

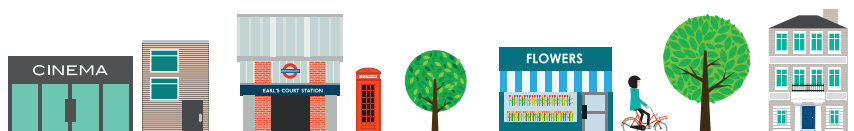
Earls Court Project

London Borough of Hammersmith & Fulham
Application 2

Office Market Assessment

Prepared for EC Properties Ltd
by CB Richard Ellis

June 2011



Application Document

Cover Letter
Planning Application Forms (including Notices and Certificates)
Planning Application Fee
Development Specification
Parameter Plans
Access Plans
Community Engagement Report
Design and Access Statement
Design Guidelines
Planning Statement
Environmental Statement, comprising:

- Non-Technical Summary
- Volume 1: Main Technical Chapters
- Volume 2: Townscape and Visual Impact Assessment (incorporating PPS5 Heritage Assessment)
- Volume 3: Technical Appendices

Transport Assessment
Retail and Leisure Assessment
Office Assessment
Housing Statement
Sustainability Strategy
Energy Strategy
Waste Strategy
Utilities and Services Infrastructure Strategy
Cultural Strategy
Estate Management Strategy
Conservation Area Consent Application Documents:

- Cover Letter
- Application Forms (including Notices and Certificates)
- Plans and Drawings
- Design and Access Statement
- Planning Statement
- Townscape and Visual Impact Assessment (incorporating PPS5 Heritage Assessment)

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Key Point Summary

- This office market assessment has been prepared for EC Properties Limited in support of Planning Applications 1 and 2 submitted for planning permissions for the development of the Earls Court Site, London, SW5.
- Office employment growth in the West End has historically outpaced the expansion of the office supply. The West End is expected to remain significantly under-supplied over the period of the London Plan.
- There is a clear need for additional supply in suitable locations to accommodate expansion of the West End economy and associated workplace growth.
- The boroughs of Kensington and Chelsea and Hammersmith and Fulham present the obvious and logical places to seek opportunities for significant new office development to accommodate demand that cannot be met by the boroughs of Camden and Westminster.
- Based on GLA employment forecasts and assumptions of occupational density contained in the London Office Policy Review (LOPR) there will be a requirement for an additional 1.6m sq m of office floorspace between 2007 and 2031 in these four boroughs.
- In contrast, LOPR projections show a supply capacity of 1.2 sqm over the same period which means that there is an anticipated under-supply of 445,000 sq m.
- The assumed under-supply could be higher if employment growth turns out to be higher or occupational density assumptions are lower than assumed in the LOPR.
- Earls Court West Kensington Opportunity Area (ECWKOA) has distinctive potential for successful development of a new business district to complement and supplement the West End. The development of office space within a mixed-use scheme along with excellent transport accessibility will be an important draw for occupiers.
- ECWKOA has the potential for sufficient scale of office development to secure recognition as a new business hub.
- The London Plan and local planning policy is broadly supportive of developing a mixed-use scheme at ECWKOA. The London Plan refers to the location's ability "for accommodating large scale development to provide substantial numbers of new employment and housing...within a mixed and intensive use of land and assisted by good public transport accessibility". The Draft Supplementary Planning Document for the Earls Court and West Kensington Opportunity Area identifies the need for office floorspace ranging from 90,650 to 194,250 sq m.
- The delivery of a substantial amount of office space at Earls Court is consistent with the PPS4 guidance. There is an identified need for additional office space within the two boroughs in a suitable location in order to meet expansion from the West End and the proposed office development at Earls Court will help meet some of this demand.
- Additionally, proposals for offices at ECWKOA can be realised without causing any detrimental impact on plans for of Hammersmith Town Centre and the White City Opportunity Area.
- Earls Court would benefit from significant new investment that would create significant employment opportunities.

1 Introduction

1.1 Scope of Study

- 1.1.1 This office market assessment has been prepared for EC Properties Limited in support of Planning Applications 1 and 2.
- 1.1.2 This report assesses the strategic need and potential for office development at the Planning Applications 1 & 2 ('the Site') in the context of the local office market. In particular, it will:
- a. Assess the scale and type of future demand across the boroughs of Kensington and Chelsea (RBKC) and Hammersmith and Fulham (LBHF) and the West End.
 - b. Review current and future supply in RBKC and LBHF and the West End. Looking at proposed development to identify the extent to which future supply will match demand.
 - c. Assess the benefits of the Site as an office location in terms of the type of office accommodation proposed and the appeal in terms of accessibility and sustainability
 - d. Consider the impact of the Site on other office locations, in particular setting out how it will interact with White City and Hammersmith Town Centre.
- 1.1.3 As part of this, the proposals for Earls Court are considered against the relevant tests in Planning Policy Statement 4 (PPS4), in particular to assess its impact on Hammersmith Town Centres and proposals for the White City Opportunity Area.
- 1.1.4 The Site forms the majority of the Earls Court and West Kensington Opportunity Area. There is a total of 33 Opportunity Areas identified in the Draft Replacement London Plan – these are locations capable of accommodating new housing, commercial and other development linked to existing or potential improvements to public transport accessibility. Typically they can accommodate at least 5,000 jobs or 2,500 new homes or a combination of the two, along with other supporting facilities and infrastructure.
- 1.1.5 The report draws upon evidence from a number of sources, but in particular makes use of the evidence base supporting the Draft Replacement London Plan. This includes the GLA Economics employment projections for sectors and London boroughs, the London Office Policy Review 2009 and the Local Employment Sites Database 2009. The assessment also makes use of the draft Earls Court and West Kensington Opportunity Area Supplementary Planning Document and the draft White City Opportunity Area Planning Framework and draws on office market data compiled by CB Richard Ellis covering leasing activity, office availability, development starts and completions, changes to office stock and rental levels and trends.

Proposals for Earls Court

- 1.1.6 The development proposals for the 28-acre Earls Court site, sets out a vision to create 'Four Villages and a 21st Century High Street'. The masterplan will create up to 6,775 new homes, 12,000 permanent new jobs, and establish a new 5 acre 'Lost River' park.
- 1.1.7 Proposals for the Site will include the provision of 970,532 sq m (GEA) of above ground development. The majority of which will consist of residential (757,447 sq m), 120,615 sq m of offices and 29,429 sq m of retail space with the remainder allocated for other commercial uses, and education/community space.
- 1.1.8 The office elements are concentrated in two areas of the proposed development, one around the junction of the High Street and the Broadway and one in West Kensington village. There will also be a small provision within Earls Court village. Accordingly the office buildings are likely to be delivered predominantly in three phases:
- Approximately 16,000 sq m will be delivered in the early phases between 2015 and 2019.
 - Approximately 78,000 sq m will be delivered around High Street/Broadway junction between 2017-2025.
 - Approximately 25,000 sq m will be delivered in West Kensington village between 2025-2030.

2 Office Market Assessment

2.1 Introduction

2.1.1 This section of the report assesses the level of future demand and supply in RBKC and LBHF and the extent to which there is a significant mismatch between demand and supply. It also extends the analysis to the wider West End market to capture the issue of structural under-supply that has defined that market for some time.

2.2 Assessment of Office Floorspace Need

2.2.1 The future demand for office space will be closely aligned with the prospects for the economy in general and with employment growth more specifically. According to the GLA's employment forecasts contained in the London Office Policy Review (LOPR, 2009) total office-based employment¹ for London is projected to grow by some 325,000 jobs between 2011 and 2031. We have noted previously² that these employment growth forecasts rely on assumptions that downgrade the historic role that business services has played as a driver of financial and business services employment. There may be reasons to expect that the pace of employment growth will slow relative to historic trends; however, the GLA Economics projections for business services employment are 1.25% per annum over 2007-2031, slowing to 1.1% per annum between 2011-31. This compares with 3.5% per annum over 1982-2007 and 3.0% per annum between 1997-2007.

2.2.2 The projections for business services employment assumed in the Draft Replacement London Plan are very low compared with previous growth rates and the assumption of slightly higher growth rates would have a substantial impact on future business services employment levels with implications for office floorspace requirement.

2.2.3 PPS4 states that the evidence base for planning at the regional level should "be based on an understanding of the economic markets operating in and across the area" (policy EC1.2). This requires the relevant and appropriate economic market area to be defined. In the case of the office market, the appropriate spatial scale of analysis is that at which office occupiers would be most likely to consider alternative locations. With regard to the Earls Court & West Kensington Opportunity Area (ECWKO) it is reasonable to suggest that the relevant market area will include the western part of the Central Activities Zone (CAZ) which covers the London Boroughs of Camden and Westminster, to which it is adjacent, together with other locations within the two boroughs in which it is located: the Royal Borough of Kensington & Chelsea and the London Borough of Hammersmith & Fulham.

¹ Defined as activities within financial services, business services, public administration and other services.

² Earls Court & West Kensington Opportunity Area Employment Capacity Evidence Base, January 2010.



Source: CB Richard Ellis

- 2.2.4 GLA Economics employment forecasts for Hammersmith and Fulham are projected to record growth of 34.9% – the second fastest employment growth of any borough – and Kensington & Chelsea of 9.4% over the period 2011-31. This corresponds to total employment increasing by 22,700 in Hammersmith and Fulham and only 3,600 in Kensington and Chelsea. In Camden and Westminster employment growth of 21.0% and 13.9% respectively is projected. This equates to nearly 30,000 additional jobs in Camden and just over 39,000 in Westminster.
- 2.2.5 The low projected growth in Kensington and Chelsea is because future employment growth is constrained by a relative shortage of business sites. If employment forecasts for the borough were more in line with accessibility potential³ then it would be 6.6% higher than the GLA projection or 2,700 more jobs by 2031. Additionally employment growth in Westminster is low compared with the City of London which is surprising given that Financial and Business Services (FBS) employment is expected to be driven mostly by business services growth than financial services and Westminster has a much higher concentration in business services compared with the City of London.
- 2.2.6 On the basis of these employment forecasts and assuming an average occupational density of 12 sq m per worker, the LOPR projects future office demand of 1.6m sq m for the four boroughs.
- 2.2.7 The assumed occupational density used to derive floorspace requirements is taken from a recent British Council of Offices report (BCO, 2009) that reviewed occupational patterns across sectors and arrived at the 12 sq m figure as an occupational target that organisations typically aim for rather than representative of the actual densities achieved. Other studies point to much higher densities in practice. So while there is a clear trend towards more intensive space usage this has not yet translated through to the densities assumed in the BCO report

³ The GLA's forecast methodology takes into account a borough's supply and accessibility capacities

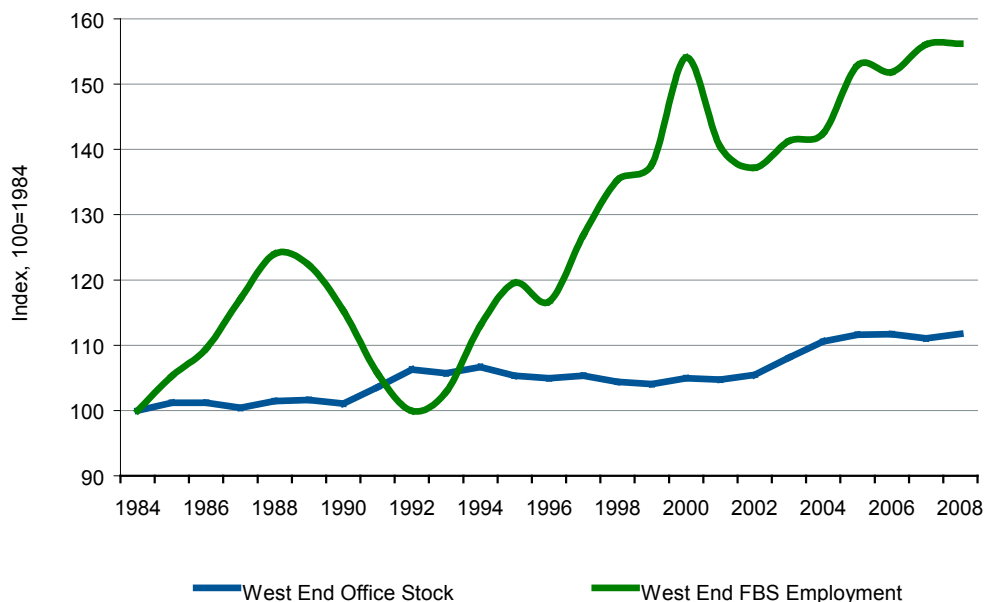
2.2.8 Assuming a lower density of say 14-16 sq m (net) would be more consistent with how organisations⁴ use space. This would imply that future office floorspace requirements are between 16.6% and 33.3% higher than projected in the LOPR.

2.3 Assessment of Office Floorspace Supply

2.3.1 Office development activity has been sharply curtailed in the past two years (2009 and 2010) across Central London as a result of the credit crunch and falling rents and capital values. The short to medium term outlook for new office supply in the West End is highly constrained with currently 135,000 sq m of office space under construction. Very limited new development is now due for completion during 2011-12. More new schemes may be initiated as market conditions and property values improve but it is likely to be 2013 or 2014 before the West End records any appreciable increase in new office completions. Based on the current pipeline of schemes in progress and proposed for completion over the next five years, it is estimated that completions are likely to average in the order of 100-120,000 sq m per annum, compared with the long term average of 110,000 sq m per annum over the past 25 years.

2.3.2 The West End is a particularly supply constrained market and development completion rates have failed to keep pace with the growth in the level of (FBS) employment. Since 1984, the number of FBS jobs in the West End has grown giving rise to a substantial increase in office space requirements while office stock has grown by only 12% over the same period.

West End FBS Employment and Office Stock
1984 – 2009



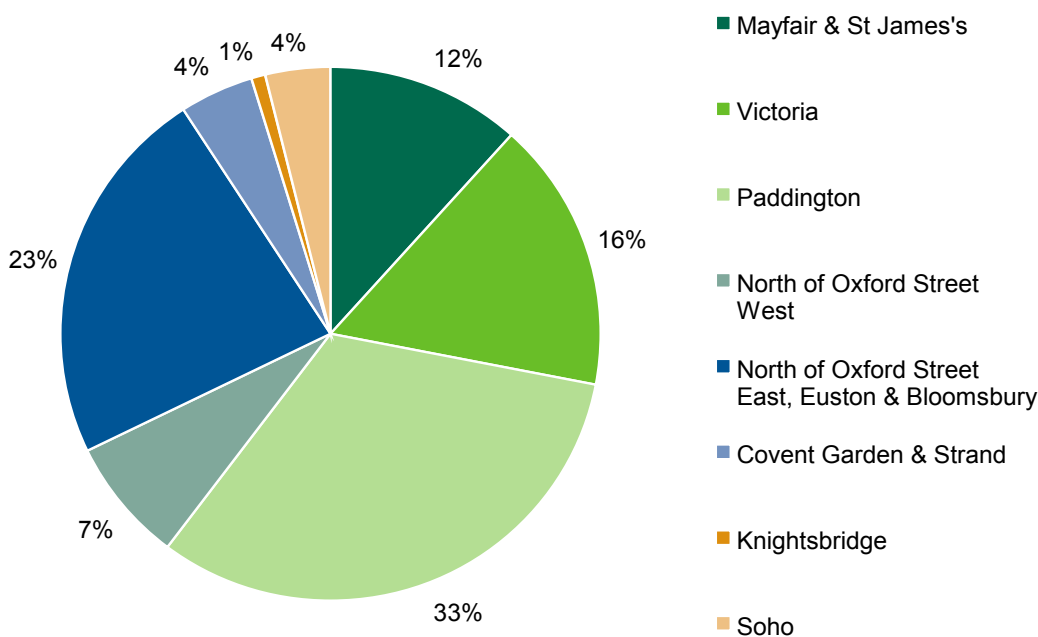
Source: CB Richard Ellis Data

⁴ Office based entities that provide include private and public sector entities

2.3.3 Over the last decade, the West End has relied disproportionately on specific submarkets to provide newly built space to satisfy demand. Paddington and Victoria have emerged in recent years with a significant level of new development. In fact, over the last ten years, these two submarkets, which together account for just 25% of total West End stock have seen 50% of the West End's net additional stock. Most recently, Euston saw several schemes complete in 2009 which were entirely new stock. In very stark contrast, Mayfair & St James's which account for more than 30% of total West End office stock have seen just 12% of West End net additions to office floorspace over the same period.

2.3.4 The West End will be very heavily reliant on the same three locations of Paddington, Victoria and Euston for the majority of net new office supply over the next decade. There is also potential for a significant amount of new supply at King's Cross, which is outside the West End market but is likely to be considered as a location option by some West End occupiers who cannot find suitable premises in the West End itself. However, it is likely that a substantial proportion of the development capacity in all these locations will be utilised over the period to around 2020, leaving longer term supply needs to be satisfied in other locations.

**West End: Distribution of Net Addition to Office Stock by Sub-Market
2002 - 2009**



Source: CB Richard Ellis Data

2.3.5 Within this constrained supply outlook in the West End market, even average levels of office demand will put upward pressure on rents. The CB Richard Ellis Prime Rent Index shows office rents in the West End increasing during 2010 and into Q1 2011 (CB Richard Ellis MarketView: Central London Offices, Q1 2011). With office availability falling sharply and a dearth of new supply in 2011-12, the market is likely to experience a strong cyclical upturn in rents. Historic

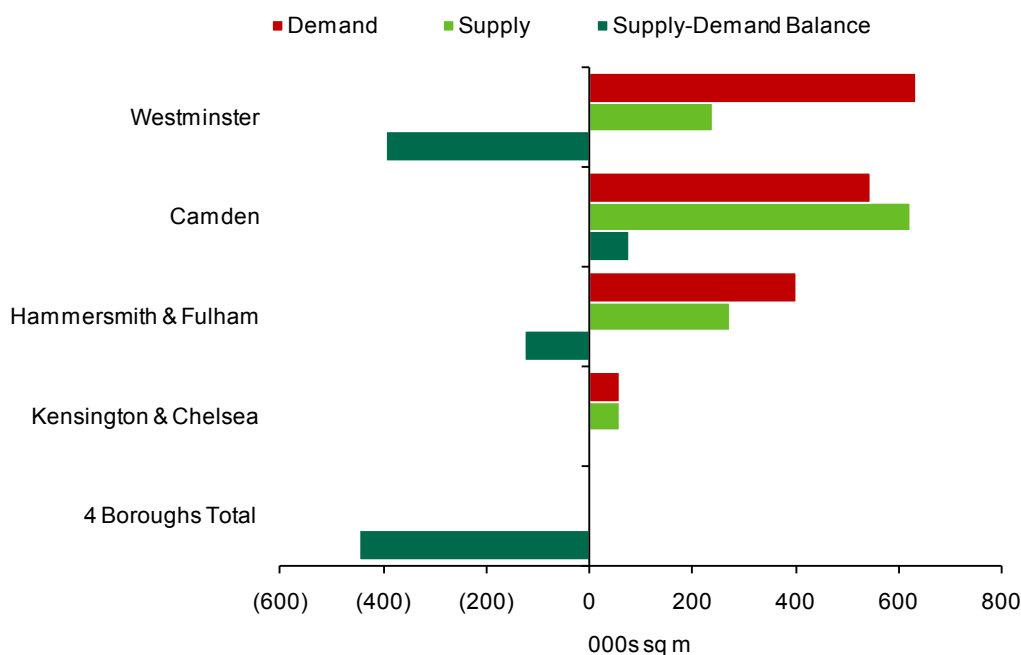
trends suggest that within the next three years West End rents are likely to regain or exceed their 2007 peak levels. West End office occupiers therefore face significant inflation in occupational costs from current levels.

- 2.3.6 Structural under-supply of office space and a lack of expansion capacity for businesses in the West End are set to persist in the long term, as demonstrated in the evidence base for the Draft Replacement London Plan (October 2009). The Plan's forecasts of future office employment growth in London and implied office floorspace demand are taken from the London Office Policy Review 2009 which includes borough-level estimates of future office supply capacity drawn from data in the Local Employment Sites Database (LESD). Comparing the forecast employment growth with supply capacity over the period to 2031, LOPR notes that Westminster is a borough "where the forecasts suggest there is strong demand for offices but the planning system has not yet identified sufficient sites" and consequently "Westminster has a large under-supply" (LOPR, 2009, paragraph 3.5.5). The LOPR identifies office supply capacity in Westminster to 2031 amounting to only 38% of the forecast office demand, representing an absolute shortfall of almost 400,000 sq m of office floorspace.
- 2.3.7 The London Borough of Camden covers part of the West End market. It also includes locations in the adjacent Midtown market area and at King's Cross which will provide alternative location options to the West End for some occupiers. Supply capacity in Camden is therefore also relevant to an assessment of the balance of supply and demand in the western part of the Central Activities Zone. Within Camden locations near Euston and King's Cross have significant office development potential which contributes the major part of the borough's identified supply over the London Plan period. In total Camden's supply capacity in the LESD is around 2.5 times that in Westminster, which emphasises the latter's very restricted potential supply.
- 2.3.8 The LOPR forecast of office employment growth in Camden to 2031 is proportionately stronger than in Westminster and in absolute terms equals 70% of the growth projected for Westminster in the period 2011-31. The identified supply capacity in Camden is sufficient to cater for the forecast demand growth and the borough has 'excess' capacity for 77,000 sq m of offices in the LOPR projections. The apparent excess supply capacity in Camden, however, is no more than a minor counterweight to the projected under-supply of offices in Westminster in the LOPR forecasts. Aggregating the supply and demand forecasts from the LOPR for Westminster and Camden shows that the total supply capacity equates to only 72% of total demand across the two boroughs, resulting in a supply shortfall of 327,000 sq m over the period to 2031.
- 2.3.9 Based on data from the LESD, the LOPR 2009 identifies supply capacity of 56,900 sq m of office floorspace in Kensington and Chelsea. It is not indicated what proportion of this total lies within the area of the borough within the CAZ. The LOPR records only one scheme in the borough with planning consent for over 5,000 sq m in the borough – a 6,300 sq m scheme in Bard Street, W10.
- 2.3.10 The LOPR estimates that future office supply and demand in Kensington and Chelsea are roughly in balance. However, the LOPR demand forecast is constrained to accord with the GLA Economics projection for borough employment which is subject to capacity constraints as outlined previously within this assessment. The conclusion is that Kensington and Chelsea will have no capacity to accommodate excess demand from expansion in the western part of the CAZ which faces a large under-supply over the period to 2031.

2.3.11 The LOPR anticipates growth in office floorspace demand in Hammersmith and Fulham of 401,000 sq m over 2007-30. On the basis of LESD data, however, the borough has “a significant under-supply” of office space relative to this demand. Identified supply capacity of 274,000 sq m (gross) equates to only 68% of forecast floorspace demand.

2.3.12 The chart below summarises the LOPR forecasts of office floorspace demand and supply for the four boroughs of Westminster, Camden, Kensington and Chelsea and Hammersmith and Fulham over the period 2007-2031. These boroughs together comprise the relevant economic market area used to assess office floorspace need with respect to the Site.

Office Floorspace Supply & Demand: 2007-2031



Source: LOPR, 2009

2.3.13 The data in the chart shows that across the four boroughs the LOPR forecasts identify an aggregate under-supply of 445,000 sq m of office floorspace, principally accounted by the large shortfall in future supply in Westminster. As noted earlier, in our view the basis of the LOPR forecasts means that this is likely to be an under-estimate of future under-supply.

2.3.14 The LOPR supply forecast for Hammersmith and Fulham, based on LESD data, includes an estimate for capacity in the White City Opportunity Area which is less than that implied by development aspirations for the area. The full realisation of these aspirations could potentially add additional office floorspace to supply capacity in Hammersmith and Fulham against the LOPR estimate of a shortfall of 127,000 sq. However, development proposals for the White City Opportunity area are still evolving and it is uncertain what the phasing of the various components of the scheme will be and how much floorspace might be developed over the London Plan period.

- 2.3.15 Even if development in the White City Opportunity Area produced the full amount of office space by 2031 implied by the developer's aspirations, the four boroughs together face projected under-supply of some 330,000 sq m of offices over the London Plan period. The boroughs therefore have insufficient currently identified floorspace capacity to accommodate the growth in employment that is forecast to occur over the Plan period.
- 2.3.16 The supply forecasts do not include any allowance for supply capacity in the Earls Court and West Kensington Opportunity Area, which would reduce the level of under-supply, based on the assumptions used to derive the LOPR office space requirements.
- 2.3.17 The above estimate of future under-supply is based on forecasts in the LOPR 2009 and therefore reflects the office employment forecasts used, which are consistent with GLA Economics employment projections, and the LOPR assumptions on occupational density - 12 sq m (net), 13.9 sq m (gross) per worker. In our view, this is likely to under-estimate the potential shortfall in supply for the following reasons:
- Westminster has London's largest concentration of jobs in Business Services which is the biggest office-using sector and the dominant source of office employment growth.
 - The GLA Economics projections for Business Service employment growth, which feed into the LOPR office employment forecast, show a low rate of growth to 2031 compared with long term historic trends. The methodology used to project Business Service employment treats the sector as a residual from projections of other sectors within a total London employment forecast; it thus arbitrarily constrains job growth in Business Services and is potentially biased towards under-estimation of future job growth potential.
 - Despite its favourable office employment structure, in the LOPR forecast Westminster office jobs grow more slowly than in London as a whole.
 - In estimating office floorspace demand resulting from job growth, the LOPR assumes an occupational density of 13.9 sq m per worker (gross). In our view these are an unrealistically high density. (see paragraph 2.2.7)

2.4 Key West London Office Schemes

- 2.4.1 There is a clear under-supply developing across the four boroughs which Earls Court and other schemes in LBHF and RBKC will help address.
- 2.4.2 Hammersmith and Fulham's future supply capacity includes several major proposed schemes in or near Hammersmith Town Centre. Two with planning consent are the redevelopment of Hammersmith Palais on Shepherd's Bush Road (5,850 sq m) and the Transport for London site on Beadon Road (39,000 sq m). There is also outline consent for Hammersmith Embankment Phase 2 (37,600 sq m).

- 2.4.3 Office supply capacity in Hammersmith Town Centre comprises a series of schemes in separate ownership and promoted by different developers. There will be separate and discrete decisions taken on timing and implementation of individual schemes in light of individual viability assessments and prevailing market conditions. Current evidence indicates that certain major schemes are likely to proceed only on the basis of substantial pre-construction leasing commitments. Hence, individual schemes will be taken forward subject to the attraction of specific large occupational requirements.
- 2.4.4 There is also major potential capacity in the White City Opportunity Area, although the development of the site is complicated by the fact that it is owned by a number of different parties. The timescale is 15-20 years. Helical Bar is project managing approximately 14 hectares to the east of Wood Lane adjacent to the Westfield shopping centre, including industrial land it owns along with Aviva, land owned by Marks & Spencer and land owned by the BBC with Land Securities. The BBC owns much of the land on the west of Wood Lane which includes Television Centre which will be vacated when the BBC moves a substantial part of its operations to Manchester.
- 2.4.5 Latest indications are that the site will be divided into three areas:
- The Eastern part which will focus on the creative, academic and technology industries already based there such as the BBC and Imperial College London. This will translate through to a high density mixed commercial use location along with a strong residential element.
 - The Western part which would entail the phased re-building of some or all of the White City estate – although options are still under consideration. This would be a high density housing-led mixed-use development.
 - The revitalisation of Shepherds Bush town centre that will include the revitalisation of the market, the extension of the town centre northward to connect better with Westfield. Improvements to public realm and north to south connections within the town centre.
- 2.4.6 Proposals for the White City Opportunity Area are still evolving although the publication of the draft White City Opportunity Area Planning Framework will allow these to gain more traction. The key theme of the proposals for commercial development at this stage is a specialisation in creative and media-related industries building upon the BBC presence. This would translate into a distinctive office market position for White City and competition with other locations would be conditioned by a potential emphasis on attraction of media-related and creative businesses, including fashion and design.
- 2.4.7 The LOPR identifies office policy options for town centres in non-CAZ locations within Inner London. There are five in Kensington and Chelsea – Chelsea, Kensington, Notting Hill, North Kensington, and South Kensington. The recommended policy option in the LOPR for each of these is “promote residential/non-office-led mixed use”. No centre is identified as presenting a strategic necessity to promote offices.

2.5 Conclusions on Market Context and Office Need

2.5.1 The evidence on the regional market context, relevant to office development at Earls Court, makes clear that:

- The West End office-based economy faces a significant under-supply of office space and there is a need for expansion capacity in suitable alternative locations.
- Suitable locations for expansion of the West End are likely to be located to the west of the CAZ given the well-established, longstanding trend in favour of westward movement in office markets as noted in the LOPR.
- Locations in the boroughs of Kensington & Chelsea and Hammersmith & Fulham are the logical places to seek opportunities for significant new office development to accommodate West End expansion.
- Currently identified supply capacity in Hammersmith and Fulham and Kensington and Chelsea is insufficient to meet projected demand and to provide expansion capacity for the West End, even allowing for a larger amount of office employment at White City than indicated in the Draft Replacement London Plan.
- There is a need for additional capacity in a suitable location to help meet the strategic need for West End expansion capacity.
- As an existing office location with good transport links Hammersmith Town Centre will have some advantages over Earls Court and will consequently appeal to a different type of occupiers. While White City will benefit from the advantages of a pre-existing cluster of academic, creative and technology companies that will differentiate it from Earls Court.
- There has been a trend over the last few years for West End occupiers to re-locate from the core to fringe locations within the West End in order to satisfy requirements for high specification modern buildings at a relatively low cost. This trend looks set to continue as evidenced by British Land's 2 Regent's Place (22,866 sq m) which is nearly fully let having completed last year. This will clearly have implications for locations close to the West End that offer high quality space with good accessibility.

3 Earls Court Opportunity Area: Office Location Potential

3.1 Introduction

3.1.1 This section of the report examines the locational attributes of the ECWKOA and the Planning Applications 1 and 2 as well as the character of proposed development. The section assesses the suitability of ECWKOA and the Site for office development and also considers the likely profile of demand of offices in this location and the types of occupiers it would be likely to attract.

3.2 Suitability Criteria for a Strategic Office Location

3.2.1 The ECWKOA offers a distinctive opportunity to create a new business district that will provide a natural extension to the West End and create a “modern West End type office environment” to accommodate future workplace growth.

3.2.2 To provide an attractive alternative to the West End, where there is excess demand for available space, it will be important for a new location to offer similar qualities to those which underpin the West End’s appeal to occupiers. Of key importance in this respect are:

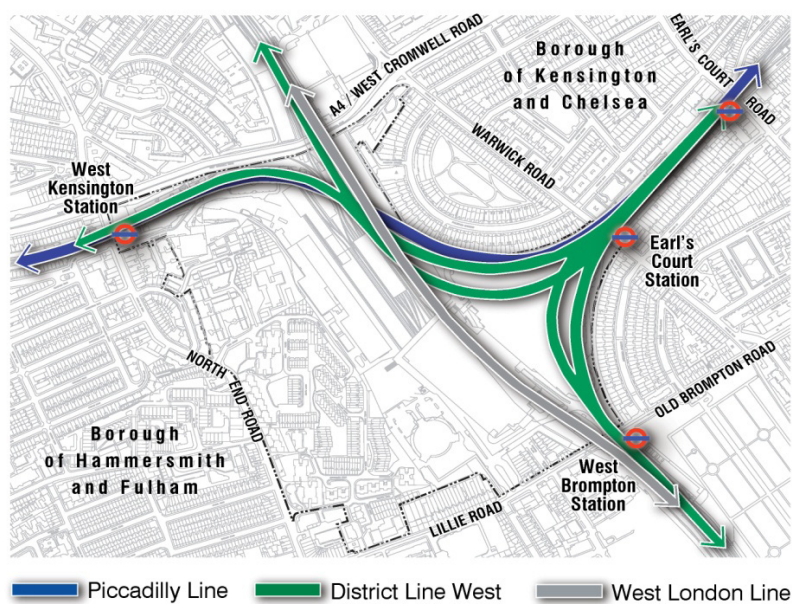
- Public transport accessibility
- Proximity to shops and other services
- A vibrant mix of land uses
- Proximity to a high quality residential environment
- Sufficient development capacity to create critical mass as an office location
- Development on a scale that can provide a varied mix of office buildings for different types and sizes of office occupiers
- A positive image and sense of place.

3.2.3 The ECWKOA offers an exceptional opportunity for fulfilling these criteria, by virtue of its location and the scale and character of the mixed use development proposed for the area. It has the distinctive twin benefits of high transport accessibility and the physical capacity to house significant office development within a major new mixed use district.

3.3 Location and Accessibility

- 3.3.1 The ECWKOA is extremely well-located within the western sector for businesses seeking a near-centre office location option with excellent access to both the West End and Heathrow. Its position makes it well-placed to benefit from the longstanding westward movement of office occupiers. Suitable high quality premises in this location could help retain businesses undertaking westward moves within Inner London.
- 3.3.2 The ECWKOA scores very highly on public transport accessibility, being served by three Underground stations (Earls Court at the eastern end, West Brompton at the southern end and West Kensington at the north-west corner) and the overground rail line linking Clapham Junction to north-west London. According to Transport for London's PTAL rating, which measures a location's public transport accessibility, a large proportion of the ECWKOA has a PTAL rating of 6a or 6b which are the two highest ratings. While some parts of the ECWKOA currently attract a lower rating, improvements to accessibility, site permeability and transport are expected to raise the PTAL to 6 or over for the majority of the ECWKOA, placing it among the highest rated and most accessible areas in London.

Rail Infrastructure



- 3.3.3 As part of the London Underground improvement programme significant transport enhancements have been funded that will increase the capacity on the District Line (26% increase by 2018) and the Piccadilly line (24% increase before 2031).
- 3.3.4 A location that enjoys good public transport accessibility appeals to occupiers as it enables them to draw employees from a large labour pool. Good public transport also affords major sustainability benefits for a location. The ECWKOA's excellent transport accessibility means that future employees and residents alike will have a higher propensity to use the public transport system than in other less accessible locations.

Importance of Location Factors in the West End



Source: GfK Central London Occupier Survey for CB Richard Ellis, 2007

3.3.5 An analysis of labour catchments shows that the Earls Court Site has a catchment containing approximately 1.5 million economically active people within a public transport journey time of 45 minutes to the Site. This is similar to that for Hammersmith Town Centre and higher than White City where only 1.3 million economically active people live within the same journey time.

3.3.6 The potential for strategic offices in the ECWKOA is therefore very strongly supported by its public transport accessibility which gives it an extensive labour catchment area and high sustainability attributes. Significant office employment in a highly accessible location will help meet policy objectives for sustainable development. The ECWKOA offers the distinctive and valuable opportunity to locate significant new office development in a highly accessible place, optimising the economic potential and capacity of the ECWKOA.

3.4 Scale, Mix of Uses and Place-Making

3.4.1 The ability of the ECWKOA to offer a suitable and attractive office location will be a function of the scale and mix of uses proposed for the ECWKOA. The physical extent of the ECWKOA (28 hectares) provides the opportunity for strategic offices to be developed as part of a large, multi-faceted, vibrant and complex mix of uses across the Site that will create a new London district of distinctive character with its own sense of place. Offices will be located in proximity to substantial new residential development, retail and leisure uses and a range of ancillary services uses, all set within an attractive, varied and well-designed public realm.

3.4.2 The scale of the development will also be important for the creation of critical mass and economies of agglomeration for office occupiers, giving weight to the realisation of the potential as a strategic office location. Scale will also enable the development of offices to cater for a wide spectrum of office demand by size of unit and from different types of business. There will a mix of large floorplate buildings for larger occupiers with office space in suitable unit sizes and specifications for small to medium sized businesses. Smaller office occupiers form a large proportion of the demand in the western part of the CAZ and show a strong preference to locate in proximity to other business and services.

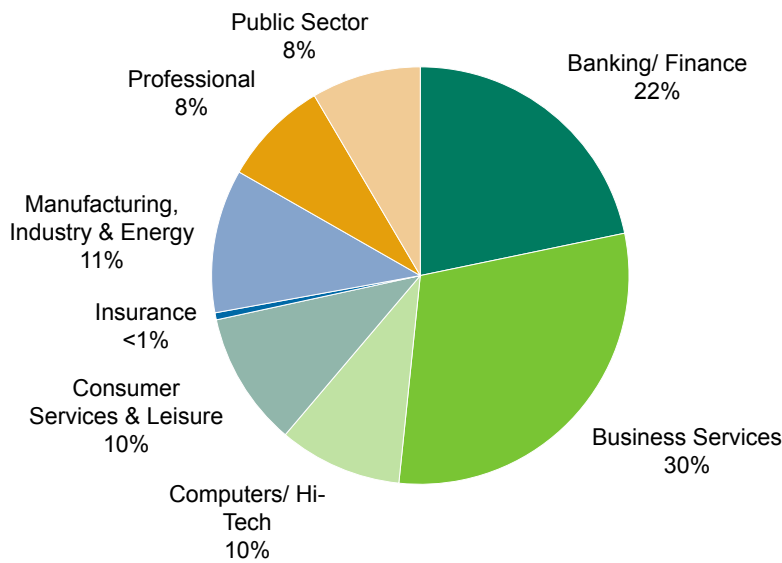
3.4.3 The combination of mixed use proposed for the Site creates the correct environment and activity, with the quantum of space proposed will support the establishment of a new office location.

3.5 Occupier Profile and Market Positioning

3.5.1 Offices in the ECWKOA can be expected to appeal to a diverse range of occupiers; its key attractions will include public transport access, connectivity to the West End and Heathrow, building specification including sustainability qualities and the comparative level of occupational costs, offering a substantial discount to core West End rents.

3.5.2 The broad range of sectors and business types that could be drawn to the ECWKOA is evidenced by the profile of occupiers in the West End and in Hammersmith. Unlike the City, the West End office market is not overly dependent on the banking and finance. The sector accounted for 22% of take-up over the last 10 years; this was exceeded by business services with 28% of demand. A diverse range of other sectors comprised the remaining 50% of West End office demand.

West End & Central London Take-up by Business Sector
2000 – Q1 2011



Source: CB Richard Ellis Data

3.5.3 On the basis of the existing pattern of office demand in the West End and Hammersmith and the advantages of Earls Court as a business location, the following sectors would be potential targets:

- Advertising / marketing / public relations.
- TV & media.
- Telecommunications and computer services.
- Retailing and consumer services.
- Energy industry.
- Some professional services.

- Miscellaneous business services.
- International and UK corporates.

3.5.4 Offices in the ECWKOA will have a long delivery timescale which will allow scope to develop office buildings in response to shifts in occupier requirements with regard to size, configuration and specification. Development will also be able to respond to changing market conditions with a balance of pre-let and speculative office supply. With a concentration of land ownerships in the ECWKOA, a controlled, phased release of office space will be possible, mitigating risks of over-supply.

3.5.5 It will take time for ECWKOA to establish its market position as an office location and to gain critical mass. Competition with other locations will therefore be an evolutionary process rather than one having sudden and transformative effects.

3.6 Conclusion

3.6.1 The ECWKOA is a highly accessible and suitable location for significant office development and realisation of its potential would help meet the strategic need for West End expansion capacity. Together with Hammersmith Town Centre and the White City Opportunity Area, it will increase the office location options for occupiers. A wide range of occupiers, reflecting the diverse West End business mix, will be included in the target market for ECWKOA.

3.6.2 Phased development of offices in the ECWKOA will take place as part of a major mixed use scheme where it will help create a sense of place in a new sustainable community.

3.6.3 Based on its labour catchment, accessibility and potential demand, the ECWKOA can easily accommodate an office development over and above that actually proposed. This would make a significant contribution to reducing the expected under-supply in Westminster, Kensington and Chelsea and Hammersmith and Fulham over the period to 2031. That said, there are other factors, such as market conditions, which will have a direct bearing on the quantum of space achievable on the site. Market conditions have constrained development activity since the credit crunch, and while conditions have improved dramatically over the last year they remain fragile.

4 Planning Policy Content

4.1 National Planning Policy

4.1.1 PPS4 (December 2009) requires planning authorities to identify an appropriate range of sites for main town centres uses including offices. Authorities should base their approach on the identified need for development, identify the appropriate scale of development, apply the sequential approach to site selection and assess the impact of sites on existing centres. In so doing, they must consider the degree to which other considerations, such as physical regeneration, benefits of developing on previously developed sites, employment opportunities, increased investment in an area or social inclusion, may be material to the choice of appropriate locations for development (policy EC5.1). In particular, the following PPS4 policies are relevant:

- Policy EC10: Determining Planning Applications for Economic Development
 - (d) The impact on economic and physical regeneration in the area including the impact on deprived areas and social inclusions objectives; and
 - (e) The impact on local employment
- Policy EC15: the Consideration of Sequential Assessment for Planning Applications for Main Town Centre Uses That Are not In a Centre and Not In Accordance With An Up To Date Development Plan
 - (a) Ensure that sites are assessed for their availability, suitability and viability
- Policy EC16: The Impact Assessment for Planning Applications for Main Town Centre Uses That Are Not In a Centre and Not in Accordance With An Up To Date Development Plan
 - (a) The impact of the proposal on existing, committed and planned public and private investment in a centre or centre in the catchment area of the proposal

4.2 Regional and Local Planning Policy

4.2.1 The London Plan is the overall strategic plan for London and sets out an integrated economic, environmental, transport and social framework for the development of London over the next 20–25 years. In this respect it set the planning framework that should be applied by local authorities in relation to planning decisions. The Draft Replacement London Plan (October 2009) identifies Earls Court and West Kensington as one of London's Opportunity Areas "for accommodating large scale development to provide substantial numbers of new employment and housing... within a mixed and intensive use of land and assisted by good public transport accessibility".

4.2.2 The Draft Supplementary Planning Document (SPD) for the Earls Court and West Kensington Opportunity Area (March 2011) outlines a vision to create "West London's New Urban Quarter" with the emphasis on redevelopment through "a housing-led, mixed use development to create a world class aspiration environmentally sustainable new quarter where people will want to live work and visit". The SPD sets out the framework for delivering this vision and for increasing, amongst other things, employment opportunities for local people, by creating a minimum of 7,000 new jobs. It recognises that office-based employment is currently a significant contribution to employment in the ECWKOAs and that a significant quantum of office floorspace is required to enable this – ranging from 90,650 sq m to 194,250 sq m outlined in three development scenarios.

4.3 Development Need, Site Suitability, Sequential Approach and Impact

- 4.3.1 The evidence presented in this report strongly supports the case for the ECWKOAs as a highly suitable site for strategically significant offices consistent with the objectives of the PPS4 approach, as summarised in the paragraphs below.
- 4.3.2 The evidence presented in the foregoing sections clearly demonstrates that there is an existing and growing need for significant additional supply capacity to cater for expansion of the West End office-based economy and that the adjacent western boroughs are the logical places to seek suitable locations for the necessary development.
- 4.3.3 Offices in the ECWKOAs will be an extension to the West End, providing needed expansion capacity for a significantly under-supplied market. The occupiers likely to be attracted to the ECWKOAs will typically have strong business linkages with the West End and the CAZ more generally. The ECWKOAs will therefore play a strong complementary role as an office location in relation to the CAZ, contributing to the fuller realisation of the West End economic potential with net benefits to London's economy. It is an appropriate location to meet the need that is identified above.
- 4.3.4 PPS4 recognises that the scope of any assessment should be proportionate to the circumstances. The analysis of need presented above is appropriate to the strategic policy-making process and is closely related to any consideration of impact. The extent of the identified potential under-supply of office space in the relevant economic market area – comprising Westminster, Camden, Kensington and Chelsea and Hammersmith and Fulham – means that the proposed scale of development in the ECWKOAs will be required over the long term to meet the shortfall, alongside the supply capacity in Hammersmith Town Centre and in the White City Opportunity Area.
- 4.3.5 The extent of the need for additional supply capacity for West End expansion means strategic office development in the ECWKOAs will have no adverse implications for existing or proposed office centres, including the realisation of development opportunities in Hammersmith Town Centre and the White City Opportunity Area.

Hammersmith Town Centre

- 4.3.6 Hammersmith Town Centre is an established office location with several significant development proposals and potential sites for offices. The supply capacity comprises a series of schemes in separate ownership and promoted by different developers. There will be separate and discrete decisions taken on timing and implementation of individual schemes in light of individual viability assessments and prevailing market conditions. Current evidence indicates that certain major schemes are likely to proceed only on the basis of substantial pre-construction leasing commitments. Hence, individual schemes will be taken forward subject to attraction of specific large occupational requirements.
- 4.3.7 Supply capacity in Hammersmith Centre is weighted toward schemes and sites where development could be taken forward within the next five years. Within this time frame there will be no competitive effect from ECWKOAs. In the longer term, any competitive effect will be conditioned by the gradual evolution of the ECWKOAs' market position as an office location.

White City

- 4.3.8 Proposals for the White City Opportunity Area are still evolving. The key theme of the proposals for commercial development at this stage is a specialisation in the area in creative and media-related industries building upon the BBC presence. This will translate into a distinctive office market position for White City. Its competition with other locations will be conditioned by the emphasis on attraction of media-related and creative businesses, including fashion and design.
- 4.3.9 ECWKOA offices will include media business in the target market but is not envisaged as a sector-specialised business location. A wide range of occupiers, representative of the diverse West End industry mix, will be included in the target market. Development of the ECWKOA as an office location should therefore not detract from or hinder development at White City. The two Opportunity Areas will substantially increase the location options for office occupiers. There is potential complementarity between White City as a new specialised quarter under the Creative London brand and Earls Court as a new diversified hub within a major mixed use district.
- 4.3.10 Office development in the ECWKOA would meet a strategic need that is not currently being catered for and would not adversely affect the function of other office locations where that need is not being satisfied. It would also offer substantial physical regeneration of a brownfield site within an area that would benefit from significant new investment, factors which PPS4 recognises as relevant to the selection of sites for new development. This supports the conclusion that the development of offices at the Site would be in accordance with PPS4 EC16(a) and will not have an impact on committed investment in White City and Hammersmith Town Centre on the basis that there will be sufficient demand to absorb these increases in capacity.
- 4.3.11 The evidence in Section 3 above confirms that the ECWKOA is extremely well qualified to accommodate development of a scale commensurate with the identified need. It is very well-suited to serve the defined need as a strategic site with the ability to create critical mass as an office location within a sustainable new mixed use community in an Opportunity Area.
- 4.3.12 In this respect, the scheme is in accordance with PPS4 EC15(a) in that whilst currently outside a designated town centre the principle of employment uses on the Site is established by virtue of the current development plan designations, Opportunity Area designations and emerging planning policy guidance. Specifically in respect of PPS4 requirements on the Sequential Approach it should be highlighted that the Site and wider Opportunity Area is earmarked for a scale of growth that could not be accommodated in existing town centre locations and is needed to stimulate regeneration and realise sustainable development. Furthermore, ECWKOA has sufficient development capacity to provide a varied mix of office buildings for different types and sizes of office occupiers, with phased delivery over a long timescale allowing scope for office building to respond to shifts in occupier requirement and to changing market conditions.
- 4.3.13 According to the Draft Supplementary Planning Document, the ECWKOA fell within the 30 per cent most deprived area in England based on the Index of Deprivation, with some areas falling within the top 10 most deprived in England. Additionally, some areas score poorly on other indicators of deprivation and social exclusion. Parts of the Opportunity Area falling within the LBHF suffer from high unemployment with rates as high as 28% compared with a borough average of 14%. This is compounded by a high incidence of long-term unemployment amongst residents. The proposed

business floorspace will bring significant economic benefits. It will assist in creating a new focal point and commercial centre for the ECWKOA, acting as a catalyst for regeneration and creating a range of direct and indirect jobs. This is consistent with the Strategic Policy direction for the Opportunity Area as set out in the draft London Plan and the draft OAPF. The total number of jobs created by the Development will contribute substantially to job targets for the Opportunity Area. This is in accordance with PPS4 EC10.2(e) which states that the development should be assessed against its “impact on economic and physical regeneration in the area including the impact on deprived areas and social inclusion objectives”.

- 4.3.14 Strategically significant office development in the ECWKOA will also contribute to the economic development objectives underlying the London Plan to ensure there is sufficient long term capacity for workplace growth, to lessen the burden of high office costs and to ensure emerging sectors can grow in places meeting their needs.

5 Conclusion

- 5.3.1 Based on projections contained within the LOPR, there will be a significant under-supply of office accommodation in Hammersmith and Fulham over the period 2011-2031 – 126,600 sq ft. When also considering the two boroughs that form the western part of the Central Activity Zone (CAZ) (the London Boroughs of Camden and Westminster) along with Kensington and Chelsea, then this under-supply widens noticeably.
- 5.3.2 Our view is that these figures under-estimate the extent of undersupply that will emerge across these four boroughs because of the assumptions used to derive future office floorspace demand. Adopting slightly higher growth rates for business services and lower density rate would mean that the total under-supply would increase significantly.
- 5.3.3 This analysis point to the need for more developments to reduce the mismatch between demand and supply. In this respect, the proposals for 119,114 sq m of office space at ECWKOA will help address this shortfall.
- 5.3.4 The phasing of the office element of the ECWKOA scheme, delivered between 2022 and 2032, means that it will not have any detrimental impact on proposed schemes in White City and Hammersmith town centre. In any case, the excess of supply over demand across the four boroughs indicated that there will be sufficient demand to absorb this potential supply.

