



# Southwark Employment Land Study

Part 2 Final Report

April 2016

# LB Southwark Southwark Employment Land Study

A report by **CAG Consultants**  
in association with **Ramidus Consulting and Maccreanor Lavington**  
**Architects**

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# Summary

This report sets out an assessment of the future development potential of the Old Kent Road Opportunity Area for employment uses. A companion report sets out a wider employment land study for the borough of Southwark as a whole.

## Current Profile and Planning Context

The Old Kent Road is currently recognised as a Strategic Preferred Industrial Location (PIL) in the saved policies of the Southwark Plan. Such locations are safeguarded to ensure that a range of industrial and storage functions continue in the borough. But the policy context is changing.

In the 2015 London Plan the Old Kent Road was designated as an Opportunity Area. These are the capital's principal reservoir of brownfield land and strategic planning policy. Opportunity Areas should seek to optimise residential and non-residential development and densities, provide necessary social and other infrastructure to sustain growth and, where appropriate, a mix of uses.

The Old Kent Road is probably a unique location in London given its mix of industrial characteristics and proximity to central London. It currently supports around 9,500 jobs in a mix of warehouses, industrial estates, high street businesses, retail parks and community use. Around 75% of businesses are independent businesses occupying single sites and these businesses account for 40% of the jobs in the OKR area. Proximity to central London and access to customers are amongst the principal strengths of the area as a business location. Though only 15% of companies identified Central London as their primary market.

These locational benefits were confirmed by local businesses consulted for this study who voiced a general consensus that the Old Kent Road operates well at the moment as a business area. Businesses say it offers a unique reservoir of activity for London. Businesses on the Old Kent Road are there for a reason. It is the closest industrial land to central London, and generally has good transport links. But there are seen to be downsides in terms of traffic congestion, parking issues, the general amenity of the area, lack of fibre optic broadband, and crime and safety.

The distinctive industrial characteristics of the Old Kent Road are also found in its resident population. Compared to the borough as a whole and to comparable areas elsewhere in inner London, the Old Kent Road has a higher proportion of residents in lower skilled occupations.

As London continues to grow, and the workforce continues to develop further and higher levels of skills, the current characteristics of the area may become harder to sustain. This report is principally looking ahead as to what may occur over the next twenty years. There are likely to be big changes in London, hence change will come to the Old Kent Road. The current profile of businesses and resident workers today is one that will probably need to adapt to benefit from, and contribute to, the future growth of the London economy.

There is evidence of change already. While there remain some manufacturing activities, in general the underlying trend has been one towards more service-based activities. But the existing commercial property market stock has shown little sign of change. Vacancies are low and rents are sustained indicating demand for what is there, but at the same time rents are not high enough to attract new investment in to the area especially given the pressure for conversion to residential uses. There are already pressures as organisations are being priced out, or wishing to expand but not able to. Those who are renting are the most vulnerable to being priced out, while those who own their own sites, and/or are located on self-contained industrial estates are the most sanguine about future residential growth.

## Future Patterns of Growth

As to the emerging trends of the future, and the impact these will have, there are at least three key drivers of change that we know will impact the future development of employment space in London. These are:

- **Change in population** – London's population is forecast to continue to grow over the next thirty years adding over two million additional people to the capital. This creates demand for consumer goods and services as well as land-use pressure for residential development.
- **Change in the nature of work** – there have been significant changes in the way the work is organised. To date many of these changes have only affected a relatively small minority of the working population but they are likely to become more widely adopted over time.
- **Change in the London economy** - London was a manufacturing city, then financial services became dominant, whilst recent growth has been driven by digital and media firms. London will need to adapt to the growth sectors of the future.

## Implications for Employment Land and Property

The trends identified have already led to changes to the manner in which the property supply industry is delivering space, particularly in terms of the type of property and specification that occupiers are demanding. New stock, if provided, is likely to use land more intensively and to provide more flexible space that is appropriate to modern business processes. One specific approach which is rooted in the way space is being used in a changing market is to encourage the development of hybrid space (or the hybridisation of existing space). There is a very good case for encouraging such an approach since it could be the most effective way of ensuring at least some employment land stays in employment uses, rather than rigidly sticking to Use Class Order-based conventions.

In terms of the future profile of employment space on the Old Kent Road traditional manufacturing uses will all but disappear whilst warehousing and distribution space will shrink significantly. Light industrial space will continue to attract strong demand as the need to service central London customers grows.

B1a office space is likely to see two outcomes. First is a growth in demand for multi-let, generally smaller units. The second aspect to office demand is the growing flexible space market. It is likely that operators will continue to expand in the borough, providing space on flexible terms for the growing number of small and micro businesses. Some of this will involve co-working environments, but the key factor is flexibility in terms of low start-up costs and ability to change.

Finally, hybrid space combines aspects of light industrial and office space for firms looking to undertake some 'productive' activities while also using 'clean' space. As such, much of this activity is 'neighbour friendly'

In terms of office space and hybrid space one of the important characteristics as far as Old Kent Road is concerned, is the role of 'place'. Occupier businesses prefer to be in situations where they feel part of 'a place', not only in which they can find support services and retail and leisure services, but also which provide good public realm.

## Old Kent Road Redevelopment Scenarios

Whilst change in activity and redevelopment of the Old Kent Road are inevitable to some extent the scale and pace of that redevelopment will depend on key investment and planning decisions. Central to this is a decision over the Bakerloo Line Extension (BLE). This would have a transformative effect on the area in the same way that the Jubilee Line Extension had a transformative effect on Southwark.



With the BLE the Old Kent Road would be comprehensively redeveloped as high density mixed use area combining high density residential with higher density service based employment activity. If the planning framework for the area is drawn up in such a way as to ensure that employment uses form a critical and significant part of the mix. We estimate that up to 15,000 jobs could be incorporated within the regeneration. This would represent a 50% uplift on existing employment. It would be formed of a combination of High Street activity, a small office quarter, community use, Institutional occupiers, and managed & hybrid employment space. It would also maintain some more marginal and informal activity in railway arches. In addition there would be a significant cohort of people working mainly at or from home in a range of entrepreneurial, professional technical and service activities.

In the absence of the BLE the Old Kent Road will also see more residential development and more intensive use of existing space, though both densities and values will be lower than under a BLE scenario. Under the Non-BLE scenario we estimate that employment will remain at about its current levels, again providing that efforts are made to ensure the employment uses form a vital component of any future plan for the area. In the Non-BLE scenario we do not anticipate the development of any significant office quarter nor a major institutional use, but there would be some retention of logistics and storage activity. High street and homeworking numbers will be lower as these relate to the residential population which would be smaller under the lower density non-BLE scenario.

## Towards a Strategy Framework

Developing a future for the Old Kent Road Opportunity Area is still at an early stage and the vision for the future of the area is still being developed. This will need further work from the local stakeholders, but our understanding is that LB Southwark are broadly seeking to achieve a future along the lines of the BLE Scenario.

The Old Kent Road can be an important location not just for Southwark but for London as a whole. It is a place where the next generation of development moves London forward as a dynamic city. The Old Kent Road will be an area that has successfully incorporated high density mixed use development and created an attractive location that Londoners want to be part of.

From our understanding of the vision for the Old Kent Road there are a set of key principles that will form the framework for a future strategy:

- The Old Kent Road must be recognised both as an employment location and as a residential location.
- It should be densely developed but still be a desirable place to live and work
- The number of jobs located on the Old Kent Road should be greater than at present
- The Old Kent Road must be on the tube map
- The Old Kent Road should provide jobs accessible to Southwark residents
- The Old Kent Road needs the supporting social infrastructure to make it liveable
- It needs to create a sense of place

It is too early for a detailed strategy to be developed but some initial themes are emerging that are likely to form the basis of a strategy. We assume here that the case is, or has been, made for the BLE. If not such a campaign would be a necessary first step. Other key themes that are emerging include:

- **Creating an Office Quarter** - to be a recognisable employment location and to accommodate the scale of jobs envisaged would require a clearly defined office quarter.
- **Vibrant High Street** - A vibrant high street will also be a critical feature of the development, both in terms of making the area an attractive place to live and also to deliver on the jobs strategy.
- **Education & Training** - Alongside the physical development there will need to be an education and training strategy to ensure that existing Southwark residents are able to benefit from the regeneration of the area.
- **Delivering Workspace** - One of the key challenges will be to ensure delivery of appropriate workspace in order that the employment target for the area is met.
- **Fringe Activities** - The Old Kent Road will need to develop its offer as the new CAZ fringe for businesses that want to service the Central London economy, but at sub-prime property prices.
- **Technology Enabled** - To make the area attractive for businesses to locate in the area should be equipped with industry leading technology that will enable firms to reach their potential. At present the lack of fibre optic broadband is seen as one of the deficiencies of the area.
- **Relocation Strategy** - Not all of the businesses currently located on the Old Kent Road will fit in a high density redevelopment of the area. Some relocations may be possible within the OKR Opportunity Area – for example, taking advantage of newly refurbished railway arches, but for others relocation may be further afield to industrial estates elsewhere in south east London or even further afield.
- **Anchor Institution** - The Old Kent Road will benefit from a major institution forming part of the development mix. This will help to give shape and identity to the area as well as providing a larger number of jobs directly on site. But the strategy should not be dependent on this.

These are the emerging strategy themes but it is important to be conscious of the fact that redevelopment of the Old Kent Road is a twenty-year project. Over a period of this length many things will change and the development plan needs to be flexible and responsive. This next steps in taking forward the strategy are:

- **Developing the Vision** – to get an agreed vision and map out a clear route of where the Old Kent Road is heading.
- **Building the BLE campaign** - There will need to be a strategic and well-led campaign to make the case for the BLE.
- **Developing the Strategy** - As the vision is confirmed and the future redevelopment of the OKR becomes closer the strategy will need to be made specific in terms of concrete objectives and then detailed projects and an Action Plan developed to take forward the strategy.
- **Developing the Funding requirements for employment elements**

# 1 Introduction

## 1.1 Study Brief

The London Borough of Southwark (LB Southwark) commissioned CAG Consultants, in association with Ramidus Consulting and Maccreanor Lavington Architects to undertake a Southwark Employment Land Study.

The study is in two parts:

- Part 1 of the Study is an Employment Land Review (ELR) for the borough as a whole produced in a manner consistent with Government Guidance that will inform, and act as part of the evidence base for, the emerging Southwark Plan; and
- Part 2 of the Study is an Employment Land Strategy for the Old Kent Road to inform the emerging Opportunity Area Planning Framework (OAPF) and proposed Area Action Plan.

This report forms Part 2 of the Study. Part 1 is reported separately. The objectives of the Part 2 study as set out in the brief are to:

- Undertake consultation with businesses and landowners located in the Old Kent Road opportunity area.
- Identify potential sources of future growth in jobs in the opportunity area.
- Make recommendations on the retention, release, intensification or rationalisation of the business clusters within the preferred industrial locations

## 1.2 Report Content

The report is set out as follows.

Chapter 2 sets out the policy context for why the Old Kent Road OAPF is being developed, how it sits in the context of other Opportunity Areas in Southwark and neighbouring boroughs. It explores the potential role the proposed Bakerloo Line Extension (BLE) could play in the regeneration of the Old Kent Road.

Chapter 3 presents a socio-economic profile detailing the economic and social characteristics of the Old Kent Road Opportunity Area. This draws on previous work undertaken by the GLA and looks at the relationship of the OKR with its surrounding areas.

Chapter 4 provides a detailed analysis of the current property market context for the Old Kent Road and how this relates to the rest of the borough, examining, for example opportunities for existing activity on the Old Kent Road to locate elsewhere in the borough without any adverse impact on the economic performance of those relocated businesses.

Chapter 5 reports the findings of a consultation exercise carried out with businesses based on the Old Kent Road about future employment land development.

Chapter 6 examines drivers of demand in terms of the economic and property market factors that may influence the future mix of employment activity at the Old Kent Road.

Chapter 7 presents an overview of design considerations relating to future employment space on the Old Kent Road. The chapter highlights key findings with a more detailed design guide presented as an accompanying Appendix. Drawing on case studies it looks at what types of business space could be accommodated with high density residential development and the guiding principles that should be observed.

Chapter 8 develops two different scenarios for future business activity in the Old Kent Road Opportunity Area. One is based on a future that includes development of a new Bakerloo Line Extension (BLE). The other is predicated on the assumption that the BLE is not built. It sets out broadly what this means in terms of the type and quantum of different employment uses and also the phasing of the development. It further explores the key delivery and implementation tools necessary to bring this forward.

Finally, Chapter 9 sets out an approach towards an economic strategy for the Old Kent Road. It establishes some guiding principles which will inform the strategy and outlines some emerging strategy themes.

# 2 Policy Context

## 2.1 Current local policy for the Old Kent Road

This chapter sets out the planning policy context within which future development of the Old Kent Road Opportunity Area is being developed. It looks first at the current local planning context and then goes on to review the emerging policy for the Old Kent Road.

### Southwark Plan (2007)

Along with South East Bermondsey, Old Kent Road is recognised as a Strategic Preferred Industrial Location (PIL) in the saved policies of the Southwark Plan (2007). In addition Mandela Way (along with Parkhouse Street) has been identified as a local PIL by the borough. They are safeguarded to ensure that a range of industrial and storage functions continue in the borough and to maximise the diversity of the economy. Within these areas, planning permission will only be granted for developments falling within the B Use Class, and sui generis use class industries which are inappropriate in residential areas. However, this policy is currently undermined by the temporary extension of permitted development rights, which allows Class B1(a) office use and Class B8 storage and distribution use to be changed to Class C3 residential use without the need for planning permission.

### Core Strategy (2011)

The wider Old Kent Road area is identified as an action area in the Core Strategy (2011) and is one of eight areas in the borough where development is to be focused. A commitment is made to the production of an area action plan for the area, which will seek to exploit the expected increased growth in innovative industries in the area, including green manufacturing, bio-sciences and the knowledge economy. In addition, the strategy sets out a vision for the area, which encompasses environmental improvements and enhanced accessibility.

### The Mayor's Supplementary Planning Guidance 'Land for Industry and Transport' (2012)

This SPG has significant implications for future land use at Old Kent Road, as well as for other industrial locations in Southwark. It sets out guidance for boroughs to manage the changing demand for industrial land and land for transport as a result of these changes. It includes an estimated figure of 25 hectares for industrial land release in Southwark between 2011 and 2031 (1.3 hectares per year). This is because Southwark has been categorised as being in the 'limited transfer' grouping for transfer of industrial land to other uses over 2011-2031. 'Limited transfer' boroughs are encouraged to manage and, where possible, reconfigure their portfolios of industrial land, safeguarding the best quality sites and phasing release of surplus land and premises.

### Further Alterations to the London Plan (2015)

In the Further Alterations to the London Plan (March 2015), Old Kent Road is designated as a new Opportunity Area. Opportunity Areas are described in the London Plan 2015 as *'the capital's major reservoir of brownfield land with significant capacity to accommodate new housing, commercial and other development linked to existing or potential improvements to public transport accessibility.'* Policy 2.13 of the London Plan 2015 commits the Mayor to supporting the development of these Opportunity Areas in order to realise their growth potential, including through working with the relevant boroughs to develop more detailed policies and proposals.

In terms of planning decisions in these locations, policy 2.13 requires development to support the strategic policy directions set for them, to optimise residential and non-residential output and densities,

provide necessary social and other infrastructure to sustain growth and, where appropriate, a mix of uses.

The Plan suggests that the Old Kent Road opportunity area has significant potential for residential-led development, provides an indicative employment capacity of 1,000 and specifies a minimum of 2,500 new homes. The Plan requires a planning framework to be prepared for the area and suggests a review of the Strategic PIL designation in order *‘to accommodate a phased rationalisation of its functions in the opportunity area or re-provision elsewhere’*.

## 2.2 Emerging policy for the Old Kent Road

### Central Activities Zone Supplementary Planning Guidance (2015)

This Supplementary Planning Guidance (SPG) provides guidance on the implementation of policies in the 2015 London Plan related to London’s Central Activities Zone (CAZ). The northern part of the Old Kent Road Opportunity Area lies within the CAZ. The CAZ is described as *“London’s globally iconic core and one of the world’s most attractive and competitive business locations”*. The CAZ is expected to accommodate 11,000 new jobs per annum between 2011 and 2036 and, in the context of that projected growth, the SPG is intended to *“support London Plan policy (2.10-2.12) to realise development capacity and improve infrastructure, movement and services in the CAZ to:*

- *sustain and enhance its varied strategic functions whilst sustaining the attractions of residential neighbourhoods where more local uses predominate; and*
- *secure a quality environment that befits the core of a world city.”*

The Guidance suggests that, in order to nurture London’s globally competitive position,

*“London Plan policy should be implemented in ways that promote and incentivise office and other commercial development. Regard should also be had to significant changes in the way business space is being used, including new technologies, employment densities and working practices.”*

Whilst the opportunity for residential development is seen to be limited in many parts of the CAZ, the Old Kent Road Opportunity Area is one of three opportunity areas in which offices and other CAZ strategic functions may be given equal weight relative to new residential.

In October 2015, Government announced that the extension of permitted development rights for office to residential use would be made permanent. In addition the rights will also allow for office buildings to be demolished and replaced with new-build residential units. The Government also announced that those areas which are currently exempt from the PDR extension (including the CAZ) will have until May 2019 to adopt an Article 4 Direction to allow them to continue to determine planning applications for the changes of use. The SPG for the CAZ addresses this issue and states that the Mayor will provide support for a co-ordinated approach to borough Article 4 Directions in order to safeguard strategic business locations.

The SPG refers to the increasingly limited amount of industrial land within the CAZ, with significant transfers of such land to other uses having taken place in recent years. Boroughs are encouraged to take into account the supply and demand for industrial and related uses providing essential services to the CAZ, in particular sustainable distribution/ logistics; ‘just-in-time’ servicing (such as food service activities, printing, administrative and support services, office supplies, repair/ maintenance); waste management and recycling; and land to support transport functions.

The SPG suggests that employment land reviews will play an important role in providing this evidence and should investigate:

- *“the range, scale and quality of industrial and related activities and the extent to which these directly or indirectly support the functions of the CAZ and where these are located;*
- *evidence of vacancy, availability, take-up and development pipeline for industrial uses;*
- *rental/land value trends for industrial uses serving the CAZ, compared to a range of non-industrial uses including offices, retail and residential;*
- *future demands for industrial and related activities to support the functions of the CAZ;*
- *whether the industrial and related activities serving the CAZ could potentially take place in the context of higher intensity redevelopment providing functional efficiency, employment growth and new housing;*
- *the extent to which activities that directly or indirectly support CAZ functions could operate effectively from alternative more remote sites and the potential impacts this might have (for example on the overall function of the CAZ, transport infrastructure and congestion).”*

Having regard to London Plan (policy 4.4 and paragraphs 4.18-4.24), the Mayor’s Land for Industry and Transport SPG and the criteria above, boroughs are encouraged to consider whether industrial sites would merit policy designation in Local Plans as ‘Locally Significant Industrial Sites’ to ensure that capacity is sustained to support the efficient functioning of the CAZ.

The relationship between areas within the CAZ and areas on its fringe is recognised as being important in the SPG. In relation to these fringe areas, the SPG suggests that *“their full potential should be secured to enhance and complement the functions and activities of the CAZ whilst meeting more local needs.”* It highlights that the fringe of the CAZ contains a significant number of areas in need of regeneration (London Plan Policy 2.14) and suggests that *“these areas require integrated action across a range of matters including learning and skills, employment, housing (including affordable housing), transport, environment, inclusive access, community safety and health.”* The Old Kent Road Opportunity Area is highlighted as one of the Opportunity Areas which will play a particularly important role in the interface between the CAZ and these areas. The SPG states:

*“Local Plans, frameworks and proposals for these areas should support the integration and wider regeneration of surrounding areas including access to employment, housing, new infrastructure, facilities and services and environmental improvements.”*

The SPG expresses concern about the potential impact of the extension of permitted development rights on the fringe areas, and highlights that, where local evidence justifies it, selected, geographically specific and targeted areas outside the CAZ could be included in Article 4 Directions.

## The New Southwark Plan (2015)

London Plan policy for the Old Kent Road is reflected in the Preferred Option version of the New Southwark Plan. This raises the possibility of the designation of the Old Kent Road Opportunity Area as a Preferred Industrial Location (PIL) being removed. Site specific policies (site allocations) will be set out in the Old Kent Road AAP and the New Southwark Plan. These will *“aim to intensify development, increase job numbers and promote growth of business uses within new mixed use neighbourhoods”*. The Plan notes the need for the transformation of the Old Kent Road, including the public realm, pedestrian and cycle networks, the open space network and social infrastructure such as schools and

health facilities. However, in the meantime the Plan suggests that there will be no loss of employment space unless there are community or other uses that will develop the local infrastructure.

Policy DM24 states that In Regeneration Areas (which includes the Old Kent Road Opportunity Area):

1. Planning permission will be granted for business (Use Class B1) floorspace;
2. Development must retain or increase existing levels of business (B Use Classes) floorspace except where there is no demand for either the continued use of the site for business or for redevelopment involving re-provision. This needs to be demonstrated by a rigorous marketing exercise for 18 months.

With recent changes to Permitted Development Rights (PDR) which are still evolving the borough will need to keep the option of an Article 4 Direction to withdraw PDR under review.

Policy DM25, which promotes the use of railway arches for business uses (B Use Classes), retail (A Use Classes) and community facilities (D Use Classes). The railway arches in the Old Kent Road area are specifically mentioned.

A new Area Action Plan for the area will provide more detailed policy for the area, including an area target for net new homes.

## 2.3 Implications for Future Strategy

The policy context is changing as London plans for accommodating continued growth. The role of the Old Kent Road will change in response and its designation as an Opportunity Area means it is required to optimise residential and non-residential development and densities, provide necessary social and other infrastructure to sustain growth.



# 3 Socio Economic Profile

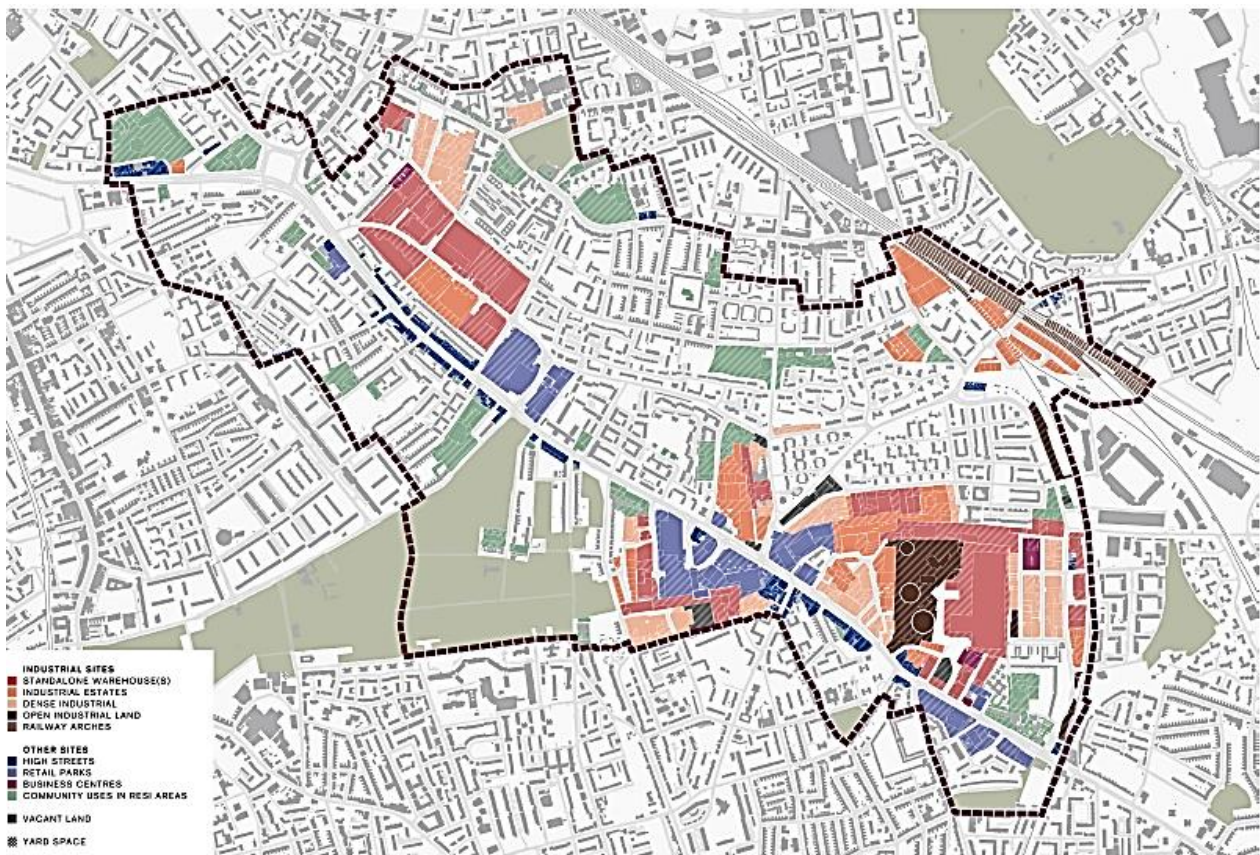
## 3.1 Introduction

This chapter presents a profile of the socio-economic characteristics of the Old Kent Road Opportunity Area. It first presents a profile of the resident and workplace labour market. It then sets out a description of the businesses located on the Old Kent Road drawing on a study prepared by the GLA<sup>1</sup>. We next compare the current socio-economic characteristics of the Old Kent Road with other Inner London areas of the same size to get a feel for the types of activity that could be accommodated in this area. We then conclude by describing some of the strengths and weaknesses of the area as a business location.

## 3.2 Economic and Social Characteristics

Old Kent Road is one of the main locations for industrial sites within Southwark. It provides industrial sites which are unusually close to Central London, compared to similar sites in other boroughs. Using the categories presented in Part 1 of this report, the area lies within the 'CAZ Hinterland', between the 'Southwark CAZ' and the local service economy in the 'South of the borough'.

Figure 3.1: Types of sites in the Old Kent Road area

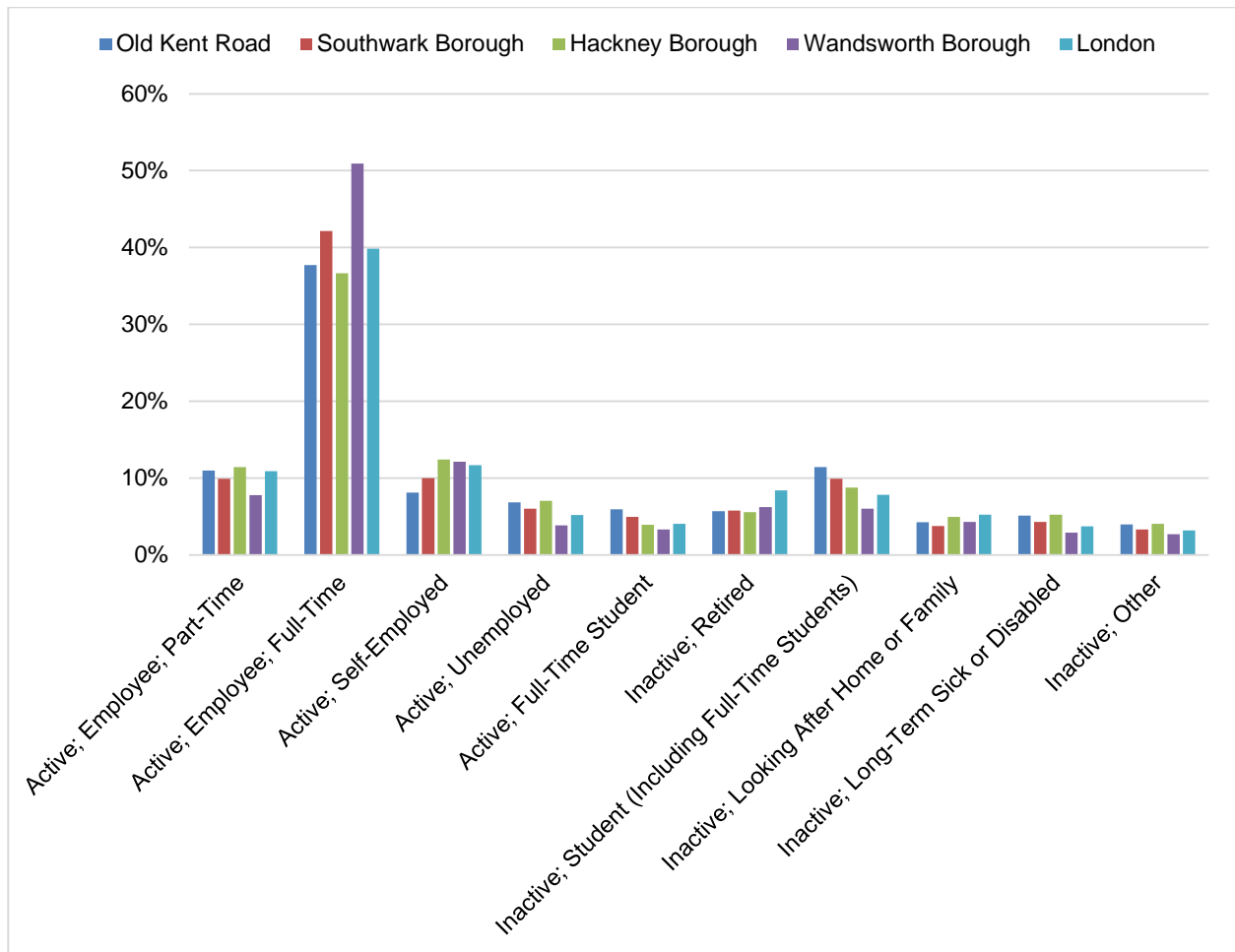


Source: Old Kent Road Employment Study 2015.

<sup>1</sup> Old Kent Road Employment Study – GLA/LBS (2015)

Compared to Southwark and other London boroughs, the Old Kent Road area has lower rates of full-time employment and self-employment, and a slightly higher proportion of students or economically inactive adults (see Figure 3.2).

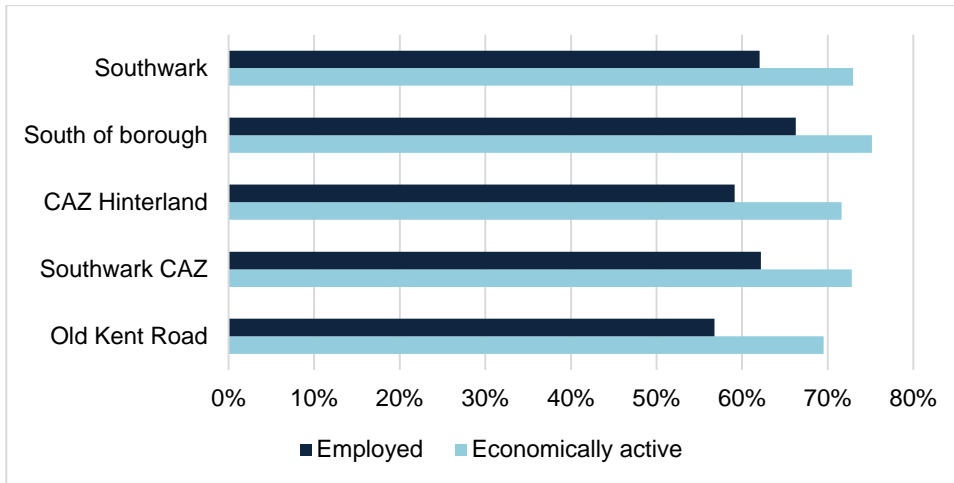
**Figure 3.2: Economic activity rates compared to Southwark and other Boroughs**



Source: Census 2011

When compared to the sub-areas presented in Part 1 of the report, Old Kent Road has employment and economic activity rates which are also slightly lower than the rest of the CAZ Hinterland area (as shown in Figure 3.3).

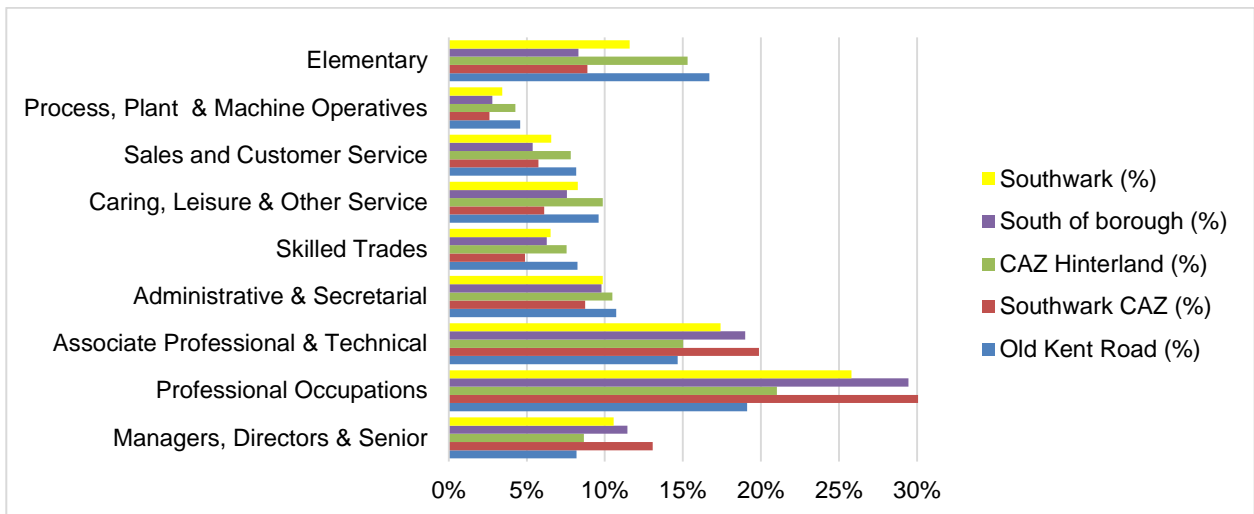
Figure 3.3: Economic activity rates compared to other parts of Southwark



Source: Census 2011

OKR residents have a greater tendency to work in lower skilled occupations than residents elsewhere in Southwark. Figure 3.4 below shows that the Southwark CAZ area in the north and the local service economy in the South of the borough both have higher rates of professional occupations and lower rates of elementary occupations than the CAZ Hinterland of which OKR forms part. But the residents of OKR tend to work in slightly lower skilled occupations than the CAZ Hinterland as a whole.

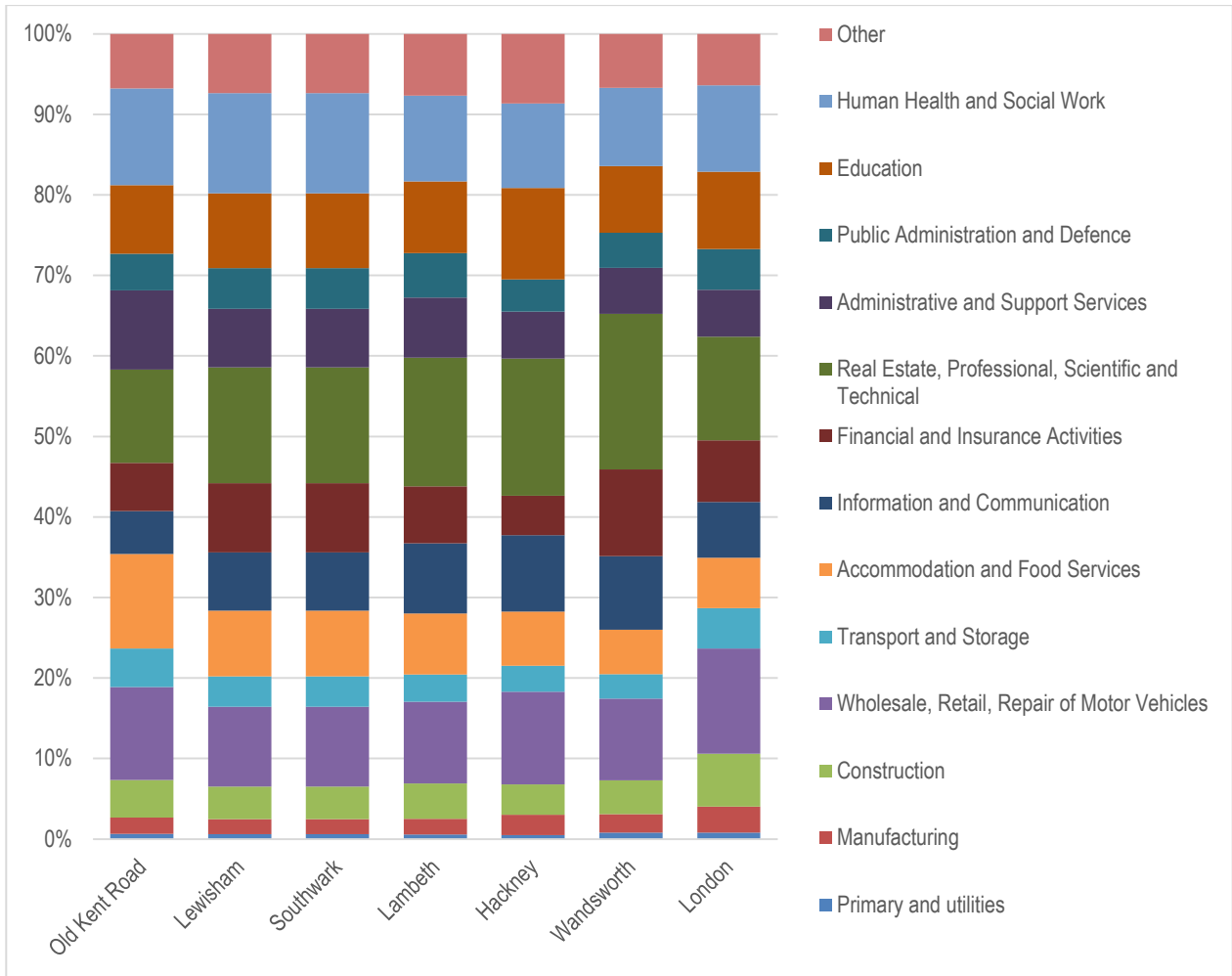
Figure 3.4 Occupational breakdown for working age residents in Southwark and OKR



Source: Census 2011

OKR has more residents employed in accommodation/food services and support services, and fewer in professional/scientific/ technical, ICT, finance and property services than Southwark as a whole. (see Figure 3.5 below).

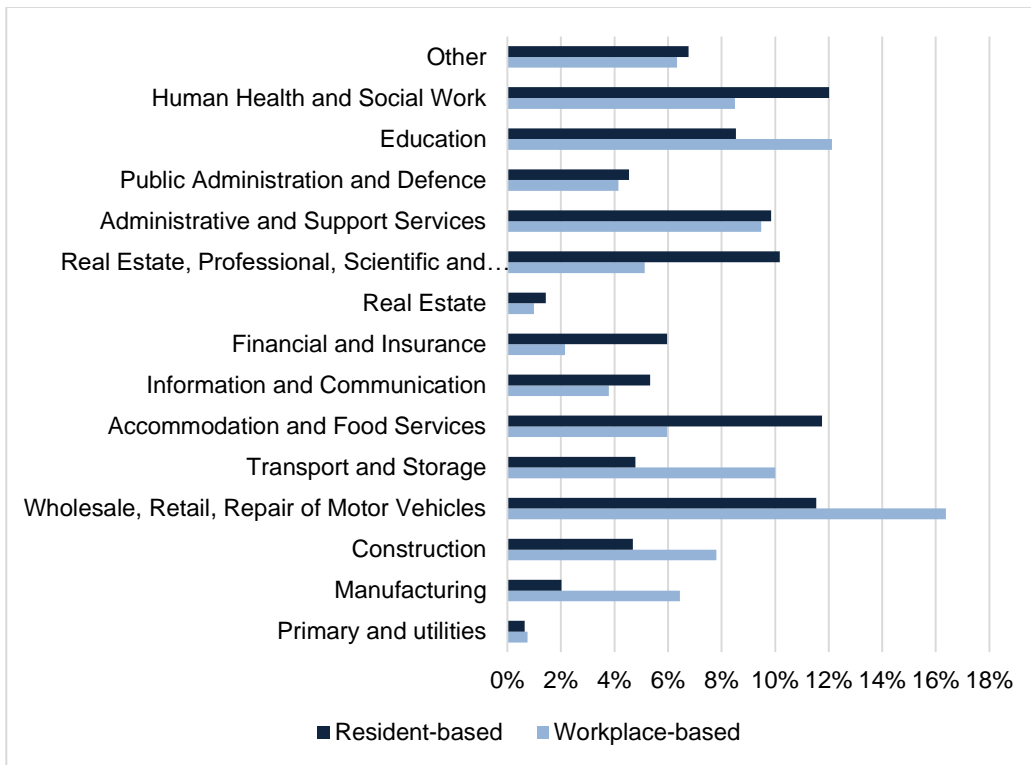
Figure 3.5 Sector breakdown of employment for Southwark and OKR residents



Source: Census 2011.

When we look at the sector breakdown of jobs in the Old Kent Road area (see Figure 3.6), we can see that four sectors are significantly more important for OKR-based jobs than for the employment of OKR residents: these are manufacturing, construction, wholesale/retail/motor repair trades and education. This implies that these employment sectors tend to attract workers from outside, as well as within, the OKR area. In contrast, human health services, professional/scientific/technical services, financial services and accommodation/food services are important for employment of OKR residents, but they are rather less well represented in terms of jobs within the OKR area. This implies that OKR residents working in these sectors tend to work outside the OKR area.

Figure 3.6 Comparison of resident and workplace-based employment for Old Kent Road (2011)



Source: Census 2011.

To examine recent employment data, we need to map the Old Kent Road onto wards within the borough of Southwark. The Old Kent Road area lies predominantly in four wards: Grange, East Walworth, South Bermondsey and Livesey. In our sub-area analysis in the Part 1 report Grange formed part of the CAZ, whilst the other three wards formed part of the CAZ Hinterland.

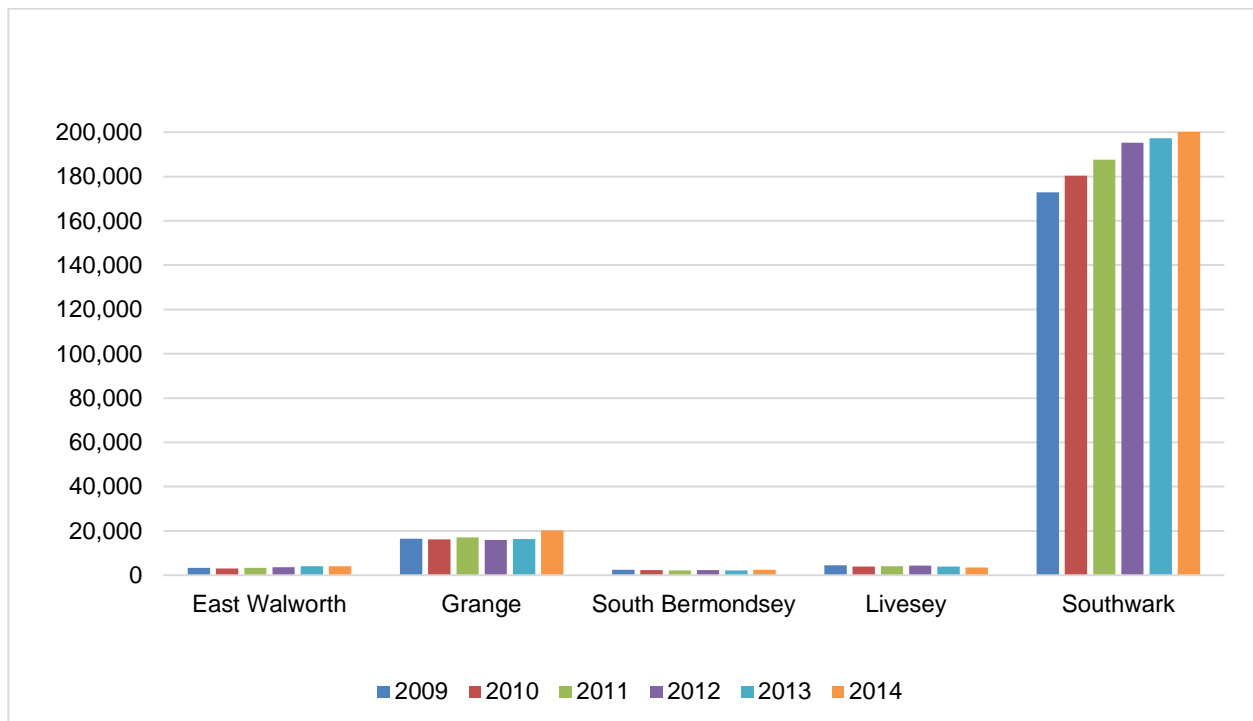
Figure 3.7: Map showing OKR in relation to ward boundaries



Source: maps.southwark.gov.uk

Employment in Grange ward is greater than in the other wards around Old Kent Road (see Figure 3.8). Part of the CAZ is included in the northern end of Grange. A sector breakdown of employment in Old Kent Road is presented in section 3.2, in comparison to similarly sized areas in nearby employment centres.

Figure 3.8: Employees in wards around Old Kent Road

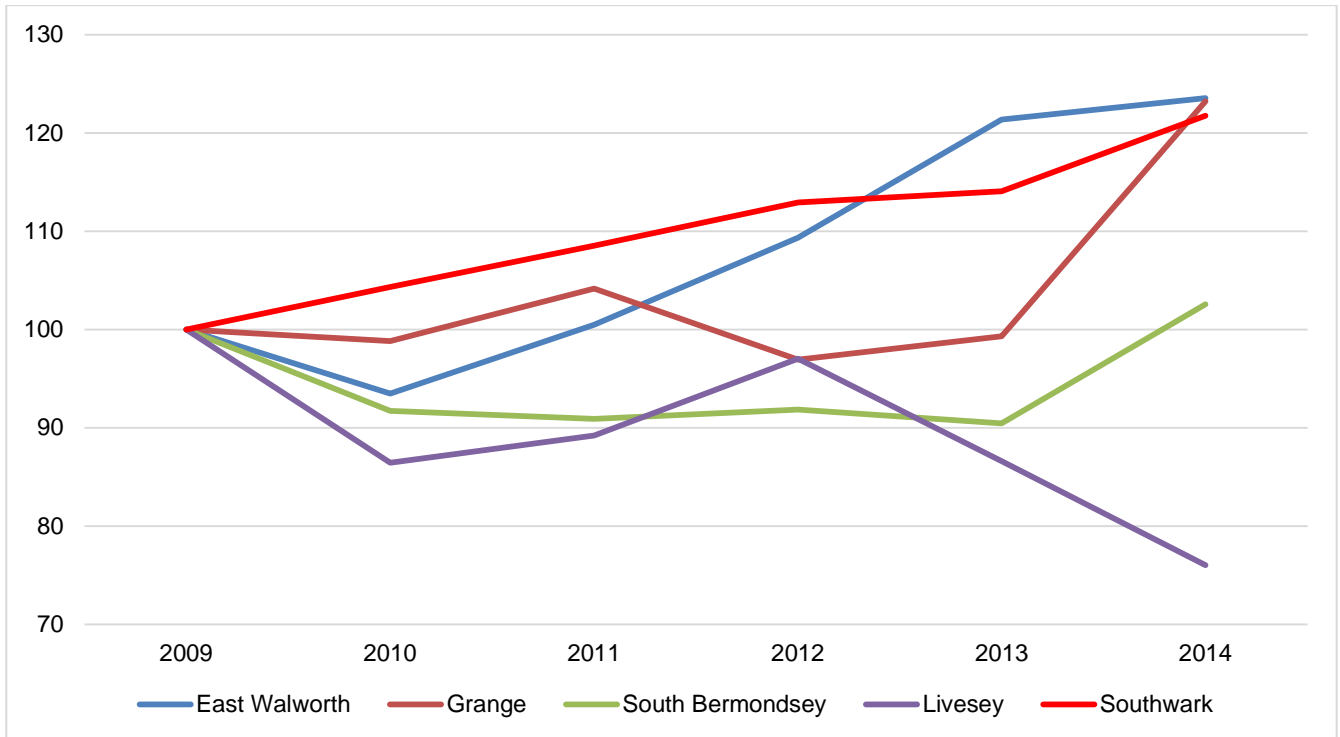


Source: BRES

Employment has grown more strongly in Grange and East Walworth in recent years than in other wards along the Old Kent Road. This is suggestive of CAZ activity expanding in to its fringe as occupiers seek cheaper space as rents in CAZ rise.

Employment in South Bermondsey has been fairly stable while employment in Livesey ward has declined between 2009 and 2014, as shown in Figure 3.9.

Figure 3.9: Employees in wards around Old Kent Road (Index 2009=100)



Source: BRES.

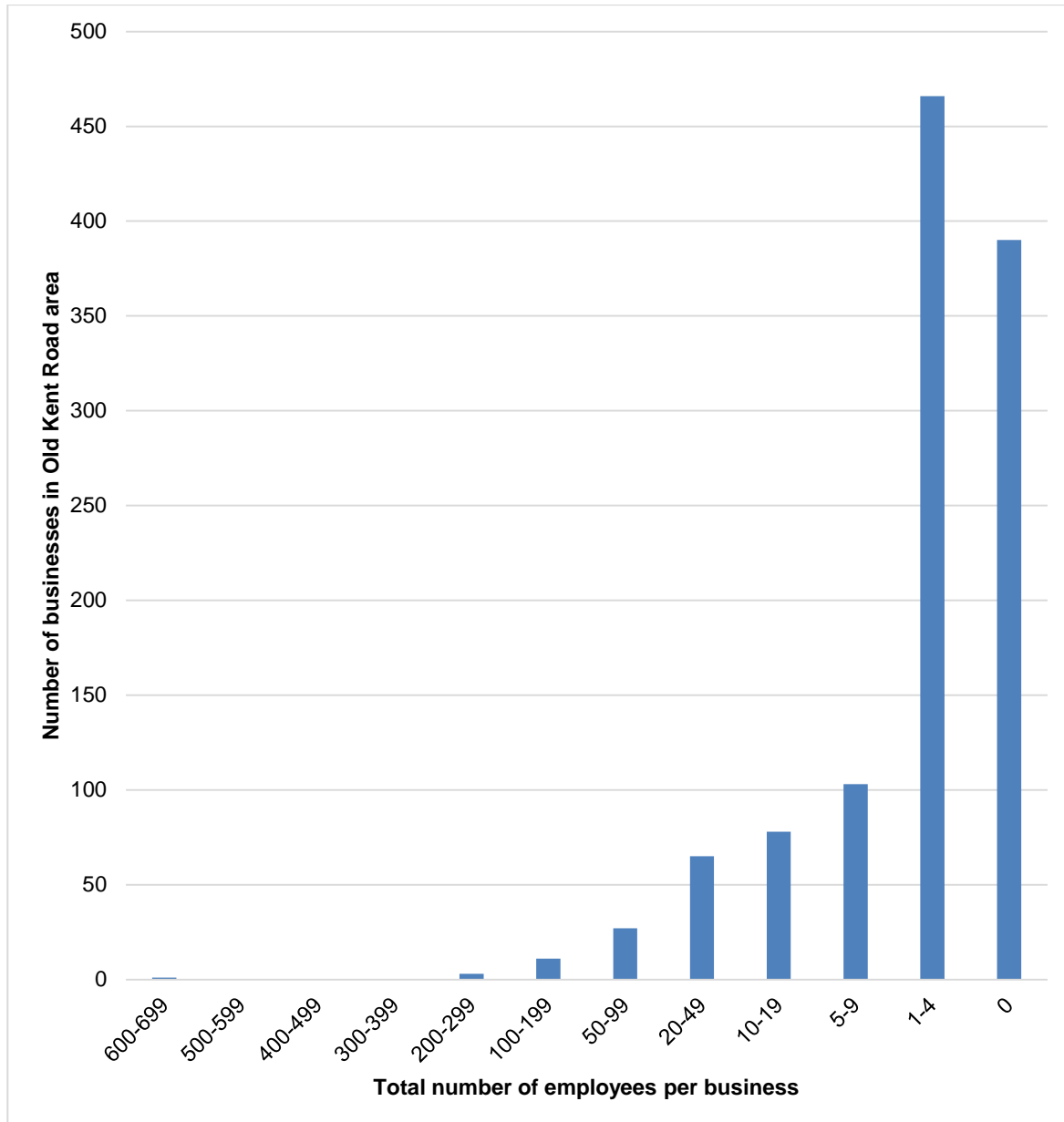
### 3.3 Old Kent Road Business Profile

The OKR Employment study found that more than 75% of businesses (and around 40% of jobs) in the OKR area were independent businesses with single sites. A further 20% of businesses (and slightly more than 50% of jobs) were branches or subsidiaries of bigger businesses. There were almost no franchises, which probably reflects the relatively low level of retail and food service development in the OKR high street areas. There were also very few businesses (and less than 5% of jobs) which were the headquarters of larger firms, with other sites elsewhere. This is feature would probably contrast strongly with the Southwark CAZ which has more head-office developments.

The OKR study found that more than 65% of businesses (and around 20%) of jobs in the OKR area had fewer than 10 employees. Slightly more than 20% of businesses in the area had 10-49 employees, but these provided slightly more than 30% of jobs. Just under 10% of businesses had 50-249 employees, but – unsurprisingly given their size- these provided nearly 40% of jobs. Around 1% of businesses had more than 250 employees, and these provided less than 8% of jobs.

A more detailed breakdown of OKR businesses by size (as shown in Figure 3.10 below) reveals that there are a very few businesses with a high number of employees – and, conversely, many businesses with a very low number of employees.

Figure 3.10 Number of OKR businesses by number of employees

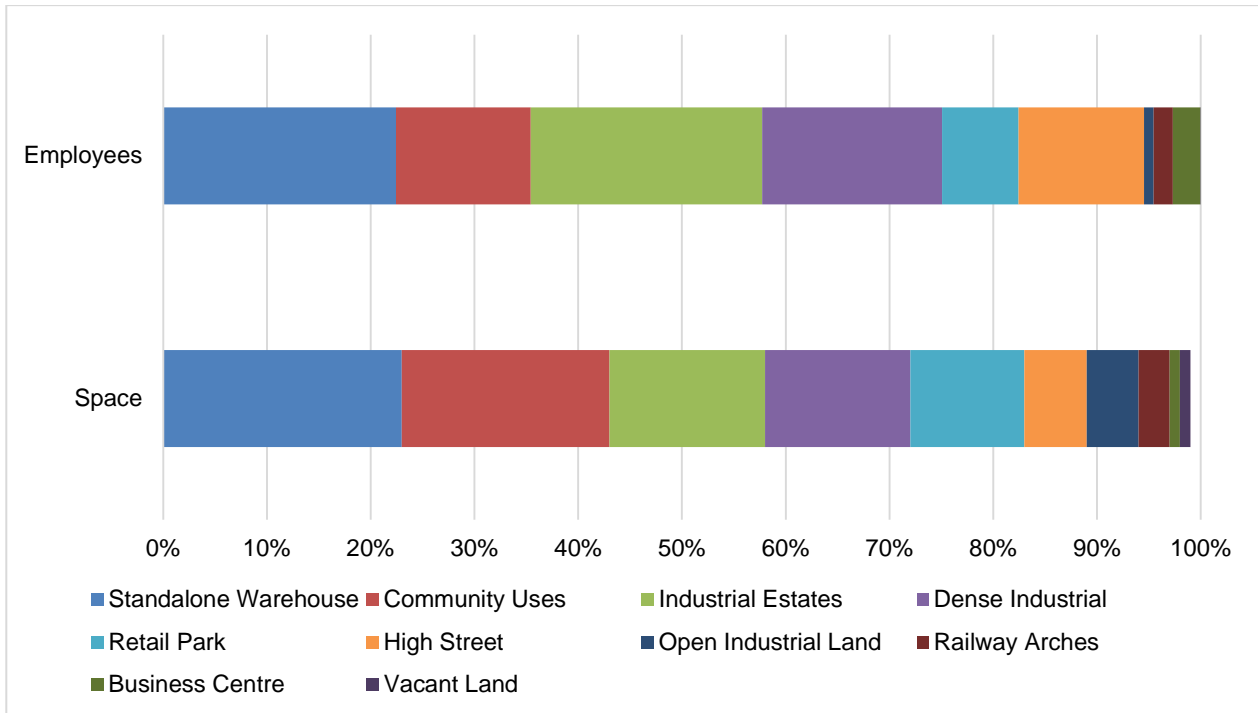


Source: Analysis of business responses collected by Old Kent Road Employment study (2015)

The recent Old Kent Road Employment study collected detailed data on the distribution of space and employment in the OKR area. Figure 3.11 below shows that the OKR industrial estates, dense industrial land and high street sites have a greater employment density than other types of employment space in the area. In contrast, standalone warehouses, retail parks, community uses and open industrial land have relatively fewer employees per unit of space.



Figure 3.11: Distribution of space and employees by type of site on Old Kent Road



Source: Old Kent Road Employment Study (2015).

A further characterisation of these different types of employment site, and the employment that they support, is provided in Table 3.1 below. Key points from this table are that:

- Standalone warehouses occupy the greatest proportion of employment space (23%) and, together with Open Industrial Land and Retail Parks, have the joint highest average unit size (2,700-2,900 sqm).
- But the footprint ratio (i.e. the proportion of employment land that is internal floor space) is much lower in Standalone warehouses (43%) and Retail Parks (54%) than in High Street sites (80%). Vacant land has, unsurprisingly, the lowest footprint ratio (5%).
- High Street sites house more than a third of the area's businesses (36%) but only 12% of its employees. Conversely, Standalone warehouses house only 5% of businesses but provide 23% of employment. Industrial estates and dense industrial sites are also important in terms of both number of businesses and number of employees, but open industrial land and railway arches house very few of the area's few businesses or employees.
- Employment density is highest for High Street sites, followed by Business centres, Industrial estates and Dense industrial sites. Retail park employment densities are relatively low, as are those for Open industrial land and railway arches.
- At the time of the study there were high vacancy rates in vacant land, Railway Arch sites and – to some degree – High Street sites, but relatively low vacancy rates in other types of site.
- Across all uses the overall occupational density ratios are very low.

Table 3.1 Characterisation of types of sites in OKR and the employment they provide

Type of site	Number of sites	Share of overall occupied employment space (total = 100%)	Average unit size (sqm)	Average footprint ratio <sup>2</sup>	Number of businesses (and % of businesses in this type of site)	Number of employees (and % of employees in this type of site)	Average employment density (jobs/10,000 sqm) <sup>3</sup>	Vacancy rate at time of study
<b>Standalone warehouse</b>	15	23%	2,860	54%	36 (5%)	2,177 (23%)	56	1%
<b>Industrial Estates</b>	14	15%	675	60%	136 (15%)	2,103 (22%)	119	4%
<b>Dense Industrial</b>	18	14%	730	71%	148 (20%)	1,637 (17%)	97	6%
<b>Open Industrial Land</b>	5	5%	2,710	73%	12 (2%)	88 (1%)	32	0%
<b>Railway Arches</b>	3	3%	170	73%	23 (3%)	174 (2%)	42	48%
<b>High Street</b>	15	6%	160	80%	272 (36%)	1,139 (12%)	220	15%
<b>Retail Park</b>	5	11%	2,760	43%	21 (3%)	695 (7%)	47	0%
<b>Business Centre</b>	3	1%	400	68%	51 (7%)	250 (3%)	170	7%
<b>Community Uses</b>	24	20%	1,100	57%	76 (10%)	1,222 (13%)	84	n/a
<b>Vacant Land</b>	7	1%	1,170	5%	1 (0%)	4 (0%)	0	100%

Source: Old Kent Road Employment Study (2015)

### 3.4 Comparator Areas

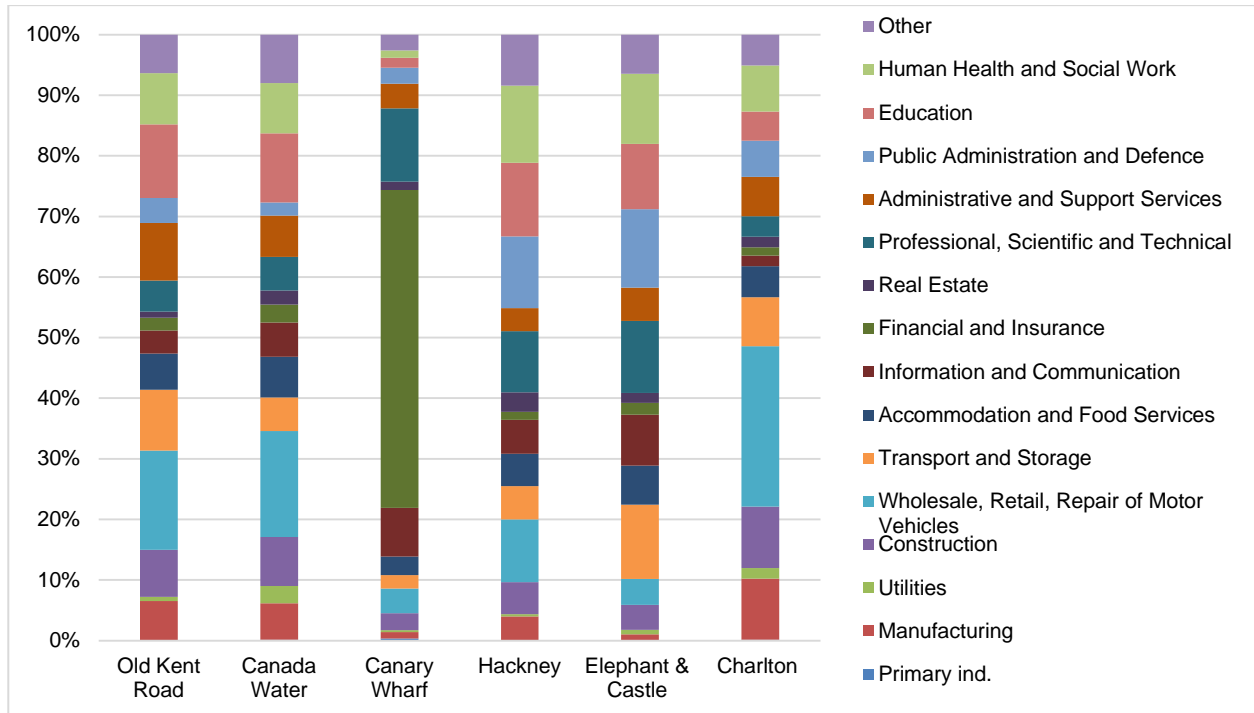
We have examined the characteristics of the OKR area relative to some of these other centres by comparing OKR with 'OKR-sized-areas' in various other centres. This 'cookie-cutter' approach helps to show how different these centres are from OKR, and also how different OKR could be if redeveloped in particular ways. The charts below present these 'cookie-cutter' findings for Canada Water and Elephant and Castle, which are located close to OKR and could potentially compete with or support the OKR offer. For contrast we have also included findings for Canary Wharf (which has a highly developed finance sector), Charlton (which is a more traditional industrial area) and Hackney (which has recently seen strong growth).

Figure 3.12 shows that OKR had a similar profile to Canada Water in 2011, with relatively strong representation of administrative and support service activities, wholesale/retail/motor trades and also relatively strong representation of manufacturing and transport/storage. However, the representation of manufacturing, wholesale/retail/transport and storage sectors was lower than in Charlton. OKR had a much lower share of employment in finance and insurance than Canary Wharf, and a relatively low share of employment in the information and communication, professional/scientific/technical and public administration sectors compared to Elephant & Castle and Hackney.

<sup>2</sup> The average footprint ratio is the proportion of employment land that is internal floor space.

<sup>3</sup> Jobs generated per 10,000 sq m of floorspace.

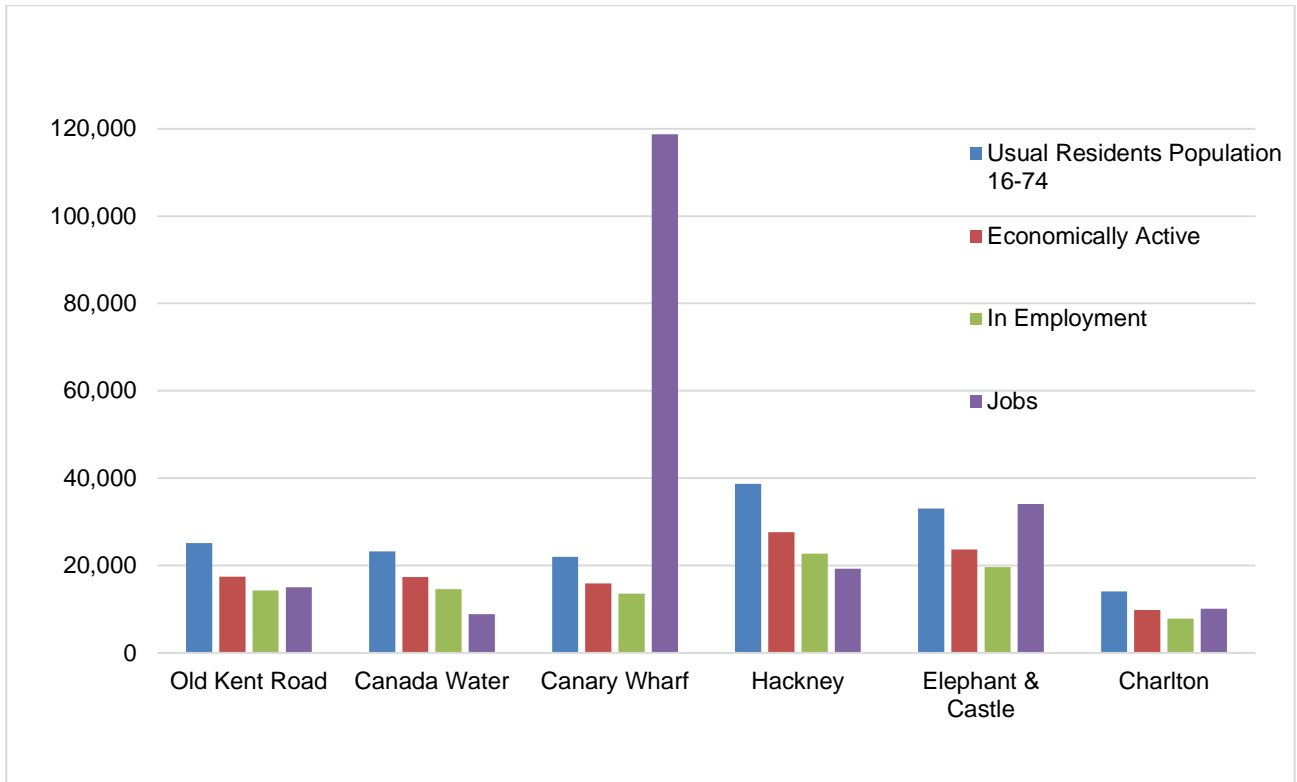
Figure 3.12 Workplace employment for OKR-sized comparator areas by Industry 2011



Source: Census 2011.

Figure 3.13 shows that – at the time of the 2011 Census - OKR provided only slightly fewer jobs than an equivalent-sized area in Hackney and more jobs than an equivalent-sized area in Canada Water or Charlton. The OKR area provided fewer jobs than an equivalent-sized area in Elephant & Castle and far fewer than a similar-sized area in Canary Wharf. This suggests that the job density in OKR was similar to that of the comparator area in Hackney. The working age population in OKR was higher than in the comparator area in Charlton and similar to that in Canada Water and Canary Wharf comparator areas, but lower than in the Hackney and Elephant & Castle comparator areas.

Figure 3.13 Economic activity and Workplace jobs in OKR-sized comparator areas

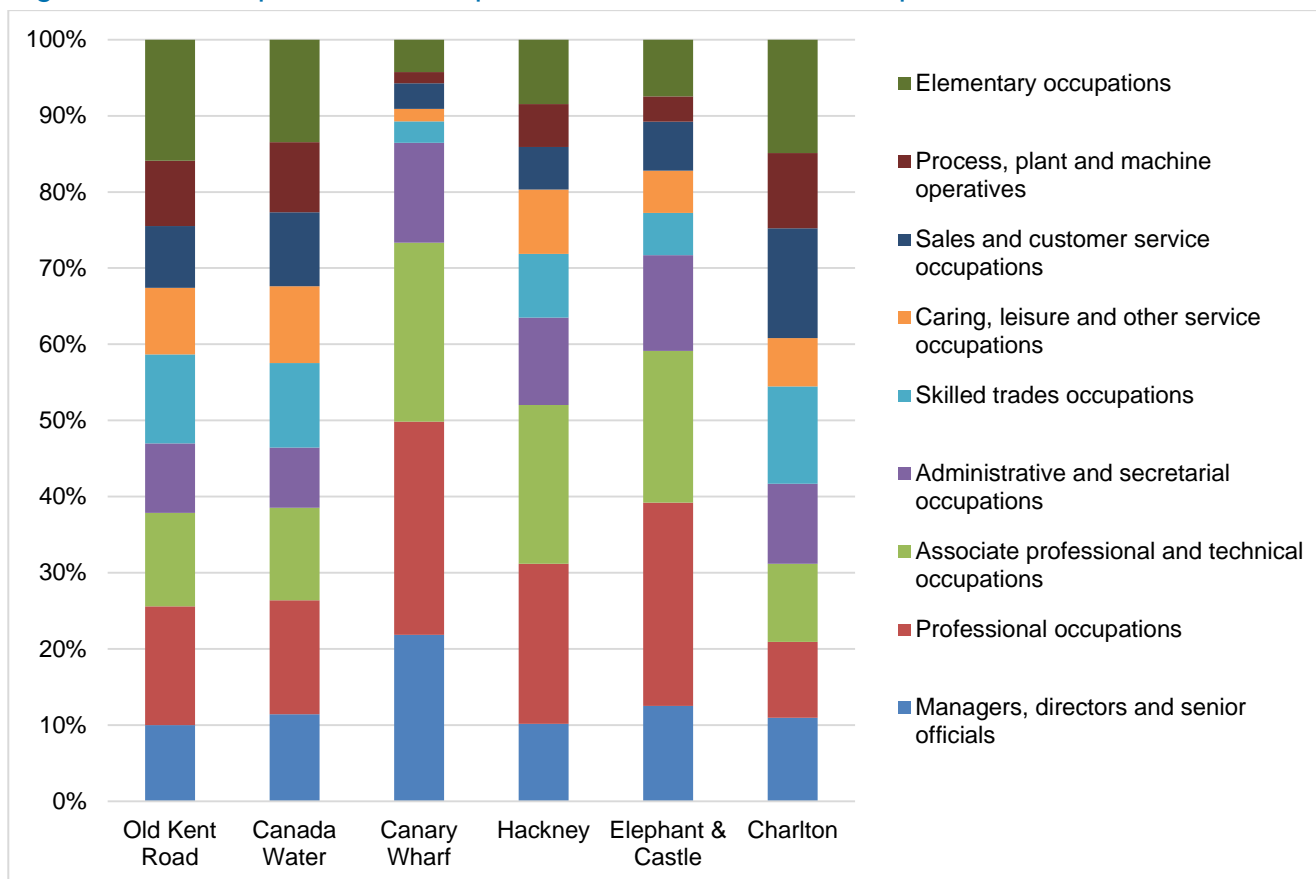


Source: Census 2011

As found earlier when contrasting OKR with other parts of Southwark, OKR supports lower skilled jobs than the OKR-sized comparator areas. Figure 3.14 shows that people working in OKR had a relatively high proportion of elementary occupations in 2011, equivalent to those in Canada Water and Charlton. The profile of OKR and Canada Water was very similar, with significantly more workers in professional occupations than the comparator area in Charlton but fewer than in comparator areas in Hackney, Elephant & Castle or Canary Wharf.

The Old Kent Road jobs figure of 15,000 shown in Figure 3.13 is greater than the 9,500 jobs revealed by the OKR Employment Study. This is probably due to a combination of some jobs loss on the OKR since the 2011 Census and exclusion of Homeworkers from the OKR Employment Study.

Figure 3.14 Occupations in workplaces within OKR-sized comparator areas



Source: Census 2011

### 3.5 Perceptions of OKR - strengths and weaknesses

The Southwark Industrial and Warehousing Land Study<sup>4</sup> identifies a number of strengths and weaknesses for industrial sites across Southwark as a whole. On the positive side, it emphasises the importance of good accessibility to Central London, and in particular the Central Activities Zone (CAZ), for businesses located in the northern half of the borough. It sees good opportunities for growth of the CAZ service activity in OKR and other parts of the CAZ Hinterland. This study also highlights the dominance of OKR in terms of industrial and warehousing sites within Southwark: much of the borough's provision lies within or close to the OKR area. This study also points out that OKR sites are unusual in providing space for 'dirty' activities very close to central London: while some of these may be traditional industries and transport uses (e.g. bus depots, waste management), others may be associated with relatively light industrial activities (e.g. activities involving wood working, which generate some sawdust).

These findings are echoed by the business survey undertaken with OKR businesses during the OKR Employment Study. The top two advantages of OKR mentioned in this survey were access to customers (24%) and proximity to Central London (19%). Public transport accessibility and road network access were mentioned by a further 10% and 8% of respondents, respectively. Relatively few respondents mentioned that OKR had advantages in terms of proximity to a particular business cluster, or in terms of local amenities, visibility of the location, availability of parking, quality of environment or availability of staff or supplies.

<sup>4</sup> Southwark Industrial and Warehousing Land Study – GVA (2014)

The OKR business survey found that primary supplier locations were quite widely spread, with more than 30% of businesses using UK suppliers outside London. The next most important supplier locations were the Greater London area (28%) and Southwark itself (12%). In contrast, primary customer locations were more concentrated in London, with 27% of businesses having primary customers in the Greater London area and nearly 20% having primary customers within Southwark. Interestingly, only 15% of businesses reported having primary customers in Central London, not far ahead of the 12% of businesses which had primary customers in the UK outside London.

On the negative side, the Southwark Industrial and Warehousing land survey found that the condition of many sites in Southwark was poor and there was a history of under-investment in employment sites. They particularly identified Ilderton Road and Penarth Road, in the the OKR area, as having poor quality provision that was not attractive to potential tenants. They also highlighted that broadband speeds in the OKR area were poor and that this may act as a constraint on higher-technology businesses moving to the area.

This was consistent with conditions reported in the OKR Employment Study. As shown in Figure 3.15, few respondents reported that the condition of the building stock was good, and many felt that it was poor – particularly for the retail sector. Access by car and van was generally felt to be acceptable, but access by HGVs and also cycles and pedestrians was reported to be more problematic, with HGV access being a particular problem for railway arch sites.

Figure 3.15 Observed conditions of OKR site types – from OKR Employment Study



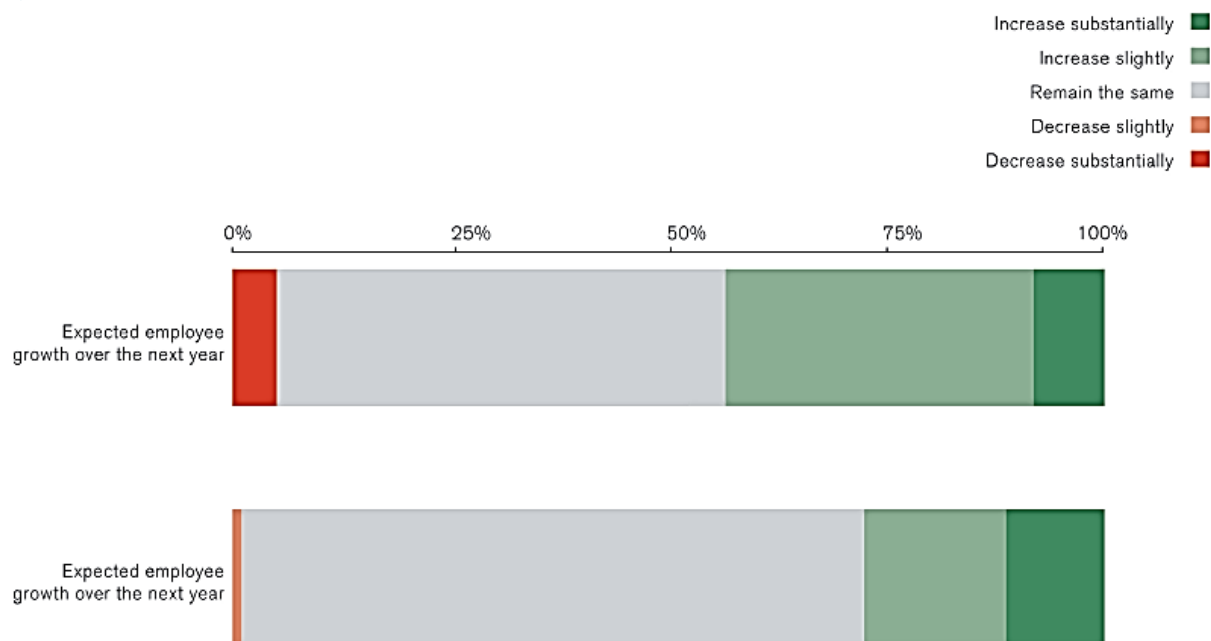
The OKR business survey asked businesses to identify the top three improvements to the area that would benefit their business. Responses were unprompted: many related to transport, with nearly 19% of respondents suggesting a need for more availability of parking in the area, and 16% looking for better public transport availability and 14% wanting reductions in congestion. Around 12% would like to see improvements to the quality of the public realm and to local amenities. Relatively few (5% or less) said that they wanted to see improvements in the affordability or availability of business space, and few were concerned about regeneration of the area in general.

The Southwark Industrial and Warehousing Land Study suggests that, in and around the OKR area, there will be increasing demand for office space (given growth in professional and technical sectors) and for flexible, good quality industrial space to serve the growing CAZ service economy. It highlights the success of the Biscuit Factory development and the Spa Terminus as examples of growing clusters of CAZ service businesses. For example, it reports that food supply businesses linked to the successful Borough Market have been pushed out of Borough Market itself and are locating in some of these clusters. They have a particular need for clean, good quality space. However, the study highlights that appropriate locations still need to be found for ‘dirty’ activities that are currently able to use OKR sites, including Railway Arch sites.

Further views on the suitability of the Old Kent Road as a business location are set out in Chapter 5 which contains findings from a business consultation exercise carried out for this study.

The OKR Employment Study survey found that OKR businesses were optimistic about growth: 43% of OKR businesses expect employee growth over next year (2015), compared to 22% of businesses in London Business Survey (2014). The survey found that 28% of OKR businesses expect floorspace growth in the next year.

Figure 3.16 Prospects for Growth



Source: OKR business survey

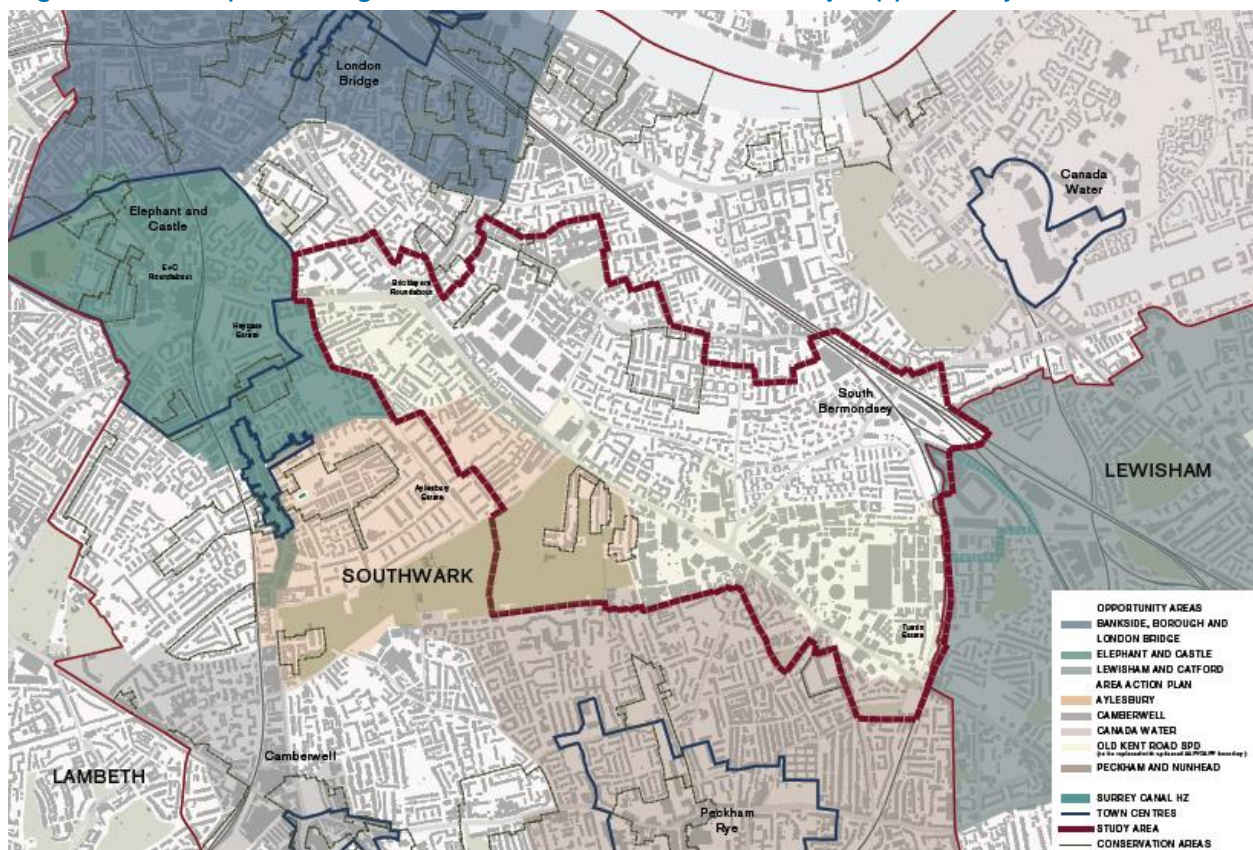
### Relationships with surrounding areas

The Old Kent Road area is close to a number of other Opportunity Areas, some of which have Area Action Plans. These include Elephant and Castle, Lewisham/Catford, London Bridge, Canada Water Aylesbury, Camberwell and Peckham Rye Opportunity Areas. These nearby areas can potentially



provide both markets and supplies for businesses in the OKR, but they also compete in terms of their property offer.

Figure 3.17 Map showing Old Kent Road area and nearby Opportunity Areas



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Map showing study area and surrounding context, including adjacent Opportunity Areas, Surrey Canal Housing Zone, town centres and conservation areas

Source: OKR Employment Study

### 3.6 Conclusions

The Old Kent Road has very distinctive characteristics. It supports a range of economic activity and a type of activity not found in other locations this close to Central London. It currently supports around 9,500 jobs in a mix of warehouses, industrial estates, high street businesses, retail parks and community use. Around 75% of businesses are independent businesses occupying single sites and these businesses account for 40% of the jobs in the OKR area. Proximity to central London and access to customers are amongst the principal strengths of the areas as a business location.

The distinctive industrial characteristics of the area are also found in its resident population. Compared to the borough as a whole and to comparable areas elsewhere in inner London the Old Kent Road has a higher proportion of residents in lower skilled occupations.

As London continues to grow and the workforce continues to develop further and higher levels of skills the current characteristics of the area may become harder to sustain. This report is principally looking ahead as to what may occur over the next twenty years. There are likely to be big changes hence change will come to the Old Kent Road. This profile is helpful in understanding the nature of businesses and resident workers today. It is a profile that will probably need to adapt if its business and residents are benefit from the future growth of the London economy.

The density of activity on the Old Kent Road as measured by the combination of employment and population is lower than comparable inner London locations especially those have seen recent regeneration.

# 4 Old Kent Road Property Market Profile

## 4.1 Broader forces of change

Before focusing on the specifics of OKR, it is worth emphasising its context in terms of the wider commercial property market, because the latter will have a strong bearing on the type of commercial activity that might be attracted to OKR in the future. The riverside and its close hinterland have undergone two decades of transformation. The area has changed fundamentally, from one which was simply not recognised as part of the central London market by market practitioners, to one which is now an integral part of it. The success of signature schemes such as More London and the more recent Shard demonstrate the level of confidence in the area.

Of course the success of the South Bank, in commercial property terms, has been part of the on-going growth of the core area market and, more strategically, London's success as a global city. In effect, the central area has 'pushed' outwards, and the string of mega schemes around the core area fringe are testament to this. Broadgate, King's Cross, More London, Paddington and Regent's Place have all created new markets around the fringe of the core area and have encouraged expansion of commercial activity outwards. Most have turned 'backlands' into prime property locations.

As well as creating large new markets of prime office space in their own right, these schemes have also had an impact on secondary markets, particularly demand for less expensive space. The impact has been to encourage a ripple effect of activity away from the central area, in which areas previously beyond the core fringe have become attractive to smaller and lower margin businesses. The most extreme example of this is Tech City at Shoreditch. But it is a phenomenon that has been occurring all around the core area.

One of the areas to benefit from this ripple effect has been the South Bank. It is evident from the Site Assessment, undertaken as part of the wider Employment Land Review for this project (reported in Part 1), that there has been a major growth of smaller firms in the area. And data given in Chapter 3 of the Part 1 report illustrate the rise of office property at the expense of industrial and warehouse property. This process is clearly visible from the large number of refurbished industrial premises, with their creative, digital, professional services and other office-based occupiers, as well as in the rapid growth of business centres. Less visibly, prime rents along the South Bank are now running at around £52 per sq ft, which compares to around £60 per sq ft in Midtown and the City.

So, the central commercial area has been expanding, and the South Bank in Southwark has benefited as it has done so – in terms of physical regeneration of stock and the attraction of new employment. One effect of this has been to displace those activities less able to afford the rents commanded by the central area functions. At the same time, more traditional industrial activity has been in sharp decline, as part of the wider restructuring of the economy. This process is clearly evident in the Old Kent Road area.

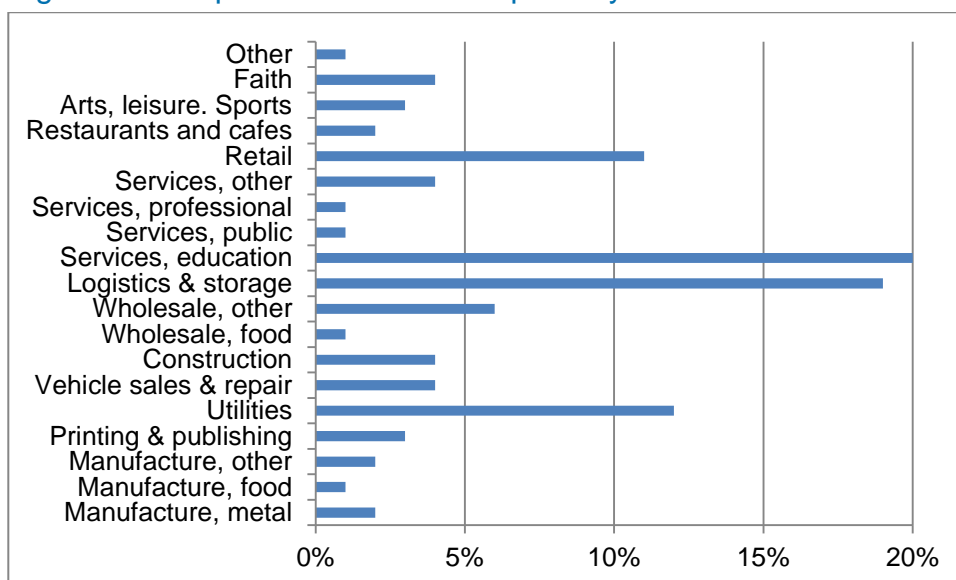
In place of the more traditional industrial activities, and as noted in the Part 1 report, there has been a major growth in support services activities. These businesses provide services to the central London economy, including its offices, hotels, restaurants, theatres, universities, tourist attractions and so on. They require good access to the central area, economic space and access to labour. Furthermore, they require generally 'lighter' and more flexible space.

The combination of the central area expanding outwards, displaced secondary activity and structural decline in industry, lies at the core of the opportunities presented at locations such as OKR. On the one hand, the area is now 'closer' to the central, functional economic area, as the latter has expanded across the river into the Borough. On the other, it is attractive to the multitude of economic activities that benefit from a fringe location from which to service customers in the central area.

## 4.2 Demand for property

The Borough's Old Kent Road Employment Study (2015) revealed the structure of economic activity in the Old Kent Road area. Retail and services dominate the number of businesses there, with 26% and 25% of businesses, respectively. Wholesale & Storage account for 15%, with Utilities & Car Repair a further 11%, and Manufacturing just 9%. The data for number of employees and amount of floor space tell a different story. For example, Wholesale & Storage account for 33% of employees and 26% of floorspace (Figure 4.1). The study observed that a relatively small number of transport, haulage and courier firms (including DHL, Royal Mail, Transport for London and Yodel), as well as larger wholesalers, are important employers in the area. This was verified in our Site Assessment exercise.

Figure 4.1 Proportion of total floorspace by sector



Source: LB Southwark (2015) Old Kent Road Employment Study

The importance of location, referred to above, is also illustrated in the Old Kent Road Employment Study. The work found that 'access to customers' and 'proximity to central London' were by far the most dominant perceived advantages of the area; followed by 'public transport accessibility' and 'access to the road network'.

Research by GVA<sup>5</sup> looked at industrial and warehouse properties across the Borough, but some of its findings are representative of Old Kent Road. For example, in terms of local occupiers it found the following dominant demand sectors.

- Food production and preparation

<sup>5</sup> Southwark Council Industrial and Warehousing Land Study - GVA (2014)

- Retail warehouse
- Commercial printing
- International courier and secure mail service
- Industrial laundry
- Document and data storage
- Waste transfer, management and recycling
- Building services
- Construction staging, materials and aggregates
- Administrative support (bus depots, police, etc.)

This is a representative picture of the Old Kent Road's dominant sectors. The GVA work also reinforced the point made earlier here: that the occupiers have become more focused on "industrial service" activity, with both "multi-national companies providing support services to the City and surrounding business districts" and "SMEs and local businesses utilising the cheaper properties that are available".

The overriding point here is that while manufacturing and other industrial activity is in steep decline, there continues to be strong demand from companies wishing to occupy what the property industry calls 'industrial' buildings. It will be critical for the Old Kent Road strategy to find a way of accommodating the needs of this diverse group of occupiers.

The following section looks in more detail at the characteristics of the Old Kent Road's main employment sites, but it is worth noting an over-arching point at this stage. Most of the sites have low vacancy rates. It is also difficult to assemble rigorous rental data, because the number of deals, over several years, has been low in number. Both of these facts suggest a healthy market, where demand is strong and which, most importantly, has continuing relevance in supporting activities in the central area.

### 4.3 The main sites

The area's commercial property offering is dominated by 'industrial' property, and it is on this sub-market that we focus here. The Old Kent Road area contains the Borough's greatest concentration of industrial property. However, as noted earlier, across inner London, the industrial base has undergone enormous change in recent years. Manufacturing activity is now virtually non-existent and, instead, the remaining stock is occupied by businesses performing more service-based activities. These activities comprise a plethora of business types occupying premises ranging from large, low density 'shed' type buildings; to smaller, multi-storey, multi-occupied converted industrial buildings.

Within the Old Kent Road area the industrial property market is predominantly B8 'shed' space. There is little remaining B2 space, as manufacturing has been in sharp decline for a considerable time. The largest concentrations include the South East Bermondsey and Old Kent Road Strategic PILs and Parkhouse Street Local PIL, and the more B8 orientated Mandela Way Local PIL. There are also smaller clusters around Glengall Road and Rotherhithe New Road.

#### Rich Estate (Industrial Area #1 on Figure 4.2)

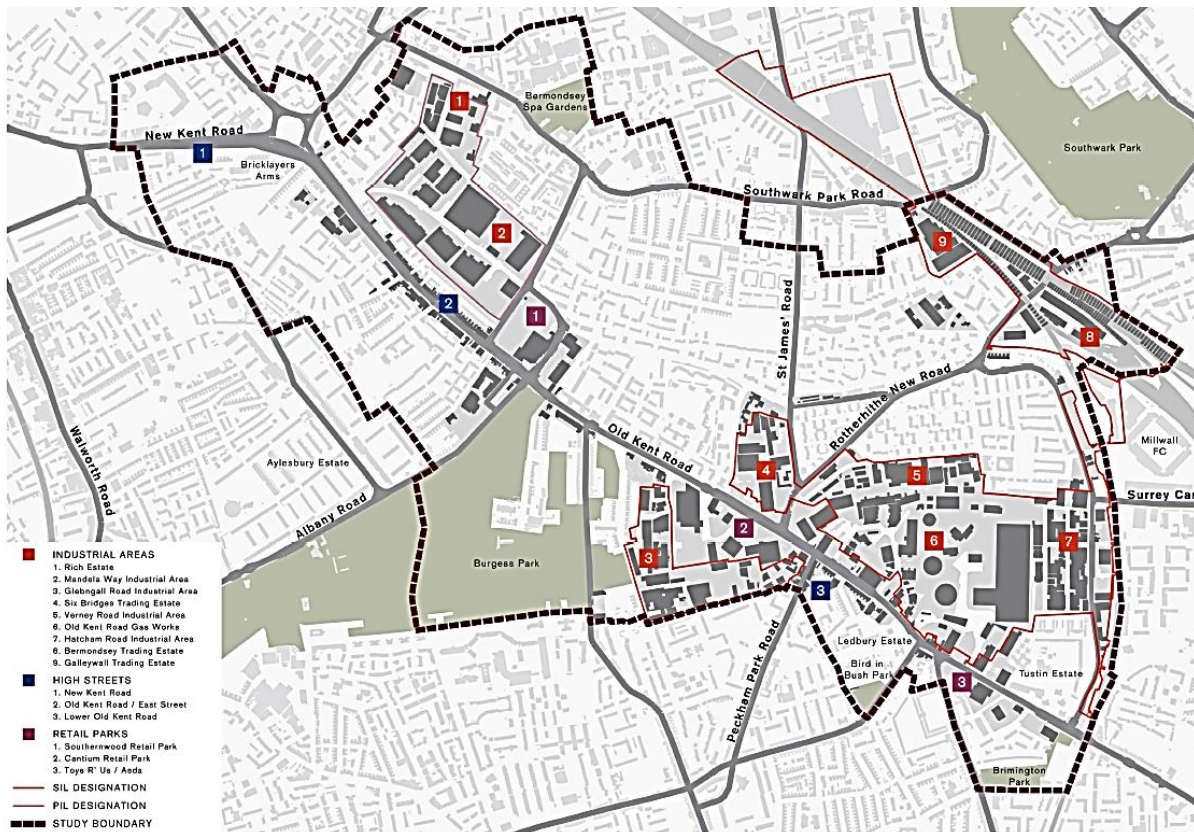
This site is adjacent to Mandela Way (below), on its north west side. This site is also well-located for Tower Bridge Road via the A2206. The quality of space on the site is variable, with some poor quality stock. However, the site has critical mass and its adjacency to Mandela Way provides it with further *raison d'être*. The site is divided by Crimscott Street and the land to the west of this includes the large,

1930s Rich House which has at least six levels, making it suitable for particular kinds of uses (multi-let, studios, for example). To the east of Crimscott Street, there is a collection of 1960s/1970s light industrial buildings.

There is a wide variety of businesses on the site (TNT is the largest occupier), including catering, couriers, printers and storage, as well as some cultural activity, in the form of the Bermondsey Project. There appears to be some vacancy on the site, but the extent is not verified. There also appears to be a paucity of rental data evidence. These two factors combined suggest a lack of demand; which might possibly be a reflection on the quality of the space. Local agents suggest rents could be in the region of £4.50 per sq ft.

Given its adjacency to Mandela Way and its critical mass, this site could be considered as part of the potential intensification of use suggested below for Mandela Way. From a commercial property market perspective, the site has scale and locational strengths that could prove attractive. The counter point is that the scale of investment required could be a deterrent given the easier choice of residential or, at least, mixed use development.

Figure 4.2 Main employment sites in Old Kent Road area



Source: LB Southwark (2015) Old Kent Road Employment Study

## Mandela Way (2)

This site contains a mix of large occupiers, including public sector occupiers such as London Transport, Met Police and Royal Mail. One of the largest developments here is the Bricklayers Arms site (1991). This is in good condition; and its occupiers include: Medequip (medical equipment), the Parliamentary Press (printing), SIG (construction supplies) and Transworld (shipping). Such businesses demonstrate

the point made earlier in this report about the role of sites such as this providing support services to the central London economy.

The built stock here is generally of a good and modern quality, purpose-designed for light industrial and storage/distribution uses, much of it dating from the 1980s and 1990s. Most of the plots here have good parking and turning space, with parking for workers and visitors. Rents on Mandela Way are among the highest in the Borough, at £13-£14 per sq ft for a good quality unit, with a wider average of £10-£11 per sq ft.

Despite the low vacancy and strong rents, there are signs of vacancy. There is, for example, a 7,500 sq m unit is being marketed (on the Bricklayers Arms site); a second appears to be vacant, although is not being obviously marketed, and part of the Royal Mail site also appears to be disused.

Referring back to the earlier discussion about service-based industrial activities, Mandela Way is an important site in terms of providing for large space users servicing the central London economy. The site has proximity to the A2 Old Kent Road, and is within easy access of central London via the A2206 and A100 Tower Bridge Road. It has good access to main roads and excellent internal circulation; and it has good access to local retail services. Potential property rationalisation by some of the larger public sector occupiers might be considered a potential threat.

The site is large and clearly has critical mass; its qualities might also afford it potential for attracting new investment. Certainty over its future use will be a key factor. The site could cope with further intensification of use while maintaining its essential economic function.

### Glengall Road (3)

This site lies to the south of Old Kent Road, and contains space of various ages and quality, mainly in good order with a variety of tenants, some hi-tech.

Access on to the Old Kent Road (A2) is good, but circulation within the cluster is poorer and parking is a problem. The stock provides economic premises for a variety of activities and the occupiers are varied, providing for both local and central London activities. There is the potential to intensify and improve quality on the site; but certainty over its future in planning terms will be key to investors.

Vacancy appears to be minimal, although a 2,000 sq m industrial/office unit is available at quoting terms of £9.50 per sq ft, which is an average rent for the area. The area includes Glengall Business Centre which provides good quality, modern (c2007) industrial space which is well-managed and well-let. The buildings provide double-height, flexible space, with office content and car parking. They demonstrate the potential of the Old Kent Road area to attract new investment – if the market can be convinced of the future of the area.

Glengall Business Centre also provides a very good example of the diversity of businesses occupying light industrial estates not only in Southwark but across large parts of London. The businesses here include: Ambius (office planting); Berkeley Catering (catering); McKenzie Clark (printing); Morrisons (facilities management); Perfect Colours (printing); Philip Kingsley (beauty care products); Science Ltd (art gallery); Standage (construction) and Tracgroup (office supplies).

### Marlborough Grove, St. James's Road, Verney Road and Sandgate Street (4, 5 and 6)

Market apartments have been built on part of this site, and consent has been given by the Mayor for a 19 floor residential tower, which includes educational uses. One agent was fairly sanguine about this on two grounds. The remaining commercial stock is variable in character: while there are some good quality, 1980s buildings in the Six Bridges and elsewhere, such as on Verney Road, there is some poor

quality stock, and evidence of obsolescence. The latter suggests a market reluctance to invest in the area.

Already under severe pressure from residential with some sites within the cluster lost, and with some stock appearing to be coming to the end of its useful life, it is likely to prove difficult to protect the remaining stock. There are a number of businesses providing more local needs rather than central London demand, and automotive, building trade, cleaning, couriers, storage are evident. While much of the property appears suitable to the general theme of the cluster, in parts of the cluster this is less so and vacancy appears to be significant in these. While some parts of the cluster might be suitable for intensification of commercial uses, there is also potential for some release.

The variability of the stock is reflected in rental levels which range from around £5 per sq ft, up to £11 per sq ft. The age of stock is not an obvious determinant of price: one 35-year-old warehouse unit is available at £11.50 per sq ft. Where stock is of a poorer quality, there is also a risk of obsolescence, and pressure from residential development in this key strategic location is evident.

### Hatcham Road (7)

To the east of Sandgate lie Hatcham Road and employment clusters in Ilderton Road, Penarth Street and Ormside Street. The quality of the stock here is generally poor, although it might be argued that it provides a useful purpose. This is relatively large and established industrial area and while access to Ilderton Road is reasonable, that around Hatcham/Ormside is less so. There is a diverse user base, and construction, automotive, food and printing are all strong sectors in the area.

Generally speaking, much of the stock in this area is ageing and there has been no new investment for a considerable time. The stock in Ilderton Road is particularly poor, and the road is congested. There is a growing level of vacancy and a number of non-commercial uses have moved in. Some of the built stock appears to be obsolete, and the area is already under pressure from residential development. Rents are varied, reflecting the quality of stock on offer, but the area is unlikely to command anything in excess of £9.00 per sq ft; and much stock is likely to be significantly less than this.

It is difficult to envisage widespread new investment in the existing commercial stock in this area, although GVA's 2014 industrial property report noted some recent B-class development on Ormside Street, suggesting that "if stock can be delivered there is demand". If however an area-based approach could be taken, with higher density, hybrid space aimed at a diverse occupier base, then the area could meet local demand.

### Bermondsey Trading Estate and Galleywall Trading Estate (8 and 9)

This area, including the Raymouth Road rail arches, is an established commercial area. The commercial activities are diverse, including a significant trade counter component, range across automotive, construction, engineering, catering, printing and manufacturing. The built stock is, generally, in a fair condition, with much dating from the 1970s and 1980s; with little evidence of the obsolescence visible on some other areas.

The Raymouth Road rail arches provide a range of economic space for small businesses, and strong demand is illustrated by low vacancy rates. The same is true of the Rotherhithe arches. Such sites should be retained for the important economic niche that they fill. The quality of the local environment is generally good, as is local access.

Access for the Bermondsey and Galleywall estates is fair and the quality of the stock in the area is comparatively good (mostly 1970s and 1980s), with some modern stock evident. Environmental quality is generally good, and the premises – both purpose built and railway arches – show little vacancy. Rents in the area are said to be in the £9.00 to £10.00 range



Overall, the area seems to meet a local demand for B-space and provides valuable employment opportunities. However, some of the more extensive uses will come under increasing pressure from residential development and it will be important to identify which stock should be protected.

#### 4.4 Land values and viability

Gaining accurate, up-to-date details on rental values is, in fact, not easy due to a paucity of deals, and the lack of transparency in the market. However, a generally reliable picture can be assembled. The industrial market suffered from sharply falling demand in the most recent recession, but vacancy levels have since recovered, as have rental levels. Average industrial rents stand at around £9.00 to £11.00 per sq ft. The post-recession reflects the area's underlying attractiveness and functional suitability and its locational advantages. The situation is also encouraged by a lack of new supply.

Obviously the average rent varies widely according to quality and size. The OKR area has a significant stock of older, poorer quality units which can let for significantly less than the average. Better quality space, such as that at Glengall Road, will attract higher rents. Similarly, small units will attract higher rents. Around Verney Road, for example, there is market evidence of small units achieving £11-12 per sq ft. There is little variation in land values across different parts of the Old Kent Road area.

As noted, demand for industrial property has recovered since the recession, and availability has been falling steadily. The GVA study of 2014 found just 58 available premises – *across the Borough* – in September 2013, yielding around 30,000 sq m of space. However, it is unlikely that this factor alone will push rents significantly higher, or encourage significant new development

Overall, the stock of industrial premises in the Borough is ageing and deteriorating. There has been very little new stock added in recent years; and there seems little prospect of this situation changing (Glengall Business Centre, referred to below, is a notable exception). There is also significant erosion of stock to other uses, thereby reducing the sustainability, or viability, of some remaining sites/areas of provision. This is an important consideration in policy approaches to stock retention because as stock dwindles in specific locations, it loses critical mass; and as it does so it loses its attractiveness. Add to this the fact that it is ageing, with growing amounts in a poor state of repair, and the prospects of reinvestment for industrial use shrink dramatically: industrial land values make such a prospect unviable.

One of the greatest pressures on the industrial land market in the OKR area is the residential market. Again, this is not unique to the Southwark area; it is an issue across inner London.

#### 4.5 Conclusions

It is clear from the foregoing that the Old Kent Road area provides an extremely valuable reservoir of employment space, providing a diverse range of employment opportunities in business serving both local and London-wide demand. The buildings are very varied, ranging from railway arches to large warehouses. It is evident that the occupiers of the area's built space have changed much in recent years. While there remain some manufacturing activities, generally speaking the underlying trend has been one towards more service-based activities.

There are pockets of vacancy across the area, but generally levels of vacancy are low, and rents have been sustained. This reflects a healthy demand base. However, there is very little evidence of new investment. There has been only marginal new development over a number of years now; which

means that the stock is ageing and, potentially, edging towards obsolescence. And, of course, there is now the pervasive pressure for conversion to residential uses.

If the borough wishes to maintain the Old Kent Road's role in providing buildings and land from which 'industrial' type businesses can service the needs of the wider London economy, then it will need to bring greater certainty to land and sites. This is necessary to provide investors with confidence that their activities will be rewarded in the medium- to long-term. It is particularly important if the area's generally ageing, and in some cases obsolete, stock is to be upgraded for modern occupiers. The existing industrial stock is changing only very slowly and much of it is more likely to become obsolete than be occupied by new industrial users.

As noted, the nature of 'industrial' occupiers has changed fundamentally – they require higher specification, flexible space, often with office content. The fundamental point therefore is whether there is a case for attracting new investment in buildings, or whether such uses should be allowed to diminish and find premises elsewhere.

The GVA study noted the potential to continue diversifying the Southwark economy, and specifically the opportunities presented by 'industrial' and production based activities such as computer aided design and manufacturing. It argued that the *“attributes that have attracted a range of service businesses to Southwark can also benefit these makers, who provide a physical product counter-point to the software orientated tech-based activity in East London”*. But it noted also the imperative to provide *“new, or improved, types of space, offering shared technology infrastructure and equipment to help nurture small start-up businesses”*.

These comments are particularly pertinent in the Old Kent Road area, where future development will be inter-dependent upon the wider regeneration of the area. This is because the wider regeneration will have a very positive impact on the quality of the public realm and of the business community as a whole. This will be a critical factor in the area's ability to attract 'new manufacturers' and modern businesses serving the wider London economy.

New stock, if provided, is likely to use land more intensively and to provide more flexible space that is appropriate to modern business processes. Within the Old Kent Road, it will be necessary to identify where best these use might be encouraged, and then to afford those areas protection in order to provide potential investors some certainty over their future.

One specific approach which is rooted in the way space is being used in a changing market is to encourage the development of hybrid space (or the hybridisation of existing space). In several locales space is being used in a way that is inconsistent with its nominal intended use (where from a market or planning use class point of view). In Borough, for example, light industrial space is being used as cost effective office space, while on some parts of Old Kent Road industrial and warehouse space is being used for a variety of creative industry uses.

There is a very good case for encouraging such an approach since it could be the most effective way of ensure at least some employment land stays in employment uses, rather than rigidly sticking to use class-based conventions the value for which will not support redevelopment in an reasonably foreseeable time frame.

# 5 Business Consultations

## 5.1 The consultation process

Consultation was undertaken with businesses in the Old Kent Road opportunity area. The purpose of the process was to engage local businesses in the development of the Employment Land Strategy. The aims of the process were to:

- Inform local businesses about the Area Action Plan and likely future changes in the area
- Gain an understanding of how local businesses perceive the area, and the benefits and disbenefits it has for business
- Understand what businesses need, in particular in relation to a likely future intensification of residential use.

The consultation process and the strategy were promoted by Southwark Council through their [website](#), by direct written and email invitations and through twitter.

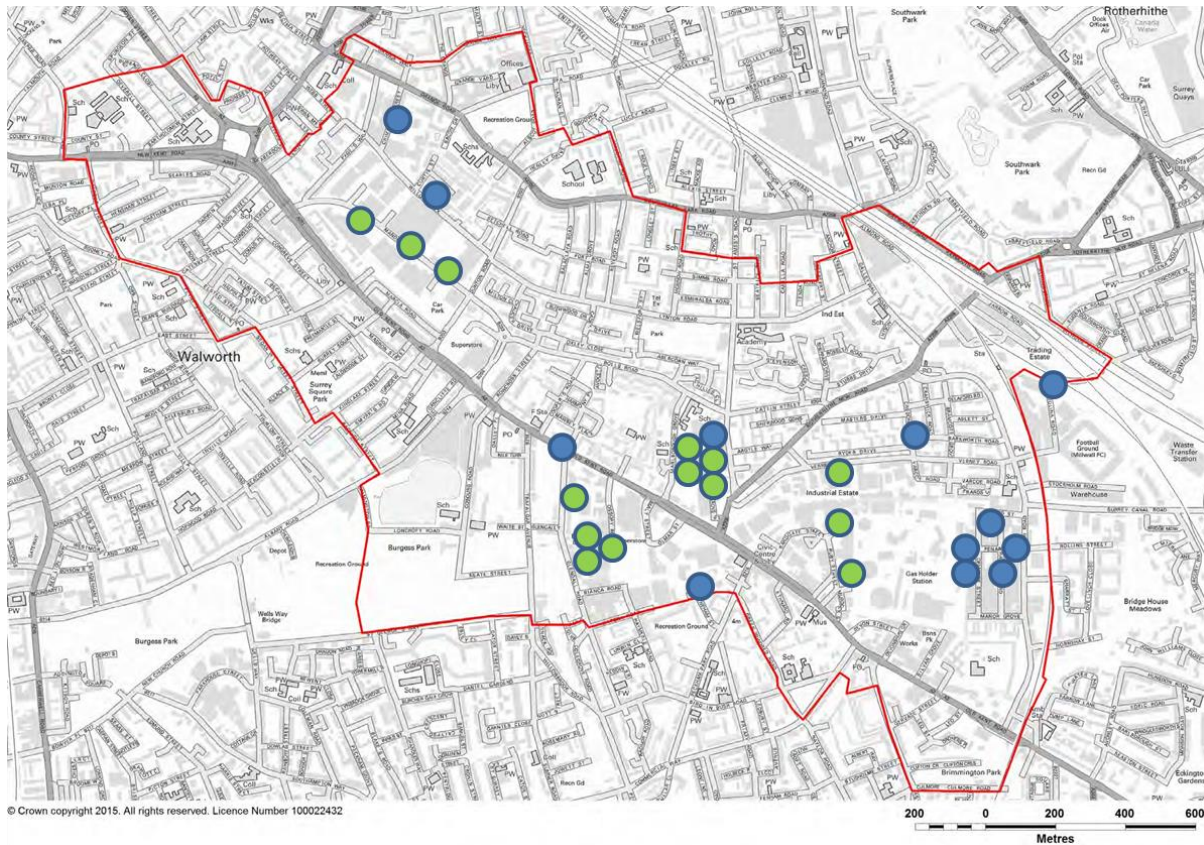
Two consultation events were held October 2015, and these were followed up with short phone interviews with businesses in targeted areas in November 2015. This work was delivered by CAG Consultants, working on behalf of the Council.

The two business consultation workshops were held on 12<sup>th</sup> and 13<sup>th</sup> October, one evening and one early morning. The council invited 500 businesses to attend these, sending out invitations by post and, where possible, by email. The consultants then followed up the 50 largest organisations by phone to encourage attendance. A total of 16 organisations were represented at the workshops.

After the workshops, the consultants followed up businesses which had expressed an interest but not been able to attend. They also followed up businesses in areas which were not represented by workshop attendees. A total of 30 organisations were contacted by phone and 14 took part in interviews exploring the same issues as were discussed at the workshops.

As a result of this engagement process, 30 organisations gave their views. The organisations covered a range of sectors including industrial/logistics, services, wholesale and retail, storage, arts and creativity, and housing and community. Their indicative locations are shown in the map overleaf.

Figure 5.1 Indicative location of businesses consulted



Workshop attendees (not all shown) ● Phone interviewees ●

## 5.2 Summary of responses

Both the workshops and the phone interviews discussed the following questions:

- What are your current perceptions of the OKR as a business area?
- What do businesses need to thrive in the area?
- How can businesses survive in proximity to residential development?
- What help do businesses need?

There was a general consensus amongst participants that the Old Kent Road operates well at the moment as a business area. It offers a unique reservoir of activity for London, and has businesses that are there for a reason. It's the closest industrial land to central London, and generally has good transport links. Downsides mentioned were traffic congestion, parking issues, the general amenity of the area, lack of fibre optic broadband, and crime and safety.

Redevelopment would be welcome in part. However, there are already pressures as organisations are being priced out, or wishing to expand but not able to. Those who are renting are the most vulnerable to being priced out, while those who own their own sites, and/or are located on self-contained industrial estates are the most sanguine about future residential growth. For some, particularly retail outlets,

residential growth is seen as a business opportunity providing more customers and local staff, as well as the potential of public realm improvements which would benefit public facing businesses.

More detail on the points raised is given in the appendix.

### 5.3 Issues for consideration in the strategy

The events and interviews raised a number of issues and suggested ideas, which are relevant to the strategy. These are summarised below:

- What types of industrial activity can be accommodated in mixed use developments? Most types of activity can be, provided they are well planned – but the key constraints are noise and deliveries involving large trucks. Traffic management and appropriate parking provision will be key to any integration.
- There are some underutilised sites within the area where there is potential for intensification e.g. the retail warehouses. Some of these sites could be developed for industry?
- Security of tenure is an issue. Should affordable businesses be supported through S106 agreements?
- Many of the OKR's businesses are involved in servicing the central London economy. There is a critical point beyond which you can't go as it is time critical and there is a need for some dirty activities to be quite central. Though it is not clear which if any OKR business fall in to this category.
- Is there potential for some of these businesses to operate a 'shop front' model whereby customers can drop their items requiring work at a central location, with the organisation then transporting the item (e.g. a car, a theatre prop) to their factory further out of town where the work will be carried out.
- Can the council provide assistance to businesses that are under pressure to move out or want to expand? This could involve rezoning certain areas of the OKR and/or providing assistance with finding alternative locations within the borough.
- Can the council plan to maximise the benefits to business of future residential development through a local management model, integrating public realm and other improvements with the needs of public-facing businesses?

# 6 Drivers of Demand

## 6.1 Introduction

This chapter looks at some of the key drivers that are likely to shape the future demand for employment space in the Old Kent Road area. The Part 1 report examined some of these factors but here we look more closely at their potential impact on a future Old Kent Road development. In particular this involves a slightly longer term view as the regeneration of the Old Kent Road is a 20-30 year project. There are plentiful examples across London of regeneration projects that have taken this length of time, and where the masterplan has evolved in response to changing economic circumstances. Canary Wharf, which started in the late-1980s, is a good example, where the emphasis has shifted from a purely commercial model to a more mixed use development.

The role of the Bakerloo Line Extension as a catalyst for regeneration is important in this sense, because, if it is built, it will not be open until 2030 at the earliest. Therefore any plans formed for future employment uses along the Old Kent Road should not be overly rigid nor prescriptive. Rather they should try to adopt a set of broad principles whilst ensuring that key sites or infrastructure that will be critical for future employment use are not compromised.

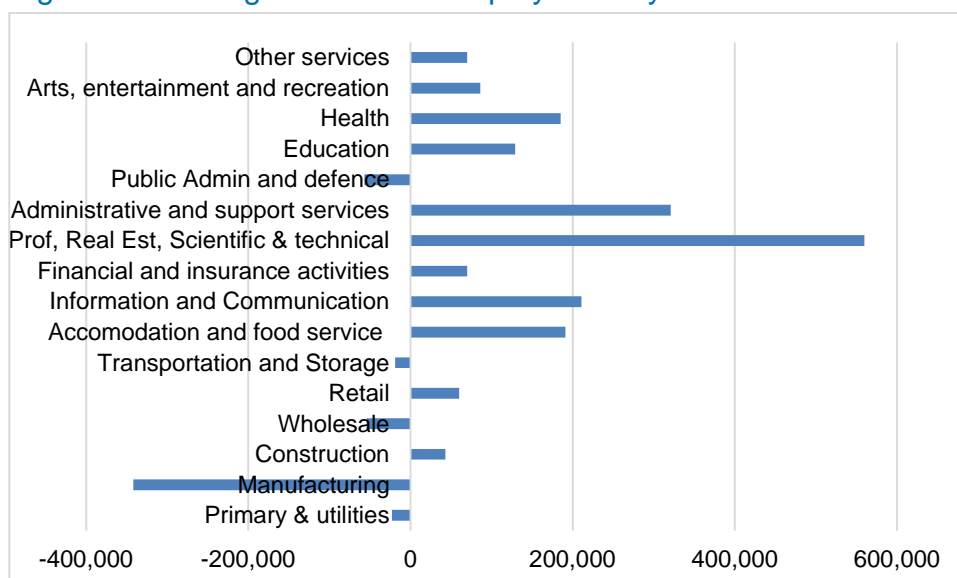
In this section we review some of the longer term drivers of demand that may influence the future requirements for employment space on the Old Kent Road.

## 6.2 The Past and Present as a Guide to Future Change

***“The future is already here – it’s just not evenly distributed”*** (William Gibson)

Planning for the future of the Old Kent Road is planning over a generation. A lot can happen in thirty years. For example, in thirty years manufacturing has gone from accounting for 12.6% of London’s employment in 1984 to just 2.6% in 2014. Over the same time period employment in the Professional, Real Estate, Scientific and Technical services activities has doubled its share of London’s employment from 7.9% to 16.0%. And the impact on the nature of demand for property has been equally profound.

Figure 6.1 Change in London Employment by sector 1984-2014



Source: GLA Economics

A lot has changed since 1984. In terms of the regeneration of London that was the year, for example, when work on the original Docklands Light Railway started and opened up development opportunities on the Isle of Dogs. The London Docklands Development Corporation (LDDC) had just started development in Surrey Quays.

In terms of global technologies the internet in 1984 consisted of 1,000 computers hardwired together. It was five years before the development of the world wide web; 1985 saw the launch of the Apple 'Mac' and Excel spreadsheets, and 1986 saw 'Big Bang, which led to a generation of buildings designed for a new kind of occupation. We can expect the introduction of similarly transformative technologies over the next thirty years even if we don't know what they are yet. Whilst there will be some substantial changes in the technologies that determine future demand for employment space, many of these technologies and the working practices associated with them are already around, but not as yet widely adopted.

As to the emerging trends of the future, and the impact these will have, there are at least three key drivers of change that we know will impact the future development of employment space in London. These are:

- **Change in population** – London's population is forecast to continue to grow over the next thirty years adding over two million additional people to the capital.
- **Change in the nature of work** – there have been significant changes in the way the work is organised. To date many of these changes have only affected a relatively small minority of the working population but they are likely to become more widely adopted over time.
- **Change in the London economy** - London was a manufacturing city, then financial services became dominant, whilst recent growth has been driven by digital and media firms. London will need to adapt to the growth sectors of the future.

Having reviewed each of these in turn below, we then set out our thoughts on how these key drivers will change the nature and location of employment space.

## 6.3 Change in Population

The Part 1 report also identified the role of population driven growth. The population in Southwark as a whole is projected to grow by 86,750 over the period 2011-41<sup>6</sup>, an increase of 30%. Whilst the Old Kent Road is expected to accommodate between 10,000-20,000 additional dwellings, creating a large increase in the immediate catchment population.

### Population Related Growth

The additional population will generate growth in demand for public services, such as health and education, and for consumer services, such as retail and leisure. Earlier research by the GLA<sup>7</sup> concluded that for each additional 1,000 population, 230 jobs were located in the locality. A more recent update<sup>8</sup> has revised this estimate down to 171 per additional 1,000 population. This is closer to the figure of 150 jobs per 1,000 increase in population which the HCA Employment Densities Guidance<sup>9</sup> suggested was more applicable outside of London.

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<sup>6</sup> GLA 2014 Round of Demographic Projections. Local authority population projections - SHLAA-based population projections, Capped Household Size model, short-term migration scenario

<sup>7</sup> More residents, more jobs? The relationship between population, employment and accessibility in London – GLA Economics (January 2005)

<sup>8</sup> More Residents More Jobs 2015 Update – GLA Economics (October 2015)

<sup>9</sup> Employment Densities Guide 2nd Edition – Homes and Communities Agency/OffPAT 2010

Around 20% of Southwark's total employee jobs are in the local service activities. If we gross up for self-employment using the GLA's estimate for Southwark (which is probably an over-estimate) then Southwark currently has around 180 jobs in local service activities per thousand population.

The Old Kent Road could accommodate more or less than its proportionate share of these jobs depending on what is happening on surrounding developments. As we have noted earlier the Old Kent Road is surrounded by other Opportunity Areas with Elephant & Castle at one end and Lewisham at the other.

The Old Kent Road could also potentially accommodate some of the jobs that are related to population but have a wider sub-regional catchment, such as tertiary education, hospitals, or public administration.

Overall, the impact of projected population growth in Southwark and the Old Kent Road is that demand for the types of premises used by businesses serving local needs is likely to increase. This will involve growing demand for high street offices as well as 'light industrial' or 'hybrid' space.

### Construction Activity

There will be a large number of jobs generated during the construction phase of development of the OKR OA. The precise number will depend on the scale and type of development but as a broad guideline construction employment is generally estimated in the relation to the costs of development with an industry average of 13.3 jobs per £m of development. These are not permanent jobs in that they only last as long as the development phase, but given this is likely to be a twenty-thirty year project there will be continuous construction jobs over that period.

These will not all be physically located on site and given the nature of construction employment there will be a high propensity for labour market leakage outside of the area. The leakage effect can be mitigated to some extent through construction training and placement schemes providing a higher proportion of local job opportunities than would be evident in the absence of such interventions.

### Labour Force Growth

A growing population will produce a growing labour force in search of work. This will in turn act as a driver of demand as access to a pool of appropriately skilled workers is the biggest single attractor for most employers. A high proportion of Southwark's resident workforce work in the CAZ and we would expect that new residential development in Southwark generally and the Old Kent Road specifically will be attractive to these workers. This may also include a pool of entrepreneurs seeking to start up their own businesses. How these workers might work is addressed in the next section.

## 6.4 Change in the Nature of Work

The form of workspace demanded in 2030 is likely to be very different to that found today. This is because technological change is driving changes in the nature of work and in working practices whilst demographic change is driving changes in the make-up of the workforce.

*"If current trends run a steady path, in 2030 the UK workforce will be multi-generational, older, and more international, with women playing a stronger role. While the highly skilled will push for a better work-life balance, many others will experience increasing insecurity of employment and income. As businesses shrink their workforces to a minimum using flexibly employed external service providers to cover shortfalls, a much smaller group of employees will be able to enjoy long-term contracts."<sup>10</sup>*

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<sup>10</sup> The Future of Work Jobs and Skills in 2030 - UKCES



The UK Commission for Employment and Skills (UKCES) commissioned a report to review the future of work, jobs and skills in 2030. The UKCES report states that *“In the knowledge sector, future companies will operate from a slimmed-down pool of employees, backed up by colleagues from branches in other countries and external consultants for specific projects”*. This both suggests there may be decreased demand for large office buildings but also provides opportunities to supply services to larger firms by small agile firms and workers. The implications may be towards collaborative working space. Among the trends highlighted in this research are:

- *Due to changes in the structure and organisation of professional work, a reduction in some management positions may ensue from flatter, more autonomous project teams that move away from more hierarchical management models.*
- *Much of the growth in high-value jobs is anticipated to take place in London and South East England, replicating established patterns, although there is significant growth potential for city-regions around the UK. For instance, it is anticipated that employment in mid-level back office professional services functions is created in conurbations away from London, where rents are lower and there is a good supply of well-qualified, flexible labour.*
- *There is anticipated to be growth in business services and associated jobs supporting converging technologies i.e. knowledge intensive services and skills such as legal for intellectual property or strategic management consulting. Together with an increasing demand for financial services due to higher numbers of self-employed workers and because of the prolonged retirement age.*
- *Increasing competition with high skill overseas workers, as much of the professional and business services sector moves to online platforms and continued off-shoring of back-office roles in sectors such as Finance is anticipated to lead to an associated rise in limited project based contracts.*
- *Automation and software could render many lower skilled customer service roles obsolete (e.g. use of mobile technology to monitor service quality online as means of maintaining effective customer relationship management).*
- *There will potentially be a massive upheaval in the labour market for professional and administrative services that include high skilled but repetitive work processes as these activities are increasingly automated by smart (in some cases also self-learning) algorithms. Whilst this may have negative effects for employment, depending on the extremity and impact of the scenario, there is also significant scope for innovation and new jobs in supporting this change.*

There are some threats to jobs contained within these trends but overall they reinforce the concentration of high value activity in locations such as central London but probably requiring more flexible space to service this demand. The implication for the Old Kent Road, positioned on the fringe of London's CAZ, is that the area is potentially well-placed to provide premises for the growing number of knowledge-based workers.

## ICT

Much of the change in working practices has been driven by, or at least enabled by, new technologies. There will be both continued innovation of new technologies, but also wider adoption of technologies that already exist. This will create demand for jobs in a sectoral sense with the UKCES report stating that, *“ICT developments and new businesses will continue to generate jobs of a professional, associate professional and managerial nature. In areas such as design, for example, new digital technologies will be used to generate simulated environments.”*

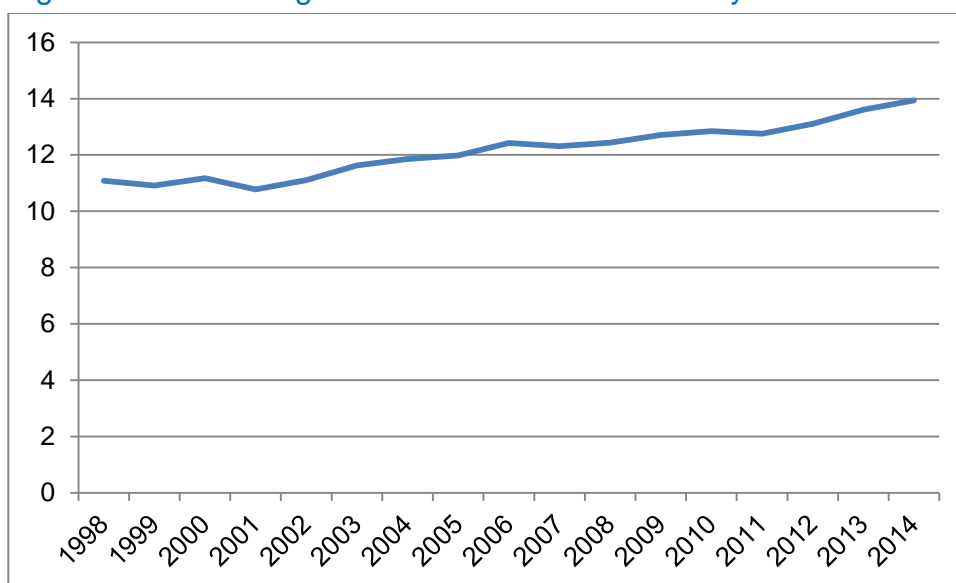
But perhaps of greater importance is the way these technologies enable people to work. “Increasing virtualisation and ICT allows workers freedom of location. New forms of mobile and home-working arrangements will develop or increase. Virtualisation and ICT tools also increase competition between UK workers and others as the nature of many tasks allows international workers to compete for contracts”<sup>11</sup>.

An increasing numbers of workers in many sectors such as ICT itself are likely to be self-employed or employed under project based contracts. As above, the Old Kent Road could play a growing role in providing flexible business space for small businesses, as many of its business centres currently do.

## Homeworking

There has been a steady rise in the number of people who work mainly at or from home. Since 2001 for the UK as a whole there has been an increase of 1.25m in the number of people working mainly at or from home. That is an increase of over 40%. There are now over 4m UK workers who work mainly at or from home. These workers will not be occupying offices or factories in the same way as traditional workers. They work in a range of sectors and occupations.

Figure 6.2 Percentage of Workers who work mainly at or from Home



Source: ONS

In Southwark around 10% of the resident workforce worked mainly at or from home according to the 2011 census. This is slightly below the national average, possibly due to the greater range of employment opportunities that are available in London. But we see no particular reason why Southwark would be immune from this upward trend.

It might seem a reasonable assumption that by 2030 15% of the Southwark workforce were working mainly at or from home. If this were applied to the workforce resident in the Old Kent Road post development then that might mean something in the region of 4,000 people in the OKR OA working from home if there were a 20,000 dwelling residential development.

This could be turned into a feature that could be positively encouraged through the provision of communal space, infrastructure and other facilities that might attract an entrepreneurial workforce to choose to locate at the OKR. Spaces for collaborative working are becoming increasingly common, and

<sup>11</sup> The Future of Work Jobs and Skills in 2030 - UKCES

there is an opportunity to see how this might be provided for within the evolving Old Kent Road. Such facilities require relatively simple buildings (in specification terms), that allow 'business communities' to evolve, and which are centrally placed among other services such as retail and leisure.

## 6.5 Change in the sectoral composition of the London economy

London is a dynamic evolving economy and along with overall growth has continued to see a change in the nature and make-up of its economy. Among the trends in recent years has been a growing diversification in main demand sectors. Financial Services remains a very important sector in terms of the value added to London's economy (accounting for 18.6% of GVA in 2012), but it only accounts for 7.5% of London's employment. Other sectors such as Professional Scientific and Technical Services and information & Communications technology have been growing much faster. This diversification of the sectoral base helps the establishment of new employment locations as occupiers are not so wedded to their historic locations.

There has been an expansion of 'digital economy' and London is now internationally competitive in technology-based sectors, with the likes of Silicon Valley in California and several areas across Asia. Where finance and technology combine London is now the largest base for 'FinTech' in the world; there are an estimated 44,000 FinTech workers within 25 miles of London, compared to 43,000 for New York and only 11,000 for San Francisco-Silicon Valley<sup>12</sup>.

The site assessment work undertaken within Part 1 of this study, demonstrated how the South Bank office market remains characterised by the presence of a large number of SMEs, many of which are dependent on clients in the City and West End for business. They illustrate the vital role played by Southwark in supporting the kinds of businesses which are so critical to London's current and evolving economic structure. As noted in the earlier work, some of these firms will be seeking to grow rapidly and significantly; others will be planning stable but sustainable trading. In both cases they are intertwined with the sectoral evolution of the central London economy, and most are 'knowledge-based', technology-based, and they occupy small units in what is clearly a 'community of businesses'. The GLA Economics paper showed that the very small business, those with 0-4 employees, tend to cluster at out just outside the CAZ boundary and we expect to see a growth in micro and small businesses. The Old Kent Road is well positioned to exploit this growth.

### Sector Themes

To continue to grow as a globally competitive World City London will need to diversify economic base. Regeneration areas seeking to define a new role for themselves provide opportunities for this diversification as existing activity historically clusters at safe locations.

A large new employment cluster is unlikely to be created at the Old Kent Road given the emphasis on residential development as being the dominant land form. But it is still feasible that a new cluster created on the back of a world class education or health institute could form part of the development mix. Even an iconic building the helps to define a place as synonymous with a particular cluster or grouping of activities

The creative industries sector and the digital economy are two overlapping sectors that are growing, are well represented in London and which have already established a presence on the Old Kent Road.

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<sup>12</sup> London: Digital City on the Rise, South Mountain Economics, June 2014

The creative industries in London, accounting for just under half (47.6 per cent) of the total UK GVA in the sector and are estimated to account for 10.7 per cent of total GVA in London<sup>13</sup>. The GLA report on the Creative Industries in London<sup>14</sup> noted the wider placemaking and economic benefits that the creative industries can bring to an area.

*“Indeed, as highlighted by Nesta (2010), clusters of creative businesses play a crucial role as an enabler of local economic growth, both in terms of competitive, connected agglomerations of high-growth firms; and as sources of spill-overs into other industries, such as high-tech manufacturing and knowledge-intensive business services”.*

If the area was being developed today we might recommend equipping it with the highest specification broadband to provide a competitive advantage to attract the Tech sector. According to the Digital Technology Strategy<sup>15</sup> the period post 2020 will see the introduction of 5G, there will be 100mbs in 50% of the EU and the UK's e-commerce economy will total £69bn.

But by the time the principal development phase occurs such technology may be outdated. To attract business to the OKR the site will need to be Tech Ready – we just don't know what Tech yet.

But that doesn't mean we can't plan and prepare. The 22@ Barcelona innovation district is an example of a redevelopment of a central urban area that has aimed to bring a technological and innovation focus urban areas aimed at boosting and diversifying employment alongside growing residential development. Running in parallel the Porta22 programme provides a strong labour market focus aimed at matching local residents to the new occupations<sup>16</sup>. Whilst not providing an exact blueprint there are lessons from initiatives such as this which can be applied to the redevelopment of the Old Kent Road.

## 6.6 Change in the nature of employment space

So far in this chapter we have discussed the nature of change in the economy and the main drivers of change. The trends identified have already led to changes to the manner in which the property supply industry is delivering space, particularly in terms of the type of property and specification that occupiers are demanding.

There has been an increased focus by occupiers on cost, originally triggered by the recession which forced business to look very hard at all their costs. With property typically accounting for around 10% of a business's total costs, it has been the subject of much rationalisation. But the greatest focus in recent times has been on businesses securing themselves greater flexibility in terms of the property overhead and seeking greater effectiveness in the way they utilise their accommodation.

The product has had to respond to the changing work, changing workstyles and technological innovation discussed above. For the high value service businesses that occupy premises in central London it has only reinforced the importance of having the type of businesses premises that enable them to attract the best staff.

It is possible to summarise the future profile of employment space in the Old Kent Road in the following manner.

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<sup>13</sup> The creative industries in London – GLA Economics Working Paper No. 70 (October 2015)

<sup>14</sup> The creative industries in London – GLA Economics Working Paper No. 70 (October 2015)

<sup>15</sup> Digital Economy Strategy – Innovate UK

<sup>16</sup> Promoting Entrepreneurship, Employment and Business Competitiveness, The Experience of Barcelona - OECD LEED Programme (2009)

- Traditional manufacturing uses will all but disappear. Continued structural economic changes, together with changing land values, will see a very sharp decline in this space. Low density land use will become untenable. There should be no new provision of such space in Old Kent Road.
- Warehousing and distribution space will shrink significantly. Large, low density 'sheds' will face increasing competition from higher value land uses. They are already unviable to build new, and the passage of time will serve to bring obsolescence to older stock. The exception to this generality will be if 'smarter', higher density distribution points can be constructed. For example, this might include consolidation centres.
- Light industrial space will continue to attract strong demand as the need to service central London businesses grows. Such space includes those 'sheds' from which so much activity takes place, but which might be typified by building supplies, catering, cleaning services, couriers, distribution maintenance and printing. Demand for such space will remain strong; although it is recognised that it will come under increasing pressure from residential land values.
- B1a office space is likely to see two outcomes. First is a growth in demand for multi-let, generally smaller units. This was referred to above in terms of the demand for local services driven by population growth. For example, lawyers, accountants, financial advisors, IT specialists and so on. Such businesses generally prefer a high street location.
- The second aspect to office demand is the growing flexible space market. It is likely that operators will continue to expand in the borough, providing space on flexible terms for the growing number of small and micro businesses. Some of this will involve co-working environments, but the key factor is flexibility in terms of low start-up costs and ability to change.
- Finally, hybrid space combines aspects of light industrial and office space for firms looking to undertake some 'productive' activities while also using 'clean' space. As such, much of this activity is 'neighbour friendly'. Figure 6.3 illustrates the types of activities undertaken in such space. Clearly, neither pure office nor light industrial space is appropriate for many of these activities.

Figure 6.3 Activities in hybrid buildings

Production	Support
Assembly	Management and administration
Craftwork	Goods dispatch/receipt
Customisation	Customer support (call centre)
Design	Customer consultation
Engineering	Demonstration
Food preparation	Retail & wholesale sales
Graphic design	Sales & marketing
Maintenance	Technology
Packing	Training
Printing	Software development
Repair	Showroom
Storage & consolidation	Entertainment and hospitality

In terms of office space and hybrid space one of the important characteristics as far as Old Kent Road is concerned, is the role of 'place'. Occupier businesses prefer to be in situations where they feel part of 'a place', not only in which they can find support services and retail and leisure services, but also which provide good public realm.

It is clear from the foregoing that there are some distinctive sub-sectors of demand in terms of the types of premises required. What has not been mentioned so far, is that many modern, cost conscious occupiers are far more footloose than in the past: they are not necessarily tied to traditional markets. For example, there has been an eastward and southward drift with new markets opening up as a result of overspill from Tech City. In the following section we examine some of these spatial patterns

## The Growth of CAZ and the Spatial Distribution of Activity

In the Part 1 report we noted how the Central Activities Zone (CAZ) has been expanding. In spatial terms there has been the emergence of what the London Office Policy Review has identified as a polycentric office market driven by a series of mega schemes on the edges of within the central area (for example, Broadgate, More London, Paddington and Regent's Place).

But the central economic hub is also expanding, in effect what was the fringe is becoming 'mainstream'. This in turn is creating a new fringe as there will always be a role for 'servicing the services'. This 'ripple' effect has been important north of the river for decades, but the fact that it has crossed the river and is resulting in the widespread regeneration of the South Bank is a relatively new phenomenon. One of the more important outcomes of the ripple effect is the need to ensure the availability of affordable space. This highlights the importance of affordable space for those activities that are being priced out of the higher value areas.

CAZ activities are now well established in the north of the borough, and it is quite reasonable to project that the Old Kent Road can become a new fringe commercial property market. We believe that it is less likely that the area will become a location for Grade A office space, catering for CAZ functions.

Whilst being on the tube line would enormously enhance both the accessibility and the image of the Old Kent Road, it would still not have the hyper-connectivity of the higher density employment locations in CAZ. Even satellite locations outside of CAZ that are being promoted for major office development such as Stratford and, in the longer term, Old Oak Common have excellent connectivity from numerous train and tube lines

Earlier we highlighted the rise of the hybrid space market and the growing presence of 'industrial service' activity. Both trends are related to the growing diversification of occupiers around the Central Activities Zone, and to the spreading of activities away from the core as rents there rise sharply. Businesses occupying this space are looking for lower cost accommodation and suitable premises. Southwark already meets such demand, and there is the potential for the Old Kent Road area to become an important focus of such activity which is, in fact, critical to the efficient functioning of the growing central London economy.

Our work on the ELR projected growth for some 400,000 sq m of B1 space over the period to 2036. Whilst the largest quantum of this will be in the form of large floorplate buildings, to accommodate the professional services sector, in the northernmost part of the borough, there will also be growth in demand for non-prime offices. For the CAZ Hinterland we projected growth of around 15,000 jobs roughly half of which would be in office type activity. Some of this demand could be accommodated in refurbished industrial stock (cf business centres), but some will also need to be met through new build. The Old Kent Road and Canada Water/Surrey Quays Opportunity Areas would be prime locations to accommodate this growth.

## 6.7 Mixed Use Development

The expressed objective for the regeneration of the Old Kent Road is for a mix of uses that incorporates both employment and high density residential activity. Yet whilst residential led 'mixed-use' schemes have been a driver of development activity in London over the past ten years examples of schemes that have successfully delivered a high proportion of employment space are hard to find. The critical feature as far as the Old Kent Road is concerned is that it is a large enough area that it can accommodate a mix of uses without resorting to design solutions that seek to accommodate mixed-use development within a single site.

Drawing on past experience of mixed use schemes in London we set out some of the types of employment space that might be expected to feature in mixed-use development and some of the key lessons to ensuring its delivery.

There are certain types of uses that are clearly going to be incompatible with residential development. Poor neighbour uses, including those businesses that generate dirt, noise or significant access disruption should be discouraged.

Large scale residential development will generate demand for commercial elements in its own right in the form of shops, health and leisure services. But not all consumer service activities work well in mixed-use residential areas. For example, nightclubs have a negative impact and pubs and bars can also create problems.

The obvious examples aside, demand for employment uses in mixed use development relates more to the character of the area/surrounding environment than to a specific type of occupier or business sectors associated with mixed use development. The Old Kent Road can build on the sectors and occupier types for which it is already recognised. Hence its growing creative sector forms one possible base for an employment strategy.

It is difficult to identify typical occupiers because in the longer term demand may change in response to local area improvements, changes in the area's character and its perception as a place to live and work. The location of many small businesses is often primarily driven by where their proprietor lives and hence we would anticipate a number of local Southwark based businesses forming part of any mixed-use development.

Two particular characteristics seem to come through in successful mixed-use schemes: design and management. Design is explored further in the next chapter. Management of the estate is very important. This can help ensure uses do not conflict. The on-going management, i.e. keeping communal areas tidy and discouraging nuisance activities, is important within mixed-used developments. However, because of the costs in implementing, this is only likely to occur on big schemes. Restrictions beyond land use classification can be placed on employment uses within schemes, such as setting noise thresholds. Businesses operations that generate significant numbers of deliveries should have separate delivery access routes to the residential/office elements. Car parking is very important in attracting businesses. On big schemes it is possible to share the business parking spaces with other uses because of greater churn; but on small schemes there will need to be designated spaces for the businesses.

Key delivery features of mixed-use development include not providing large areas of floorspace but breaking it up into deliverable chunks rather than one large unit. Equally bespoke development should be discouraged. Units with flexibility for a multitude of uses for different business types, including incubation and move-on space, will widen demand for space and enable businesses to grow within the same location. This should improve take-up potential.

Mixed use schemes can prove attractive to some types of developers as the separate elements are marketed to different customers and therefore can simultaneously phase the residential and commercial elements which can help to speed take-up. This will generate early returns on investments which is attractive for developers. However, commercial occupiers are more reluctant to take space during the construction of the development because of the poor image this generates. They are also less likely to buy off plan because they suffer greater uncertainty – smaller business are uncertain they will still be around when the units are ready for occupation.

Trying to achieve the employment element of mixed-use developments through prescriptive or restrictive planning clauses can be problematic as the market will need to respond to provide an effective product for occupiers. In trying to plan for employment space in a mixed-use development setting targets for the proportions of land-use or even floorspace are unlikely to be the best way of achieving a successful employment component for a development. Even numbers of jobs on their own, notoriously difficult to achieve as a planning target, may also be too crude a measure. The type of economic activity is important to consider in a mixed-use development as is creating the type of environment that is going to encourage sustainable growth of employment activity. Engaging specialist commercial or workspace providers in the delivery of these elements of the scheme is more likely route to achieving success. However conditions can be placed on applications relating to the phasing and use of sites, eg, B1 uses to come forward within x period, to ensure business space is provided and can operate on a site, rather than just building the residential.

Flexibility in terms of delivering mixed use employment objectives is important. So, rather than a generic policy or restricted policies, each scheme should be looked at case by case.



# 7 Spatial Development Opportunities Urban Design Guidelines

## 7.1 Urban Design Guidelines

'Urban Design Guidance', Appendix B to Part 2 of the Southwark Employment Land Study – Employment Land Strategy for the Old Kent Road – offers guidance for the design of efficient and attractive mixed-use urbanism that allows residential and employment uses to co-exist in a meaningful way. It analyses the existing employment context of the study area, and offers guidelines for developing intensified employment uses alongside residential.

Employment land in London is often under threat from development of residential and other high value uses. Industrial uses in particular are often ushered out of the city despite specific protection, and despite their intrinsic importance to the running of the city. Expecting heavier industrial uses to co-exist with residential in a city centre is often impractical, such as large-scale manufacturing. However there are many employment uses that can and should co-exist with residential in order to produce a socially sustainable city. A city the scale of London must maintain a variety of employment uses and homes distributed across its many neighbourhoods in order that it is not unsustainably zoned.

The premise behind the guidelines in this report is that a city that accommodates a suite of uses within it will be more sustainable, liveable and desirable. With respect to the co-existence of employment uses with residential these guidelines propose the intensification of land use and the accommodation of different uses adjacent to one another or stacked above one another wherever suitable.

Figure 7.1 below summarises the suitability of different employment activities to be situated adjacent to residential development using the employment categories set out in the Old Kent Road Employment Study. The table summarises compatibility from an urban design perspective of what might be possible. It does not at this stage incorporate a commercial property market perspective on how attractive such configurations are likely to be to business occupiers. For example, whilst R&D premises with residential on top may appear compatible in use-class terms we are not aware of any developments where this has been successfully delivered.

Figure 7.1 Compatibility of Residential and Employment Uses

Sector	Activity	Suitability
<b>Services</b>	Space where the activity of selling and providing services takes place	Acoustic nuisance Suitable for horizontal or vertical mix with residential
	Offices for research and development of products and processes; excluding financial services, estate and employment agencies	High potential for horizontal or vertical stacking with residential uses
<b>Wholesale, Storage and Logistics</b>	Facilities that are designed to store goods and materials, as well as to allow for the regular circulation of occupants, vehicles, and machinery that are typically associated with the handling of these goods and materials.	Require a transition zone between residential use Traffic nuisance from deliveries
<b>Utility and Car Repair</b>	The utilities sector contains companies such as electric, gas and water firms and integrated providers	Acoustic / smell / waste nuisance Require a significant transition zone between residential use
	Wholesale and retail trade, repair, maintenance and warehousing of motor vehicles, part and related accessories.	Require a transition zone between residential use Acoustic nuisance
<b>Manufacturing</b>	Industries that include fabrication, processing, or preparation of products from raw materials and commodities; excluding incineration purposes, chemical treatment or landfill or hazardous waste	Possibility for horizontal mix with residential Acoustic nuisance; rules for various pollutants; restrictions for operating hours
<b>Other</b>	Artists' workspace	Minimal impact of nuisance on the residential units Potential for horizontal or vertical stacking with residential
<b>Retail</b>	Space where the activity of buying and selling of goods and services takes place	Suitable for horizontal or vertical mix with residential

The existing employment uses and spatial typologies within the Old Kent Road study area are set out and mapped in the Appendix.

A set of guidelines are established based around three broad strategies:

- **standalone employment use** - Industrial and residential use are side by side on adjacent plots. This type requires a transitional zone between uses — an open space such as street.
- **horizontal mix** - Employment uses and residential share the same plot. A transitional zone is not required or is substituted by good insulation of the employment uses. This is split into three sub-categories: independent; interlocked; and enclosed.
- **vertical mix** - Employment uses and residential are stacked. A transitional zone is not required or is substituted by a buffer floor between the uses.

For each strategy a set of performance criteria are established. These criteria determine the design performance necessary to achieve intensification of employment uses, and a sustainable mix of employment uses with residential. These performance criteria are arranged into four groups:

- optimise land;
- integrate access and servicing;
- mitigate nuisance; and
- active frontages.

To help demonstrate the application of these criteria a case study of Hatcham Road is set out in the Appendix. A hypothetical redevelopment proposal is used to demonstrate what is meant by the different performance criteria. Proposed spatial typologies are applied to each plot and it is determined whether plots be occupied by residential, and whether these be shared with employment uses either vertically or horizontally.

The Appendix sets out a set of precedents, demonstrating how various typological solutions have been achieved elsewhere. These include Hackney Wick, an area of London with a heritage of industrial buildings that has recently seen a re-emergence of the creative industries within a growing residential neighbourhood, where people live, work and visit.

Dakpark, Rotterdam provides an example of a standalone use. This has seen redevelopment of a former marshalling yard into big-box retail with a park on its roof. There are 19 shops with a total surface of 25 000 m<sup>2</sup> with one kilometre of shop frontage. Behind the shops there are storage units and a service street. Additionally, there is a tram track running alongside. All servicing and tram tracks are covered by landscape that runs onto the top of the shops to form a public park.

Gebouw Europa, Amsterdam provides an example of vertical mix with three stacked volumes accommodating three specific functions: retail, office and residential. On the ground floor there are shops with glazed street-level frontage. The office floors above have a concrete façade with windows set in black frames. The apartments on the upper floors are enveloped in a glazed shell.

An example of horizontal mix is provided by Houtsma Loods in Amsterdam. The design strategy here positions the two different functions on the two extremes of the site: student housing on the street side, office space, archive, parking on the waterside.

# 8 OKR Scenarios

## 8.1 Parameters for Development

The over-arching objective for the regeneration of the Old Kent Road is that it should deliver high density mixed use development. We set out the potential employment content of this development for two distinct scenarios:

- A future with a new Bakerloo Line Extension from the Elephant & Castle to Lewisham which has two new stations on the Old Kent Road. This is known as the BLE Scenario.
- A future in which there is no Bakerloo Line Extension. The Non-BLE Scenario.

There is a need to provide the type of employment space that is going to meet the future employment needs of the borough. There are presently some 9,500 jobs supported on the Old Kent Road. If these are displaced there is no obvious place for them to relocate in the borough. Opportunity Areas should seek to optimise residential and non-residential development and densities and, according to the current London Plan, the minimum requirement from the Old Kent Road Opportunity Area is an additional 1,000 jobs. But how many jobs can be incorporated in the Opportunity Area is, in part, a planning choice between the balance of residential and non-residential development.

We set out below some guiding principles as to the types of jobs and employment space that should be encouraged under each scenario. We also provide an illustrative employment profile of the number and types of jobs we might expect under each scenario. We hope this will help to provide an understanding of the likely form of development but would caution against using these as rigid planning targets as the nature of activity and opportunities will change over the 20-30 year development period and the plan for the area must be able to respond flexibly to changing circumstances.

### Labour Market Scenarios

Before setting out the employment profile under each scenario it is helpful to summarise the labour market scenario to get a feel for the jobs and worker balance locally. The assumptions are based on the current profile for Southwark borough as a whole from the 2011 Census.

**Table 8.1 Labour Market Scenarios**

	No BLE	With BLE	Source
<b>Dwellings</b>	10,000	20,000	
<b>Household Size</b>	2.4	2.4	<i>Southwark Household size 2011</i>
<b>Population</b>	24,000	48,000	
<b>Net Additionality</b>	1.0	1.0	<i>Assumes no displacement</i>
<b>Net Additional Population</b>	24,000	48,000	
<b>Population 16-74 %</b>	77.6%	77.6%	<i>Southwark Census 2011</i>
<b>Population 16-74</b>	18,600	37,200	
<b>Economically Active %</b>	73.0%	73.0%	<i>Southwark Census 2011</i>
<b>Economically Active</b>	13,600	27,200	
<b>% work in Southwark</b>	28.0%	28.0%	<i>Southwark Census 2011</i>
<b>Additional Southwark Jobs</b>	3,800	7,600	

These assumptions can be readily varied to reflect a different scale of residential development or a different target population, for example. But broadly with 20,000 additional dwellings you might expect to have 27,200 additional economically active residents of whom 7,600 would expect to find jobs in Southwark.

## 8.2 Potential property typologies in the Old Kent Road area

This section explores further the types of premises that could be provided within the Old Kent Road area under the high density BLE scenario. It addresses four generic types of premises: town centre offices, light industrial, hybrid space and business centres. As described above the high density BLE Scenario assumes minimal provision for warehouse space.

### Town centre offices

The Allies & Morrison plans illustrate two distinct town centre locations. These could be the focus for B1 use appropriate for high street locations, which could come in two forms. First, there could be provision for small businesses providing local services such as solicitors, accountants, IT advisors and general consultants. Such premises can be provided in stand-alone buildings or, more likely, in multi-tenant buildings with retail on the ground floor.

Secondly, there might be larger, stand-alone buildings for businesses servicing the central London economy, while seeking a more economic, off-pitch location.

Such businesses will seek good access to transport links, particularly public (tube) transport into the central area. The image shows such a building in northern Camden.

Figure 8.1 Town Centre Offices



It will be important in Southwark for the second source of demand to be provided with buildings that offer something more than traditional 'office blocks'. It is likely that occupiers will be footloose and will be involved in the creative and digital economy. Buildings will need to provide high street frontage and an appropriate specification. It might be that managed space providers could be encouraged to supply part of this element of the market. The buildings should provide identifiable, commercial locations and should not form part of mixed-use residential buildings.

### Light industrial uses

There will be a continuing demand from businesses requiring traditional light industrial units that provide economic space from which to make, mend, service, assemble and distribute goods. Such premises should be constructed to a good quality, with landscaping and suitable parking provision.

The Glengall Business Centre (right) is a good example of such space. The buildings are of a good quality; there is adequate circulation

Figure 8.2 Glengall Business Centre Light Industrial Property



space and the buildings appear to be flexible, accommodating a variety of user types.

The Allies and Morrison place-making study indicate some provision for such space. We do not believe this type of activity is appropriate for a mixed use environment, and should be clustered into distinct areas and away from the town centre, partly to minimise the impact of heavy and light goods traffic, and partly to minimise disruption to residential neighbours. Such uses could perhaps be focused towards the north-west end of OKR, where the Rich Estate already provides for non-office activities.

## Hybrid space

Hybrid space reflects the growing demand from more traditional firms looking for 'less industrial' premises, to reflect their 'clean' processes, as well as from digital and creative firms looking for space with a 'less corporate' feel. Often such spaces are provided within refurbished industrial buildings which have plentiful natural light and high ceilings. They provide basic, 'no frills' working environments. Those that cater more for the digital and creative sectors place a strong emphasis on collaboration and social space, as well as good building management.

Hybrid space attracts an enormously wide variety of occupier types and activities, although the size profile tends to be dominated by small and micro-businesses. The common thread is that the accommodation reflects 'service-based' activities rather than traditional industrial uses. Some centres cater for 'light industrial' uses where equipment is required and catered for. These often require good parking and circulation space, extended hours delivery patterns and good power and other utilities supply (for example gas). And service-based activities often serve the 24-hour economy, so need to operate outside normal working hours.

Hybrid space combines different types of occupiers and activities into a generic building envelope. It is highly flexible and can deliver changing ratios of office, production and storage space. Based on research elsewhere in London, Figure 8.3 shows four generic demand functions, each reflecting a slightly different use profile and specification requirements, although the management regime is likely to be common to all – more intensive than normal for sheds, with greater emphasis on customer services.

Figure 8.3 Demand Functions for Hybrid Space

Production	Client facing	Workshop	Goods handling
<b>Occupier priorities</b>			
Power supply	Quality image	Natural light	Eaves height
Fire protection	Comfort	Comfort	Loading bays
24 hour operation	Accessibility	Security	Column free
Security	Security	Car parking	Secure yard
Retail trade	Car parking	Local amenities	Turning space
Parking & access	Local amenities	Power supply	Parking

Source: Ramidus

The four generic types are not exhaustive, but illustrative of a principle, and can overlap within a single occupation. The proportions of each type of space will vary according to the occupier, emphasising the need for building flexibility, and for a sympathetic ownership/management approach. All four require space that is flexible and easy to adapt, allowing for different configurations of sub-division. Figure 8.4 illustrates the kinds of activities occurring in hybrid space.

Figure 8.4 Typical Activities in Hybrid Space

Production	Support
Assembly	Management and administration
Craftwork	Goods dispatch/receipt
Customisation	Customer support (call centre)
Design	Customer consultation
Engineering	Demonstration
Food preparation	Retail & wholesale sales
Graphic design	Sales & marketing
Maintenance	Technology
Packing	Training
Printing	Software development
Repair	Showroom
Storage & consolidation	Entertainment and hospitality

Source: Ramidus

In locational terms, hybrid space could occur anywhere along the OKR, although set away from the high street. This space should be within easy walking distance of the high street to allow workers access to shops and services.

### Business Centres

Business centres are a sub-set of hybrid space. In some ways they have some of the characteristics of all three foregoing premises types, however they are distinctive. They tend to be intensively managed and their user profile tends towards studio and light production space, often in small units. Typically, business centres will offer more units than a light industrial or hybrid space, and they are appropriate for buildings as high as eight or nine storeys.

Figure 8.5 shows a successful business centre on Hornsey Road in Islington. This is a converted factory building.

Figure 8.5 Business Centre in Converted Factory



In locational terms, business centres tend not to be located on high streets, but in lower rent areas, albeit with easy access to town centre facilities. In the OKR strategy they could be located anywhere within the area, except probably on the high street.

### Overall conclusions

Four generic types of property have been highlighted here as being of particular relevance to the high density BLE scenario. They have distinctive locational characteristics and should, where possible, be clustered to maximise critical mass benefits and developer/investor interest. If some existing – redundant industrial premises and sites can be protected and re-purposed, then they could form the loci of such activities. The Rich Estate, and the plans for new space there typify the pragmatism of such an approach.

### 8.3 BLE Development Scenario

Whilst the BLE will significantly improve the connectivity and accessibility of the Old Kent Road it would still not have the same hyper-connectivity of CAZ locations that accommodate the major office locations. Therefore we do not think there is much prospect for CAZ type large floorplate office development, which will be accommodated closer to the river or the better connected Elephant & Castle.

But it will improve the attractiveness of the area as an employment location for office type functions. We believe this will express itself more in demand for High Street offices, Managed and Hybrid Uses.

High Street uses more generally will service personal consumer demand sectors such as retail, leisure, food & drink and retail financial services, as well as smaller offices for local financial, legal, IT and consulting firms serving local demand. They may also accommodate some local community uses such as health, education and care facilities. At present the local consumer services account for about 20% of Southwark's total employment and are directly related to population size and profile. They can either be accommodated within the OKR OA or in close proximity. At present the combination of High Street, Retail Park and Community uses support around 3,000 jobs on the OKR. With an additional population of over 40,000, it might be possible to support a further 2,000 jobs in such activities in the OKR.

The local consumer services exclude higher education and hospitals which have a wider regional function and would need to be assessed in terms of whether any institutions of this nature are looking for space during the period in which the area is regenerated. Given the expansion of the Higher Education sector in London in particular we think there would be a high probability of landing such an institutional use if it was an objective for the development.

There is likely to be growing demand from managed space providers, with growing demand for co-working and other forms of shared space, particularly for small firms in the creative sector. In recent times this has been one of the most vibrant parts of the commercial property economy, and experience here and elsewhere suggests that demand for such space is likely to grow further as the SME sector expands. There will be opportunities within a redeveloped OKR to provide mixed use commercial space (office, light industrial, studio, etc) to meet growing demand from micro and small businesses.

The managed and hybrid activity is unlikely to find ground floor under residential a good form of accommodation. Whilst these uses are growing, commercial market evidence suggests that they are not choosing to locate in such premises. Creative industries, for example, like to cluster and to have support services around them; they do not like to sit underneath (often high density) residential. Long high streets diminish this cluster effect and fail to provide a sense of business location.

As well as demand from micro and small businesses, there is also likely to be demand from businesses that can no longer afford what has become prime land on the CAZ fringe, and which are rippling out further into the borough. OKR will be the new CAZ fringe, creating a secondary market for lower cost and lower specification premises than are found in Central London. It could provide a lower cost alternative for organisations that operate in lower margin activities, and that cannot justify core area rent levels.

These businesses require lower specification space than in the core area, typically in smaller units, and are less demanding in their locational requirements. Such space will provide for the kind of lower specified, more economic space which is needed by SMEs to support the higher value functions in the prime CAZ locations. It is likely to include blends of pure office, light production, distribution and studio functions. It will also accommodate larger employers who are motivated by similar demands on property.



The office components of these schemes are generally fairly high density employment activities operating at around 12 sq m per worker with plot ratios of between 0.7-1.0. The overall density depends on the mix between the office component and other forms of production space. The planning application for the Rich Street development estimates 1,122 jobs in roughly 20,000 sq m of commercial floorspace two-thirds of which is office space. If future developments are wholly office, rather than a mix of office and production components then employment densities will rise. Such development is more likely to occur after the opening of the BLE and hence the strategy should be wary of encouraging development too early if the objective is to maximise the employment capacity on the Mandela Way part of the site.

There are approximately 2,000 jobs currently accommodated on the Mandela Way/Rich Estate part of the OKR on around 14.5 ha so there would be scope here to intensify employment use and increase the number of jobs whilst also releasing land for residential development. The Part 1 report forecast growth of 90,000 sq m of B1 floorspace over the period 2014-36 for the CAZ Hinterland. The Old Kent Road, along with Canada Water, are the principal opportunity locations for this growth, so it should be possible to create a new employment cluster of up to, say, half of this forecast growth in the north of the OKR close to a tube station over the plan period of the OKR development. We believe that an allowance for this type of commercial cluster, at a minimum of 20,000 sq m, should be an essential and integral part of a re-developed OKROA. It will also provide employment opportunities for residents and allow locally-established businesses to remain in the borough rather than relocate elsewhere.

If a high density development scenario were to result in the loss of the whole of the Mandela Way industrial estate, then there needs to be some relocation strategy for these businesses in a similar way to when business were relocated from the Olympic Park. In general it does not appear that these businesses have operations that necessitate them being as close to central London as they currently are, but some may suffer operational disadvantage from moving further from their customer base. Boroughs also need to find space for functions such as the bus garage under the Land for Industry and Transport SPG.

Whilst in the south of the OKR there will be pressures to lose more marginal commercial space, we recommend trying to retain some of this even if it means consolidation of existing activity. The CAZ SPG recognises the need to maintain such industrial employment land in order to service the needs of the CAZ economy.

Shed space and other low density activity entailing significant transport movements of large lorries could be lost, although it is not clear where they would go, and as already discussed, many perform functions important to central London's functioning. It would therefore require some form of relocation strategy for these occupiers.

### Example Employment Profile: BLE Development Scenario

Examples of higher density development within similar sized areas were provided in Chapter 3. These showed, for example, that in Hackney there was a population of 40,000 and 20,000 jobs, and that, closer to home at Elephant and Castle, there was a population of 33,000 and 34,000 jobs. So to retain employment as an important part of the mix of a higher density redevelopment, we might target a minimum increase of 50% on current jobs in employment space (ignoring for now homeworkers). This would produce 14,250 jobs post development as a marker that the OKR should remain as an important employment location and densification is not at the expense of employment.

One way of looking at this is to say what how the 50% uplift total of 14,250 jobs would be distributed if it reflected the forecast growth set out for Southwark in the Part 1 study. Table 8.2 shows this distribution. Just under half the jobs would come from the Professional, Scientific and Technical Services sector, with Administrative & Support services and Information & Communications also being large growth sectors. There would also be growth in Accommodation & Food and in Health & Education.

Table 8.2 14,250 Jobs distributed by Southwark Employment Forecasts

	<b>Job Change 2014-36</b>
<b>Primary and Utilities</b>	0
<b>Manufacturing</b>	-300
<b>Construction</b>	300
<b>Wholesale</b>	-400
<b>Retail</b>	100
<b>Transport &amp; Storage</b>	-400
<b>Accommodation &amp; food services</b>	1,500
<b>Information and Communication</b>	2,000
<b>Financial and Insurance activities</b>	0
<b>Prof, Scientific Technical &amp; Real Estate</b>	6,600
<b>Administrative and support services</b>	2,500
<b>Public Admin &amp; Defence</b>	-900
<b>Education</b>	1,200
<b>Health</b>	1,200
<b>Arts Entertainment and recreation</b>	300
<b>Other Services</b>	600

Source: CAG

In the BLE Scenario we would actually expect there to be a greater than proportionate loss in sectors such as manufacturing and distribution and storage. At the same time we would expect greater than proportionate gains in sectors that benefit from population growth such as retail, leisure, education and health.

In terms of property type and location we might expect the BLE Scenario to develop along the following lines.

Table 8.3 BLE Development Scenario by Use Type

<b>Use Type</b>	<b>Jobs</b>	<b>Description</b>
High Street Uses	3,000-4,000	<i>Retail, leisure and some local professional services based on consumer expenditure</i>
Mandela Way/Crimscott Street Office Quarter	2,000-4,000	<i>Office type accommodation targeted at SMEs serving CAZ but looking for lower cost accommodation</i>
Community Use	1,500-1,700	<i>Local education, health and similar facilities serving the additional population</i>
Institutional Use	1,000-1,250	<i>A regional facility such as an HEI capitalising on London's World City status</i>
Managed & Hybrid	1,000-2,000	<i>Production and cheaper service accommodation for SMEs servicing CAZ. Repurposes some existing industrial buildings</i>
Marginal & Informal	1,000-1,300	<i>Expansion of activity in newly refurbished Network Rail arches on the Rotherhithe Trading estate and Bermondsey Trading estate</i>
Homeworkers	4,000	<i>15% of economically active additional population</i>
<b>Total</b>	<b>13,500-18,250</b>	

Taking the upper end of the range, at standard employment density ratios this would require around 400,000 sq m of floorspace and 80 ha of land. How much of this 80ha of land could be co-located with residential uses through application of the design principles set out in the preceding chapter is one of the challenges for the Opportunity Area Planning Framework. The vertical mix of uses discussed in the preceding chapter may work from a technical perspective and we understand that developers have indicated a willingness to incorporate commercial floorspace into their proposals. But we would caution that for much commercial activity such vertical mixing of uses is largely unproven in property market terms.

Whilst no direct commercial space is required to support homeworkers if the OKR OAPF is to encourage such workers, and we believe it should, than an appropriate range of facilities will need to be provided to support and attract freelance and self-employed workers in creative and professional occupations.

**Table 8.4 BLE Development Scenario Land Use – Upper Range**

	Jobs	Floorspace per worker <sup>17</sup>	Floorspace Sq m	Plot Ratio	Land Ha
<b>High Street Uses</b>	4,000	17.5	70,000	0.45	15.6
<b>Mandela Way/Crimscott Street Office Quarter</b>	4,000	11.3	45,200	1	4.5
<b>Community Use</b>	1,700	65	110,500	0.45	24.6
<b>Institutional Use</b>	1,250	37	46,250	0.45	10.3
<b>Managed &amp; Hybrid</b>	2,000	36	72,000	0.45	16.0
<b>Marginal &amp; Informal</b>	1,300	36	46,800	0.45	10.4
<b>Total Employment Space</b>	<b>14,250</b>		<b>390,750</b>		<b>81</b>
<b>Homeworkers</b>	4,000				
<b>Total Jobs</b>	<b>18,250</b>		<b>390,750</b>		<b>81</b>

## 8.4 Non BLE Development Scenario

Without the BLE or some comparable infrastructure injection there is less of a catalyst for redevelopment but the intensification pressures are still likely to remain. We see this as a continuation of existing trends. There is piecemeal redevelopment going on as firms are priced out and sites bought up for residential.

Land values may not rise sufficiently to encourage comprehensive redevelopment and as such there are dangers of redevelopment failing to optimise residential capacity as well as delivering sub-optimal employment space. Existing industrial activity is likely to disappear as and when leases expire/are bought up.

Employment land on the Old Kent Road remains a valuable resource (as seen in the generally low levels of vacancy), as there is not much land of this type left, especially in inner London. But there could be some intensification of activity with shed and yard activity helped to relocate elsewhere.

Storage and distribution space can be re-occupied or reconfigured to support more hybrid forms of activity at higher employment densities. But any form of production activity relies on getting its goods to

<sup>17</sup> Sources include LOPR for office densities, HCA Employment Densities Guide, and calculations derived from Imperial West planning application for Institutional use. Densities are averages around which there will be a range depending on the nature of activity and working practices.

market (as well as receiving supplies) and hence will require frequent goods transport movements which require separation from residential activity.

Continuation of existing trends would see growth in creative, design and artistic activities at the expense of more traditional low value industrial activities. This will mean that the type of light industrial and hybrid space referred to above will continue to be in demand.

### Example Employment Profile: Non-BLE Development Scenario

A starting point for a non-BLE Development Scenario is to apply the projected growth rates by sector for Southwark (see Part 1 report) to the OKR Employment structure as contained in the OKR Employment Study. This ‘business as usual’ scenario would see little change in overall employment but some sectoral shift away from manufacturing and distribution activities towards services.

This would enable intensification of employment use whilst also freeing up land for residential development. Given the drivers of change set out earlier we would expect the process of intensification on the Old Kent Road to produce a greater than proportionate loss of industrial space than in the Business as usual case.

**Table 8.5 Forecast Based on Projected Southwark Growth Rates**

	<b>OKR 2014</b>	<b>2014-36</b>	<b>2036</b>
<b>Primary and Utilities</b>	475	-68	407
<b>Manufacturing</b>	855	-479	376
<b>Construction</b>	475	67	542
<b>Wholesale,Transport,Storage</b>	3,420	-536	2,884
<b>Retail</b>	1,045	53	1,098
<b>Accommodation &amp; food services</b>	380	155	535
<b>Professional, Financial &amp; ICT</b>	285	101	386
<b>Administrative and support services</b>	665	220	885
<b>Public Admin &amp; Defence</b>	95	-23	72
<b>Education &amp; Health</b>	1,140	227	1,367
<b>Arts Entertainment and recreation</b>	475	89	564
<b>Other Services</b>	190	50	240
<b>Total</b>	<b>9,500</b>	<b>-143</b>	<b>9,357</b>

Source: CAG/GLA Economics

In terms of property type and location we might expect the Non-BLE Scenario to develop along the following lines.

**Table 8.6 Non-BLE Development Scenario by Use Type**

Use Type	Jobs	Description
High Street Uses	2,000-3,000	Retail, leisure and some local professional services based on consumer expenditure at lower levels than BLE Scenario as lower population
Logistics and Storage	2,000	As more industrial land is retained logistics activities requiring presence close to CAZ find this valuable
Community Use	1,200	Local education, health and similar facilities serving the additional population
Managed & Hybrid	1,000-2,000	Production and cheaper service accommodation for SMEs servicing CAZ. Repurposes some existing industrial buildings
Marginal & Informal	1,300	Some of the lower value industrial properties are retail providing Lower Threshold Enterprise Space. Expansion of activity in newly refurbished Network Rail arches on the Rotherhithe Trading estate and Bermondsey Trading estate
Homeworkers	2,000	15% of economically active additional population
<b>Total</b>	<b>9,500-11,500</b>	

In terms of commercial floorspace requirements this level of employment would require around 350,000 sq m of employment space. This requires much more intensive use of existing stock than at present as it will be accommodating the same number of jobs in around one-third of the floorspace. This may be more difficult to achieve on the non-BLE scenario where a higher proportion of the managed and hybrid space will come through re-use of existing stock rather than re-provision of modern purpose built premises.

**Table 8.7 Non-BLE Development Scenario Land Use – Upper Range**

	Jobs	Floorspace per worker	Floorspace Sq m	Plot Ratio	Land Ha
<b>High Street Uses</b>	3,000	17.5	52,500	0.45	11.7
<b>Logistics and Storage</b>	2,000	50	100,000	0.4	25.0
<b>Community Use</b>	1,200	65	78,000	0.45	17.3
<b>Managed &amp; Hybrid</b>	2,000	36	72,000	0.45	16.0
<b>Marginal &amp; Informal</b>	1,300	36	46,800	0.45	10.4
<b>Total Employment Space</b>	9,500		349,300		80
<b>Homeworkers</b>	2,000				
<b>Total Jobs</b>	11,500		349,300		80

## 8.5 Spatial Development Opportunities

### BLE Scenario

The property market review in Chapter 4 identified the sites at the south-east end and north of the Old Kent Road, as having comparatively old stock and unlikely to attract investment. It is these estates, Marlborough Grove, St. James's Road, Verney Road and Sandgate Street and Hatcham Road that are vulnerable to being worn away by attrition. As may Glengall Road on the other side of the Old Kent Road. If in a high density development scenario these estates are no longer being protected for

employment use then comprehensive redevelopment of the sites is more likely to achieve the design principles set out in the previous chapter than is piecemeal development. This comprehensive redevelopment may include some re-provision of employment space for activities compatible with high density residential. This includes creating space for managed and hybrid activity for which there is anticipated to be demand. But it would be important to engage commercial workspace providers in delivery of this workspace in order to ensure it meets occupier demand.

The other site which would not have a future in the high density BLE scenario is the warehousing and logistics activity on Mandela Way. This would again enable a large site for comprehensive redevelopment.

Spatially the office quarter would, as noted above, be concentrated around the Rich Street/Crimscott Road area, whilst High Street uses will as their name implies be distributed along the high street. But more of a cluster effect can be achieved if, say, the professional services activities are grouped together and a restaurant quarter established.

The marginal and informal uses would be catered for in the Bermondsey Trading Estate and Galleywall Trading Estate, particularly taking advantage of the expansion of activity in the newly refurbished Network Rail arches.

Any major institution locating in the areas would want to be within 500 metres of one of the new stations. The community uses could be distributed across the area.

Whilst no specific employment accommodation is required for the homeworkers there would be a requirement for some sort of cultural or leisure focal point to act as a hub where freelance and self-employed workers can congregate to enjoy the benefits of a stimulating work environment. The most important thing here is the creation of place rather than its physical location.

## Non-BLE Scenario

The spatial development choices for most uses are similar to those outlined for the BLE Scenario. High Street uses will be on the high street and community uses will be distributed across the area. The sites at the south-east end and north of the Old Kent Road will still be subject to pressures for redevelopment to residential use. But values will probably not encourage comprehensive redevelopment of the site as a whole and hence some existing employment uses will be maintained providing a stock of lower threshold enterprise space for activities that can co-exist in a residential environment.

In the Non-BLE scenario Mandela Way retains its role in providing for warehousing and logistics activity close to Central London. These premises will probably increasingly attract a premium and be a focus for particular niche occupiers.

# 9 Towards a Strategy Framework

## 9.1 Setting a Vision

Developing a future for the Old Kent Road Opportunity Area is still at an early stage and there is as yet no agreed vision for the future of the area. This will need further work from the local stakeholders and we do not wish to pre-empt that. But our understanding is that LB Southwark are broadly seeking to achieve a future along the lines of the BLE Scenario outlined in the previous chapter.

The emerging vision is that this should be an important location not just for Southwark but for London as a whole. It is a place where the next generation of development in the area contributes to moving London forward as a dynamic, global city. The Old Kent Road will be an area that successfully incorporates high density mixed use development and creates an attractive location that Londoners want to be part of.

## 9.2 Strategy Framework and Themes

A Strategy Framework will provide a set of guiding principles for delivery of the vision. The Strategy itself will evolve as circumstances change and it is not necessary, or even necessarily desirable, to develop a detailed set of projects at this stage. But the strategy framework should ensure that whatever proposals do come forward for the Old Kent Road Opportunity Area are consistent with this Framework and will lead to the ultimate delivery of the Vision.

We concentrate here on the employment aspects of the strategy, though this obviously sits within a more comprehensive strategy for the Old Kent Road.

From our understanding of the vision for the Old Kent Road there is a set of key principles that will form the strategy framework.

- The Old Kent Road must be recognised both as an employment location and as a residential location.
- It should be densely developed but still be a desirable place to live and work
- The number of jobs located on the Old Kent Road should be greater than at present
- The Old Kent Road must be on the tube map
- The Old Kent Road should provide jobs accessible to Southwark residents
- The Old Kent Road needs the supporting social infrastructure to make it liveable
- It needs to create a sense of place

### Strategy Themes

Again it is too early for a detailed strategy to be developed but some initial themes are emerging that are likely to form the basis of a strategy. We assume here that the case is, or has been, made for the BLE, though such a successful campaign would be a necessary first step.

## Creating an Office Quarter

For the Old Kent Road to be a recognisable employment location and to accommodate the scale of jobs to meet the principles outlined above a clearly defined office quarter will need to form part of the development. We do not envisage this being formed of large floorplate CAZ offices but smaller and cheaper premises aimed at the smaller and more cost conscious firms that have the CAZ as their market but who cannot afford the prime CAZ rents. But it should nevertheless be of sufficient scale that it is a recognisable office quarter and business address, offering a range of qualities and styles of accommodation. This will not be achieved through a linear suite of offices underneath residential blocks. The current redevelopment proposals for the Rich Industrial Estate including 20,000 sq m of high quality workspace could provide the anchor around which to develop the office quarter. Another similar size scheme in an adjacent location would help to create sufficient critical mass that it would be an identifiable business address.

## Vibrant High Street

A vibrant high street will also be a critical feature of the development. This is both in terms of making the area an attractive place to live and work with a varied cultural, leisure and retail offer; and in terms of delivering on the jobs strategy. A large proportion of the jobs in the Old Kent Road will be located in High Street premises (as indeed they are at present), so getting the High Street strategy right is essential.

This will require conscious action to curate the High Street, through ownership or management agreements to ensure the mix of retail and leisure occupiers that provide the look and feel consistent with the overall ambitions for the area. Once this vision has been set it will be necessary to sell that vision to commercial property agents in order that they can seek out the right tenants to deliver the type of High Street feel that is wanted.

## Education & Training

Alongside the physical development there will need to be an education and training strategy to ensure that existing Southwark residents are able to benefit from the regeneration of the area. The profile of existing residents indicated relatively low skills and qualifications. As the area develops and the nature of jobs changes a growing discrepancy could emerge between the skills of local residents and the skills demanded by local employers. As this is a long term project part of this will be addressed through the borough's education policies raising attainment and aspirations of local students.

The jobs on the OKR will cover a wide spectrum of occupational types and skills levels requirements range so there will be an opportunity to put in place training and recruitment schemes to ensure jobs are accessible to local OKR residents.

In addition there will be a large number of jobs in construction related activity over a sustained period. Whilst the exact number of jobs will depend on the type of activity a broad industry average is that there are 13.3 jobs created per £m of construction expenditure. Given the nature of construction employment there will be a high propensity for labour market leakage outside of the area but this can be mitigated to some extent through construction training and placement schemes providing a higher proportion of local job opportunities than would be evident in the absence of such interventions.

## Delivering Workspace

One of the key challenges will be to ensure delivery of appropriate workspace in order that the employment target for the area is met. Residential values are considerably higher than commercial values and are likely to remain so for the period of the Old Kent Road development. Therefore the workspace content will only be delivered through effective planning policy. This strategy should include zoning areas for commercial floorspace to give commercial developers confidence to invest and



working with specialist workspace providers to ensure the delivery of appropriate specification workspace that meets market demand.

It may also require some element of affordable workspace to enable existing local businesses to transition to the new environment. Affordability does not only relate to rents, but also rates, service charges, and fit-out costs. Ensuring affordable workspace is delivered with a basic fit-out will help to bring the entry threshold closer to the existing market in that area.

It is not only costs but also flexibility over leases that impact upon SMEs business viability. Having relatively short-term leases will be important for many smaller businesses to adapt to changing market conditions and increase their chances of survival.

Section 106 or similar agreements can be used as a mechanism to deliver an element of workspace that has lower initial entry costs to enable those businesses that can operate successfully in the new environment the time to adapt their business.

## Fringe Activities

The Old Kent Road will become the new CAZ fringe. It will have a strong comparative advantage to provide occupiers with a location from which to service the Central London economy, but at sub-prime property prices. Developing this offer and promoting the OKR as the new fringe location for business should form part of this strategy. There may be the opportunity to develop this further as a cluster around some specialised form of activity. This may particularly be the case if there is some link with a research institute in the redeveloped OKR (see Anchor Institution below). But clusters tend to develop organically and whilst opportunities should be capitalised on, they should not be an attempt to artificially create one.

## Technology Enabled

In order to attract businesses from elsewhere, the area should be equipped with industry leading technology that will enable firms to reach their potential. At present the lack of fibre optic broadband is seen as one of the deficiencies of the area. It is hard to predict at this point what will be industry leading technology in twenty years' time, so the development should ensure sufficient flexibility to ensure it can be incorporated.

In Santander, for example, 15,000 sensors have been fitted in the city which measure a variety of variables to transform the city into a dynamic and responsive urban area. It enables businesses and residents to make choices based on real-time data making for better choices and more efficient delivery of services. This in turn can help make high density environments more liveable.

## Relocation Strategy

Not all of the businesses currently located on the Old Kent Road will fit in a high density redevelopment of the area. Given the timescales of this redevelopment some of these businesses will close or move out of their own accord in any event.

But for the remainder there is time to work with these businesses. Early engagement with the businesses whose activities are not suited to a high density residential area can identify what these businesses need in terms of premises and locational requirements. Some relocations may be possible within the OKR Opportunity Area – for example, taking advantage of newly refurbished railway arches. For others relocation may be further afield to industrial estates elsewhere in south east London or even further afield. There are unlikely to be suitable premises elsewhere in Southwark.

As identified through the business consultations some businesses may wish to retain a shopfront presence in the area and re-orient their business model.

The work done on the Olympic Park relocation strategy may give some guidance, although even in the relatively short time since that was carried out the availability of industrial relocation opportunities in London has diminished significantly. The relocation strategy will require working with other boroughs in London, and possibly local authorities outside London, to identify suitable sites to which occupiers can relocate their activities.

This strategy should embrace the workers employed in those firms as well as the firms themselves. For example if a firm relocates outside of London and local workers are no longer able to commute to those jobs, then they may require help with re-training or job placements.

### Anchor Institution?

The Old Kent Road would benefit from a major institution forming part of the development mix. This would help to give shape and identity to the area as well as providing a larger number of jobs directly in the locale. Ideally this would be something like a major Higher Education or Medical research institute which could have wider economic development spillovers. Whilst actively seeking such an institution and seeking to find ways of incorporating it in the development mix should form part of the strategy, the strategy should not be dependent on achieving this.

## 9.3 Implementation and Delivery

A recent study for TfL<sup>18</sup> identified critical success factors for the delivery of major development schemes. Drawing on case studies of past schemes such as Canary Wharf, the Olympics site and Kings Cross Central the study noted nine critical success factors:

- **Existing heritage/ iconic features** - Existing features which can be creatively enveloped into the scheme create a cache, attracting interest and sense of place.
- **Public Realm** - High quality public realm and effective estate management – key place making ingredients
- **Transport Infrastructure** - Existing infrastructure ensures speed and cost efficiency of delivery. Accessibility is key to a scheme's success.
- **Vision** - Strong Vision: Effective masterplan/ planning. Economic rationale and ability to build on strengths/clusters. Critical mass/ themes form part of the vision for delivery
- **Social Infrastructure** - While not acting as value drivers, these elements act as destination creators, and footfall generators. Provide activity and a catalyst for other uses e.g. retail
- **Single ownership** - Ability to control development and avoid time consuming purchase and planning negotiations. Cohesive approach
- **Initial Value** - All new locations take 20 years plus to deliver – investors, developers and occupiers will need to take a longer term view.
- **Scale** - Sufficient scale required in order to balance non value generating infrastructure / public realm / open space with value generating uses. Establishing critical mass and clusters is restricted without sufficient scope

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<sup>18</sup> Heathrow Redevelopment Scenarios – Jones Lang Lasalle/PBA (February 2014)

- **Government Intervention** - In the majority of large scale quarters of new cities, support by Government either in the form of financial incentives or infrastructure delivery has been apparent

The Old Kent Road has some of the features in place to build upon. Others may be more of a challenge. If the Bakerloo Line Extension is not built to provide the necessary transport infrastructure then the future development potential of the OKR will be limited. Even with the BLE the issue of single ownership to achieve a cohesive approach is likely to remain as a challenge.

This list of critical factors provides a useful benchmark as to where the OKR currently sits on the value curve and what priority interventions are required to deliver success.

**Figure 9.1 Critical Success Factors for Major Development**

Success Factor	OKR Starting Point
<b>Existing heritage/ iconic features</b>	The Old Kent Road has a rich heritage and is able to draw on this in shaping its future.
<b>Public Realm</b>	The existing public realm is unattractive and likely to generate a self-reinforcing cycle of low value and low quality investment. This is an up-front investment cost with little in the way of early return. It therefore becomes an important principle of the strategy. The overall design aims need to be agreed early and developers made to commit to delivering to the overall design standards and concept.
<b>Transport Infrastructure</b>	Delivery of the BLE is essential to support the higher density development sought by the vision.
<b>Vision</b>	A vision is emerging and some key themes and principles have been identified. The next stage is to firm up on these themes and principles, rather than the details, and get buy-in from the key stakeholders. At the stage it is a case of getting LBS, GLA and HMG united on the vision for the Old Kent Road so developers have a clear route map to follow.
<b>Social Infrastructure</b>	OKR starts from a good position in terms of an extensive social infrastructure position to support the existing residential and business community. Based on past research the cost of providing social infrastructure to cater for the expanded population will be around £8,500 per head of population <sup>19</sup> .
<b>Single ownership</b>	Land assembly across the Old Kent Road Opportunity Area could make comprehensive redevelopment difficult and it may be necessary for the council to implement compulsory purchase orders (CPOs). It is possible that developers could be engaged in this process and may be willing to underwrite certain costs. Whilst implementation of a full CPO process may not be necessary, the CPO, or threat of it, needs to be introduced at an early stage to provide certainty to the development process.
<b>Initial Value</b>	The OKR is much lower on the value curve than it aims to be when the vision is delivered. The long term view must be maintained if that higher value ambition is to be attained.

<sup>19</sup> Old Oak Common Redevelopment Scenarios – JLL/PBA (2014)

<b>Scale</b>	The scale to fund the social infrastructure and public realm will be provided by the residential element. But the employment elements of the scheme must be of sufficient scale and identity that they are recognisable employment locations. Dispersed ground floor accommodation under residential development will not achieve this impact.
<b>Government Intervention</b>	The necessary government intervention to support delivery of the vision is funding for the BLE.

## 9.4 Phasing

How to phase the scheme is fairly tentative at this stage. A decision on the BLE is critical. Development in advance of this is likely to under-value the development potential of the area, which may then be locked in for the longer term, resulting in the Opportunity Area failing to optimise residential and non-residential development and densities as required.

We suggest there are probably four broad phases:

2016-2021 – Building the Vision, Setting the Framework

2021-2026 – Phase 1 development, public realm investment, site assembly

2026-2031 – Pre BLE Opening, accelerated development for occupation in advance of BLE

2031-2036 – Post BLE Opening, increasing density securing higher value employment activity

## 9.5 Next Steps

We think there are four sequential steps to take forward the strategy from here.

### Developing the Vision

The first step is to get an agreed vision for the future of the Old Kent Road and then start to communicate it. This will be something for LB Southwark to lead on and take ownership of. The vision does not need to have a lot of detail but should map out a clear route of where the Old Kent Road is heading. Whilst it should be ambitious it should also be robust enough that it will not get blown off course and must have broad political support. There needs to be a consistency about the message that will give certainty to investors.

### Building the BLE campaign

There will need to be a strategic and well-led campaign to make the case for the BLE. The recent history of securing infrastructure investment in London has shown just how critical this is. There is a need for the campaign to generate a very broad base of support and to have a sustained programme of activity to keep the message in the public eye. There will need to be a robust business case and for the key messages from this business case to be distilled for their target audiences.

Part of this campaign will also need to look at mechanisms and sources for contributing towards funding of the BLE because if the government does approve the scheme it will certainly seek a large financial contribution towards it.

### **Developing the Strategy**

We have outlined above what we think key elements of the future employment strategy for the OKR will consist of. As the vision is confirmed and the future redevelopment of the OKR becomes closer, the strategy will need to be made more specific in terms of concrete objectives and then detailed projects and an Action Plan developed to take forward the strategy.

### **Developing the Funding requirements for employment elements**

CIL will be one part of a wider funding package that needs to be brought together. How far it can contribute to the overall infrastructure costs will depend both on the scale of the infrastructure need but also on local development viability.

One argument for keeping a high proportion employment space on the OKR is the potential business rate revenue it may generate. We do not pretend to guess what the structure of local government finance might be in 2030 but there has been a trend towards returning business rates to local authority control and it may be possible to borrow against this through some form of TIF scheme.

# Appendices

# Business Consultations – Detailed comments

## Question 1 - What are your current perceptions of the OKR as a business area?

### Pros:

- It's a brilliant **location**, not always recognised for the benefits it has.
- It has **space** that is suitable for businesses.
- There's a good **network** of local businesses which benefit from being in close proximity to each other; there are lots of small businesses but they work together. It's friendly.
- **Proximity** to customers. *"Relationship to market is a dominant factor for most industries in the area – they all relate to inner London."* *"All our customers are in Bermondsey."* Some of these customers are big, national institutions, such as theatres and large hospitals. *"Theatres need to rush props down to us in the evening for repair and we have to rush them back."*
- **Lots of footfall** for public facing businesses
- It's useful to have a **semi-industrial** area – it's a key reason for locating here. There are activities that don't fit well with residential. *"If you're having steel delivered in a big truck – residents wouldn't like that."* Having more residents coming in would create problems. *"We moved from the Isle of Dogs because we stood out like a sore thumb as the last industrial organisation left. People didn't want big lorries coming and going."*
- Until recently (3 years ago), it was the only place within striking distance of central London that was remotely **affordable**. But prices are going up. *"We moved from East London which was becoming unaffordable."*
- Businesses **employ** local people.
- Relationship to **entrepreneurialism**. *"There are lots of entrepreneurs around; linked to lifestyle – they want to be in London. If they can't run a business in London, they wouldn't bother."*
- Self contained **business estates** insulate businesses from residential pressure.

### Cons:

- It's getting more **expensive** – what was £7/ft<sup>2</sup> is now £15/ft<sup>2</sup>. This squeezes business out. Land is now so valuable. 'I've been offered more for my site than my business is worth'.
- Traffic and **congestion**.
- **Parking** issues and loading bay access. Challenges with getting deliveries when parking lines have been put in. *"It used to be that you knew anyone parking in the street and could ask them to move if you needed them to, for a delivery. Now, there are lots of people parking there and you can't ask them all to move."*
- **Run-down feel** *"Its dead, lots of tyre places and garages, lots of fumes, lot of rubbish"*. This makes it less suitable for retail businesses, and is a downside for any business that has visiting clients.
- **Crime and safety** – it's a quiet industrial area, not very well lit. Some people don't feel safe. There is some petty crime
- **Lack of cafes and 'cool' facilities**. This can make it hard to attract young workers. Nowhere to take clients to lunch.
- No fibre optic **broadband**

## Question 2 - What do businesses need to thrive?

The majority of those who responded were happy with things as they are, but some were conscious that rising rents will start to force them out. For those that own their space, having residential units going up around them may also force them out as they will become unpopular with the new residents; others suggested they will just not be able to resist the lucrative offers from developers forever. A number of businesses were seeking to expand but not able to do so.

Businesses need:

- **Affordability.** Need rent of £6-8 / ft<sup>2</sup>. Others suggested the tipping point would be £12-14/ft<sup>2</sup>. There is diverse competition for space; supermarkets will pay £25/ft<sup>2</sup>. Office space commands £30/ft<sup>2</sup>.
- **Access** that doesn't involved driving through residential areas, and is relatively uncongested.
- **Space** that is separate to residential – for safety issues and to avoid complaints. Straightforward space with level access where you can get a truck in.
- **Security** of tenure. No-one will offer a lease of even 5 years at the moment.
- Need **proximity** to customers – *“We need to be less than a 1 hour drive to our customers. If we moved further out, we'd lose our customers.”*
- Need to be in an **industrial** area. *“People don't want someone road testing cabs in their street.”* Need a reasonably constrained environment with similar activities; a cluster or organisations all in the same boat. *“If you're one factory in the middle of houses, then everyone hates you.”*
- Businesses which are public facing need **amenity and public realm improvement**
- More provision for **cycling**.

*“6,000 square foot of industrial space in Southwark at £8/ft<sup>2</sup> please”*

To provide businesses with what they need, an effective policy is required to enable industry to coexist with residential: eg. residential above industrial, with allowances for unloading on e.g. a Clearway. This might work for more contained businesses. Creative businesses do work well with this sort of set up, but this pushes up rents and pushes the creative industries out.

*“Property values is a force you can't fight. But planning can intervene and prevent certain areas becoming residential. The vast majority of industry could be linked to residential if it was planned properly. It used to be considered impossible to put residential above supermarkets; now it's done automatically – it just has to be carefully designed.”*

## Question 3 - How can businesses survive in proximity to residential?

There was a range of views on the likely impact of future residential development. Those who own their own sites, and/or are located on self-contained industrial estates are the most sanguine about future residential growth. For some, particularly retail outlets, residential growth is seen as a business opportunity providing more customers and local staff, as well as the potential of public realm improvements which would benefit public facing businesses.

The challenges:

- One company involved in car spraying are about to get 30 flats right next to them. Could they be designed to co-exist? Perhaps, but it would be expensive to do this. *“People don't want car spraying underneath their windows. You'll want new businesses like estate agents, hairdressers. We don't feel we'll be able to stay in the borough.”*
- Hatcham Estate is a mix of church and industry. It's tricky to mix steel lorries with families getting out of cars.
- Inability to expand: *“Need double the area have - currently less than acre need another acre... service vehicles need to be parked up somewhere. If people cant operate from Southwark, will have to charge more to take account of extra travelling”*



What's needed:

- Developments are providing live/work units – but that's different to businesses that need large lorries.
- Shopfront model: some companies are looking at option of having a small 'shop front' space in the borough where customers can drop off their items. These are then taken by the company to their main site, further out of town.
- Churches – need something similar to industry, ie to be away from residential areas (as they get complaints about noise) with good parking.
- Mixed use development is possible – but need to take care over traffic. *“Big metal sculptures have to be transported in a truck; you can't take them on a motorbike or on the tube.”* It requires careful transport planning, and careful planning of things like waste collection.
- Some participants would be happy to relocate within the borough. Most want to remain within the borough.
- Can the Council plan to maximise the benefits to business of future residential development through a local management model, integrating public realm and other improvements with the needs of public-facing businesses?

## Question 4 - what help do businesses need?

*“Business has never been so good – we don't need any changes. We need to expand. But we know we're not part of the plan for the area.”*

- Please retain an element of protection for the area for business use. Planners can identify types of uses and can get developers to put in space for them. *“Would like Council to ringfence areas for industrial land, preserve B1,2, 8 uses - safeguard these activities”.*
- Could S106 be used to guarantee provision of space for e.g. artists' studios for a certain number of years at a certain rent? To be included as part of granting planning permission. Justification for this that there is social capital underpinning it; they are a charity, helping start-up businesses, the local community can use the space, they draw in visitors. If this doesn't happen, then artists' studios like his won't exist in London any more – there has been a 50% reduction in creative workspaces in the last year.
- One company would be happy to relocate to a railway arch; but Network Rail aren't keen on garages – historically considered to be dirty, but they're not like that now. Could the council talk to Network Rail and ask them to open up their ideas?
- *“It's really hard as a business owner to find premises. Could the council help with this?”*
- Is there somewhere in Southwark that's not suitable for residents that could be zoned for industry?
- *“The buck stops with the planning process. If developers can't build on a factory site then they won't.”*

The case for keeping businesses in the area:

- Local employment. *“We've employed 5 or 6 Southwark youngsters as apprentices. That will all go if we have to move from the borough.”*
- *“It would be a tragedy for the area to lose all the skills of its businesses. We employ local people, we take on apprentices from the local art colleges.”*