CITY PLAN 2019 – 2040

COMMERCIAL GROWTH

EVIDENCE TOPIC PAPER

JUNE 2019

Preface

Westminster City Council is preparing a new City Plan 2019-2040 which sets out the council's vision to make Westminster a city of excellence in all areas. This Commercial Need and Capacity Evidence paper estimates the city's capacity to absorb the commercial growth projections in The London Office Policy Review (2017) and Consumer Expenditure and Comparison Floorspace Need in London (2017). As these estimates cover the period 2016-2041 (for offices) and 2015 – 2041 (for comparison retail) they have been adjusted on a pro-rata basis to align with the 2019-2040 timeframe for the City Plan.

Executive summary

The City Plan sets out a framework for growth in Westminster and how that can best be achieved. We can reasonably predict short-term growth based on developments already under construction and approved planning permissions. However, it is impossible to accurately predict longer-term growth. Such growth is dependent on many variables, not least the willingness of landlords to reinvest in sites. Another significant factor is that with most of the land and buildings in the city already in use, the majority of growth in recent years has come from windfall developments; this is likely to continue.

In terms of projected targets for commercial growth, the draft city plan identifies the need for up to 710,000sqm of new B1a office space. This target does not take into account the changing face of work, for example hot-desking and working remotely, thus suggesting that the anticipated demand for additional office floorspace is likely to be an overestimate.

The London Office Policy Review identified that a significant portion of existing office space in Westminster is operating at relatively low employment densities. More efficient usage could reduce the need for additional office space to approximately 179,000sqm over the City Plan timeframe until 2040.

However, this seems unrealistic as such efficiencies would invariably require refurbishment which may not be viable within the timescale, or may be limited due to heritage constraints. Taking these factors into account, a mid-point target between 179,000sqm and 710,000sqm of 445,000sqm would be more realistic, particularly given changing work practices.

There are several developments currently under construction where net growth can be seen across various types of commercial floorspace. There has, however, been a continued loss of office stock and a further net loss of 373,272 sqm of office space across the city is estimated. Nevertheless, significant growth in Paddington (85,224sqm under construction) and Tottenham Court Road (25,008sqm completed

2016-2018) would suggest that past losses may have been a result of dated stock which simply needed to be replaced.
Going forward, there needs to be greater protection for office floorspace. Policy should also look at re-addressing the balance between office and hotel developments. To date, the latter has not been required to contribute towards affordable housing; a benefit which could be seen as incentivising hotel development over office development.

The council has also carried out some scenario testing for additional growth potential, looking specifically at increased building heights in different parts of the city. Higher buildings are one way to create increased floorspace and therefore the capacity for more jobs, whether through upward extension or replacing existing buildings with taller structures. Whilst increased building height in the city must take account of heritage designations, given that 78% of the city is covered by conservation areas, an outright ban on additional height in these areas would be unrealistic.

Modelled scenarios look at an increasing building height by a range (2 -5 storeys) in different areas identified as most appropriate for additional height, in combination with the maximum heights that were included in the November 2018 Draft City Plan.

Findings show that scope exists to meet projected levels of commercial growth through various height combinations. The scenarios observed strict criteria with respect to listed buildings and protected vistas, but if sensitively designed there could be potential for additional floorspace here too; therefore these figures could be regarded as conservative.

Whilst these models do rely on a certain degree of assumption, they have been informed by previous data and as such give a reasonable indication as to what projected growth might look like. In keeping with the City Plan's ambition to deliver 35% new affordable housing, developments within Opportunity Areas and key town centres will have a mixed-used basis, meaning that while 65% of the floorspace should be commercial, 35% will be affordable housing. The exception to this is International Centres such as the West End (Oxford Street, Regent Street and Bond

Street), and Knightsbridge, where growth needs to focus on purely commercial developments.

The breakdown of how these commercial spaces will work is dependent on area type. The modelled scenarios assume a breakdown of 50% office space, 25% retail space, and 25% other space (including A2-5 uses, D uses and hotels); though in practice town centre hierarchies can vary in terms of being retail-led, leisure-led or office-led. Looking beyond these scenarios, commercial growth could also be achieved through the intensification of other parts of the CAZ, including the WERLSPA, as well as commercial areas within the NWEDA and smaller local centres.

It is clear that whilst we cannot accurately quantify long-term commercial growth, capacity does exist to meet the ambitions set out in the Draft City Plan.

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1. Introduction

1.1 Policy within the City Plan provides a supportive framework for growth in Westminster to meet the significant projected demand for commercial floorspace (including office and retail floorspace) alongside residential growth. In terms of anticipating where in the city commercial growth will be distributed, greatest certainty exists in the short term - where development schemes are either already under construction or have received planning consent, meaning the precise mix of uses and floorspace is known.

1.2 Beyond this, policy provides a broad steer of where the majority of additional commercial growth is anticipated – i.e. within existing commercial areas including the CAZ, WERLSPA, Opportunity Areas, and the town centre hierarchy. Accurately predicting where within these areas further growth will occur is not possible. In reality, growth will largely be dependent on the willingness of landowners to reinvest in sites where high value, viable uses already exist. There is a lack of low grade, vacant or underutilised land in Westminster that provides obvious redevelopment opportunities. As such, the majority of growth has long been achieved through windfall development – and high levels of delivery have occurred within this context.

1.3 Nevertheless, it is important to demonstrate that capacity exists within the city to meet the projected levels of commercial growth identified in the City Plan. This paper therefore summarises the council’s position in terms of:

- projected levels of commercial growth;
- where commercial growth is already known to be coming forward; and
- the potential capacity for additional commercial growth that exists beyond this (recognising individual proposals will inevitably require a more detailed analysis of townscape and heritage value at planning application stage).

2. Projected levels of commercial growth

2.1 The Draft City Plan identifies a potential need for:

- up to 710,000sqm of new B1a office space (if it is assumed that all projected growth in office jobs in Westminster is delivered in new office floorspace); and
- 229,944 – 322,286sqm of A1 comparison floorspace.

2.2 These estimates are based on:

- The London Office Policy Review (2017); and
- Consumer Expenditure and Comparison Floorspace Need in London (2017)

2.3 As estimates in these documents cover the period 2016-2041 (for offices) and 2015 – 2041 (for comparison retail), they have been adjusted on a pro-rata basis to align with the timeframe for the City Plan i.e. 2019-2040.

2.5 As set out in the City Plan, estimated demand for additional office floorspace is likely to be an overestimate, as it assumes that all new office jobs come through the provision of additional floorspace. In reality, some jobs growth is likely to occur independent of changes in floorspace – through changing working practices such as increased working from home, and the refurbishment of existing buildings to make them more space efficient.

2.6 The London Office Policy Review identified that a lot of existing office space in Westminster operates at lower than London average employment densities. If such space is treated as excess stock and subtracted from projected floorspace demand, it notes that this could substantially reduce the need for additional space to approximately 213,000sqm over the period 2016-2041, or approximately 179,000sqm over the City Plan timeframe of 2019-2040. Again, such a scenario is likely to be unrealistic however, as not all buildings with lower than London average employment densities are necessarily viewed by landowners or occupiers as excess stock that need redeveloping or refurbishing to operate in a more space efficient manner. Options for such sites may also be limited by heritage constraints. Given the range of projections set out in the London Office Policy Review, and the limitations with the assumptions behind each scenario, a mid-point of 445,000sqm is considered a reasonable minimum office floorspace figure to plan to exceed.

3. Known development activity

3.1 Over the plan period, there are several developments currently under construction that are seeing a net growth in various types of commercial floorspace. Pipeline data from the council's own monitoring records indicate that across the city, schemes currently under construction are delivering:

- 35,634 sqm of additional A1 retail floorspace[1]
- 260,892 sqm of addition C1 hotel floorspace
- 23,816 sqm of additional floorspace for other town centre uses i.e. those falling in use classes A2-A5, D1-D2, and sui generis

3.2 Furthermore, schemes benefiting from planning permission that are yet to commence on site could also deliver:

- 7,186 sqm of additional A1 retail floorspace[2]
- 178,310 sqm of additional C1 hotel floorspace
- 4,768sqm of additional floorspace for other town centre uses i.e. those falling in use classes A2-A5, D1-D2, and sui generis

3.3 Much of this non-office based commercial growth is however coming from the continued loss of office stock to other uses including residential. Schemes currently under construction are estimated to see a further net loss of 373,272 sqm of office space across the city – which is in addition to the estimated 720,000sqm lost since 2005. However, continued significant net office growth in Paddington (85,224sqm under construction) and Tottenham Court Road (25,008sqm completed 2016-2018) is indicative that much of the past losses had been of dated stock that had reached the end of its economic life and could be replaced with other uses that met other policy objectives. As such, the recovery of such stock alongside planned future commercial growth (which would have significant negative impacts on Westminster's unrivalled townscape and heritage value), would be an inappropriate response to market trends and the need for sustainable growth. Nevertheless, evidence points to a need for:

- greater policy protection of remaining office floorspace;
- a more level playing field between hotel and office development. (Under adopted policy hotels were viewed as an acceptable alternative use to offices, and did not have to make any contribution towards affordable housing. Where offices came forward as part of mixed use development however, they were required to contribute towards affordable housing. This appears to have incentivised hotel development over office development);
- some increased building height in appropriate locations; to secure a net growth in all types of commercial floorspace alongside residential growth.

[1] A breakdown of A1 retail floorspace between comparison retail and convenience retail not available
[2] As per footnote 1

4. Additional growth capacity

4.1 In addition to the known development activity set out above, the council has carried out some scenario testing of the potential for additional growth through increased building heights in different parts of the city. Doing so is based on a series of assumptions regarding the nature of development considered likely to come forward, and the extent to which heritage and local character may constrain additional building height. Scenario testing focusses on areas identified within the Westminster Building Height Study (2019) as being those being most capable of accommodating growth – i.e. within Opportunity Areas and commercial streets with larger scale buildings and a more varied townscape.

Baseline position

4.2 The starting point is an understanding of existing building heights, which vary widely across the city. Data on the heights of existing buildings were therefore gathered using Ordnance Survey Mastermap 2018 data. As this data covers all structures within the city, anything with a footprint of less than 10 sq m was excluded – to ensure small structures such as bus shelters, kiosks and electricity sub stations were not identified as offering scope for upwards extensions.

4.3 Data on building heights were then converted to storey numbers using an average storey height of 3.8 metres. Whilst storey heights clearly vary between buildings, this was considered a reasonable benchmark given Westminster's diverse building stock, and typical heights seen in modern developments. It is significantly higher than minimum residential floor to ceiling heights of 2.3m set out in Nationally Described Space Standards – recognising commercial building requirements for additional height for cabling, ventilation etc, and the use of generous floor to ceiling heights within office receptions and retail units.

Development assumptions

4.4 Development involving increased building height (and therefore floorspace and jobs capacity) could be delivered through:

- the replacement of existing buildings with taller ones, or;
- upwards extensions to existing buildings, which could also accompany the refurbishment and reformatting of existing buildings layouts,

4.5 To model the outcomes of additional building height, a series of assumptions on the type of development activity expected to occur through windfall schemes have been used. Assumptions used, along with justification for them is provided below:

- Developments within the Opportunity Areas and key town centres will come forward on a mixed-use basis, with 65% of new floorspace being commercial and 35% residential. This aligns with City Plan policies that major commercial growth (offices and hotels) should provide 35% affordable housing on site, and ensures scenarios tested do not compromise other plan objectives of delivering housing growth. An exception is made for the International Centres, where 100% commercial schemes are expected in accordance with policy in the Draft Plan.

- The breakdown of commercial space will be in accordance with the site mix assumptions for mixed use sites in the CAZ in the London Employment Sites Database 2017 (CAG consultants) – i.e. 50% office space, 25% retail space, and 25% other space (including A2-5 uses, hotels, D uses and sui generis uses from the Use Class Order). NB The London Employment Sites Database makes allowance for B2 light industrial uses within 'other uses'. However as these are unlikely to come forward in Westminster it is assumed such allowance will be absorbed by additional other uses within the category such as A3 cafes or sui generis.
- Average additional storey heights of 3.8m, as referred to paragraph 3.2.2 above
- The useable or lettable floorspace within a building is assumed to be 35% smaller than the floor area measured from the outside of its external walls. This discount accounts for space occupied by walls, and shared or common areas such as stairwells, lifts, and plant rooms. It also includes an allowance for additional storeys of buildings to have a smaller floor area than the storeys below them as they are set back from street level to be less imposing. It represents a greater discount than the 15-20% discount often applied in converting external floorspace to internal floorspace, as set out in the HCA Employment Densities Guide, 2015.

4.6 Clearly in practice these assumptions will not apply equally when new development proposals come forward. Sites within the town centre hierarchy may come forward for entirely commercial schemes, and likewise there may be some instances in Opportunity Areas where wholly residential development conforms with surrounding character. Such instances are likely to be limited however, given that identified Opportunity Areas are predominantly commercial in character. Beyond this, commercial schemes can vary in terms of if they are retail, office, or leisure led, and the dwelling mix in different residential development will vary.

4.7 Nevertheless, the assumptions provide a broad and reasonable guide of the types of development that are anticipated, are informed by other data sources, and provide a useful basis for testing different growth scenarios.

Constraints

4.8 To secure good growth, and to conform with policies in the City Plan, increased building height in Westminster will need to take account of existing townscape character and heritage designations. Scenario testing has therefore accounted for the presence of listed buildings and protected vistas as key heritage constraints to increased building heights. Where existing buildings fall within such designations, an assumption that no increase in height or floorspace of that building will occur has been applied. Whilst this ensures that such constraints have been factored into scenario testing, in reality there may be instances where sensitively designed proposals in these areas (which could include upward and/or outward extensions), could secure additional floorspace. Likewise, there may also be other locations where additional height will be unacceptable for townscape and amenity reasons. While scenario testing therefore seeks to model key heritage constraints, it is acknowledged that this is no substitute for a detailed appraisal of site context that will need to accompany any planning application.

4.9 Conservation areas and their settings, the settings of listed buildings, and unlisted buildings of merit, have not been identified as a major constraint for the purposes of scenario testing. This is on the basis that sensitive developments have historically been permitted in such locations, indicating they are less of a constraint to additional building height. Furthermore, as 78% of the city is covered by conservation areas, an outright ban on any additional height in such areas would clearly mean the city's growth needs could not be met.

Development scenarios

4.10 The impact of a range of development scenarios in terms of the amount of commercial floorspace they could deliver were then tested. Chosen scenarios broadly reflect:

- Building height policies within the November 2018 Draft City Plan – including the testing of the prescribed maximum heights for Opportunity Areas[3], and scope for upwards extensions at a scale that reflects the character and scope for growth in other commercial areas;
- that Opportunity Areas are expected to see substantial growth through development of a larger scale that defines its own character, including replacing existing buildings with taller ones – which is likely to offer greater scope for additional height than an upward extension would;
- that development within the International Centres is not expected to provide residential units on-site.

4.11 Where maximum heights have been applied, it is important to note that scenarios used do not assume that all buildings within the relevant Opportunity Area are replaced with buildings up to this maximum height; which would clearly be undesirable from a townscape, heritage and amenity perspective. Instead they look at the impact of replacing existing buildings across the Opportunity Area that are not listed or in a protected vista with ones that are 2-5 storeys taller, up to the maximum height. A range has been

[3] NB while the Regulation 19 Plan has since moved away from specifying maximum heights, these are considered a useful starting point for understanding potential capacity for growth. Areas and heights chosen do reflect the findings of the Westminster Building Height Study that Opportunity Areas and their fringes offer the greatest scope for additional height, and that scope also exists along larger commercial streets.

used to reflect the uncertainties of which sites will come forward, at what scale, and the need to achieve a varied townscape.

4.12 As an example of the approach to maximum heights, if an existing building in Paddington that is not listed or in a protected vista is 10 storeys, it is only the impact of replacing it with a 12-15 storey building that is tested – not the impact of replacing it with a 20 storey building. Meanwhile, if an existing building in the same area is 18 storeys, the impact of building more than 2 storeys higher has not been tested – as this would exceed the specified maximum height of 20 storeys.

4.13 While scenarios tested have included looking at the upper ranges published in the 2018 Draft City Plan (i.e. 20 storeys in Paddington, or 30 in exceptional cases, and 12 storeys in Victoria, or 18 in exceptional cases), it is not expected that such heights become the norm in these areas. As set out in paragraphs 4.11 - 4.12 above, the approach used to scenario testing ensures that where maximum heights are provided, this is an upper limit that should not be exceeded, and not a height that all buildings within the area to which it applies are expected to reach.

5. Scenario results

5.1. Key findings of scenarios tested indicate that:

Area	Height	Extra B1 floorspace	Extra A1 floorspace
International centres excluding Oxford Street	2-3 extra floors	40,027 sqm – 60,300 sqm	20,014 sqm – 30,150 sqm
Oxford Street	2-4 extra floors	69,268 sqm – 138,616 sqm	34,634 sqm – 69,308 sqm
CAZ Retail Clusters	2-3 extra floors	123,061 sqm – 185,063 sqm	61,530 sqm – 92,425 sqm
Major Centre	1-2 extra floors	9,276 sqm – 18,625 sqm	4,639 sqm – 9,312 sqm
District Centre	1-2 extra floors	13,814 sqm – 27,725 sqm	6,907 sqm – 13,862 sqm
Tottenham Court Road OA	3-5 extra floors	1,243 sqm – 2,071 sqm	621 sqm – 1,036 sqm
Paddington OA	Max 20 storeys	42,023 sqm – 98,601 sqm	21,012 sqm – 49,300 sqm
Paddington OA	Max 30 storeys	42,722 sqm – 107,107 sqm	21,361 sqm – 53,553 sqm
Victoria OA	Max 12 storeys	42,776 sqm – 60,146 sqm	21,388 sqm – 30,073 sqm
Victoria OA	Max 15 storeys	53,203 sqm – 107,245 sqm	26,602 sqm – 53,623 sqm
Victoria OA	Max 18 storeys	58,162 sqm – 133,314 sqm	29,081 sqm – 66,657 sqm

5.2 Combining figures for each area therefore result in a range of **341,488 sqm – 672,821 sqm** of potential B1 office floorspace and **170,754 sqm – 336,303 sqm** of potential A1 retail floorspace, alongside complementary town centre uses and residential growth, depending on what height limitations apply in each area. To deliver at the top end of these ranges would require some buildings up to 30 storeys in Paddington and 18 storeys in Victoria. However, as the identified cumulative totals comfortably exceed projected future demand for these types of floorspace across the city, such height is only likely to be necessary if policy is overly restrictive on additional height (i.e. upwards extensions) elsewhere.

5.3 Applying a maximum height of 20 storeys in Paddington and 12 storeys in Victoria could still deliver **591,147 sqm** of potential B1 floorspace and **295,466 sqm** of potential A1 floorspace space. A mid-point within the highest and lowest development scenarios meanwhile, would deliver **507,155sqm** of potential B1 floorspace and **253,529 sqm** of potential A1 floorspace. All of these options exceed city-wide minimum projections of at least 445,000sqm of B1 space and approximately 230,000sqm of A1 space – recognising that not all theoretical capacity will need to come forward over the plan period.

5.4 The ranges listed above indicate that projected levels of commercial growth can be met through a combination of different building heights across the city. It also shows that achieving such growth will not require that all areas are built to the maximum height ranges listed above, and a balanced approach to growth that responds to townscape and character can be followed.

5.5 A breakdown of the findings of all scenarios tested, and combined totals of lowest and highest growth scenarios, are appended to this paper.

6. Conclusion

6.1 As can be seen from section 5 above, in addition to the known development activity referred to in section 3, there are a range of different development scenarios that can achieve projected levels of commercial growth in Westminster. While these scenarios will not be strictly followed as individual proposals respond to site specific circumstances, they are nevertheless indicative of significant development potential within the city. In addition, beyond these modelled scenarios, further commercial growth could also be achieved through the intensification of other areas, such as other parts of the CAZ with a commercial character (including the WERLSPA), commercial areas within the NWEDA, and smaller local centres.

7. Appendix

Area	Additional floors	Max number of total floors	Office floorspace	Retail floorspace
International Centres excluding Oxford Street[4]	2	-	40,027	20,014
	3	-	60,300	30,150
Oxford Street[5]	2	-	69,268	34,634
	3	-	103,950	51,975
	4	-	138,616	69,308
CAZ Retail Clusters[6]	2	-	123,061	61,530
	3	-	185,063	92,425
Major Centre	1	-	9,276	4,639
	2	-	18,625	9,312
District Centres[7]	1	-	13,814	6,907
	2	-	27,725	14,862
Tottenham Court Road	3	-	1,243	621
	4	-	1,657	828
	5	-	2,071	1,036
Paddington	2	20	42,023	21,012
	3	20	63,201	31,554
	4	20	81,454	40,692
	5	20	98,601	49,300
	2	30	42,722	21,361
	3	30	64,287	32,097
	4	30	85,716	42,823
	5	30	107,107	53,553
Victoria	2	12	42,776	21,388
	3	12	58,816	29,365
	4	12	56,125	28,038
	5	12	60,146	30,073
	2	15	53,203	26,602
	3	15	76,599	38,256
	4	15	100,239	50,094
	5	15	107,245	53,623
	2	18	58,162	29,081
	3	18	85,459	42,686
	4	18	112,462	56,205
	5	18	133,314	66,657
A) Lowest combined total for all areas			**341,488**	**170,754**
B) Highest combined total for all areas			**672,821**	**336,303**
Mean of A and B			**507,155**	**253,529**

[4] Scenarios for international centres assumes all new floorspace is commercial – no residential provided on site
[5] As an international centre, scenario also assumes all new floorspace is commercial – no residential provided on site
[6] Excluding those within an Opportunity Area to avoid double counting
[7] Excluding those within an Opportunity Area to avoid double counting

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City of Westminster