LB Islington Employment Land Study – Review of B-use Premises and Permitted Development Rights

Prepared for LB Islington
By RAMIDUS CONSULTING LIMITED
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London Borough of Islington

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A report by Ramidus Consulting Limited

In association with CAG Consultants and TBR

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Ramidus Consulting Limited

Founded in 2003, Ramidus is a specialist, independent built environment research and advisory business. Our focus is on land and property markets: how they are changing; their relationship to the wider economy and their role in economic development. We undertake our work for both private sector clients and public sector policy makers, helping them to understand the impact of economic change on locations and markets. Ramidus is a modern business, comprising a network of skilled and experienced individuals. We assemble teams for specific tasks, ensuring that clients receive first class support.

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1 Management Summary

1. This document presents a range of analysis that investigates the potential impact of changes to the Permitted Development Rights (PDR) that apply to B-use space. The work was carried out as part of an employment land review conducted by a team comprising Ramidus Consulting, TBR and CAG Consultants for the London Borough of Islington in 2015.

2. In May 2013 Government introduced an extension to PDR that allowed B1(a) office space to be converted to C3 residential on the basis of prior approval subject to tests for traffic, contamination and flooding. The extension was originally slated to run for three years. Since May 2013, PDR for B8 storage and distribution space have been brought into force allowing 500 sq m of space to be converted along with indications that the current B1 PDR will be made permanent and widened to include launderettes and allow buildings to be demolished and replaced. The current exemptions, e.g. as applied to the CAZ, will be withdrawn in 2019 with local authorities having to utilise Article 4 directions to afford similar protection.

3. The work was commissioned and largely completed before the most recent Government announcements. Prior to this there was speculation as to what would happen when the temporary PDR expired in 2016. The work reported here represents the analysis which investigates a range of possible scenarios.

4. The document is structured into three main sections; an initial introduction that includes the methods used; an overview of the contribution made by businesses occupying B-use premises to the local and regional economies and finally; analyses to investigate the possible impacts of a set of scenarios regarding possible changes to the PDR affecting B-use premises.

5. The work made use of TBR's own Trends Central Resource (known as TCR database of businesses). This allowed a detailed analysis of Islington's business population including estimates of the number of firms occupying B-use space and their related contribution to employment, turnover and GVA. Further investigation generated approximations for the business rates paid by these businesses.

6. The analysis indicates that businesses based in B-use space are vital to the economy of Islington. In total they are account for two- fifths of all firms, employment and GVA and over a third of turnover. Key sectors include professional and technical services, information and communication technologies, creative industries and construction.

7. While B1 space is concentrated in the CAZ, B2 and B8 are primarily found outside the CAZ, with a major cluster within the industrial site at Vale Royal/Brewery Road.

8. We see from an analysis of planning consents that significant amounts of B-use space are already being lost within the Borough and that this is having an impact on employment, GVA and turnover. Specifically, we see an ongoing erosion of employment space with a limited number of major developments resulting in levels of office stock being maintained, but an attrition of general industry (B2) and warehouse (B8) due to little or no new development to offset losses.

9. The introduction of the PDR outside the CAZ has led to a rapid increase in office space being lost, with new developments failing to keep pace.

10. A review of premises across the Borough indicates that some locations are at greater risk of losing employment space than others. While the CAZ is vulnerable to a loss of space, the area beyond is more so, with the bulk of it identified as being at high risk. The CAZ is an established area for business use which has resulted in high demand and commensurate rents reducing the premium for converting to residential.

11. Depending on the rates of loss considered, between 20% and 70% of B1 space could be lost by 2024, should unrestricted PDR be introduced. This could equate to between 17,000 and 62,000 jobs respectively. Such a result would seriously undermine the local economy. It is anticipated that further B2 and B8 space will be lost even without the introduction of further PDR.

12. Consideration of possible prior approval controls to mitigate any strategic loss resulted in a review of projected B1 space required to meet the GLA borough-level employment projections against the anticipated amount available. This suggested that there will be a shortfall unless additional space is provided or employment densities can be increased.

13. Overall, we must conclude that employment space outside the CAZ is under threat from the current PDR regime and the situation will be exacerbated, should the current protections be lost with property within the CAZ being brought within reach of the PDR. Once the exemption is lifted from the CAZ in 2019, the office stock will be at very serious risk unless an Article 4 is introduced. Given that the right will encompass demolition, as well as conversion of existing office floorspace, even the upper end of the range of losses estimated is conservative.

2 Glossary of acronyms

Acronym	Full term
CAZ	Central Activities Zone
EiP	Examination in Public
ELS	Employment Land Study
GIA	Gross Internal Area
GPDO	General Permitted Development Order
GVA	Gross Value Added
LOPR	London Office Policy Review
LPA	Local Planning Authority
NIA	Net Internal Area
NNDR	National Non Domestic Rates
NPPF	National Planning Policy Framework
NVQ	National Vocation Qualification
OAPF	Opportunity Area Planning Framework
PDR	Permitted Development Rights
PPG	Planning Practice Guidance
SIC	Standard Industrial Classification
SME	Small- to Medium-sized Enterprise
SPG	Supplementary Planning Guidance
TCR	Trends Central Resource

3 Introduction and methods used

14. This document presents a finely-grained analysis of businesses occupying B-use premises in Islington. The analysis seeks to provide a thorough understanding of their contribution to the local economy along with the likelihood of their conversion to residential use (PDR permitting).

15. The investigation provides a detailed analysis of the Borough's B-use premises and the activities of occupying businesses, including their contribution to the CAZ, local, sub-regional, regional and national economy. It also includes separate analyses of office and industrial markets with an emphasis on the former.

16. We set out below the methods used to generate the analysis. Specifically, we address the data sources used and the means of computation.

17. This document was prepared as part of an Employment Land Study (ELS) undertaken by Ramidus, TBR and CAG Consultants in 2015. A detailed analysis of changes to the B-use stock is contained within the ELS report.

3.1 Data sources

18. In undertaking this work we have made use of a range of datasets. These include the following.

- Official statistics including the Interdepartmental Business Register (IDBR), Business Register and Employment Survey (BRES), Annual Business Survey (ABS), the Annual Population Survey (APS) among others. These are all published by the Office for National Statistics (ONS).
- Specialist data sources held by public organisations, specifically the Valuation Office Agency (VOA) and the National Non-Domestic Rates (NNDR) listing, more commonly referred to as business rates.
- TBR's own TCR database of UK businesses. This is a longitudinal database containing some three million records of trading firms in the UK along with a further five million which are no longer operational. The database provides company-based information that includes location, employment[1], turnover and enables gross value added (GVA) to be calculated. The underlying data are supplied bi-annually by Dun and Bradstreet under a five year rolling contract.

19. We have adopted this approach as there is no single data source that provides all the information needed to carry out the work. We set out the rationale for our approach below.

20. Where possible we have used official statistics for all our analysis. As these are the default data used across the public sector, many of the numbers are recognised and accepted. However, there are limitations to the datasets, which limit their usefulness. These include the following.

- A lack of precision or accuracy. There is no official list or census of businesses in the UK. As a result, it is not clear how many businesses are established or in operation. On the one hand, the Business Population Estimates (BPE) published by the Department for Business, Innovation and Skills (BIS) identified 5.4 million private sector businesses at the start of 2015, whereas the IDBR had 2.1 million records in 2014. IDBR data are primarily generated from VAT and PAYE returns, so it lacks coverage of firms that are neither registered for VAT or who do not

[1] Employment is held as jobs, rather than FTEs.

operate a formal payroll.

- Many official statistics are generated from surveys rather than a census or official register. For example, data on employment is usually derived from BRES an annual survey with approximately 80,000 respondents. This means that accuracy diminishes as geographies become smaller or sectors more detailed.
- Official statistics are designed to be non-disclosive, i.e. the identity of any respondent cannot be gleaned from the data. This can reduce the value of data if the clear intention of any analysis is to identify individual firms and their activity.
- Inconsistency and lack of continuity. There are times when survey methods are changed which can lead to data being inconsistent over time.
- Lack of access. IDBR is the official business database used by government. However, access to raw data, i.e. at the level of individual company records, is strictly controlled and only allowed under special circumstances such as when working directly for central government.

21. Using TCR allows us to overcome many of these drawbacks. Like IDBR, it is a database made up of individual records. Therefore, it does not suffer from the disadvantages of survey based datasets. Second, as the underlying data are derived from credit checks as well as Companies House, the non-disclosure rules do not apply. Third, TCR has significantly greater coverage of firms operating under the VAT threshold. At present it contains some 3 million records of live firms, compared to the 2.1 million in IDBR. Fourth, TCR is longitudinally consistent as it tracks individual businesses and can accommodate discontinuities such as changes to the SIC coding system.[2] Fifth, as TCR holds address data, records can be matched to other datasets which also hold fields such as postcode or telephone. This is useful when seeking to introduce new information, e.g. relating to the nature of premises.

22. TCR is also subject to limitations. For example, as a commercial database it cannot compel businesses to provide data and is limited to information provided by third parties (including Companies House). In use, challenges can be faced with branch offices not being identified as separate units and the associated employment being aggregated into the head office data. Also businesses tend to be allocated a single SIC code and this is applied to all offices/branches, irrespective of the activities undertaken locally. For example, a Tesco distribution warehouse and an office housing administrative personnel may carry a retail SIC code.

23. Nonetheless TCR data is invaluable when considering analysis that requires a degree of detail and precision that is not available from official statistics. Specifically, TCR allows for a much more fine-grained analysis than is possible using official statistics. For this reason, it was used to undertake the analysis of businesses occupying B-use premises.

24. It should be noted that the results generated by TCR and official statistics may not always be comparable due to the underlying differences in the method of collecting data, as well as adjustments made by ONS.

25. **Choice of metrics** The analysis provides insights into a number of key aspects of the local economy. The key metrics used include the following.

- Firms – a count of the number of businesses. The TCR data include both discrete enterprises and local units, e.g. branches.
- Employment – this includes employees and the self-employed.

[2] SIC Standard Industrial Classification. This is the mechanism used to classify economic activity and operates to established international standards.

- GVA – gross value added is a measure of output and is calculated by summing net profit, employment costs and amortisation and depreciation. It is a firm level equivalent to GDP, less taxes and subsidies.
- Turnover – the sum of the revenues generated by businesses.
- Business rates – the total amount paid by organisations operating as non-domestic entities, this includes private businesses, universities, and hospitals, but may exclude registered charities. Business rates are officially referred to as National Non-Domestic Rates (NNDR) and represent the property taxes paid by businesses and are the equivalent of domestic rates.

3.2 Computational methods

26. To estimate the contribution of businesses operating from B-use premises we applied a lookup table of use classes to SIC codes to all the records of firms located in Islington held on the TCR database. This meant that every business in the Borough was allocated a use class.

27. Analysis was then applied against each use class, generating data for the number of firms, employment and turnover. Estimates for GVA were also gained using the financial data held against each firm within the TCR database. Totals for the Borough were generated by summing data for all the relevant records, e.g. all firms in the Borough.

28. To estimate the impact of changes to employment space we generated a range of proxy measures, including:

- Employment density, e.g. the space occupied by a single employee.
- Turnover density, e.g. the turnover generated for each square metre of employment space.
- GVA density, e.g. the GVA generated for each square metre of employment space.
- Business rates density, e.g. the business rates generated for each square metre of employment space.

29. Proxy measures were estimated for B1, B2 and B8 space using data for the Borough as a whole. Thus to estimate employment density we divided the total employment in the Borough by the amount of space. Details of these proxies are set out in Table 3.1.

Table 3.1 Estimates for employment, GVA, turnover and rates densities

Metric	B1	B2	B8
Employment (sq m/employee)	14.99	32.68	48.60
GVA (£000/sq m)	5.71	3.86	0.96
Turnover (£000/sq m)	13.93	8.07	18.30
Rates (£/sq m)	0.114	0.018	0.020

30. The proxies were applied to the known or anticipated changes in employment space in order to assess the impact on employment, turnover, GVA and business rates. We urge a degree of caution in using these estimates as the values for individual premises may deviate from the average.

4 The contribution of B-use to the local economy

31. Businesses based in B-use premises represent the largest single group within the Islington economy. Over 41% of firms, 40% of employment and 42% of GVA is generated by firms occupying B-use premises (Table 4.1). The next largest group of firms occupy A-use premises, encompassing retail and financial/professional services.

32. As indicated above, the data were generated directly from the TCR database and represent a summation of all the records within each use class.[3]

Table 4.1 Contribution by Use Class, 2014

Land use class	Firms	Employment[4]	Turnover per annum (£m)	GVA per annum (£m)
A1: Shops	2,605	18,230	£3,676	£946
A2: Financial & Professional Services	3,905	32,020	£28,846	£5,777
A3: Restaurants & Cafes	1,235	7,790	£312	£162
A4: Drinking Establishments	460	2,900	£208	£74
B1: Business	8,865	87,930	£18,454	£7,563
B2: General Industrial	1,300	6,750	£1,847	£884
B8: Storage & Distribution	795	4,320	£4,684	£245
C1: Hotels	340	5,690	£2,742	£171
C2: Residential Institutions	70	4,720	£325	£197
C3: Dwelling Houses	550	2,350	£377	£358
D1: Non-Residential	1,565	34,330	£3,657	£783
D2: Assembly & Leisure	460	3,450	£499	£166
N/A	1,645	3,050	£413	£185
Sui Generis	2,655	42,470	£5,794	£2,206
Total	**26,450**	**256,010**	**£71,832**	**£19,718**

Source: TBR (WTS0/S2a)

33. The contributions in percentage terms are presented in Table 4.2. Businesses in B1 premises are the most numerous of all the individual use classes and deliver the greatest level of employment and GVA. B2 businesses provide proportionally less GVA than their share of firms would suggest (4% compared to 5%). Also, while firms in B8 premises comprise 3% of the firm population, they generate only 1% of the GVA. However, based on their predominant use for distribution and wholesale, it is likely that they represent a key part of many supply chains, so their strategic importance cannot be ignored.

34. It should be noted that firms in B1-use premises contribute a marginally larger proportion of employment and GVA than the concomitant percentage of firms. Thus, it can be concluded that these firms are more productive than the business population as a whole.

[3] Note these data represent a summation of every record (firm) in the TCR database based on their use class.

[4] Jobs rather than FTEs. This may have resulted in a small over estimation of floorspace, i.e. employment per sq m.

Table 4.2 Contribution by Use Class (percentage), 2014

Land use class	Firms	Employment	Turnover per annum (£m)	GVA per annum (£m)
A1: Shops	10%	7%	5%	5%
A2: Financial & Professional	15%	13%	40%	29%
A3: Restaurants & Cafes	5%	3%	0%	1%
A4: Drinking Establishments	2%	1%	0%	0%
B1: Business	34%	34%	26%	38%
B2: General Industrial	5%	3%	3%	4%
B8: Storage & Distribution	3%	2%	7%	1%
All B-uses	*41%*	*39%*	*35%*	*44%*
C1: Hotels	1%	2%	4%	1%
C2: Residential Institutions	0%	2%	0%	1%
C3: Dwelling Houses	2%	1%	1%	2%
D1: Non-Residential	6%	13%	5%	4%
D2: Assembly & Leisure	2%	1%	1%	1%
NA	6%	1%	1%	1%
Sui Generis	10%	16%	8%	11%
Total	**100%**	**100%**	**100%**	**100%**

Source: TBR (WTS0/S2a)

35. Analysis of business sectors shows that firms in B1 premises are active across many sectors, with particular emphasis in: legal and accounting; office administration; architectural and engineering; information services and head offices. B2 activities are heavily concentrated in construction of buildings (construction sites) and specialised construction activities. B8 is almost exclusively centred on wholesale trade. Table 4.3, Table 4.4 and Table 4.5 present the most important sectors for B1, B2 and B8 based on employment activities.

36. Professional services and technology, media and telecoms stand out as key drivers of the Islington economy. Not only are they important within the Borough but they are vital to London as a whole and feature prominently within the City and the eponymous Tech City. Any major reduction in suitable premises, in terms of type and location, could have an impact on the health and competitiveness of the capital.

Table 4.3 B1 use top ten sectors (employment)

Sector	SIC[5]	Firms	Employment	Turnover (£m)	GVA (£m)
Legal and accounting	69	630	14,970	2,468	1,2
Office administrative, office support and other business support activities	82	1,380	11,320	2,167	1,093
Architectural and engineering activities; technical testing and analysis	71	700	10,120	867	557
Activities of head offices & management consultancy	70	1,440	8,780	1,472	727
Information service activities	63	1,730	8,560	1,642	1,0
Publishing activities	58	450	5,600	1,210	778
Advertising and market research	73	540	5,720	1,694	469
Scientific research and development	72	80	4,210	2,728	430
Telecommunications	61	145	3,040	984	92
Employment activities	78	325	2,480	717	119

Source: TBR (WTS0/S2a)

Table 4.4 B2 use top ten sectors (employment)

Sector	SIC	Firms	Employment	Turnover (£m)	GVA (£m)
Construction of buildings	41	570	3,790	988	1,910
Specialised construction activities	43	165	1,410	88	203
Services to buildings and landscape activities	81	70	700	7	9
Civil engineering	42	50	560	48	117
Manufacture of fabricated metal products, except machinery and	25	85	370	19	41
Manufacture of chemicals and chemical products	20	25	320	19	83
Manufacture of food products	10	45	300	26	78
Manufacture of electrical equipment	27	30	260	28	84
Manufacture of wood except furniture and plaiting materials	16	25	260	20	22
Manufacture of machinery and equipment	28	25	220	17	60

Source: TBR (WTS0/S2a)

[5] SIC Standard Industrial Classification. Two digit SIC codes represent industrial 'Divisions' and are more detailed than sectors.

Table 4.5 B8 use top two sectors (employment)

Sector	SIC	Firms	Employment	Turnover per annum (£m)	GVA per annum (£m)
Wholesale trade, except of motor vehicles and motorcycles	46	765	4,160	241	4,672
Warehousing and support activities for transportation	52	30	170	4	12

Source: TBR (WTS0/S2a)

37. Construction, development and related activities feature strongly within the B2 uses. However, we are cautious regarding the analysis as many of the firms involved focus on technical and related activities that feature engineering, architecture and other professional services. Thus it is likely that while these businesses may be classified as operating in construction, the premises within Islington may house technical staff, better classified as operating in B1 premises. Establishing the activities undertaken in individual buildings can only be achieved by primary research or detailed interrogation of VOA data, neither of which were within the scope of this assignment. The implication is that some activity currently associated with B2 or B8 may be better classified as B1, though the extent of this is unclear.

38. Site based staff may also be allocated to premises in Islington but may work elsewhere. Conversely, staff allocated to premises in other locations could be working on sites within Islington.

5 Contribution to the local, regional and national economy

39. The contribution of businesses in B-use premises varies across the Borough (Table 5.1). Within the LSIS, they represent 52% of all firms[6], but only 25% within the designated town centres. For the CAZ and core strategy key areas they comprise, respectively, 46% and 43% of all firms.

Table 5.1 Proportion of firms occupying B-use premises, 2014

Location	Total firm population	B-use total firm count	B-use proportion of firm population
Central Activities Zone (CAZ)	16,570	7,700	46%
Non-CAZ	9,885	2,075	21%
Employment Priority Areas	12,300	6,010	49%
Town Centres	2,845	720	25%
Employment Growth Areas	1,840	805	44%
Locally Significant Industrial Sites (Vale Royal/Brewery Road)	220	15	52%
City Fringe Opportunity Area	1,900	815	43%
Farringdon/Smithfield Intensification Area	1,435	615	43%
Core Strategy Key Areas	20,525	8,745	43%
Islington	26,450	10,955	41%

Source: TBR (WTS2/S1)

40. LB Islington utilises a range of geographies for administrative and strategic purposes. At the first level, the Borough is split into the CAZ and the non-CAZ. Below this, there are a number of additional geographies, which are not stand alone. For example, Core Strategy Key Areas cover part of the CAZ and the non-CAZ (as do town centres), and contain both Employment Priority Areas and Employment Growth Areas. The City Fringe Opportunity Area and Farringdon/Smithfield Intensification Area are within the CAZ and themselves contain sub geographies of Employment Priority Areas.

41. Generally, B-use businesses accommodate employment in the same proportion as the percentage of firms, implying that these businesses have a similar employment (size) profile to the population (Table 5.2). The notable exception is in the Vale Royal/Brewery Road LSIS, where B firms accommodate an additional eight percentage points (60% compared to 52% of firm population), suggesting that these firms are significantly larger than the other businesses within the industrial area.

[6] We note that that the data might under-represent B uses within the LSIS. The analysis, which uses a standard SIC to use class look up, which is based on full 4/5 digit SIC codes, it cannot take account of local property types. We anticipate that the premises within the LSIS are predominantly classified for B use. However, the firms occupying them may typically operate from other types of premises or work in areas where the distinction is blurred, e.g. wholesale/retail/trade counters.

Table 5.2 Proportion of employment from B-use premises, 2014

Location	Total employment	B-use employment	B-use proportion of employment
Central Activities Zone (CAZ)	179,930	80,790	45%
Non-CAZ	76,080	18,220	24%
Employment Priority Areas	116,630	57,380	49%
Town Centres	20,440	5,650	28%
Employment Growth Areas	35,340	11,160	32%
Locally Significant Industrial Sites (Vale Royal/Brewery Road)	3,020	1,830	60%
City Fringe Opportunity Area	28,540	13,070	46%
Farringdon/Smithfield Intensification Area	39,620	15,810	40%
Core Strategy Key Areas	225,790	90,020	40%
Islington	256,010	99,010	39%

Source: TBR (WTS2/S1)

42. The turnover data (Table 5.3) paint a rather different picture with B-use firms delivering either significantly more, or significantly less turnover, than their proportion of stock would suggest (e.g. 34% compared to 45% in the CAZ and 82% compared to 60% in the LSIS). This is largely explained by the nature of the activities being undertaken, for example, any wholesale undertaken from warehouses in the LSIS will generate high sales values compared to say professional services in the CAZ.

Table 5.3 Proportion of turnover from B-use premises, 2014

Location	Total turnover (£m)	B-use total turnover (£m)	B-use proportion of turnover
Central Activities Zone (CAZ)	60,457	20,73	34%
Non-CAZ	11,375	4,251	37%
Employment Priority Areas	31,509	14,25	45%
Town Centres	14,623	1,319	9%
Employment Growth Areas	5,636	2,185	39%
Locally Significant Industrial Sites (Vale Royal/Brewery Road)	748	613	82%
City Fringe Opportunity Area	9,367	2,716	29%
Farringdon/Smithfield Intensification Area	12,555	6,238	50%
Core Strategy Key Areas	67,373	23,31	35%
Islington	71,832	24,98	35%

Source: TBR (WTS2/S1)

43. A similar, but less pronounced situation occurs with the GVA data (Table 5.4). In this case the B-use businesses in the LSIS generate more GVA than their proportion of the firm population would suggest, but not to the same extent as turnover. This reflects the nature of margins, size and level of employment compared to other use classes.

Table 5.4 Proportion of GVA from B-use premises, 2014

Location	Total GVA per annum (£m)	B-use total GVA per annum (£m)	B-use proportion of GVA
Central Activities Zone (CAZ)	15,391	7,151	46%
Non-CAZ	4,327	1,540	36%
Employment Priority Areas	9,694	5,089	52%
Town Centres	1,211	460	38%
Employment Growth Areas	2,289	928	41%
Locally Significant Industrial Sites (Vale Royal/Brewery Road)	258	173	67%
City Fringe Opportunity Area	3,388	1,265	37%
Farringdon/Smithfield Intensification Area	3,664	1,580	43%
Core Strategy Key Areas	17,716	7,940	45%
Islington	19,718	8,691	44%

Source: TBR (WTS2/S1)

44. We can conclude that businesses in B-use class premises are crucial to the Islington economy, no matter what metric is used albeit that they play a greater role in some locations, e.g. the LSIS, than in others, e.g. town centres. Table 5.5 below indicates that overall, 41% of Islington's firms, 39% of employment, 35% of turnover and 44% of GVA are derived from businesses occupying B-use premises.

Table 5.5 Proportion of economic activity in B-use premises, 2014

Location	Firms	Employment	Turnover	GVA
Central Activities Zone (CAZ)	46%	45%	34%	46%
Non-CAZ	54%	55%	64%	54%
Employment Priority Areas	49%	49%	45%	52%
Town Centres	25%	28%	9%	38%
Employment Growth Areas	44%	32%	39%	41%
Locally Significant Industrial Site (Vale Royal/Brewery Road)	52%	60%	82%	67%
City Fringe Opportunity Area	43%	46%	29%	37%
Farringdon/Smithfield Intensification Area	43%	40%	50%	43%
Core Strategy Key Areas	43%	40%	35%	45%
Islington	**41%**	**39%**	**35%**	**44%**

Source: TBR (WTS2/S1)

6 Changes in B-use space

45. Over the period 2005-2015 the quantity of B-use space in Islington has changed: there have been additions as new space has been added and deletions as buildings have either been demolished or changed use. Until May 2013, all these changes were consented through full planning applications. However, in May 2013 Government extended the PDR afforded to landowners, which allowed office premises (B1a) to be converted to residential (C3) on the basis of prior approval, subject to tests involving traffic, contamination and flooding. Thus the barriers to converting office space to residential were reduced significantly.

46. Exemption to the PDR was afforded to a number of areas in London including the CAZ. Thus any change of use to premises within the CAZ had to be consented through the full planning process.

47. The changes in the main B-use space between 2005 and 2015 are set out below in Table 6.1.

Table 6.1 Overview of change in B-use space, 2005-2015

Process	Net B1 change (sq m)	Net B2 change (sq m)	Net B8 change (sq m)
Full planning process - completions	10,910	-29,080	-76,590
Full planning process - pipeline	28,210	-3,060	-17,030
Prior approval – completions	-9,930		
Prior approval - pipeline	-45,530		
Total	**-16,340**	**-32,140**	**-93,620**

Source: Islington ELS, 2015

48. Thus we can see that for B1 space consented through the full planning process; there were net gains in terms of completed projects and those in the pipeline, still to be completed. However, for changes effected through prior approval, there were net losses. The losses through prior approval were significantly greater than the gains achieved through the full planning process (losses of 55,460 compared to additions of 39,120 sq m).

49. The extension of PDR was originally implemented as a temporary measure, running from May 2013 to May 2016. Furthermore, exemptions were given to a number of locations, including the CAZ.

50. Government subsequently indicated (2015) that up to 500 sq m of B8 storage and distribution space could be converted to residential under PDR.

51. In October 2015, Government announced that the PDR was to be made permanent, that existing permissions granted under PDR were to remain current for three years that launderettes were to be included alongside offices and that office buildings could be demolished and rebuilt as residential properties. Furthermore, it indicated that the existing exemptions were to be removed, and that the PDR could only be removed through the use of an Article 4 direction.

52. We now seek to understand the wider economic impact of the introduction of the PDR and consequent loss in office and storage space under a range of scenarios.

53. Work commissioned by London Councils and British Council for Offices[7] have indicated that the PDR have had a significant impact on reducing office stock across London. Furthermore, the analysis suggests a number of negative impacts, including the following.

- Losses not being confined to 'underused and neglected' space, with tenants being evicted.
- Rents increasing as a result of scarcity and via the risk of possible conversion.
- Undermining the viability of office markets with some no longer having the critical mass to sustain their role as an office location.
- New housing of variable quality due to the lack of controls.
- Loss of potential affordable housing, with larger developments not carrying any requirement, as would be required from a full planning application for a residential development.

[7] Office to residential conversion, British Council for Offices, September 2015 and The Impact of Permitted Development Rights for Office to Residential Conversions, London Councils, August 2015.

7 Impact of B1(a) to C3 prior approvals to date

54. By applying the employment, GVA and turnover density ratios, as set out in Table 3.1, to the loss of 9,930 sq m of B1a premises through the prior approval process (see Table 6.1), we estimate that this resulted in a consequent loss 660 jobs, £138.3m in turnover and £56.7m in GVA.[8] Full details by ward are set out in Table 7.1.

55. It should be noted that as the prior approval process was only introduced in May 2013 through the extension of the PDR, the impacts reflect, at most, two years of activity.

Table 7.1 Impact of changes to B1(a) premises with prior approval, 2013-2015

Ward	Net B1a change (sq m)	Employment	Turnover per annum (£000)	GVA per annum (£000)	Business Rates per annum (£000)
Barnsbury		0	0	0	0
Bunhill		0	0	0	0
Caledonian		0	0	0	0
Canonbury	-160	-10	-2,240	-920	-20
Clerkenwell		0	0	0	0
Finsbury Park	-870	-60	-12,150	-4,980	-100
Highbury East		0	0	0	0
Highbury West		0	0	0	0
Hillrise		0	0	0	0
Holloway	-300	-20	-4,220	-1,730	-30
Junction	-2,330	-	-32,490	-13,320	-270
Mildmay		0	0	0	0
St George's	-1,380	-90	-19,220	-7,880	-160
St Mary's	-3,450	-	-48,090	-19,710	-390
St Peter's	-1,360	-90	-18,890	-7,740	-150
Tollington	-70	-10	-1,020	-420	-10
Total	-9,930	-	-138,310	-56,680	-1,130

Source: TBR (WTS5/S1)

56. The prior approval pipeline, i.e. those schemes that have been given the go-ahead but which have not yet been completed and totaling 45,530 sq m, indicates a significantly greater impact with a further loss of 3,0340 jobs, £634.1m in turnover and £259.9m in GVA (Table 7.2). The analysis indicates that the changes in B1(a) stock have, and will continue to have, a significantly detrimental impact on the economy of Islington.

[8] These were calculated based on employment, turnover and GVA amounts per square metre of B1 space.

Table 7.2 Impact of pipeline changes to B1(a) premises with prior approval, 2013-2015[9]

Ward	Net B1a change (sq m)	Employment	Turnover per annum (£000)	GVA per annum (£000)	Business Rates per annum (£000)
Barnsbury	-	-	-47,255	-19,366	-385
Bunhill	0	0	0	0	0
Caledonian	-	-	-59,720	-24,475	-487
Canonbury	-	-	-32,116	-13,162	-262
Clerkenwell	0	0	0	0	0
Finsbury Park	-	-	-45,626	-18,699	-372
Highbury East	-	-	-41,712	-17,095	-340
Highbury West	-	-	-37,325	-15,297	-304
Hillrise	0	0	0	0	0
Holloway	-390	-30	-5,376	-2,203	-44
Junction	-	-	-236,584	-96,958	-1,928
Mildmay	-210	-10	-2,953	-1,210	-24
St George's	-	-	-42,632	-17,471	-347
St Mary's	-	-	-62,882	-25,770	-512
St Peter's	-	-90	-18,370	-7,529	-150
Tollington	-110	-10	-1,574	-645	-13
Total	-	-	-634,126	-259,880	-5,168

Source: TBR (WTS5/S1)

57. The analysis of losses through prior approvals against the total B1 space outside the CAZ indicates a rate of loss of 11% per annum.[10] Notwithstanding the short timescale that the PDR has been operating and the 'rush to process schemes' within the window of the temporary nature of the extension, this does provide an indication of what has happened. It also sets out a starting point looking forward. Following government's announcement in the Autumn of 2015 to make the extension of PDR permanent it is likely that the deluge of conversion of B1 space to residential will continue.

[9] Note PRR was only introduced in 2013.

[10] Note the calculation of the rate of loss of B1(a) space adopted a simplified approach in that losses were compared to the total B1 (not just B1(a)) space available in the whole of the area outside the CAZ. Thus no allowance has been provided in the denominator for the space within the Article 4 areas. These factors are likely to have cancelled each other out in the calculation.

8 Assessment of potential risks

58. In this section we seek to investigate the stock of office and industrial premises further in order to establish the scope and scale of the potential risk of conversion from commercial to residential use, irrespective of any PDR or planning controls, as a baseline for further analysis.

59. A number of factors have been considered when trying to establish how we might estimate the likelihood of premises being converted from employment use to residential use. These include the building's characteristics, original purpose, building effectiveness and efficiency, lease duration location and neighbouring activities.

60. The optimal approach would be to consider each building/hereditament individually. However, this would be neither practical nor proportionate in terms of time and effort. Thus an approach based on reviewing premises within a number of specified locations was warranted. This involved the following.

- Segmenting the Borough into a number of districts, largely conforming to policy areas such as employment priority areas, together with those areas in the CAZ and non-CAZ that are not within the specified policy areas. The latter are marked as 'remainder of CAZ/non-CAZ'.
- Developing a four-point risk score based on the likelihood of premises being converted from employment use to residential.
- Applying a percentage of stock in each risk score to each district following site visits. Factors included: proximity to amenities, apparent attractiveness for housing, nature/use of adjacent properties, differential in residential to commercial property values and ease/cost of conversion to residential.
- Generating a weighted average risk score for each district.
- Applying the average density values, e.g. of GVA/sq m, employment/sq m to the number of firms in each of the specified locations.

61. The four-point score identified the following levels of risk.

- Severe: extremely likely that premises will be converted. This level of risk would be achieved in those areas where properties are adjacent to desirable facilities such as good schools, transport links; might originally have been designed as dwellings and converted in the past, appear to be conducive to converting to residential based on physical characteristics such as floorplates, layouts etc. Score = 4
- High: very likely that premises will be converted. In these cases, amenities may be slightly less appealing or further away, the building stock marginally less attractive or open to conversion. However, the overriding impression will be that any residential property generated through conversion would be attractive to the market. Score = 3
- Medium: Likely that premises would be converted to residential. The medium risk rating was applied to those properties deemed to be of middling architectural merit, possibly challenging to convert with small floorplates but where there is clear demand for residential. Score = 2
- Low: Unlikely that premises would be converted. This rating was given where properties might be difficult to convert due to configuration, e.g. a very large floorplate with large areas with no natural light or where the prevailing office use

may represent a better commercial case. Proximity to noise or other anti-social/commercial activities would also lead to a low score. Score = 1

62. The results are set out in Table 8.1. Thus, 20% of all B-use premises in the Employment Priority Areas (offices) are deemed to be at high risk of conversion to residential, 40% at medium to high and 40% at low risk, respectively.

Table 8.1 Risk of conversion by specific geographies

Geography	Severe to very high	High	Medium to high	Low risk
Employment Priority Areas - Offices		20%	40%	40%
Employment Priority Areas - General	10%	40%	40%	10%
City Fringe Opportunity Area			20%	80%
Town Centres	25%	25%	25%	25%
Employment Growth Areas	20%	50%	20%	10%
Locally Significant Industrial Site		50%	25%	25%
Farringdon/Smithfield Intensification Area			50%	50%
Remainder of CAZ		40%	40%	20%
Remainder of non-CAZ	20%	50%	20%	10%

Source: TBR (WTS9)

63. The areas within the CAZ show lower risk ratings than those outside the CAZ. At first glance this may seem counter intuitive in that the CAZ is part of central London and regarded as prime location. However, the CAZ is acknowledged as a business location so office space commands premium prices and residential is considered comparatively less attractive. We reviewed the risk ratings against the impact of firms, employment, turnover and GVA, for the two key geographies, viz; inside and outside the CAZ. The results are set out in Figures 8.2 to 8.5.

Table 8.2 Number of firms occupying premises at risk of conversion to C3

Geography	Severe to very high	High	Medium to high	Low
Central Activities Zone	600 (8%)	2,850 (37%)	2,965 (39%)	1,285 (17%)
Outside Central Activities Zone	650 (20%)	1,515 (46%)	680 (21%)	415 (13%)
Total	**1,250 (11%)**	**4,365 (40%)**	**3,645 (33%)**	**1,695 (15%)**

Source: TBR (WTS9 S1)

Table 8.3 Employment Risk of conversion to C3

Geography	Severe to very high	High	Medium to high	Low
Central Activities Zone	5,730 (7%)	28,410 (35%)	30,370 (38%)	16,280 (20%)
Outside Central Activities Zone	3,420 (19%)	8,390 (46%)	3,880 (21%)	2,520 (14%)
Total	**9,150 (9%)**	**36,800 (37%)**	**34,240 (35%)**	**18,810 (19%)**

Source: TBR (WTS9 S1)

Table 8.4 GVA (£000 per annum) Risk of conversion to C3

Geography	Severe to very high	High	Medium to high	Low
Central Activities Zone	508 (7%)	2,444 (34%)	2,652 (37%)	1,547 (22%)
Outside Central Activities Zone	285 (19%)	710 (46%)	329 (21%)	216 (14%)
Total	**794 (9%)**	**3,154 (36%)**	**2,981 (34%)**	**1,763 (20%)**

Source: TBR (WTS9 S1)

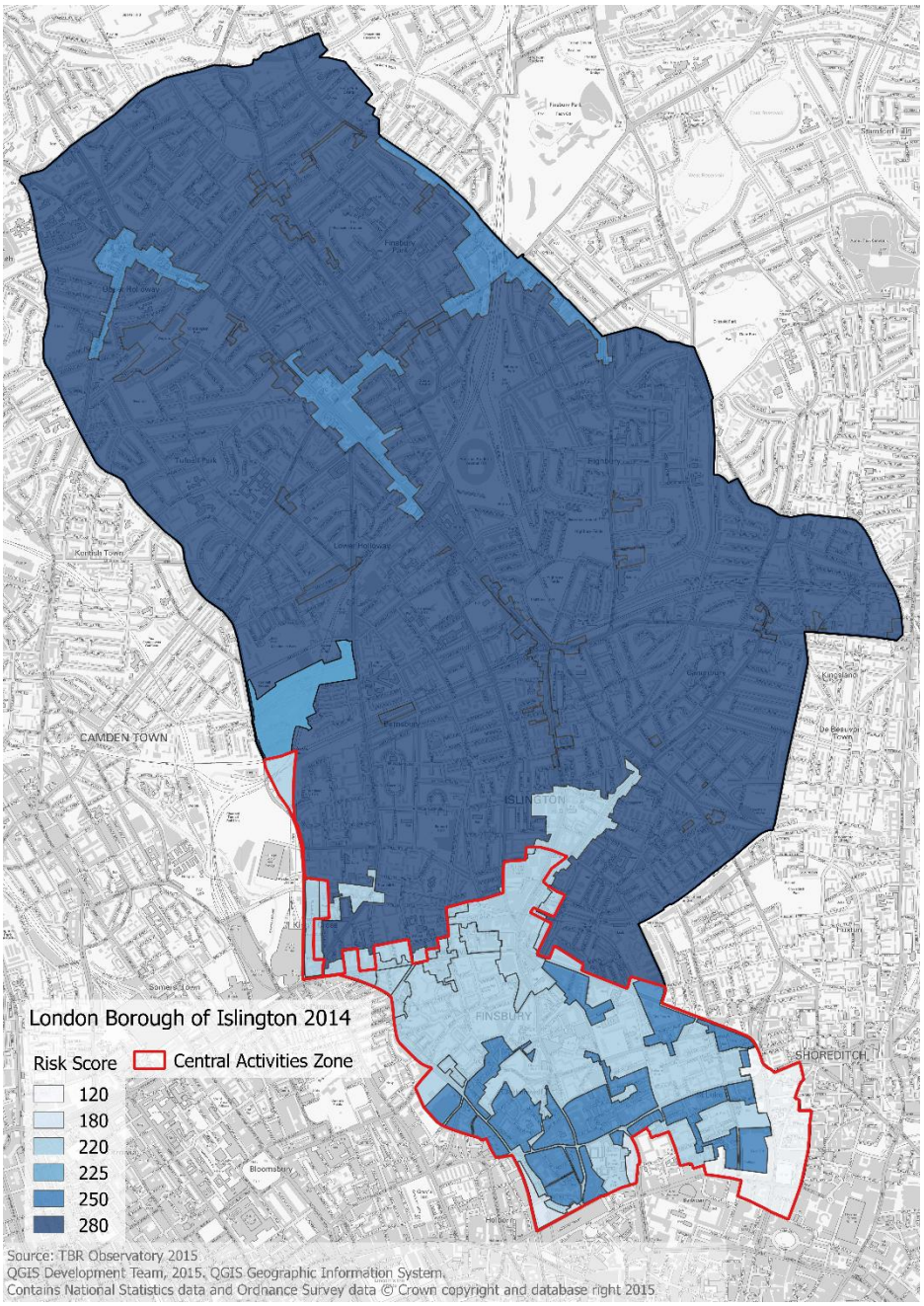
Table 8.5 Turnover (£000 per annum) Risk of conversion to C3

Geography	Severe to very high	High	Medium to high	Low
Central Activities Zone	1,425 (7%)	7,492 (36%)	7,893 (38%)	3,925 (19%)
Outside Central Activities Zone	765 (18%)	1,938 (46%)	918 (22%)	630 (15%)
Total	**2,190 (9%)**	**9,429 (38%)**	**8,811 (35%)**	**4,554 (18%)**

Source: TBR (WTS9 S1)

64. In order to present the results of the risk ratings and analysis more visually, we decided to show them on a map. To do this the risk ratings were each given a score (severe = 4, high = 3, medium = 2 and low = 1) and multiplied by the likelihood, to provide an overall rating. For example; for the Employment Priority Areas – Offices, the score was calculated as the sum of: 3*20%, 2*40%, 1*40% = 1.8. The results are presented as a thematic map in Figure 1.

Figure 1 Map showing risk profiles of location



Source: TBR, Ramidus and Camden Council

65. To provide further insights into the likely economic impact, we applied the proportions associated with each risk band to the populations of B use businesses. The results of this analysis are set out in Table 8.6 to Table 8.9. From the analysis it is clear that there is a significant threat (severe and high) to a large proportion of B-use space across the Borough.

Table 8.6 Number of firms occupying premises at risk of conversion to C3

Use	Severe to very high	High	Medium to high	Low	Total number of firms
B1: Business	1,005	3,535	2,975	1,350	**8,865**
B2: General Industrial	155 (12%)	520 (40%)	415 (32%)	210 (16%)	**1,300**
B8: Storage &	95 (12%)	310 (39%)	255 (32%)	135 (17%)	**795 (100%)**
Total	**1,250**	**4,360**	**3,645**	**1,695**	**10,955**

Source: TBR (WTS9)

Table 8.7 Employment Risk of conversion to C3

Use	Severe to very high	High	Medium to high	Low	Total number of jobs
B1: Business	7,940	32,500	30,800	16,690	**87,930**
B2: General Industrial	720	2,690	2,130	1,220	**6,750**
B8: Storage &	480	1,620	1,320	900 (21%)	**4,320**
Total	**9,150**	**36,810**	**34,240**	**18,810**	**99,000**

Source: TBR (WTS9 S1)

Table 8.8 GVA (£000 per annum) Risk of conversion to C3

Use	Severe to very high	High	Medium to high	Low	Total GVA
B1: Business	673 (9%)	2,748	2,640	1,501	**7,563 (100%)**
B2: General Industrial	90 (10%)	329 (37%)	278 (31%)	187 (21%)	**884 (100%)**
B8: Storage &	30 (12%)	77 (31%)	62 (26%)	75 (31%)	**245 (100%)**
Total	**794 (9%)**	**3,154**	**2,981**	**1,763**	**8,691 (100%)**

Source: TBR (WTS9 S1)

Table 8.9 Turnover (£000 per annum) Risk of conversion to C3

Use	Severe to very high	High	Medium to high	Low	Total turnover
B1: Business	1,630	6,967	6,640	3,217	**18,454**
B2: General Industrial	172 (9%)	691	599 (32%)	385	**1,847**
B8: Storage & Distribution	388 (8%)	1,771	1,572	953	**4,684**
Total	**2,190**	**9,429**	**8,811**	**4,554**	**24,985**

Source: TBR (WTS9 S1)

66. It should be noted that the Government announcement allowing office premises to be demolished and replaced by new-build residential may mean that many of the risk ratings will have increased. Where properties were rated as relatively low risk due to difficulties associated with conversion or configuration, the prospect of demolition and rebuilding may open up additional opportunities for conversion.

9 Analysis of potential impact of change of use

67. In this section we investigate the impact that PDR, allowing B-use premises to be converted to residential, might have on the economy of Islington.

68. Table 9.1 below shows the rates of change in space that we used to estimate the impact of an unfettered approach to PDR. These were derived from an analysis of changes in B-use space consented through the full planning process and via prior approval.[11]

69. It should be noted that these scenarios have, to some extent, been superseded following the announcement by Government in October 2015 making the extension to PDR permanent, allowing demolition of office space and rebuilding for residential use and phasing out the current exemptions in May 2019.

Table 9.1 Rates of change used for projections[12]

Use class	Planning system completions	Prior approval completions	Prior approval pipeline
B1		-2.3%	-
B2	-1.3%		
B8	-3.0%		

Source: TBR: (WTS8 S3a)

9.1 B1 space

70. To assess the likely impact of a permanent PDR we reviewed the actual change in B1 space borough-wide as a result of development consented via the full planning process and prior approval (outside the CAZ in the case of the latter), as well as the pipeline of changes through the full planning and prior approval processes.

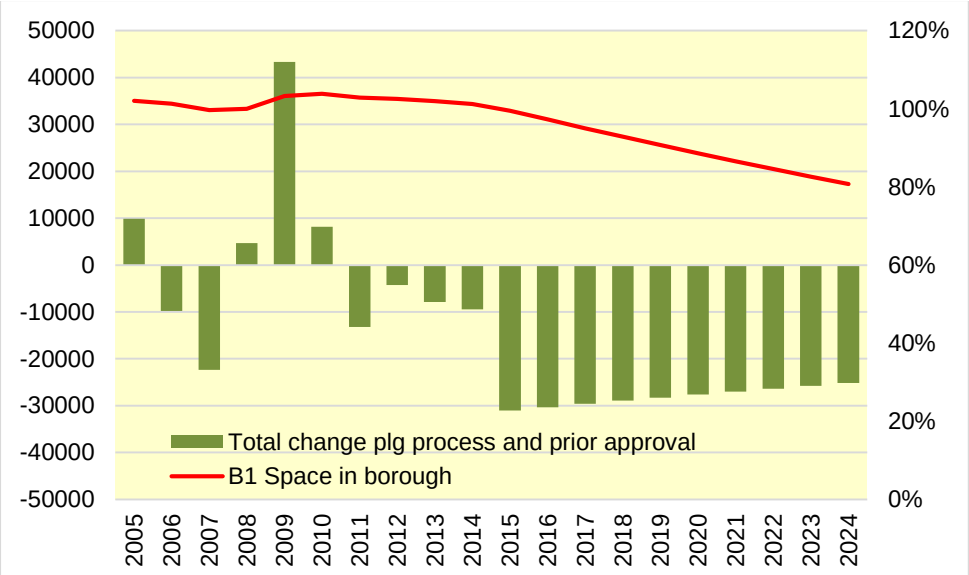
71. The analysis of completed developments consented through the full planning process indicated that over the years 2005 to 2014 there was a net gain, on average, of 0.1% of B1 space per annum, though for 2013 and 2014 this was -0.3%. For prior approvals the rate for 2013 and 2014 was a loss of 2.3% of space per annum.[13]

72. Thus to estimate the likely situation should change of use be allowed on a permanent basis, we projected forward a net loss of 2.3% of B1 space per annum applied to all B1 space within the Borough. The rate of 2.3% represents the rate of loss through prior approvals for completed projects. This was seen as a rate that had already been seen and was considered conservative.

[11] See the analysis set out in the associated Employment Land Study report.
[12] Note the analysis of changes to B-use space were undertaken for the full years 2005 to 2014. Data for 2015 were excluded on the basis that it was for a part year only.
[13] Note the loss was calculated as a proportion of B1 space outside of the CAZ.

73. Figure 2 shows overall B1 space falling by 20% in 2024. The major increase in loss in 2015 arises from space within the CAZ being brought under the permitted development arrangement. The amount of loss per year diminishes as the stock dwindles.

Figure 2 Impact of change of use, based on completions



74. Clearly, the loss is significant. It should be noted that this does not take account of any new development of B1 space. However, as the current PDR is temporary it is possible that actual completions understate the situation that might occur should the right be permanent, as developers would not be constrained by having to complete within a limited window of opportunity.

75. The impact on employment, GVA and turnover resulting from the loss of B1 space as per Figure 2 is set out in Table 9.2. We anticipate that some 17,000 jobs could be lost up to 2024.

Table 9.2 Impact of change of use, based on completions

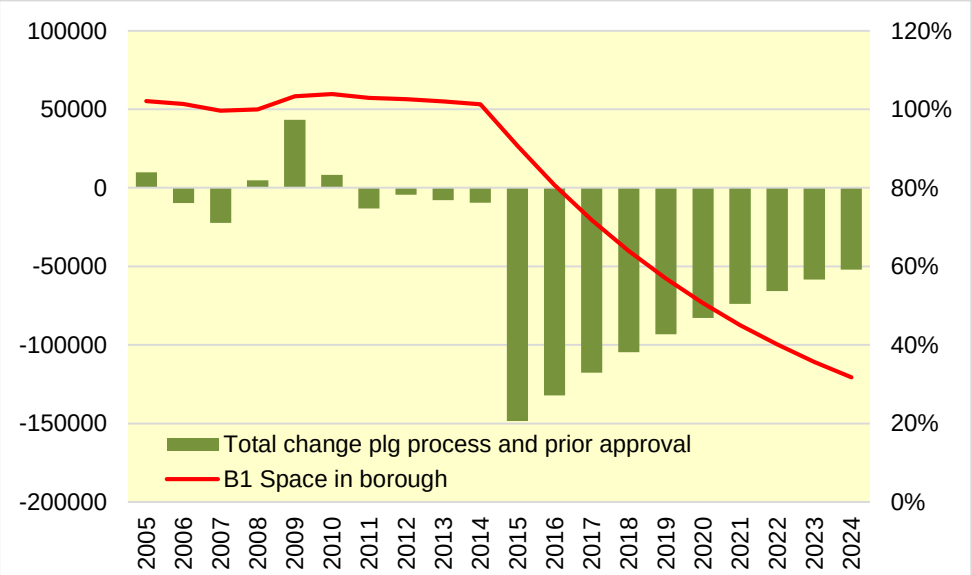
Year	Employment	GVA per annum (£m)	Annual Turnover (£000)
2015	-0	0	0
2016	-2,070	-177	-432
2017	-2,020	-173	-422
2018	-1,980	-169	-413
2019	-1,930	-165	-403
2020	-1,890	-161	-394
2021	-1,840	-158	-385
2022	-1,800	-154	-376
2023	-1,760	-151	-367
2024	-1,720	-147	-359
Total 2015-24	**-17,020**	**-1,456**	**-3,553**

Source: TBR (WTS8 S3b)

76. The rate of loss achieved through completed projects was seen as particularly conservative and unlikely to apply should the temporary nature of the existing PDR be changed to a permanent right.

77. To understand the potential impact of the current PDR being made permanent, we analysed extant consents in the pipeline.[14] This yielded a rate of loss of 11% per annum from prior approvals. The results of applying this to the projected B1 space are set out in Figure 3.

Figure 3 Impact of change of use, based on pipeline



Source: TBR (WTS8 S3b)

78. The impact is even more dramatic with an overall loss of around 70% of all space by 2024. Whether this loss would actually occur cannot be assessed as the analysis does not take account of any market effects. The effect on employment, GVA and turnover are detailed in Table 9.3.

[14] The review included data for the full years 2005 to 2014 for the full planning process and 2013 and 2014 for the prior approval process.

Table 9.3 Impact of change of use, B1, based on pipeline

Year	Employment	GVA per annum (£m)	Annual Turnover (£000)
2015	-9,910	-848	-2,068
2016	-8,820	-754	-1,841
2017	-7,850	-671	-1,638
2018	-6,980	-598	-1,458
2019	-6,220	-532	-1,298
2020	-5,530	-473	-1,155
2021	-4,920	-421	-1,028
2022	-4,380	-375	-915
2023	-3,900	-334	-814
2024	-3,470	-297	-725
Total 2015-24	**-61,980**	**-5,303**	**-12,939**

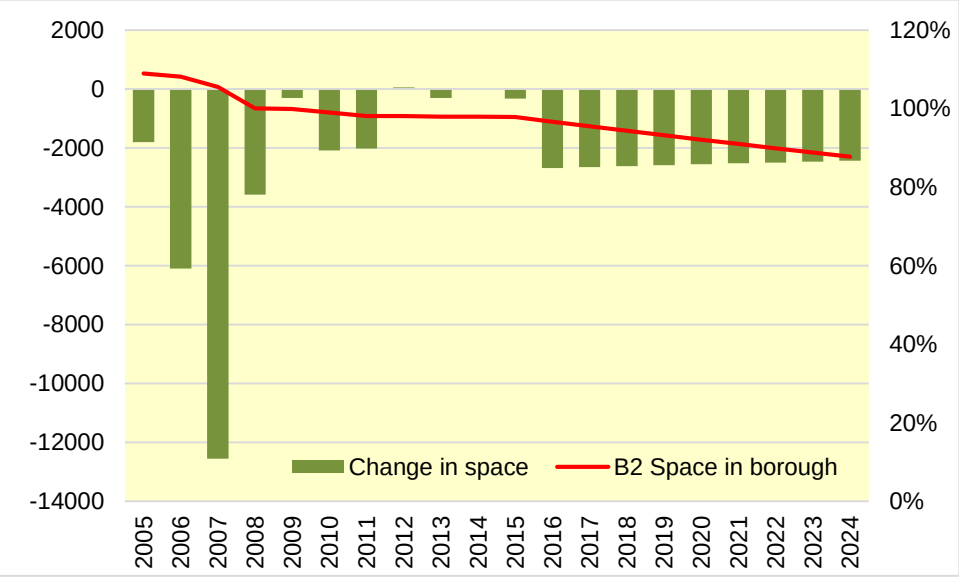
Source: TBR (WTS8 S3b)

79. The Islington economy would not be sustainable under this kind of regime, were nearly 62,000 jobs, £5.303bn in GVA and £12.939bn in turnover to be lost in the ten years to 2024.

9.2 B2 space

80. The impact on B2 space was assessed by reviewing the changes to overall space resulting from completed projects achieved through the full planning process and then applying this rate of change to the overall B2 stock. Over the period 2005 to 2014, B2 stock was lost at an average of 1.3% per annum. The results of past completions and projections looking forward to 2024 are shown in Figure 4.

Figure 4 Impact of change on B2 space, based on completions



Source: TBR (WTS8 S3c)

81. When density factors are applied[15], estimates of the impacts on employment, GVA and turnover are generated. These are presented in Table 9.4.

Table 9.4 Impact of change on B2 space, based on completions

Year	Employment	GVA (£m)	Turnover (£000)
2015	-10	-1	-3
2016	-80	-10	-22
2017	-80	-10	-21
2018	-80	-10	-21
2019	-80	-10	-21
2020	-80	-10	-21
2021	-80	-10	-20
2022	-80	-10	-20
2023	-80	-10	-20
2024	-80	-9	-20
Total 2015 to 2024	**-720**	**-90**	**-189**

Source: TBR (WTS8 S3c)

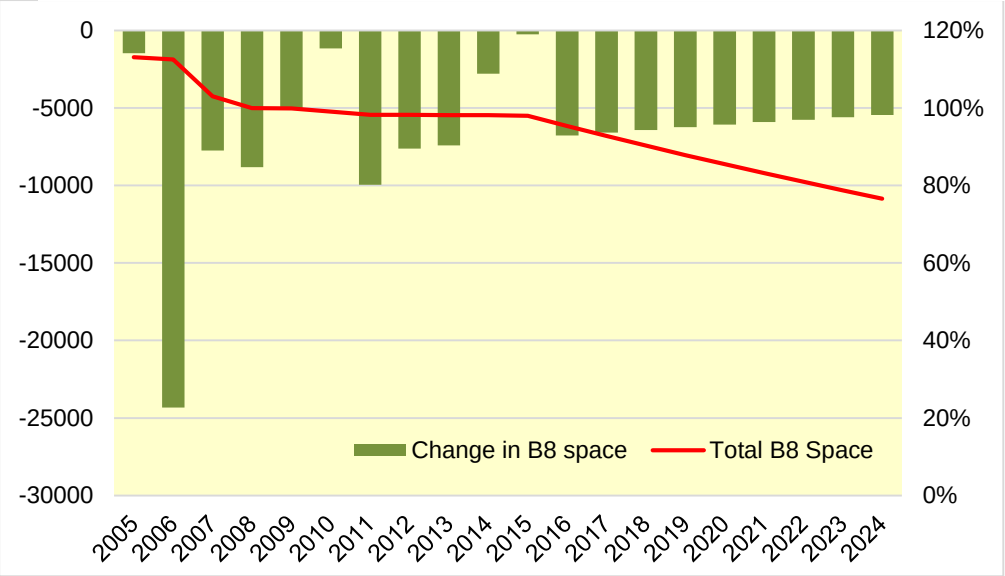
82. It should be noted that the projections above used loss rates derived from an analysis of changes to B2 space consented through the full planning system and its inbuilt constraints. Should a PDR for B2 space be introduced, the losses would be significantly greater. In the absence of any such PDR, no further scenarios were investigated.

9.3 B8 space

83. Estimates for the impacts of change on B8 warehouse space were generated using the same method as for B2. First the average rate of change to overall B8 space resulting from completed projects achieved through the full planning process was calculated and this rate was then applied to the overall B8 stock. Over the period 2005 to 2014 B8 stock was lost at an average of 3% per annum. The results of past completions and projecting the trend forward are shown in Figure 5.

[15] These are used to assess employment, GVA, turnover and rates paid per square metre of B-use floorspace, see Table 3.1.

Figure 5 Impact of unfettered change on B8 space, based on completions



Source: TBR (WTS8 S3d)

84. By applying ratios of employment, GVA and turnover to area, we generate estimates of change looking forward to 2024 (Table 9.5).

Table 9.5 Impact of change on B8 space – based on completions

Year	Employment	GVA (£m)	Turnover (£000)
2015	-10	0	-5
2016	-140	-6	-124
2017	-140	-6	-121
2018	-130	-6	-117
2019	-130	-6	-114
2020	-130	-6	-111
2021	-120	-6	-108
2022	-120	-5	-105
2023	-120	-5	-102
2024	-110	-5	-100
Total 2015 to 2024	**-1,130**	**-53**	**-1,007**

Source: TBR (WTS8 S3d)

85. It should be noted that the projections above used loss rates derived from an analysis of changes to B8 space consented through the full planning system and its inbuilt constraints. Should a permanent PDR for B8 space be introduced the losses would be significantly greater. While a limited PDR allowing B8 space to be converted to C3 has been introduced there had been no actual losses at the time of the modelling. As the prior approval is relatively strong and does not allow for demolition, no further scenario has been modelled at this point.

10 Consideration of a moderated change of use arrangement

86. The previous section sought to establish what the impacts might be based on the actual rates of loss from completed projects if these were projected forward. In the case of B1 space we also took account of the pipeline of extant planning permissions and prior approvals. We saw that significant losses were likely across all the B-use classes. Having reviewed a number of possible controls, the one considered most appropriate was to ensure that adequate space is available to meet the GLA employment projections.[16]

87. This was approached by estimating future space requirements by applying employment densities to the employment projections. Two employment densities were used, as follows.

- The current rate of 15 sq m per employee.[17]
- A more efficient density of 12 sq m per employee.

88. We triangulated GLA projections of future employment, with TCR data and current employment density to estimate future B1 space requirements. This was subsequently reviewed against the space projections, assuming a rate of loss of 0.2% per annum. The latter was chosen as it represented a composite rate comprising the long term gain in B1 space of 0.1% per annum with the more recent loss of 0.3% per annum achieved through the full planning process. The results are set out below in Table 10.1.[18]

89. From Table 10.1, we can see that at current employment densities (15 sq m per person) and a very conservative loss rate of 0.2%, there would be inadequate space available under this hypothetical scenario. It is difficult to assess the veracity of this analysis but the absence of any effective space capacity does suggest some form of capacity limit may have been reached.

90. The space requirement in Table 10.1 was calculated by multiplying the employment projections by the employment density for the Borough as a whole (15 sq m per employee + 5% for market surplus). The projected space was calculated by starting with 2008 as the baseline (1,325,000 sq m; applying actual annual changes to 2014, and then projecting forward using a rate of loss of 2.3%.

[16] GLA Economics, London Datastore: http://data.london.gov.uk/dataset/gla-employment-projections
[17] Derived by dividing total B1 employment by the total amount of B1 space.
[18] It should be noted that the employment data are derived from TCR as this allowed for consistency across the density and space calculations. As such the data may not match exactly the projections set out in the main Employment Land Study. We chose this approach to ensure that this comparative analysis of demand and supply was internally consistent, rather than use potentially incompatible data sources.

Table 10.1 Anticipated B1 space against requirements

Year	B1 employment [19]	Total space required[20] (sq m)	Total projected space available (sq m)	Excess or shortfall in space (sq m)
2014	87,930	1,384,010	1,341,560	-42,450
2015	89,600	1,410,250	1,325,210	-85,050
2016	91,300	1,436,990	1,310,970	-126,030
2017	93,030	1,464,240	1,298,670	-165,630
2018	94,790	1,492,000	1,287,920	-204,080
2019	96,590	1,520,290	1,278,730	-241,570
2020	98,420	1,549,120	1,270,860	-278,260
2021	100,290	1,578,490	1,264,170	-314,320
2022	102,190	1,608,420	1,258,540	-349,890
2023	104,120	1,638,920	1,253,840	-385,080
2024	106,100	1,670,000	1,249,980	-420,020

Source: TBR (WTS12 S8)

91. Table 10.2 indicates that if new work practices or office developments allow for higher densities (one employee per 12 sq m) then adequate space is available until 2022.

Table 10.2 Anticipated space against requirements – increased density

Year	B1 employment (from TCR, projections based on 2012-2014)	Total sq m required	Total sq m projected	Excess or shortfall in space
2014	87,930	1,107,910	1,341,560	233,650
2015	89,600	1,128,910	1,325,210	196,290
2016	91,300	1,150,320	1,310,970	160,650
2017	93,030	1,172,130	1,298,610	126,480
2018	94,790	1,194,360	1,287,920	93,570
2019	96,590	1,217,000	1,278,730	61,730
2020	98,420	1,240,080	1,270,860	30,780
2021	100,290	1,263,590	1,264,170	580
2022	102,190	1,287,550	1,258,540	-29,010
2023	104,120	1,311,960	1,253,840	-58,120
2024	106,100	1,336,840	1,249,980	-86,860

Source: TBR (WTS12 S8)

92. The data above assumes a density ratio in line with that used in the ELS to project future demand for floorspace. We have sought to take a realistic approach that acknowledges that the use of space will become more efficient over time, e.g. thought the use of technology and more remote working. Overall, it confirms that planning controls are needed if strategic growth targets are to be accommodated.

[19] B1 employment was derived using a triangulated GLA projection applied to TCR data. This approach was adopted to ensure consistency across the data – the space projections use TCR data.

[20] The space requirement was based on 1 employee occupying 15 sq m and is drawn from an analysis of TCR employment.

11 Scenario testing B1(a) to C3

93. In this section we seek to investigate the impact on B1 office space of various development scenarios that might come about. These include extending the current temporary PDR, a new PDR with no exemptions and no prior approval controls and finally application of new prior approval controls.

11.1 Scenario 1: extend current PDR to May 2019

94. In this scenario we have assumed that the current situation remains in force for a further three years. This includes the exemption for the CAZ and the Article 4 areas and that current rates of change in B1 space are maintained.

95. Analysis indicates that B1 space within the CAZ, in 2013 and 2014, was lost at the rate 0.3% per annum. For the area outside the CAZ, the rate of loss was 2.3% based on completed projects. Thus these rates were applied to the B1 stock in the CAZ and outside the CAZ respectively. This is considered to be a somewhat conservative approach given the relatively slow start to implementing and completing projects under the PDR. The results of the analysis are shown in Table 11.1.

96. Thus should the current PDR regime be extended for a further three years, we would anticipate that 25,634 sq m of B1 office space would be lost. We note that this is in addition to the 45,500 sq m of space due to be lost through prior approval and which is already in the pipeline.

Table 11.1 Scenario 1 – Change in floor space resulting from an extension of the current PDR regime to 2019

Year	Rate of change in CAZ	Net B1 in borough (sq m)	Change in B1 – CAZ (sq m)	Rate of change outside CAZ	Net B1 outside CAZ (sq m)	Change in B1 outside CAZ (sq m)
2016	-0.30%	1,324,070	-4,000	-2.30%	198,780	-4,680
2017	-0.30%	1,315,520	-3,970	-2.30%	194,210	-4,570
2018	-0.30%	1,307,110	-3,950	-2.30%	189,740	-4,470
Total to end			**- 11,920**			**-13,720**

Source: TBR (WTS7 S3a)

97. We can also anticipate a further loss of 1,710 jobs, £146m in GVA and £357m in turnover (Table 11.2) based on the employment, GVA and turnover density ratios.

Table 11.2 Scenario 1 - Changes in employment, GVA and turnover resulting from an extension of the current PDR regime to 2019

Year	Employment	GVA (£m)	Turnover (£m)
2016	-580	-50	-121
2017	-570	-49	-119
2018	-560	-48	-117
Total to end 2018	**-1,710**	**-146**	**-357**

Source: TBR (WTS7 S3a)

11.2 Scenario 2: new PDR, no exemptions and no prior approval controls

98. In this scenario a new permanent PDR is introduced with no exemptions, i.e. the protection afforded to the CAZ is withdrawn and no controls applied to the prior approval process. This would equate to an unfettered approach to applying the prior approval process other than for a small area of B-use space protected through the existing Article 4 direction.

99. In this instance we consider two scenarios for changes to B1 space. These rates of loss were applied to the total B1 space for the whole of the Borough over the period to 2024.

- A conservative estimate based on completions (-2.3% per annum).
- A more progressive rate based on pipeline projects (-11% per annum).

100. Thus we see potential losses of 229,320 sq m and 929,040 sq m, depending upon which rate of loss is used (Table 11.3). In both cases the impact on the local economy would be significant.

Table 11.3 Scenario 2 - Impact of PDR with no exemptions or prior approvals

Use class	Space (sq m)	Employment	GVA (£m)	Turnover (£m)
B1 (-2.3%)	-229,320	-17,020	-1,456	-3,553
B1 (-11%)	-929,040	-61,980	-5,303	-12,939

Source: TBR (WTS7 S3b)

101. The higher rate of loss of 11% was derived from the pipeline of uncompleted projects consented through the prior approval process. Following the announcement in October 2015 allowing for demolition of office space and rebuilding of new residential accommodation, as well as providing a three-year window in which approved projects need to be started, this rate could be considered somewhat conservative. Thus this scenario could have a devastating impact on the office space within the Borough.

11.3 Scenario 3: new PDR, no exemptions but new prior approval controls

102. In this instance the existing exemption provided to the CAZ would be withdrawn but a new prior approval test included. The test would be equivalent to that set out in Section 10, above, which seeks to ensure that there is sufficient office space available to meet the GLA employment projections.

103. The findings of Section 3 were as follows.

104. At current employment densities (15 sq m per person) and a very conservative loss rate of 0.2%, there would be inadequate space available and that no consents could be provided under the prior approval process.

105. If employment densities (on average) could be raised to 12 sq m per person, then the pressure on floorspace would be relieved, to some extent in the short term, but planning controls would still be needed to achieve the growth anticipated in the employment forecasts.

12 Scenario testing B8 to C3

106. In this section we consider the possible impacts on B8 storage and distribution space under a range of scenarios.

12.1 Potential risks of B8 premises converting to C3

107. Table 8.6, replicated below in Table 12.1, indicates that the majority of businesses in B8 premises are considered to be in medium or higher risk of being converted to residential, based on the market assessment.

Table 12.1 Copy of Table 8.6

Use class	Severe to very high	High	Medium to high	Low	Total
B1: Business	1,005 (11%)	3,535 (40%)	2,975 (34%)	1,350	**8,865 (100%)**
B2: General Industrial	155 (12%)	520 (40%)	415 (32%)	210 (16%)	**1,300 (100%)**
B8: Storage & Distribution	95 (12%)	310 (39%)	255 (32%)	135 (17%)	**795 (100%)**
Total	**1,250 (11%)**	**4,365 (40%)**	**3,645 (33%)**	**1,695**	**10,955 (100%)**

108. The analysis of historical changes through the planning process shows B8 premises being lost at 3% per annum. While PDR, allowing spaces of up to 500 sq m, to be converted to residential came into force in 2015, none had been consented based on the data provided.

109. Analysis of changes in B8 space indicate some 76,590 sq m of B8 space has been lost since 2005. This represents a rate of loss of 3% per annum. By contrast, the cumulative pipeline of consents yet to be completed would see a further net loss of 17,030 sq m.[21] Thus the pipeline is equivalent to 22% of the cumulative completions achieved over the previous 10 years. Thus we might conclude that the rate of loss might start to increase as pipeline projects are completed.

110. From a review of the data above, we might consider that the rates seen in the past will increase rapidly should a PDR for B8 be put in place that is more akin to that for B1. However, we note that there are some restraining factors to an unfettered change of use. Specifically, premises in the LSIS, the largest concentration of B2 and B8 space, are deemed to be at medium or high risk compared to very high over most of the area outside the CAZ. Thus it is possible that the rate of loss may slow.

111. However, the data in Table 9.1 (rate of change in B1 space inside and outside the CAZ) suggest that employment space is lost at a faster rate under the prior approval regime (2.3%) than when full planning permission (0.3%) is required.

12.2 Scenario 1 – No change to current PDR expiring April 2018

112. In this section we consider two scenarios: first, that the current temporary PDR that allows spaces up to 500 sq m to be converted to residential continues as planned to April 2018 and secondly, that this arrangement is made permanent.

[21] Ramidus (2016) *Islington Employment Land Review*

113. As mentioned above, the evidence presented indicates that the PDR allowing spaces of 500 sq m to be converted to residential has had no discernible impact to date. On this basis, the impact is modelled on the historic rate of loss of space of 3% per annum being carried forward until 2018. The result is a loss of 19,370 sq m of B8 space (Table 12.2). The loss of space would result in a reduction of 400 jobs, £19m in GVA per annum and £354m in turnover per annum.

Table 12.2 Impact of current PDR on B8

Year	B8 space (sq m)	Employment	GVA per annum (£m)	Turnover per annum (£m)
2016	-6,650	-140	-6	-122
2017	-6,450	-130	-6	-118
2018	-6,260	-130	-6	-115
Total	**-19,370**	**-400**	**-19**	**-354**

Source: TBR (WTS7 S5)

12.3 Scenario 2 – New permanent PDR with prior approval test

114. Should the current PDR be made permanent, we believe that this would attract additional interest, as the challenges associated with having to complete a project within a constrained time period would be lifted. The impact has been modelled by increasing the rate of loss to 4% to take account of the prior approval process being taken[22] up by developers per annum and projecting forward to 2024 (Table 12.3).

Table 12.3 Impact of current PDR being made permanent on B8 space

Year	Space (sq m)	Employment	GVA per annum (£m)	Turnover per annum (£m)
2016	-8,870	-180	-8	-162
2017	-8,520	-180	-8	-156
2018	-8,180	-170	-8	-150
2019	-7,850	-160	-8	-144
2020	-7,530	-160	-7	-138
2021	-7,230	-150	-7	-132
2022	-6,940	-140	-7	-127
2023	-6,670	-140	-6	-122
2024	-6,400	-130	-6	-117
Total	**18,180**	**-1,400**	**-65**	**-1,248**

Source: TBR (WTS7 S5)

115. This scenario sees a loss of 18,180 sq m in space, 1,400 jobs, £65m in GVA per annum and £1,248m in turnover per annum to 2024.

[22] The rate of loss through the planning process over the last two years has averaged 2.7%. This would increase once the PDR was made permanent and applied to areas greater than 500 sq m

13 Conclusions

116. The analysis indicates that businesses based in B-use space are vital to the economy of Islington. In total they are account for two-fifths of all firms, employment and GVA and over a third of turnover. Key sectors include professional and technical services, information and communication technologies, creative industries and construction.

117. While B1 space is concentrated in the CAZ, B2 and B8 are primarily found outside the CAZ, with a major cluster within the industrial site at Vale Royal/Brewery Road.

118. We see from an analysis of planning consents that significant amounts of B-use space are already being lost within the Borough and that this is having an impact on employment, GVA and turnover. Specifically, we see an ongoing erosion of employment space with a limited number of major developments resulting in levels of office stock being maintained, but a rapid attrition of general industry (B2) and warehouse (B8) due to little or no new development to offset losses.

119. The introduction of the PDR outside the CAZ has led to a rapid increase in office space being lost, with new developments failing to keep pace.

120. A review of premises across the Borough indicates that some locations are at greater risk of losing employment space than others. While the CAZ is vulnerable to a loss of space, the area beyond is more so, with the bulk of it identified as being at high risk. The CAZ is an established area for business use which has resulted in high demand and commensurate rents reducing the premium for converting to residential.

121. Depending on the rates of loss considered, between 20% and 70% of B1 space could be lost by 2024, should unfettered PDR be introduced. This could equate to between 17,000 and 62,000 jobs respectively. Such a result would seriously undermine the local economy. It is anticipated that further B2 and B8 space will be lost even without the introduction of further PDR.

122. Consideration of possible prior approval controls to mitigate any strategic loss resulted in a review of projected B1 space required to meet the employment projections against the anticipated amount available. This suggests that there will be a shortfall unless additional space is provided.

123. Overall, we must conclude that employment space outside the CAZ is under threat from the current PDR regime and the situation will be exacerbated, should the current protections be lost with property within the CAZ being brought within reach of the PDR. Once the exemption is lifted from the CAZ in 2019, the office stock will be at very serious rick unless an Article 4 is introduced. Given that the right will encompass demolition, as well as conversion of existing office floor space, even the upper end of the range of losses estimated are conservative.