning for the capital's industrial land needs, more carefully managing the release and reuse of designated industrial land. It will bring new challenges for those involved with planning and delivery of industrial development within the capital and beyond.

In the past two decades, release of industrial land has provided London with a valuable source of brownfield land to meet its wider growth needs. Much of this land was a legacy of London's industrial past. Accordingly, since 2004, policies in the London Plan have been underpinned by a general presumption of industrial land release to other uses, other than for designated industrial sites. But in recent years, industrial land losses have significantly exceeded the GLA's monitoring benchmarks in the majority of boroughs, even where land was protected. Furthermore, many local plans have struggled to plan proactively for the changing needs of industry. With falling industrial stock and rising rents, this had led to concerns about the efficient functioning of London's economy.

Against this backdrop, the draft London Plan proposes much stronger policies to retain and make more efficient use of existing capacity for industrial, logistics and related uses. Whilst some further industrial land release can be accommodated in overall terms to 2041, the pipeline of planned release already far exceeds this – much associated with other GLA policies such as Housing Zones and Opportunity Areas – even before the Plan comes into effect. We can therefore expect some significant market pressures to emerge within particular locations.

The GLA has updated the previous borough 'retain' and 'release' categorisations and introduced a new 'provide' category for five boroughs. These categorisations are intended to help give flexibility and balance capacity across London's five main industrial property market areas. This will need better monitoring and enforcement

than was the case in the past, and it will be important that any effective 'trading' of floorspace capacity across boroughs in this way does not adversely impact functioning industrial markets.

Given this fine balance, the draft London Plan is determined to make better use of London's remaining designated industrial land. It expects a plan-led approach to intensification and co-location through masterplanning work to be led by boroughs in collaboration with the GLA, as opposed to via ad hoc planning applications. An overarching 'no net loss' of industrial floorspace capacity principle is proposed for designated sites, based on existing site floorspace or a 65% plot ratio (whichever is greater). This is likely to be challenging, given our analysis suggests densities on existing industrial sites are typically less than half of this, and in itself it could act as a disincentive to redevelopment. But it does provide a welcome opportunity for wider place-making and design innovation. Owners and developers of industrial land will want to think at an early stage about how to engage with these processes.

Ultimately, even assuming more efficient use of industrial floorspace capacity, the draft London Plan appears to concede that it may not be possible to meet all of the capital's industrial needs within its administrative boundary. The concept of 'substitution' is introduced to consider how some of London's industrial needs might be best accommodated in the Wider South East where it offers 'mutual advantage'. Our analysis reveals little in the way of immediate available industrial capacity in the local authorities around London to provide for displaced needs. Moving forward, the GLA will need to not only work closely with neighbouring authorities if it seeks to influence their local plans (and the evidence that underpins them), but also to think about potential incentives such as unlocking strategic infrastructure investment, if any significant additional industrial capacity is to be realised.

Key figures

1,310 ha

of London's industrial land lost 2001-2015

176%

excess of land lost above monitoring benchmarks 2010-2015

36%

of London's industrial land has no formal planning policy protection

233 ha

capacity for industrial land release to 2041

838 ha

of industrial land currently in pipeline for release

65%

target plot ratio advocated by draft London Plan

33%

average plot ratio in Outer London SILs and LSIS

01 Introduction

The Mayor's draft London Plan proposes much stronger policies to protect industrial land and with greater emphasis on a plan-led approach to the intensification of existing industrial sites.

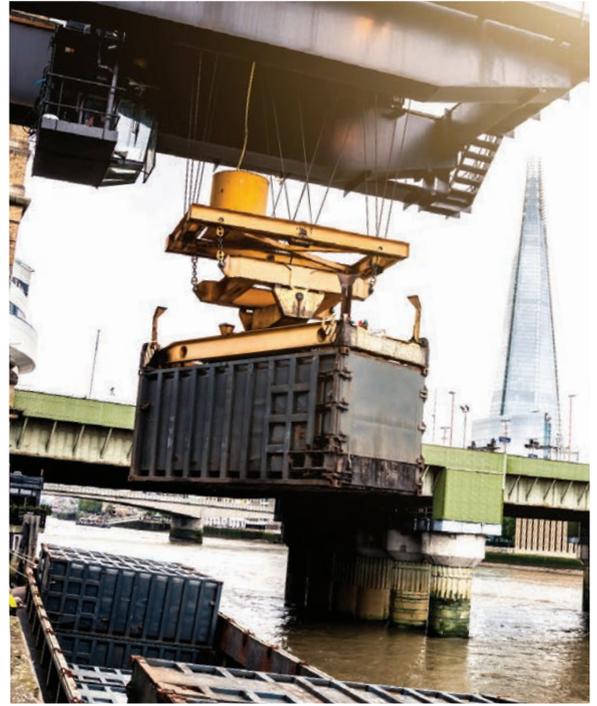
The proposed new approach to industrial land represents a significant shift compared to the existing London Plan (published in 2016). However, with over 1,300 hectares (ha) of London's industrial land having been lost since 2001 and the vast majority of boroughs releasing more than was indicated by existing London Plan monitoring benchmarks, the Greater London Authority (GLA) has recognised that a change of policy is needed.

Meeting London's housing needs is the Mayor's key priority, but the draft London Plan recognises that other land uses also need to expand to keep pace with demand. In particular, retaining and providing the space to accommodate jobs and business growth is essential to London's economic success.

With a declining industrial stock and increasing rents for what remains, some businesses are being forced to relocate, undermining the effective functioning of the capital's economy. At the same time, changing patterns of business demand and technological trends are disrupting traditional approaches to planning for industrial land, with implications both within and immediately outside of London's boundaries.

This Insight report prepared by Lichfields in association with URBAN Silence masterplanners, analyses recent trends and future demand for industrial land in London. In particular, the report considers the potential balance of needs across different parts of the capital, asks how intensification and co-location could help better utilise industrial land, and analyses the potential for unmet industrial land needs to be accommodated beyond London's boundary.

For the purposes of the research, industrial land is defined as land typically accommodating activity falling within use classes B1c (light industrial), B2 (general industrial) and B8 (storage, logistics and distribution).



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Contents

01	Introduction	1
02	Growing the capital	2
03	Future industrial land needs	5
04	Towards a new policy direction	8
05	Making better use of London's industrial land	11
06	Breaching London's boundary	14
07	Conclusions and implications	17

O2

Growing the capital

1.64m

total job growth
in London 1997-2017

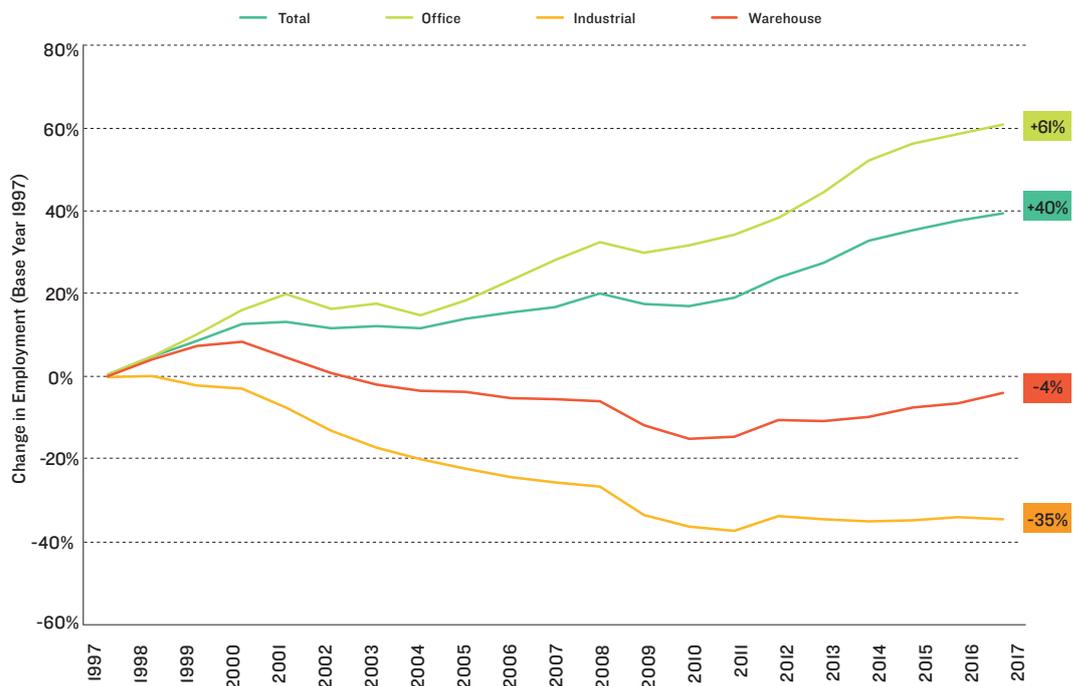
Recent trends

London's economy has grown significantly over the past two decades, adding an additional 1.64m workforce jobs between 1997 and 2017. A significant contributor to the increase in jobs has been those sectors typically occupying office space, generating an additional 0.72m jobs (44% of the total) over the period. By comparison, employment in industrial sectors has declined overall (see Figure 1), although this has now begun to stabilise and in the case of warehouse sectors there has been some recent job growth.

While the industrial jobs base has declined over recent years, London's industrial property

market has boomed. Average rents for industrial units have increased strongly whilst the current industrial vacancy rate of 4%¹ is amongst the lowest in the country. To a large extent, this reflects the mismatch between steady demand and a shrinking supply, as lower value industrial activity has come under increasing pressure from higher value uses right across the capital. As illustrated in Figure 2 overleaf, industrial floorspace has been contracting in all London boroughs except for a small number to the east, namely Barking and Dagenham, Bexley, Bromley and Havering. Some of the most significant contractions have been recorded in inner London boroughs.

Figure 1: London employment change by land use (1997-2017)



Source: Experian 2018 / Lichfields analysis

¹ GLA, London Industrial Land Demand (October 2017)

This recent decline of industrial floorspace is generally mirrored in the supply of industrial land, which has decreased by 1,310 ha between 2001 and 2015² (of which about 40% occurred between 2010-2015). The greatest absolute reductions were recorded in Newham, Havering (despite its increase in industrial floorspace, Figure 2) and Tower Hamlets (-186, -151 and -96 ha respectively), where significant redevelopment has occurred in key regeneration areas such as Stratford, Isle of Dogs and Royal Docks.

In all but five London boroughs³, the loss of industrial space between 2010 and 2015 exceeded release benchmarks set by the GLA⁴. Overall, London lost some 323 ha of land over and above its release benchmark (183 ha), bringing into question the effectiveness of recent policies designed to manage the capital's industrial land, as well as ongoing development management by individual boroughs, in particular those in more central locations.

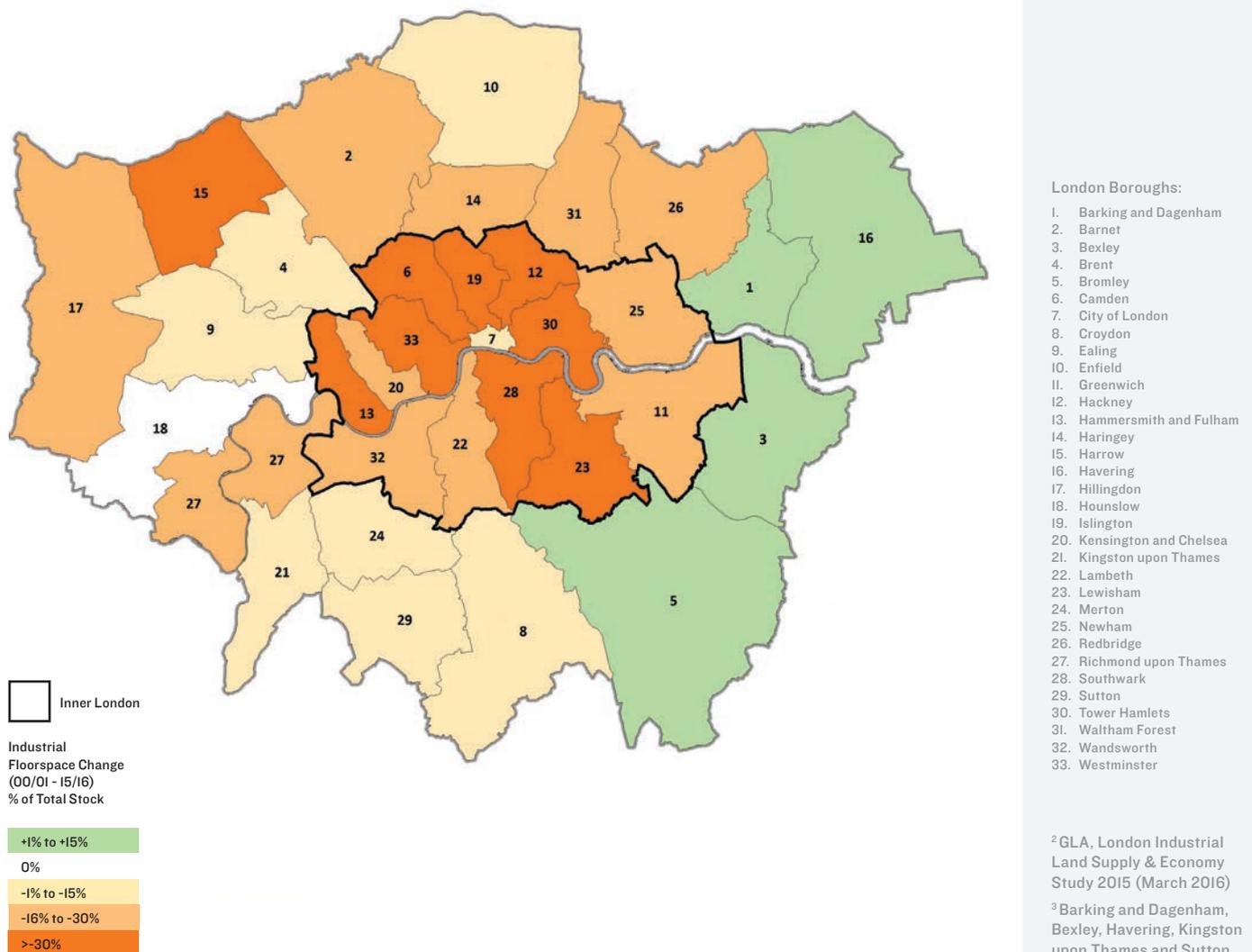
1,310 ha

of industrial land lost
2001-2015

176%

excess of land lost
above GLA monitoring
benchmarks
2010-2015

Figure 2: Change in London's industrial floorspace supply (2000-2016)



Source: Valuation Office Agency 2016 / Lichfields analysis

² GLA, London Industrial Land Supply & Economy Study 2015 (March 2016)

³ Barking and Dagenham, Bexley, Havering, Kingston upon Thames and Sutton

⁴ Mayor of London, Land for Industry and Transport Supplementary Planning Guidance (September 2012)

6.9m

projected jobs in
London by 2041

86,700

industrial employment
decline anticipated
by 2041

Future growth and change

The draft London Plan anticipates, and is predicated on a new 'wave of growth', with the capital's population expected to increase from 8.9m to 10.8m by 2041. This is expected to be matched by jobs' growth of around 49,000 each year, to reach a total employment base of 6.9m in 2041. As illustrated in Figure 3, this level of growth significantly outpaces assumptions used to underpin the current London Plan and places the capital under even more pressure to facilitate employment growth over the coming years.

The relative contribution of industrial-related sectors to this job growth is expected to be minimal, with GLA estimates⁵ suggesting that employment in industrial and warehousing sectors will actually decrease overall by 86,700⁶ jobs. Manufacturing and logistics sectors are projected to spur this decline although additional employment in building trades will help to partly mitigate for these losses. The overall picture for industrial employment in London is assumed to be one of continued decline in the long-term.

This presents some interesting challenges associated with planning for industrial land uses going forward. The relationship between industrial employment and space has never been straightforward and continues to change in response to productivity improvements, automation and consumer demand. A declining industrial workforce does not necessarily correlate directly with lower requirements for industrial floorspace. And as noted above, market signals indicate that London's industrial property market remains buoyant, with significant demand/supply mismatches across different segments and market geographies within and around London.

Permitted development rights recently introduced by Government for light industrial to residential change of use presents an additional risk factor, particularly for boroughs accommodating smaller scale industrial premises, and the Mayor therefor encourages local authorities to consider the evidential basis for introducing Article 4 Directions to safeguard their light industrial premises.

It is perhaps for this reason that the draft London Plan does not present a specific requirement for industrial floorspace over the life of the plan, nor set a target for industrial land provision. Without them, it remains difficult to decipher the overall quantum and scale of industrial space that needs to be planned for in quantitative terms over the next 25 years.

Figure 3: Job growth projections - current versus draft London Plan



⁵ GLA, London Industrial Land Demand (October 2017)

⁶ Figure excludes jobs in the utilities and waste sectors

Source: Draft London Plan (December 2017) / Current London Plan (March 2016) / Lichfields analysis

03 Future industrial land needs

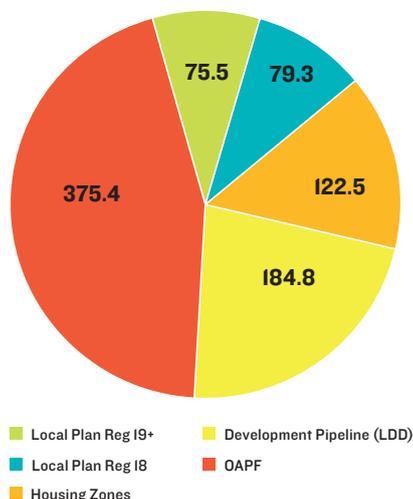
Balancing demand with supply

To help guide the future policy direction around planning for industrial land, the GLA's evidence base indicates that there is capacity and scope to release a further 233 ha⁷ of industrial land in London for other uses over the period to 2041. The scope for release is greatest in east London including the boroughs of Newham, Barking and Dagenham and Havering, while other boroughs such as Brent, Enfield and Ealing are expected to provide additional capacity going forward – an entirely new policy category that does not feature in the current Plan. Other boroughs are broadly to retain what capacity they still have.

On closer examination of the evidence base, there appears to be a pipeline of nearly 840 ha of industrial land that has already been earmarked for release either by the GLA or individual boroughs – some 600 ha more than the 233 ha that the GLA's evidence indicates could be released, while maintaining a healthy overall balance across London. Much of this 840 ha relates to anticipated redevelopment through Opportunity Area Planning Frameworks (OAPFs) and Housing Zones (Figure 4), as well as extant permissions recorded in the London Development Database (LDD).

Emerging local plans also contribute to this proposed release pipeline, but to a much lesser extent.

Figure 4: Pipeline of planned industrial land release by type (ha)



Source: GLA, London Industrial Land Demand (October 2017)

The stark implication is that for the foreseeable future – including after the draft London Plan has been finalised and published – the rate of industrial land release across London will continue to exceed target, despite increasingly constrained supply.

Gaps and pinch points

These spatial pressures will inevitably play out differently across the capital. As shown in Table 1 overleaf, the 'gap' between net release benchmarks and planned release is at its most acute in the Park Royal/Heathrow property market area; all but three of the boroughs here are expected to need additional industrial land in future, but face significant planned release, including through large scale regeneration in the Old Oak and Park Royal Opportunity Area, as well as the Crossrail corridor.

Table 1 also shows that many London boroughs – including those the draft London Plan requires to 'retain' or 'provide' additional industrial capacity – are set to see significant swathes of their industrial land released to other uses, in many cases at a level above the new benchmarks set.

The logical conclusion from this – and underlying assumption in the draft London Plan – is that the capital cannot meet all of its industrial land needs within its own boundary. The policy response is to encourage more efficient use of existing sites through some of the mechanisms included in Policy E7 as well as exploring opportunities for London's needs to be met across the Wider South East (explored in further detail in sections 5.0 and 6.0).

This shift in policy approach may also require London boroughs to re-visit and re-consider how much formal protection should be given to their remaining sites; more than a third (36%) of London's industrial land currently has no formal planning policy protection (i.e. is 'Non-Designated') and therefore remains particularly susceptible to release in future. Pressures are likely to be most acute in Central Services Circle boroughs where the current level of protection is weakest (Figure 5, page 7).

233 ha

capacity for industrial land release to 2041

838 ha

of industrial land already in pipeline for release

⁷ GLA, London Industrial Land Demand (October 2017)

Table I: Industrial land release benchmark versus planned release by borough (2016-2041)

Borough / property market area	Draft London Plan categorisation	Net provision benchmark (ha)	Planned release (ha)*	Difference between release benchmark and planned release (ha)
Camden	Retain Capacity	-8.4	1	7.4 ■
City of London	Retain Capacity	+1.6	0	-1.6 ■
Hackney	Retain Capacity	-17.8	2.1	15.7 ■
Islington	Retain Capacity	-13.1	1.2	11.9 ■
Kensington and Chelsea	Retain Capacity	-6.0	5.1	0.9 ■
Lambeth	Retain Capacity	-11.8	5.5	6.3 ■
Lewisham	Retain Capacity	-12.4	10.2	2.2 ■
Southwark	Retain Capacity	-21.5	0.1	21.4 ■
Tower Hamlets	Retain Capacity	-51.7	57	-5.3 ■
Westminster	Retain Capacity	-0.7	11	-10.3 ■
Central Services Circle		-141.8	93.2	48.6 ■
Enfield	Provide Capacity	+52	42.4	-94.4 ■
Haringey	Retain Capacity	-28.7	31.2	-2.5 ■
Waltham Forest	Retain Capacity	+6.2	26.9	-33.1 ■
Lee Valley		+29.5	100.5	-130 ■
Barnet	Retain Capacity	+5.1	1.8	-6.9 ■
Brent	Provide Capacity	+46.9	38.4	-85.3 ■
Ealing	Provide Capacity	+35.6	54.1	-89.7 ■
Hammersmith and Fulham	Retain Capacity	+4.6	67.5	-72.1 ■
Harrow	Retain Capacity	-0.9	20.6	-19.7 ■
Hillingdon	Retain Capacity	-50.2	69.8	-19.6 ■
Hounslow	Retain Capacity	-19.3	12.8	6.5 ■
Richmond upon Thames	Retain Capacity	+12	0.7	-12.7 ■
Park Royal/Heathrow		+33.7	265.7	-299.3 ■
Barking and Dagenham	Limited Release	-30.1	111.3	-81.2 ■
Bexley	Retain Capacity	-15.9	45.9	-30 ■
Bromley	Retain Capacity	+8.5	1.4	-9.9 ■
Greenwich	Retain Capacity	+28.8	52.3	-81.1 ■
Havering	Limited Release	-40.8	21	19.8 ■
Newham	Limited Release	-112.5	83.5	29 ■
Redbridge	Retain Capacity	-0.7	2.3	-1.6 ■
Thames Gateway		-162.8	317.7	-154.9 ■
Croydon	Retain Capacity	-9.9	1.3	8.6 ■
Kingston upon Thames	Retain Capacity	-7.2	0.6	6.6 ■
Merton	Retain Capacity	-5	0.8	4.2 ■
Sutton	Provide Capacity	+14.5	17.7	-32.2 ■
Wandsworth	Provide Capacity	+16.4	40	-56.4 ■
Wandle Valley		+8.8	60.4	-69.2 ■
Total		-232.6	837.5	-604.9 ■

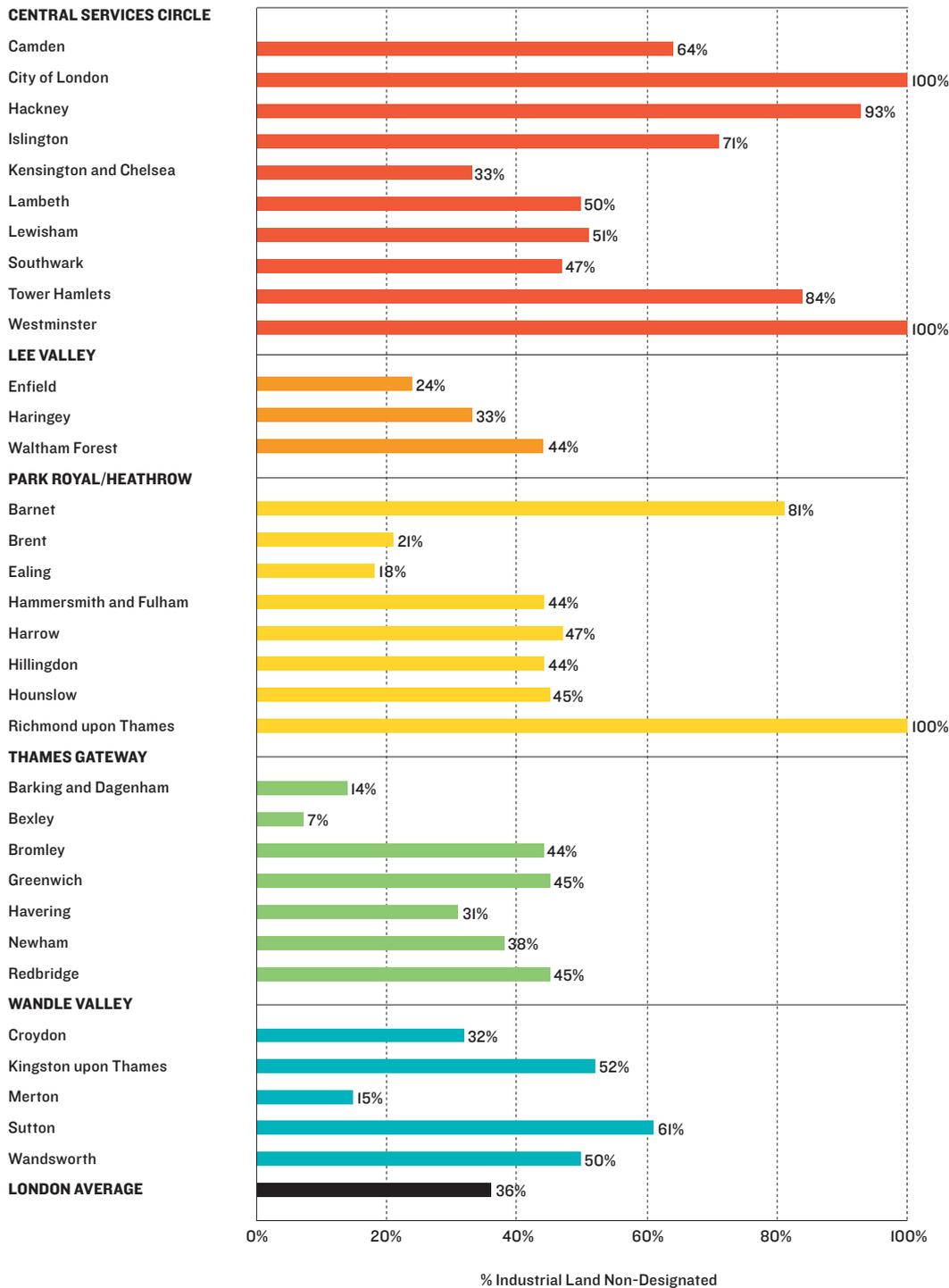
■ Within release benchmarks ■ Exceeds release benchmarks

Totals rounded

* Incorporates sites with planning permission from the London Development Database and areas included in Opportunity Area Planning Frameworks, local plans and Housing Zones

Source: Lichfields analysis, drawing on GLA London Industrial Land Demand (October 2017)

Figure 5: Non-designated industrial land supply as a proportion of total by borough (2015)



36%

of London's industrial land has no formal planning policy protection

Source: Lichfields analysis, drawing on GLA London Industrial Land Supply & Economy Study 2015 (March 2016)

04 Towards a new policy direction



This Plan addresses the need to retain sufficient industrial, logistics and related capacity.

Draft London Plan
p.235

Emerging industrial policies

As a consequence of diminishing industrial land capacity across the capital, the draft London Plan seeks to ensure – through Policy E4 – that a sufficient supply of land and premises is maintained in different parts of London to meet current and future demands for industrial and related functions.

It maintains the current London Plan's 3-tier hierarchy of industrial site designation (Table 2) but with a notable shift in its protectionist stance – re-iterating that in overall terms across London, 'as a general principle', there should be no overall net loss of industrial floorspace capacity in designated locations⁸ (i.e. Strategic Industrial Locations (SIL) and Locally Significant Industrial Sites (LSIS)).

This represents a key departure from the comparatively less restrictive policies in the current London Plan; as does the shift from land (i.e. ha) to floorspace (i.e. sq.m). Indeed, the draft London Plan is silent on any overarching, quantifiable figure for industrial land provision over the period to 2041.

To respond to industrial capacity concerns, the draft Plan goes further than just promoting protectionist policies, by pro-actively focusing through Policy E7 on consolidation, intensification, and the co-location of uses where possible. By providing a policy framework to encourage more efficient use of the capital's existing industrial capacity, the aim is that some of the increase in demand can be met by the better organisation of existing sites.

What's more, the principle of "no net loss" defines floorspace capacity as either existing industrial/warehousing floorspace on site or the potential industrial/warehousing floorspace that could be accommodated on site at a 65% plot ratio – whichever is the greater. The intention may be to prevent developers from 'gaining the system' by demolishing existing industrial floorspace before proposed redevelopment, but it could also be so challenging that it acts as a disincentive to occupiers redeveloping their space for whom a lower plot ratio is preferable. The precise density ratio could be subject to change, albeit the GLA is making a clear statement of intent.

Table 2: Industrial land designation hierarchy

Designation	% of industrial land in London	Responsibility for designation	Primary role and function	Typical characteristics
Strategic Industrial Location (SIL)	50%	The GLA - via the London Plan	London's main reservoirs of industrial, logistics and related capacity Given strategic protection as seen as critical to the effective functioning of London's economy	Typically located close to strategic road network, rail, river, canals and safeguarded wharves Scale and range of activities can raise tensions with other land uses and particularly residential development
Locally Significant Industrial Site (LSIS)	14%	Individual boroughs - in local plans	Secondary industrial areas generally accommodating smaller-scale provision and local business needs Sites with particular local importance for industrial and related functions	Designations based on evidence in strategic and local demand assessments, complementing provision in SILs Examples include Inner London sites providing sustainable distribution services for the Central Activities Zone
Non-Designated Industrial Site	36%	No formal designation	Sites containing industrial and related functions that are not formally designated as SIL / LSIS in local plan Can accommodate a flexible mix of uses	Could facilitate 'last mile' distribution close to central London Lack of formal policy status leaves scope for wider range of uses than just industrial

⁸ Principle does not apply to sites previously used for utilities infrastructure or land for transport functions which are no longer required

Source: Lichfields analysis, drawing on draft London Plan (December 2017)

Policy tests for release

The draft London Plan encourages an innovative approach by individual boroughs to make more effective use of designated industrial land.

Whilst the majority of land should be retained and intensified for industrial functions, this does offer scope – through a carefully co-ordinated ‘plan-led approach’ – to intensify industrial and related uses within a ‘consolidated’ SIL or LSIS, enabling the transfer of some land to a mix of other uses including residential (see Table 3). ‘Ad hoc’ proposals for residential or mixed-use schemes would generally be refused on designated land.

For ‘Non-Designated Industrial Sites’, mixed-use or residential schemes will be generally supported subject to certain criteria being met.

Draft Policy E7 provides further detail on how the process of industrial intensification, co-location and consolidation should be applied to facilitate any release of industrial land. There are caveats such as the need for intensified industrial, storage and distribution uses to be completed and operational in advance of any

residential component being occupied, which in some cases could pose viability challenges for redevelopment. As noted earlier, the GLA has given policy support for Article 4 Directions to safeguard light industrial space from permitted development rights.

Managing industrial capacity

Whilst the ‘no net loss’ of industrial floorspace policy position applies “in overall terms” across the capital, the draft London Plan does provide borough-level guidance on the approach to be taken to managing industrial floorspace capacity over the next 25 years. As shown in Figure 6 overleaf, it recognises local differences between boroughs, with most directed to retain industrial capacity, while some (such as Brent, Ealing, Enfield, Sutton, and Wandsworth) are expected to find innovative ways to provide additional capacity. The extent of vacant industrial land in the Thames Gateway means that a few boroughs (Barking & Dagenham, Havering and Newham) have scope for the limited release of industrial land ‘through a plan-led approach’. As noted in

Table 3: Policy tests and evidence required for industrial land release

Designation	Acceptable uses	Policy test(s) for non-industrial development/use	Evidence required
Strategic Industrial Location (SIL)	B1c, B2, B8, flexible B1c/B2/B8 (suitable for SMEs), small-scale ‘walk to’ services, ‘other’ industrial-type functions, services and activities*	<ul style="list-style-type: none"> Other uses should be refused except in areas released through a strategically co-ordinated process of SIL consolidation (as per Policy E7) In these cases, no net loss of industrial floorspace capacity** (and operational yard space capacity) 	Land release should only be considered as part of a plan-led process of SIL/LSIS intensification and consolidation (and clearly defined in Development Plan policies maps) or as part of a co-ordinated masterplanning process in collaboration with the GLA and relevant borough (not through ad hoc planning applications)
Locally Significant Industrial Site (LSIS)	B1c, B2, B8 including hybrid or flexible development suitable for SMEs (defined by individual boroughs)	<ul style="list-style-type: none"> Any release of industrial land should be facilitated through the processes of industrial intensification, co-location and substitution (as per Policy E7) In these cases, no net loss of industrial floorspace capacity** (and operational yard space capacity) 	
Non-Designated Industrial Site	All (subject to local Development Plan)	<p>Mixed-use or residential development proposals on Non-Designated Industrial Sites will be supported if:</p> <ul style="list-style-type: none"> there is no reasonable prospect of the site being used for logistics/ industrial purposes; or light/general industrial or storage/distribution uses are incorporated; or suitable relocation arrangements are put in place for any businesses/operations affected. 	<p>Evidence to demonstrate ‘no reasonable prospect’ should include:</p> <ul style="list-style-type: none"> strategic and local assessments of demand; evidence of site marketing; evidence that the scope for mixed-use intensification with industrial uses has been explored fully.

Source: Lichfields analysis, drawing on draft London Plan (December 2017)

* Including secondary materials and waste management, utilities infrastructure, land for transport and wholesale markets

** Policy applies in overall terms across London

the previous chapter of this report, the ability of individual boroughs to adhere to these categories will in reality be strongly influenced by the extent of industrial land release already planned to take place across the capital in order to ‘make room’ for wider regeneration ambitions and initiatives such as Housing Zones and OAPFs.

This simplifies the ‘release benchmarks’ included in the current London Plan and also symbolises some significant changes to the overall management approach recommended by the GLA; far fewer boroughs would have flexibility to transfer their industrial land to other uses, while some boroughs have flipped from a carefully managed release position to one where further capacity should be provided (such as Enfield, Brent and Ealing).

Although the draft London Plan does not go as far as to quantify the scale of industrial floorspace capacity that could be provided or released, this helps to underline the demand/supply balance position for industrial capacity within which

each London borough will need to operate, while also pinpointing areas with particular pinch points and pressures going forward.

Non-B uses

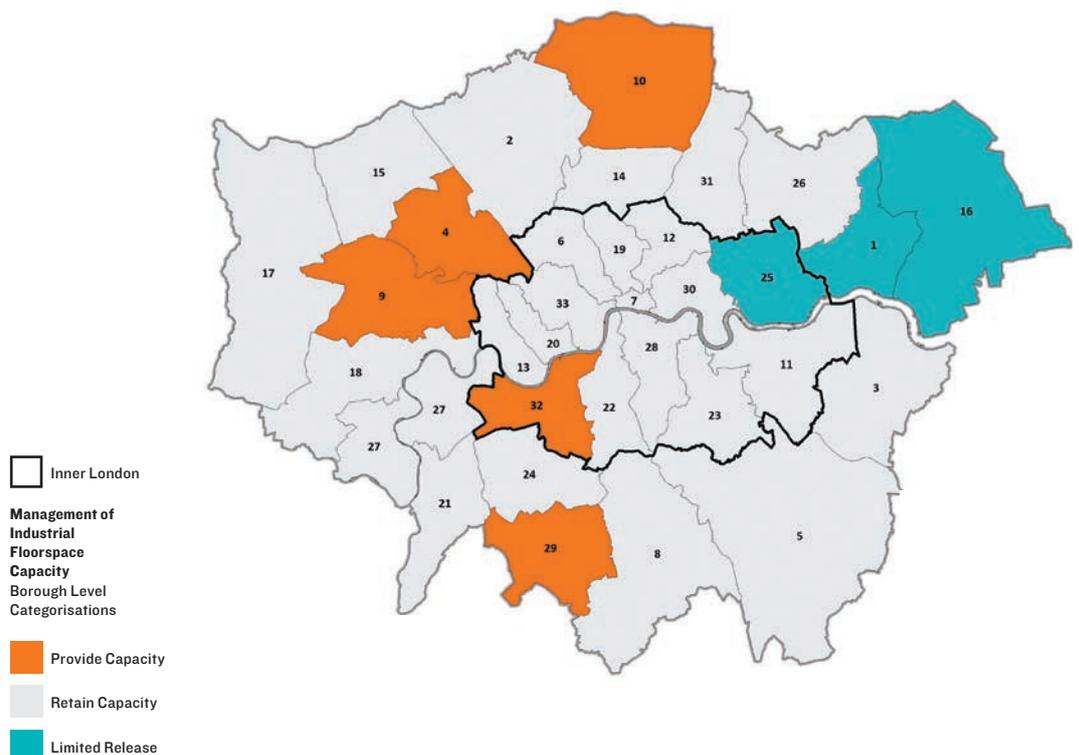
A seemingly less well-defined area of the draft industrial policies relates to those ‘other industrial-type functions, services and activities’ not falling within the traditional B use classes (B1c, B2 and B8), such as waste management, utilities infrastructure and wholesale management.

Much of this new infrastructure requirement may need to be identified and provided through mechanisms such as OAPFs, and supplementary planning guidance may become available in due course. However for now at least, the draft London Plan lacks any detail on the planning basis on which the need for these other industrial uses will be met across the capital up to 2041.

London Boroughs:

1. Barking and Dagenham
2. Barnet
3. Bexley
4. Brent
5. Bromley
6. Camden
7. City of London
8. Croydon
9. Ealing
10. Enfield
11. Greenwich
12. Hackney
13. Hammersmith and Fulham
14. Haringey
15. Harrow
16. Havering
17. Hillingdon
18. Hounslow
19. Islington
20. Kensington and Chelsea
21. Kingston upon Thames
22. Lambeth
23. Lewisham
24. Merton
25. Newham
26. Redbridge
27. Richmond upon Thames
28. Southwark
29. Sutton
30. Tower Hamlets
31. Waltham Forest
32. Wandsworth
33. Westminster

Figure 6: Managing industrial floorspace capacity – draft London Plan categorisations



Source: Lichfields analysis, drawing on draft London Plan (December 2017)

05 Making better use of London's industrial land

The form and distribution of much of London's industrial land is a legacy of the spatial arrangements of a century ago. Most of the circulation and subdivision patterns were essentially established in the first half of the 19th century, and many industrial sites have been subject to piecemeal change and redevelopment ever since. It is therefore no surprise that London's industrial areas are mixed, complex and relatively inefficient.

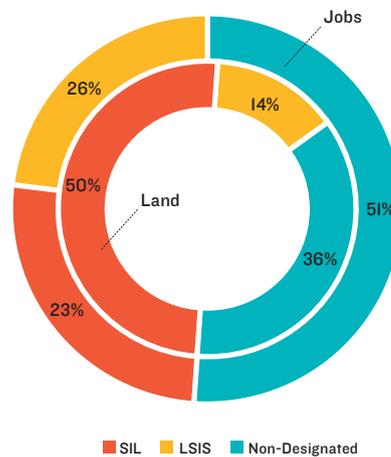
The draft London Plan therefore identifies achieving more intensive and efficient use of industrial land as a key part of how future needs should be accommodated, and introduces a 65% plot ratio (i.e. ratio of floorspace to land) as a benchmark against which the principle of 'no net loss' will be measured. This will be challenging; analysis indicates that the average plot ratio on designated industrial sites in Outer London is currently just 33%. Moreover, there is no sign that intensification is happening at any significant scale, as additional industrial floorspace in Outer London has been limited to less than 1% in the past 15 years.

Policy E7 calls for a proactive approach to achieving intensification through development plans and other planning frameworks, and discourages "ad hoc planning applications". However, the draft Plan only makes limited policy distinction between SILs and LSIS, yet they are structurally very different.

SILs are generally larger and complex; they have a higher proportion of large warehouses (for example 63% in Park Royal⁹), around 8-10% of non-industrial uses¹⁰ and typically a relatively low employment density (see Figure 7). By comparison, LSIS tend to be smaller, are often served by a single spine road, and have far more mixed typologies (18-20% non-industrial uses) and higher employment ratios.

This means that different strategies will need to be applied, if opportunities for intensification on industrial sites are to be identified and practically delivered. The focus of future planning for SILs should be in terms of efficiency and ability to respond to evolving operational demands, particularly to serve the strategic needs of the logistics, manufacturing

Figure 7: Proportion of total land and jobs by type of industrial site



Source: GLA, London Industrial Land Supply & Economy Study 2015 (March 2016) / URBAN Silence analysis

and related sectors. LSIS should be planned to take advantage of proximity, diversity and innovation; focusing more on people and jobs, and significant local economic clusters. This could combine with the introduction of affordable workspace policies (as set out in Policy E3) where these are justified by local evidence of need and viability.

The GLA has published some evidence on how industrial areas can be used more intensively¹¹, and Policy E7 sets out a number of detailed measures to support intensification, for example through the use of mezzanines, introduction of small units, multi-storey schemes and basements. However it is less likely that these measures will in themselves realise significant levels of intensification; this underlines the need for more comprehensive site-wide masterplanning strategies.

Some illustrative approaches to achieving comprehensive site intensification are set out in Figure 8 overleaf.

65%

target plot ratio advocated by draft London Plan

33%

average plot ratio in Outer London SILs and LSIS

<1%

average net additional floorspace (intensification) on industrial land in Outer London since 2001*

* Based on data for Wandle Valley, Lee Valley and Thames Gateway

⁹ GLA, The Park Royal Atlas (2014)

¹⁰ GLA, London Industrial Land Supply & Economy Study 2015 (March 2016) and URBAN Silence analysis

¹¹ GLA, Industrial Intensification Primer (January 2017)

Figure 8: Potential strategies for intensification

Strategic Industrial Locations

Characteristics: typically well-connected to the strategic road network, ranging in size from 10 to 100s of hectares; hierarchical road network and mix of units.

Key roles: strategic logistics, waste, large scale manufacturing, wholesale and distribution, industrial-related services.

Typical plot ratios: 23-46%

Intensification strategies

Priority: operational efficiency

1. Improve connectivity of the road network to remove the need to reverse HGVs and increase yard efficiency.
2. Selective clustering of smaller / medium units along multi-storied industrial 'mews' and niche spaces.
3. Maximise opportunities at plot level through mezzanines and multi-storey blocks.

Locally Significant Industrial Sites

Characteristics: often within residential areas, less than 10 hectares in size and with mixed unit sizes and business types; complex access patterns.

Key roles: proximity logistics, specialist manufacturing, SMEs, maker spaces and innovation clusters.

Typical plot ratios: 35-54%

Intensification strategies

Priority: diversity and flexibility

1. Selective diversification to create a portfolio of units and introduce co-working models.
2. Introduction of hubs for shared services, including supporting facilities and non-industrial uses.
3. Rationalisation of parking and access.



Connected circulation and shared manoeuvring space within the yards – approximately +10-20% plot ratio



Selective diversification and clustering of smaller units – approximately +5-15% plot ratio



Shared services such as car parks, canteen, meeting rooms, etc – approximately +10% plot ratio

Source: URBAN Silence analysis

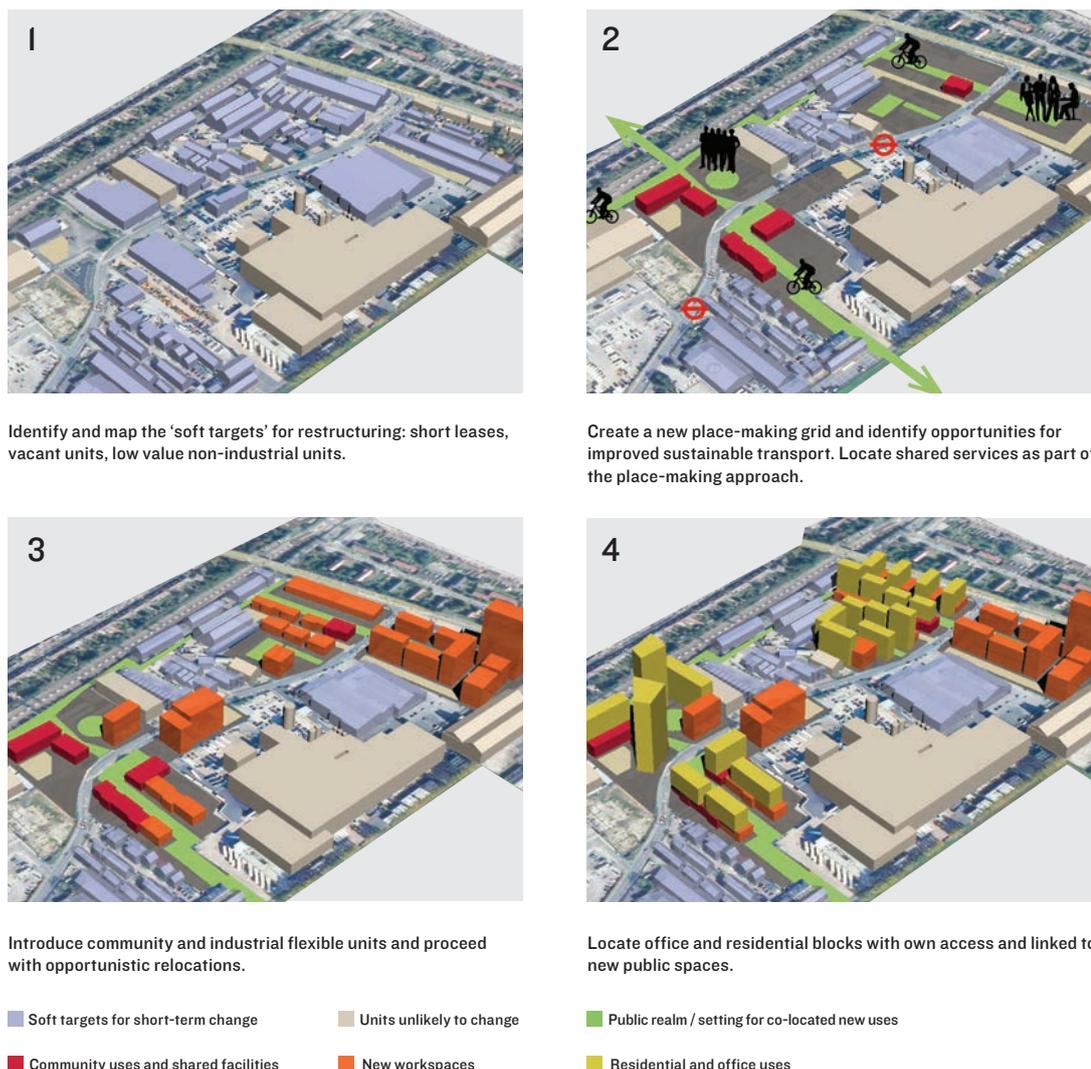
Masterplanning strategies for co-location

Alongside supporting the intensification of industrial activities, Policy E7 also encourages boroughs to consider whether some types of industrial activities (particularly light industrial) could be co-located or mixed with residential. As with general intensification, the draft London Plan stipulates that this should only be considered as part of a wider masterplanning process rather than via individual planning applications. Other criteria are also set out within Policy E7, for example a stipulation that

industrial uses must be completed and occupied prior to any residential component being occupied, whilst adequate consideration must be given to servicing requirements, amenity and environmental impacts.

In advance of more detailed guidance from the GLA, Figure 9 below sets out a place-making approach for co-locating industrial and other uses, enabling progressive change, retention of active businesses and the creation of amenity and safe, sustainable transport for residents and non-industrial occupiers.

Figure 9: Phased place-making approach for co-location



Source: URBAN Silence analysis

06 Breaching London's boundary



There may be scope for some substitution of London's industrial capacity to locations in the wider region where this results in mutual advantage, such as complementary business opportunities and transport infrastructure improvements.

Draft London Plan p.250

The final element of the draft London Plan's shift in approach through Policy E7 to accommodating industrial needs – termed 'substitution' – involves the planned transfer of industrial capacity from within the capital to alternative locations and property markets elsewhere in London or outside its boundary. This signifies the first time that the GLA has explicitly acknowledged and endorsed the role that non-London boroughs could play in meeting the capital's economic growth needs, and echoes the wider 'collaborative' planning policy theme and emphasis of the draft London Plan.

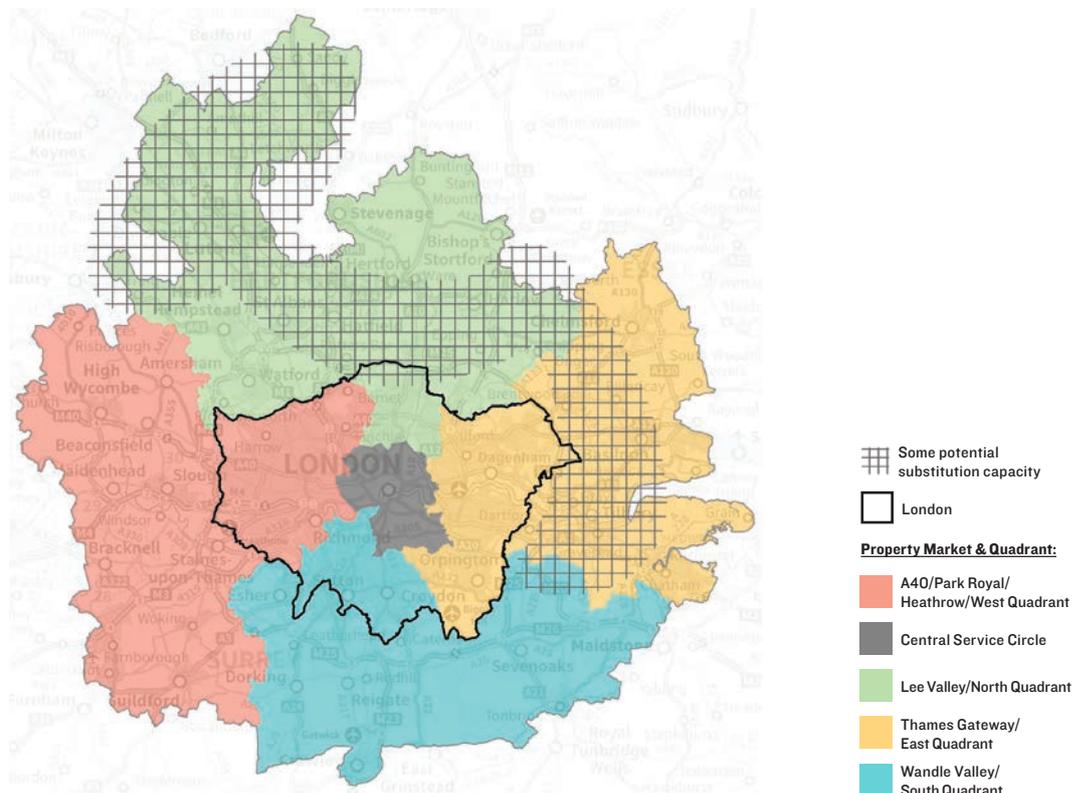
In doing so, the GLA concedes that more efficient use of existing space (i.e. through intensification and co-location) can only go so far and that accommodating new industrial development to serve London's economic function over the next 25 years will inevitably mean development beyond the capital's boundary.

This rationale is supported by the 'significant amount' of industrial and logistics capacity already serving London that is located outside the capital. The GLA is clear that where substitution occurs, this should result in mutual advantage to collaboration partners, such as complementary business opportunities and transport infrastructure improvements.

Neighbouring opportunities?

The nature of economic flows, inter-dependencies and property market relationships means that certain areas outside of London will be better suited than others to absorb industrial capacity displaced from the capital; greatest opportunities exist in locations that already serve London, those with strong transport connectivity to/from the capital, and those with greatest flexibility in their pipeline land supply to accommodate industrial needs from further afield than their own administrative or functional economic area.

Figure 10: Potential substitution capacity across the Wider South East



Source: Lichfields analysis, based on review of adopted and emerging local plans

Initial analysis¹² by Lichfields of potential pipeline employment land supply across the surrounding sub-region identifies limited opportunities for substitution of industrial capacity over the coming years (based on the latest or emerging local plans; Figure 10). Where there are opportunities, these tend to be concentrated within northern and eastern property market areas such as the Lee Valley and Thames Gateway, with comparatively little in southern and western market areas, such as those serving the M4, M3, M23 and southern M25 strategic corridors. What's more, very few local authorities are currently planning to make available industrial sites of any strategic scale, leaving a patchwork of relatively piecemeal and scattered opportunities.

Incentivising local partners

In some cases, the substitution approach set out in Policy E7 may represent a logical continuation of the status quo, but it also calls for a more formalised collaborative approach between the Mayor, individual boroughs and other stakeholders when it comes to local plan reviews, planning frameworks, masterplans and other mechanisms which could be used to co-ordinate this process. As well as increasing the onus on local authorities across the Wider South East to accommodate unmet industrial need and capacity from within London, this expectation also provides an added dimension to local planning strategy and evidence base development going forward. Will any identified scope for substitution be incorporated into objective assessments of employment need and subsequent local plan policies, for example?

Inevitably some authorities will be more willing than others to embrace the challenge posed by substitution. Over the coming months, the Mayor will be under pressure to clarify the 'mutual advantages' and incentives available, particularly for those authorities struggling to meet their own objectively assessed needs and facing other development constraints such as Green Belt.

Strategic infrastructure priorities

In this context, the draft London Plan refers to transport infrastructure improvements, and this could provide a renewed impetus for local areas to make the case for strategic infrastructure investment in their areas, to better connect and integrate their local economy with London (the £1.7bn Transforming Cities Fund being a key example of a potential funding source to target).

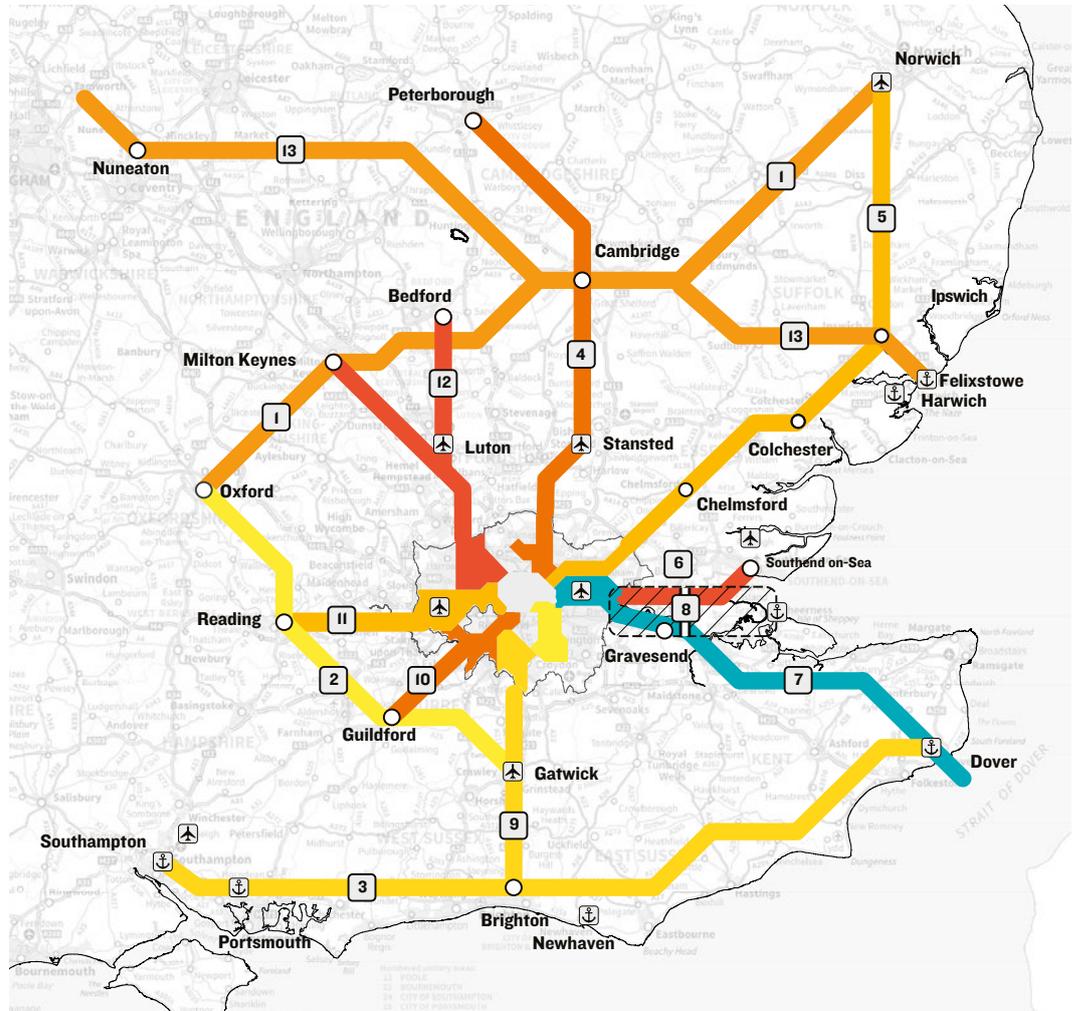
Also key to success will be capitalising on the new Growth Corridors and Strategic Infrastructure Priorities proposed through the draft London Plan. These introduce a broad spatial framework for the Mayor to work with "willing partners" beyond London to explore the potential to accommodate more growth in sustainable locations outside the capital, across the Wider South East (Figure 11 overleaf).¹³ Strategic Infrastructure Priorities have been identified that either connect directly to Growth Corridors within London ('radial') or help reduce transit through London by stimulating economic growth beyond the capital ('orbital'). While orbital priorities may have more capacity to accommodate additional growth than radial ones, these may prove to be a less practical and effective mechanism for substituting industrial capacity from London, where direct and expedient transport links to continue servicing the capital will be imperative. The GLA is urged by developers such as SEGRO¹³ to recognise the locational imperative of urban logistics operators in establishing industrial locations, including those outside London.

Questions also remain over some of the more practical implications of implementing policy E7, such as how to measure the 'positive' and 'negative' impacts of substitution – including cumulative impacts – in a holistic way, and how precise and detailed relocation arrangements should be, particularly where they are developed as part of a plan-led process (as opposed to through ad hoc planning applications).

¹² Based on a review of pipeline employment/ industrial land supply identified in adopted or advanced local plans across South East authorities (as at January 2018); industrial/ mixed allocations of 20ha+ used as a proxy threshold to estimate where there may be some potential strategic capacity to accommodate substitution from London

¹³ SEGRO, Keep London Working (2017)

Figure II: Strategic infrastructure priorities across the Wider South East



Strategic Infrastructure Priorities

1. East West Rail and new Expressway road link (Oxford - Cambridge)
2. North Down Rail Link (Gatwick - Reading) including extension to Oxford
3. A27 / M27 / A259 and rail corridor (Dover - Southampton)
4. West Anglia Mainline, Crossrail 2 North (London - Stansted - Cambridge - Peterborough) and M11
5. Great Eastern Mainline (London - Ipswich - Norwich) and A12
6. Essex Thameside, A217 and A13 corridor
7. Thames Gateway Kent : Elizabeth Line Extension and HSI (London - North Kent - Channel Tunnel)
8. Lower Thames Crossing
9. Brighton Mainline (London - Gatwick - Brighton)
10. South West Mainline, Crossrail 2 South West (London - Surrey / Southern Rail Access to Heathrow) and A3
11. Great Western Mainline (London - Reading / Western Rail Access to Heathrow)
12. Midlands and West Coast Mainline (London - Luton - Bedford / Milton Keynes)
13. Felixstowe - Nuneaton / Midlands and A14

-  Airport
-  Port
-  Thames Estuary ports
-  London growth areas

Source: Lichfields analysis, drawing on draft London Plan (December 2017)

07 Conclusions and implications

The shrinking supply of industrial land has been a defining feature in London's changing landscape over recent years, although the pace of erosion has accelerated more recently, with the majority of London boroughs releasing far more industrial land to other uses than recommended by GLA monitoring benchmarks. This not only suggests that policies designed to protect and manage the capital's industrial land to date have proved less than effective, but perhaps that many local authorities have not planned proactively to manage employment land, tending to rely on London-wide guidance that has arguably failed to maintain the level of industrial land that London's economy needs to function effectively.

In response, the draft London Plan takes a more stringent approach to future losses of industrial floorspace on policy-protected sites, through a 'no net loss' general principle and by assigning refreshed 'retain' and 'release' categories – and a new 'provide' category – to individual boroughs to better guide the management of remaining industrial capacity. This may well prove academic over the first few years of the Plan, as large scale industrial land release continues to occur as a consequence of Housing Zones, OAPFs and planning permissions. Recently introduced temporary permitted development rights for light industrial to residential change of use provide an added complication, and local planning authorities are encouraged by the GLA to consider the evidential basis for introducing Article 4 Directions to safeguard their light industrial premises.

The GLA's own evidence suggests that London will be unable to meet all of its industrial growth needs within its boundary. Recognising the limitations associated with previous policies, the draft London Plan introduces a range of new policies, encouraging individual boroughs to be more creative about planning for and accommodating industrial activity; through intensification, co-location and substitution. Through this report, we have examined the scope and potential for each approach to contribute to this finely balanced equation.

There is a real opportunity for design innovation to help London deliver more intensive, efficient and better designed industrial development, albeit more guidance on the practical implications is likely to be required. The concept of a proactive, 'plan-led' approach to intensifying and consolidating industrial activity within a finite supply of land represents a step in the right direction and clearly incentivises local authorities to take more control by clarifying how they want their remaining industrial land to change, develop and diversify over the coming years. It also provides a clear opportunity for stakeholders such as site owners, promoters and developers to engage with the planning and masterplanning process at an early stage to help shape and influence site or area specific growth and development strategies, particularly if there is 'cross-trading' of floorspace capacity between sites or across boroughs.

With the new draft policies also comes a new set of policy tests for industrial land release, which will need to be supplemented by a more nuanced planning case that takes full account of "strategic and local demand assessments".

The final part of the GLA's solution – the substitution of London's industrial capacity elsewhere across London and beyond – is perhaps the most radical and challenging. Recent experience tells us that planning for, and accommodating, growth needs across administrative boundaries can prove complicated (as shown with housing) and a 'step change' level of collaboration will be required by various stakeholders for the policy to succeed. A review of adopted and emerging local plans in authority areas contiguous to London uncovers limited short term potential to accommodate displaced industrial activity and capacity from the capital, indicating that wholesale planning policy changes will be required. Local economic evidence bases will need strengthening and incentives such as investment in transport and other infrastructure may be required to help broker workable and mutually agreeable deals with authorities across the Wider South East.

Overall, the GLA's preferred 'direction of travel' poses some interesting questions and potentially challenging implications for different agencies and stakeholders to consider in the months ahead, and no doubt will be debated at the London Plan Examination in

autumn 2018. This process is vital as London gets to grip with planning for the next stage in its industrial evolution. We have summarised some of the key implications and questions in Table 4 below.

Table 4: Planning implications for industrial land

	GLA	Local planning authorities	Land owners and developers
Designating and protecting	<ul style="list-style-type: none"> The GLA may come under pressure to clarify basis for 'provide/retain/release' borough level categories Over the early years of the plan, there will be a need to monitor the relative contribution of different boroughs to overall release benchmarks across each property market area 	<ul style="list-style-type: none"> Changes to 3-tier site hierarchy and release benchmarks underlines the need to re-visit existing supply and site-by-site designations – is there a case to place more protection on previously non-designated land? Is the local plan evidence base up to date on suitability and deliverability of industrial sites? Could it be strengthened? 	<ul style="list-style-type: none"> Proposed Policy E7 will make it more challenging to secure ad hoc planning approvals on designated sites Onus on developers/land owners to actively engage with individual boroughs at the plan-making stage to shape individual site strategy or risk relying on non-designated sites to accommodate development
Balancing and co-ordinating	<ul style="list-style-type: none"> Principle of 'no overall net loss' of industrial floorspace on designated sites implies that some sites can accommodate a net loss as long as this is re-provided elsewhere To effectively manage this process, the GLA will need to introduce a more sophisticated system to monitor floorspace change on annual basis and compare against land 'release benchmarks' 	<ul style="list-style-type: none"> Although it remains unclear how 'no overall net loss' will work in practice, London boroughs should start considering whether there is scope to balance capacity across sites and/or consider potential for 'land swaps' There could be a GLA requirement for more regular and comprehensive monitoring of floorspace change on a site-by-site basis Where do 'other' industrial uses (such as waste) fit in to the overall balance? 	<ul style="list-style-type: none"> 'No overall net loss' policy position introduces a certain amount of flexibility and this could lead to 'cross trading' of capacity across sites Scope for site developers and owners to collaborate (at plan making stage) taking care to demonstrate that any re-distribution meets business needs (i.e. the right space in the right location)
Maximising opportunities through consolidation and intensification	<ul style="list-style-type: none"> Requirement for consolidation to be considered through a collaborative masterplanning process with the GLA could place pressure on Mayor's finite resources, particularly if sites are inter-linked and masterplanned simultaneously More prescriptive guidance required to clarify the masterplanning and design process and expectations on planning authorities 	<ul style="list-style-type: none"> Planning authorities will need to determine most suitable uses to blend together on SIL and LSIS sites This will require a more holistic approach to appraising suitability of key sites/locations to accommodate a range of uses and contribute to other regeneration objectives (such as town centre renewal) Consideration at plan-making stage places pressure on often under resourced planning teams 	<ul style="list-style-type: none"> Policy E7 places greater expectation on innovative design solutions for new development and consolidation Requirement for industrial uses to be completed and operational in advance of residential occupation likely to pose delivery and viability challenges in many cases Window of opportunity to engage early on in plan-making process – greater need for a strategic and timely response from the private sector
Breaching the boundary	<ul style="list-style-type: none"> More work is needed with wider South East partners to determine most likely/feasible opportunities for industrial capacity transfer – how far out of London could this realistically go? Need to agree industrial demand supply balance position for each authority over next 25 years and secure 'buy-in' from partners What mutual benefits and potential incentives might be available? 	<ul style="list-style-type: none"> Substitution could have significant implications for the way local plans are developed and implemented Ahead of further guidance from the GLA, local authorities within and outside London will want to update their evidence base to demonstrate choices and trade-offs to feed into later discussions Success of substitution policy likely to be contingent on infrastructure investment and improvements 	<ul style="list-style-type: none"> Displacement of industrial activity outside of London likely to be recognised more formally in planning terms in future Commercial opportunity to bring forward and justify additional industrial developments in locations close to London Requirement for site developers to demonstrate relocation arrangements where applicable

Source: Lichfields analysis

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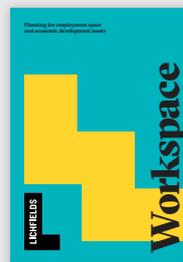
The draft London Plan

New policy directions for delivering growth



Factory floor to front door

Evidencing Article 4 Directions



Workspace

Planning for employment space and economic development needs



Femaplan

Defining functional economic market areas

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