

New City Court

Marketing Strategy

GPE (St. Thomas Street) Limited

A report by Volterra Partners, September 2021

| | |
|--|-----------|
| 1 EXECUTIVE SUMMARY | 3 |
| MARKET DEMAND | 3 |
| SOCIO-ECONOMIC IMPACTS OF THE PROPOSED DEVELOPMENT | 4 |
| 2 INTRODUCTION | 6 |
| SITE CONTEXT | 6 |
| THIS REPORT | 7 |
| 3 MARKET DEMAND..... | 8 |
| OCCUPIER REQUIREMENTS AND PROPOSED DEVELOPMENT'S RESPONSE | 8 |
| LONDON OFFICE MARKET | 9 |
| SE1 OFFICE MARKET | 11 |
| THE CONTRIBUTION OF THE PROPOSED DEVELOPMENT | 13 |
| 4 SOCIO-ECONOMIC IMPACT OF THE PROPOSED DEVELOPMENT | 14 |
| DISPLACEMENT OF EXISTING BUSINESSES | 15 |
| IMPACT ON ACCESS TO WORK AND TRAINING | 16 |
| PUBLIC REALM AND PLACEMAKING | 17 |
| 5 CONCLUSION | 18 |
| 6 APPENDIX ONE: METHODOLOGY FOR ECONOMIC IMPACTS..... | 19 |

1 EXECUTIVE SUMMARY

- 1.1 This document is a Marketing Strategy for the proposal by GPE (St. Thomas Street) Limited (herein 'the Applicant') to redevelop the New City Court site (including the work proposed for Keats House and the Georgian Terraces, address: 4-26 St Thomas Street, London, SE1 9RS) in the London Borough of Southwark (LBS) in accordance with an application for planning permission and listed building consent (herein proposals are referred to as 'the Proposed Development').
- 1.2 The Proposed Development would generate 50,090sqm of Class E employment floorspace, consisting primarily of office and affordable workspace, with supporting flexible space for retail and office uses, and food and drink space. The Proposed Development would also create an elevated rooftop garden, providing publicly accessible open space.
- 1.3 This document presents information on the market demand for the proposals, the socio-economic baseline for LBS and the local area, and the likely effects that the Proposed Development is anticipated to have on the local population and environment, including the consideration of differential impacts on population groups. The report is structured in the following sections: introduction, market demand, socio-economic baseline, economic impacts of the Proposed Development, and wider social and health impacts of the Proposed Development.

Market demand

The office sector is crucial to the LBS economy, contributing over 50% of jobs within the borough.

- 1.4 However, as a result of limited delivery of office stock, office employment growth in LBS has lagged behind that of other Inner London boroughs in recent years. Of the 10 London boroughs containing an element of the CAZ, only Lambeth and Wandsworth have seen a lower growth in office space over the last ten years.

The occupational market in LBS is constrained by a limited supply of both Grade A space and large units. With limited new space due on-stream in the short term, occupier choice will remain limited.

- 1.5 A lack of office stock delivery in LBS has resulted in consistently low vacancy rates and availability rates for businesses choosing to locate in the borough. The mismatch between supply and demand has driven up rental values, meaning that businesses may be deterred from the area, not only through a lack of choice but also high prices. In all, this has the potential to limit the competitiveness of LBS as a place to locate business.
- 1.6 The Proposed Development, through the provision of at least 49,329 m² (GIA) of high-quality office workspace (including affordable workspace), contributes towards solving this issue, creating an estimated 3,790 office jobs in the process (accounting for 99% of the 3,840 jobs at the Proposed Development). In the context of the recovery from the COVID-19 pandemic, the types of office floorspace which are needed to meet the needs of local businesses may evolve, and the Proposed Development will provide an opportunity to redevelop existing low-quality office floorspace into flexible space to meet changing needs.

The Proposed Development has been designed to respond specifically to market trends to ensure that it meets the demands of tomorrow's occupiers.

- 1.7 The Proposed Development will also provide flexible use, informal work and meeting space with facilities to relax and unwind, including terraces to every office floor and a

communal rooftop terrace for occupiers. The building itself has been designed so the floorplates can be split to accommodate a range of different size requirements and businesses of all sizes can be accommodated. The proximity to Guy's Hospital and the flexible design of the office means that the Proposed Development is anticipated to have significant interest in particular from Life Sciences occupiers.

Socio-economic impacts of the Proposed Development

Once operational, the Proposed Development is estimated to directly support 3,840 jobs on-site.

- 1.8 The Proposed Development is expected to support 3,840 jobs, of which 2,940 would be additional to what is supported at the existing site. Taking into account displacement and multiplier effects, it is estimated that the Proposed Development would support 3,310 net additional jobs. Workers at the Proposed Development once operational would be estimated to contribute an additional £5.8m in local expenditure each year compared to the current Site.

The Applicant is actively trying to minimise any impacts upon existing businesses at the site and has already facilitated one intra-portfolio move.

- 1.9 The Proposed Development will have the effect of displacing businesses currently at the site. However, all tenants are aware of the proposals for the building and the Applicant is in regular dialogue with the tenants. The Applicant is actively trying to minimise any negative impacts upon existing businesses, including facilitating intra-portfolio moves. Indeed, one intra-portfolio move has already been facilitated for an existing tenant who was located at the Site.

The Applicant has a track record of creating opportunities for local firms, and jobs and training for local residents.

- 1.10 The Applicant has a Community Strategy, which outlines their long term commitments which include: working with industry bodies and their supply chain to maximise apprenticeship opportunities; promoting the property and construction industry through engagement with local schools; working with colleges and universities to develop the knowledge and skills of the future workforce; and helping the existing workforce to adapt to new ways of working.¹ The Applicant is also committed to supporting local jobs and will commit to delivering job opportunities for LBS residents in full accordance with the Council's Section 106 and CIL Supplementary Planning Document.

The Proposed Development will contribute to London Borough of Southwark targets for office and retail space.

- 1.11 The Proposed Development would make a significant contribution to the borough's requirement for office space (c. 11% of the borough's target to 2036), as well as its requirements for retail space. Its retail offer would assist in the promotion of the 'retail horseshoe' which surrounds London Bridge Station.

The Proposed Development will provide affordable workspace and retail floorspace in a highly accessible location.

- 1.12 Development should be supported in the most accessible places. The Site is very accessible, located next to London Bridge Station and has the highest public transport accessibility (PTAL) rating of 6b. The Site is also located within an opportunity area, which are areas identified in the London Plan for significant capacity for development and existing or potentially improved public transport access. It is therefore a prime location for

development. The Proposed Development will also provide smaller floorplates appropriate for smaller businesses, and approximately 5,000sqm (GIA) of affordable workspace. The Applicant previously held discussions with potential occupiers such as Sustainable Workspaces – a company that provides affordable workspace for sustainable start-ups and entrepreneurs within the ‘cleantech’ industry.

- 1.13 Given the Proposed Development’s proximity to Guy’s Hospital, there is also anticipated to be demand from the Life Sciences industry and potential for these occupiers to form a symbiotic hub. The Proposed Development will benefit the local area in terms of attracting Life Sciences occupiers who would in turn benefit from proximity to the facilities at Guy’s Hospital. Proximity to the hospital could provide commercial occupiers with a range of synergies, including access to leading technology and healthcare innovators, an immediate patient population, and a local talent pool of sector specialists.

2 INTRODUCTION

2.1 This is a Marketing Strategy for the Applicant's office-led proposal to redevelop the New City Court Site (including the work proposed for Keats House and the Georgian Terraces) in LBS in accordance with an application for planning permission and listed building consent.

2.2 The Proposed Development consists primarily of office space (Class E), with some supporting flexible space for retail and office uses and food and drink space (Class E). The proposed development description is as follows:

"Redevelopment to include demolition of the 1980s office buildings and erection of a 26-storey building (plus mezzanine and two basement levels), restoration and refurbishment of the listed terrace (nos. 4-16 St Thomas Street), and redevelopment of Keats House (nos. 24-26 St Thomas Street) with removal, relocation and reinstatement of the historic façade on a proposed building, to provide office floorspace, flexible office/retail floorspace, restaurant/café floorspace and a public rooftop garden, associated public realm and highway improvements, provision for a new access to the Borough High Street entrance to the Underground Station, cycling parking, car parking, service, refuse and plant areas, and all ancillary or associated works."

Site context

2.3 The Site is currently occupied by various buildings, including Georgian terraced townhouses at Nos. 4, 6, 8, 12, 14 and 16 St Thomas Street, the New City Court office building at No. 20 St Thomas Street, and Keats House at Nos. 24 to 26 St Thomas Street. The existing Site consists of 12,763 sqm gross internal area (GIA) of office floorspace. New City Court occupies the majority of the Site and is a part two, four and part five storey office building constructed in the 1980s.

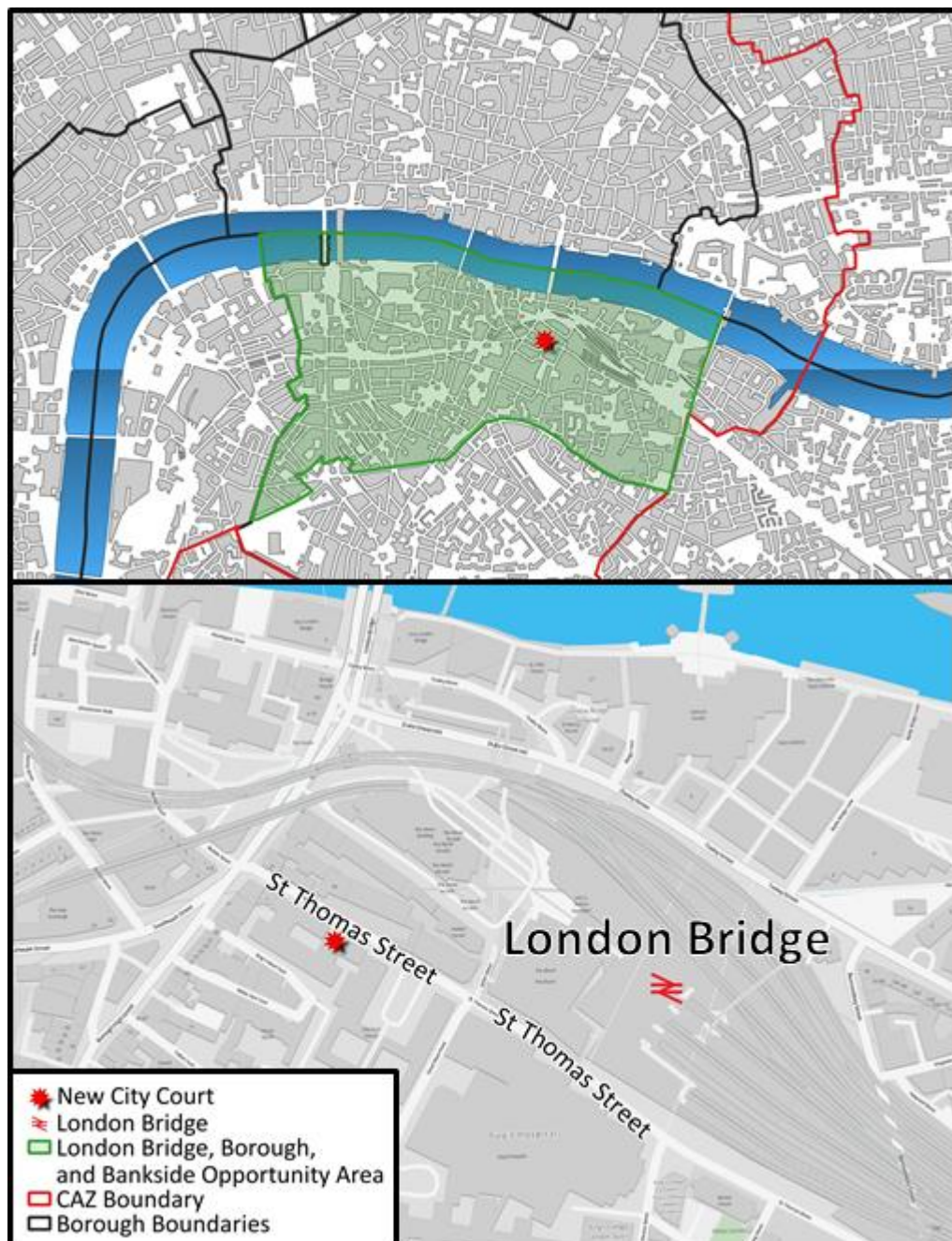
2.4 The Site sits at the heart of London Bridge and is bound by:

- Commercial properties to the north, south-east and west including shops, restaurants, offices, hotels, public houses including The Old King's Head, banks, museums and post offices;
- Guy's Hospital to the east; and
- King's College University facilities including Guy's Campus which comprises student centre, student accommodation as well as a library, IT suite and auditoriums to the south and east.

2.5 The Site is situated towards the north of the borough in the London Bridge area, within the London Bridge, Borough and Bankside Opportunity Area and the Borough High Street Conservation Area. The Site is highly accessible by public transport, judged to have a Public Transport Accessibility Rating (PTAL) of 6b – the highest rating that can be achieved – due to its close proximity to London Bridge Overground and Underground stations (<0.1 mile), as well as Borough Underground Station (0.4 miles away).

2.6 The Site is near the Shard and is surrounded by a diverse set of attractions such as Hay's Galleria, Shakespeare's Globe Theatre, Southwark Cathedral, Tate Modern and Borough Market. These locations all enjoy high levels of footfall. The Proposed Development would act as the missing link, connecting the different locations forming a retail horseshoe surrounding London Bridge Station. The Site in the context of the borough and London is shown in **Figure 1**.

Figure 1 Site context



Contains OS Data @ Crown Copyright and database right (2020)

This report

- 2.7 This Marketing Strategy has been produced in compliance with Policy P29 Office and business development of the draft New Southwark Plan (August 2020), which states that development must “[p]rovide a Marketing Strategy for the use and occupation of the employment space to be delivered to demonstrate how it will meet current market demand.” In particular, the Marketing Strategy reviews:

- **Current office market demand;**
- **Planned uses and occupation of the Proposed Development; and**
- **Socio-economic impacts of the Proposed Development.**

3 MARKET DEMAND

- 3.1 The New Southwark Plan (August 2020 Submission Version) policy P29 states the following:

“In the Central Activities Zone, town centres, opportunity areas and individual development plots within site allocations where employment re-provision is required, development must:

- 1. Retain or increase the amount of employment floorspace on site (Gross Internal Area (GIA) of B class use or sui generis employment generating uses); and*
- 2. Promote the successful integration of homes and employment space in physical layout and servicing in areas that will accommodate mixed use development. This will include a range of employment spaces including freight, logistics, light industry, co-working, maker spaces and offices; and*
- 3. Provide a marketing strategy for the use and occupation of the employment space to be delivered to demonstrate how it will meet current market demand.”*

- 3.2 This section of the Marketing Strategy outlines the extent of current office market demand and demands of office occupiers in Central London. Cushman & Wakefield and JLL have produced a Market Overview and Demand Analysis report on behalf of Great Portland Estates to assess the nature of demand for types of office floorspace and how the Proposed Development meets this demand. Following a summary of the results found in the report, this section then outlines the scale of market need in LBS and outlines how the Proposed Development contributes to addressing this demand.

Occupier requirements and Proposed Development’s response

- 3.3 The Cushman and Wakefield and JLL Market Overview and Demand Analysis report reviews the characteristics of a number of high-rise developments in order to understand more about the needs of occupiers demanding office floorspace in Central London and Inner London.¹ It shows that these developments have had varying success in terms of rents and leasing.
- 3.4 The key lessons learned from the varying success of pre-lets and leasing at these developments are summarised as follows:
- Occupiers are looking ESG credentials within floorspaces - wellness, sustainability, technology and amenity are crucial for occupiers of large floorplates in Central London. In addition, a ‘core & flex’ offering remains high on the occupier agenda. The Covid-19 pandemic has only reinforced the importance of these criteria.
 - Larger efficient floors with volume and light have proved attractive to occupiers and assisted in securing off-plan pre-lets, and pre-lets during the construction phase.
 - Smaller floor plates generally attract smaller occupiers who do not tend to pre-let but will pay premium rents upon completion (albeit they often require earlier lease flexibility). The Scalpel and Angel Court are good examples of this.
 - Momentum is key in any leasing campaign and therefore a realistic approach to pricing at the outset will pay dividends in the long run in terms of letting velocity.
 - A variety of floor plate sizes helps to broaden the target audience and therefore decrease void.
- 3.5 The report highlights that the larger typical floorspace of the Proposed Development of between 15,500 and 16,500 sq ft will increase the probability of securing major pre-let(s) and larger lettings. The floorplate of the Proposed Development is regular in configuration

¹ The views of occupiers from the following buildings were considered within the report: The Leadenhall Building; 20 Fenchurch Street; The Shard; Heron Tower; Aldgate Tower; 22 Bishopsgate; The Scalpel; and, 100 Bishopsgate.

and will allow for a relatively efficient split via a lobby/corridor. This will be an important aspect given the uniformity of the floorplate, which may otherwise limit the tenant audience.

3.6 The Market Overview and Demand Analysis (2021) report recommends the following considerations are taken into account for the Proposed Development:

- A significant F&B offer at both ground floor or higher up the building.
- Auditorium and events space for hire
- Business lounge and communal meeting rooms
- Co-working facilities or project space available on a flexible basis.
- Outdoor and green space
- Opportunities for pop-up retail space
- Amazon lockers / courier service
- External branding opportunities / advertising space for tenants, this is particularly relevant in securing a significant occupier to the building.

3.7 The report concludes that following incorporation of the above elements, the Proposed Development will:

“act as a hub for large and small business alike, improving occupier diversity in Southwark and creating a world class working environment. New City Court should aspire to be a sustainable and inclusive building which will meet with occupiers’ requirements associated to sustainability, wellness and technology and should be an outstanding opportunity for any central London occupier.”

3.8 The Proposed Development, in being designed to respond to the demands of tomorrow’s occupiers, is likely to have sufficient demand upon completion.

London office market

3.9 In recent years, not only has office-employment across the capital grown dramatically, but it has done so at a greater rate than other industries of employment. Between 2010 and 2019, the total number of office jobs in London increased from 1.75m to 2.28m, with the proportion of total employment in London’s office sectors now at 43%, up from 41%. To indicate the scale of the growth in office employment in London, over the period 2010 to 2019, office employment in London accounted for 16% of all the newly generated jobs in Great Britain. The London Plan 2021 acknowledges the significance of office employment and its recent growth to the London economy, stating:

“In recent decades London’s economy has been increasingly service-based, and this is likely to continue. As a result, ensuring there is enough office space of the right kind in the right places is a key task for the London planning system.”²

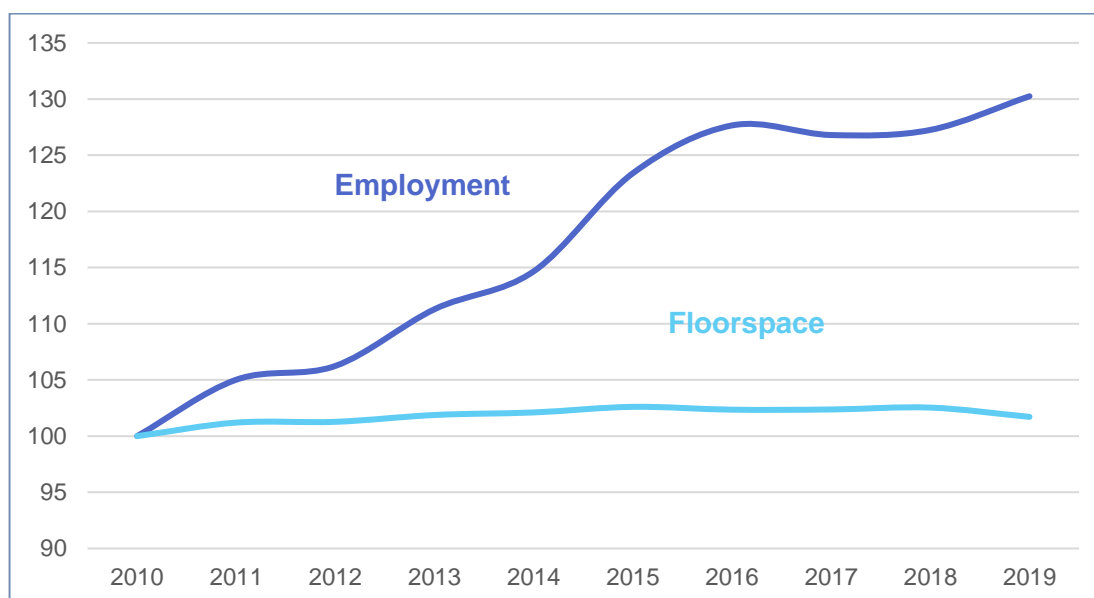
3.10 The growth in office employment across London has been enabled by the historic delivery of office floorspace. Between 2010 and 2019, the total quantity of office floorspace across the capital increased by 443,000 m², a total growth of 2% compared to the 30% increase in office employment over the period. As shown in **Figure 2**, the delivery of office floorspace is strongly lagging behind the growth of employment. Since 2015, London has faced a loss of office floorspace as previous office space has been converted to residential under Permitted Development Rights.

3.11 The growth in office employment that has occurred in spite of a stagnant delivery of office floorspace has been enabled by trends in flexible working patterns allowing employment to be supported at relatively higher densities. This trend has occurred across the UK, but it is particularly prominent in areas with exceptionally high office rents. Although there may

² GLA, 2021. The London Plan 2021.

be scope to further densify employment at existing office spaces within LBS, it is not thought that this trend can continue indefinitely. New office space across London, but particularly in LBS, will be required so as not to constrain future growth in the highly valuable office sector.

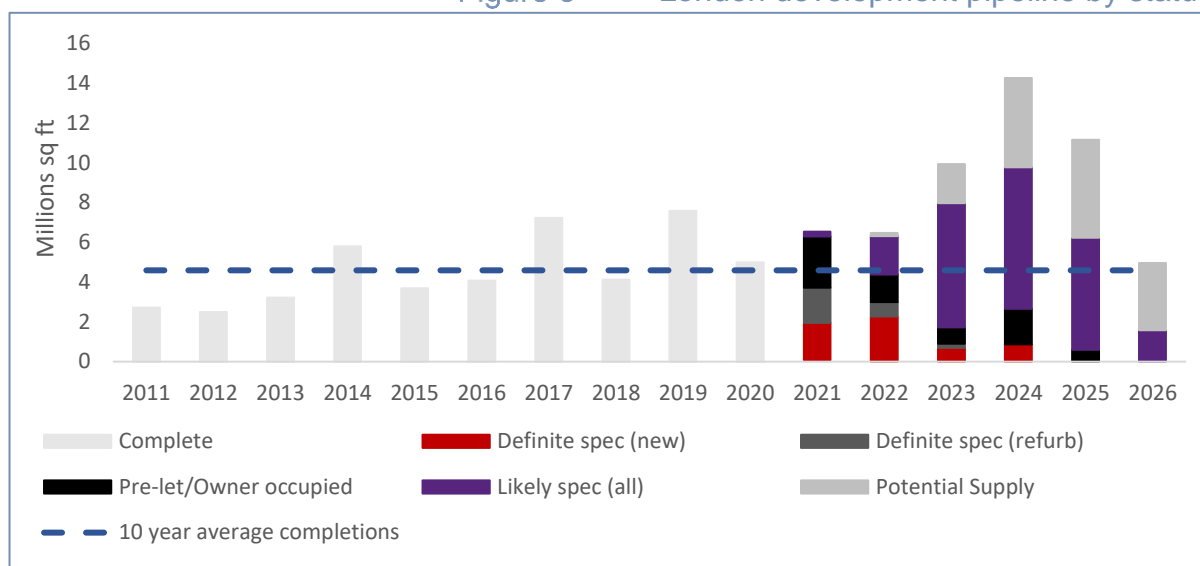
Figure 2 Index of office floorspace and growth in London (2010 = 100)



Source: VOA, 2019. NDR Floorspace Tables ; ONS, 2020. Business Register and Employment Survey.

- 3.12 It is widely acknowledged in policy and market research that there is significant excess demand for office space across London. In 2017, the GLA estimated that over the period 2016-2041 London would require an additional 240,000 m² of office floorspace each year to meet anticipated office employment demand, which is projected to be approximately 25,000 jobs per year. Yet, significant shortfalls in recent delivery between 2014 and 2019 means supply has failed to accommodate this growing demand, with data showing an average loss of 20,000 m² of office floorspace per annum during this period.
- 3.13 Between Q3 and Q4 2020 office supply levels saw a quarterly increase of 235,000m², reaching 1.56 million m² and reflecting a vacancy rate of 6.8%. Release of tenant-controlled space has been a key factor in the rising vacancy rates, but significant new-build completions have also contributed to the increase including 22 Bishopsgate, EC2, 80 Fenchurch Street EC3 and 60 London Wall, EC2 in the City and 210 Euston Road in the West End. New-build supply across Central London now stands at 1.2%, which is in line with the long-run average.
- 3.14 The Market Overview and Demand Analysis report outlines that several new schemes started on site in the final quarter of 2020, comprising of over 1 million sqft of speculative development. Most of these new starts were refurbishments, including the largest scheme to start which was Sancroft, Newgate Street, EC1 (315,000 sqft) due to complete in 2022. Nevertheless, space underway on a speculative basis increased marginally and at year-end 8.0 million sqft of speculative space was onsite. Although 3.7 million sqft is currently anticipated to complete speculatively in 2021, and 2.7 million sqft due to complete the year after, 2023 could potentially become a pinch point in the delivery of supply with just 842,000 sqft expected to complete in this 12-month period. This could add to the pressure on occupiers seeking space during this period to consider a pre-let.

Figure 3 London development pipeline by status

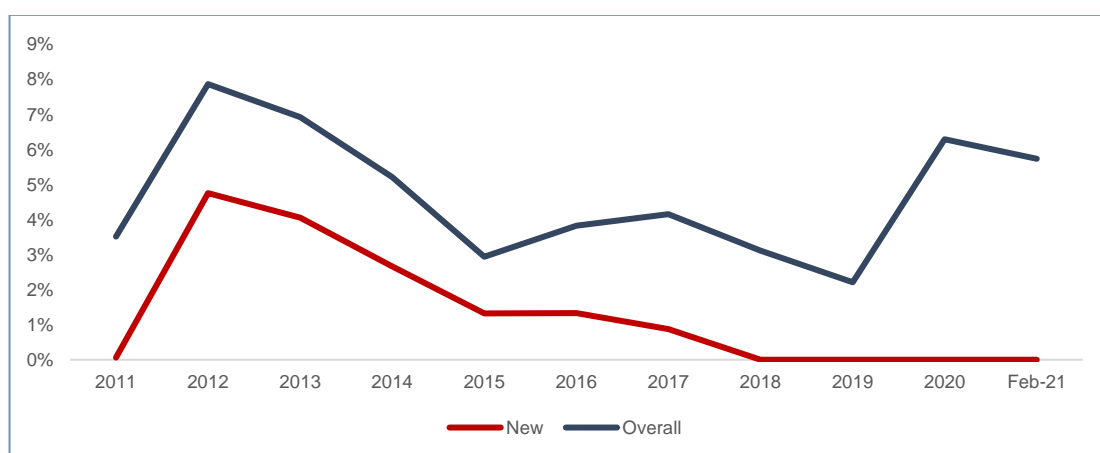


Source: Cushman and Wakefield and JLL, 2021. Market Overview and Demand Analysis.

SE1 office market

- 3.15 Overall vacancy rates in the SE1 sub-market have more than doubled over the course 2020 - YTD 2021 (although starting from a very low base), largely due to tenant release space coming online such as 65,000sqft in the Blue Fin building from HSBC, 61,000sqft in the News Building from ED&F Man and News Corp and 70,000sqft at 3 More London from Norton Rose. There is currently no available new-build stock available within the SE1 market.
- 3.16 The overall submarket vacancy rate of 5.7 % exceeds the 10-year average of 4.6%, however it remains below the current City market vacancy rate of 7.2% (and central London at 6.8%). The new build submarket vacancy rate of 0% remains below the central London new build vacancy rate of 1.2%. Figure 4 provides a breakdown of overall and new build vacancy in the submarket.

Figure 4 Southbank and Waterloo overall and new build vacancy (%), 2011–2021

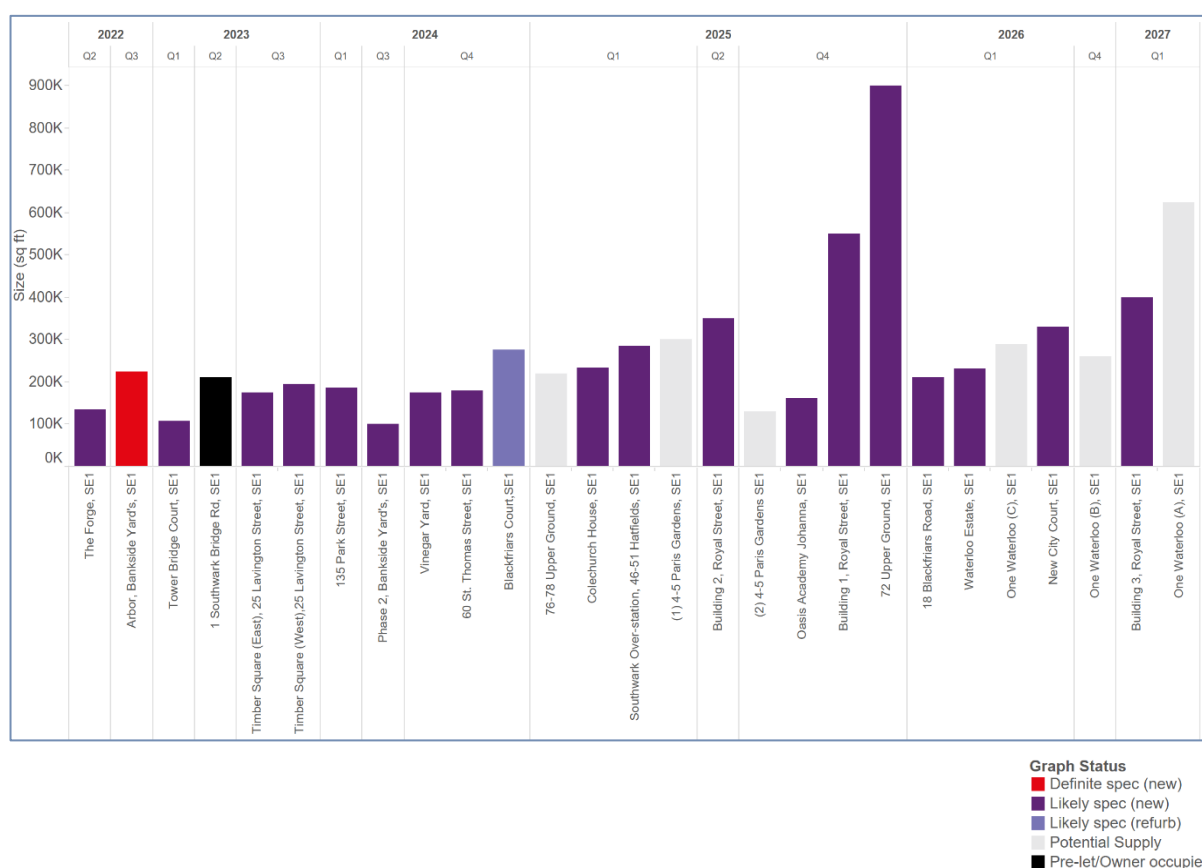


Source: Cushman and Wakefield and JLL, 2021. Market Overview and Demand Analysis.

- 3.17 The Market Overview and Demand Analysis report outlines that there is currently 0.5 million sqft under construction speculatively across seven schemes. Of the schemes, six

are due to complete in 2021, the largest of which is Southworks, SE1 (68,000 sq ft) which will be available after Q2. The largest scheme under construction is the 223,000 sq ft space at Arbor, Bankside's Yard, SE1 which has a PC date of Q3 2022. There is significant potential for the expansion of Southbank and Waterloo's offices with a development pipeline of 7.5 million sq ft between now and Q1 2027, 5.5 million sq ft of which is likely to be developed on a speculative basis. A graph of major developments schemes is presented in **Figure 5**.

Figure 5 Southbank & Waterloo Development Pipeline, 2021 – 2027



Source: Cushman and Wakefield and JLL, 2021. Market Overview and Demand Analysis.

Demand – sector focus: life sciences

- 3.18 The Proposed Development is in close proximity to Guy's Hospital. Cushman & Wakefield and JLL anticipate there is likely to be demand from the Life Sciences sector at the Proposed Development. This includes businesses involved in developing and/or producing their own pharmaceutical or MedTech products, including digital health, for human health purposes. This includes supply chain and the specialist service sector.
- 3.19 Currently, there are more than 6,000 life sciences firms based in the UK, which collectively generate annual revenues of around £80 billion. More than a quarter of a million scientists and other professionals are also employed in the sector. Life sciences in the UK benefits from the country's world-leading research landscape and science base with four of the world's top 20 Life Sciences universities located in the UK.
- 3.20 Life Science occupiers require different types of space (e.g. wet lab, dry lab, and office) depending upon their research specialisation. The proximity of site to both KCL and Guy's Hospital will result in a large pool of Life Science occupiers being attracted to the site in

order to be close to some of the best talent, research and intellectual property. Whilst the site is unable to accommodate wet lab users, the need for companies to source talent and innovation will see dry lab based users wanting to locate close to these institutions.³ Moreover, the convergence of technology and Life Sciences is resulting in a surge of Digital Health and Artificial Intelligence based companies, both of whom are non-wet lab users.

The contribution of the Proposed Development

3.21 The Proposed Development is located at the very north of LBS, in one of the most office-employment focused areas of LBS and London. The Site of the Proposed Development falls within key local regional policy designations enacted to encourage the development of office space, including:

- **The Central Activities Zone (CAZ)** – A GLA designation aimed at the promotion and protection of the economic heart of the city as one of the world's most attractive business locations. This includes provision to encourage the development and densification of office space; and
- **The London Bridge, Borough and Bankside Opportunity Area** – Opportunity Areas are areas within London with significant capacity for additional large-scale development. The London Bridge, Borough and Bankside Opportunity Area has been designated to encourage development to support London's financial and business services. Office development within the opportunity area meeting the demand of these industries is encouraged.

3.22 LBS policy aims to address the future need for office space by providing additional floorspace in the areas of the borough facing the highest levels of demand and with the greatest sustainability and accessibility. The draft new Southwark Local Plan (2020) states:

*"In the northern part of the borough, including the Central Activities Zone, Elephant and Castle and Canada Water demand for office space (use class B1a) is high. New start-up businesses and small creative businesses in sectors such as technology, digital and marketing are likely to thrive in managed office workspace environment with flexible leases and affordable rents."*⁴

3.23 However, although additional office development is promoted towards the north of the borough, LBS policy also acknowledges that development opportunities in the northern area of the borough are limited. Due to its historical significance and existing environmental constraints in the area surrounding the Site, there is even greater need to develop the relatively limited number of sites with the possibility for office densification. The New Southwark Plan: Offices Background Paper acknowledges this, stating the following:

*"It is recognised that the CAZ in Southwark is relatively limited in capacity for employment floorspace. Southwark is currently redeveloping existing employment sites to increase density of office floorspace, to increase provision and developing appropriate sites as illustrated in the New Southwark Plan's site allocations to further increase the capacity and availability of office floorspace to meet demand."*⁵

3.24 In total, the Proposed Development would contribute at least 49,329m² of additional floorspace (GIA) to the total stock of office space within LBS, providing 11% of the

³ Wet labs refer to high specification labs that include space that is catered for companies to undertake biology and chemistry focused research and development. Dry labs are a form of research space that is often used for computational experiments and engineering, similar to traditional office space but also including specialist or technical computing equipment.

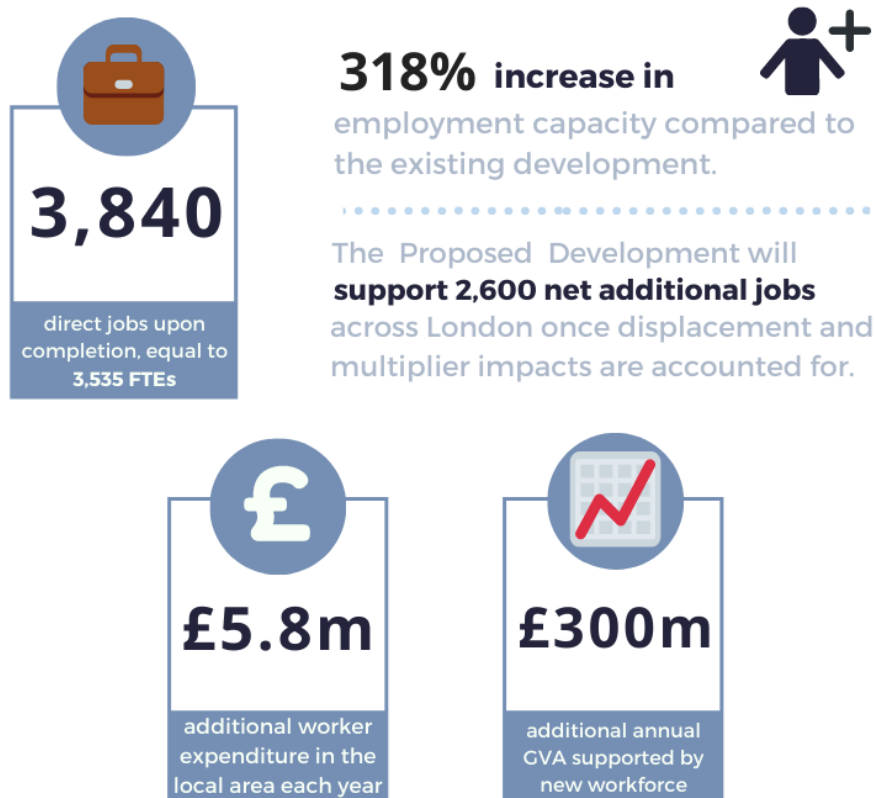
⁴ LBS, 2020. The Submitted New Southwark Plan.

⁵ LBS, 2019. New Southwark Plan: Offices Background Paper.

additional floorspace requirement identified within the Submitted New Southwark Plan over the planning period 2014-2036.

- 3.25 The Proposed Development would contribute toward meeting the demand for additional office floorspace across LBS, but do so in one of LBS and the UK's prime office agglomerations. Local and regional policy highlights the high level of demand faced for office space in the CAZ, and even in the context of the recovery from the COVID-19 pandemic, the draft New Southwark Plan identifies the particular need to densify office provision in the highly accessible area surrounding London Bridge.

4 SOCIO-ECONOMIC IMPACT OF THE PROPOSED DEVELOPMENT



Summary of economic impacts

- 4.1 The economic impacts of the Proposed Development are summarised below, the methodology underlining these economic impacts is presented in **Appendix One: Economic Impacts Methodology**:

- **Job creation at the Proposed Development would be significant** – once operational, the Proposed Development would support approximately 3,840 jobs (3,535 FTEs), uplifting employment by 318% relative to the existing Site (845 FTEs or 900 jobs). Accounting for displacement and multiplier effects, the Proposed Development would support a total of 3,310 net additional jobs (3,025 FTEs).
- **The Proposed Development would lead to an uplift in worker spending in the area** – operational workers at the development would lead to an uplift of £5.8m in spending per annum compared to the existing Site.
- **There would be a multitude of other economic benefits created by the Proposed Development** – there would be an uplift of approximately £300m in

annual economic activity (gross value added - GVA) as well as additional tax revenues of up to £82m.

- **Office and affordable workspace provision would contribute to borough targets** – the Proposed Development would contribute 11% of the total amount of office space needed for the LBS to 2036, equivalent to nearly two years' provision⁶, as well as over a years' worth of forecast employment growth in the LBS, or 4% of the total over the period 2016-41 as forecast by the GLA.⁷ Of this, 10% would be affordable workspace, aligning with Policy P30 in the new Southwark Local Plan, requiring 10% affordable workspace in new developments.⁸
- **The Applicant is committed to building on their track record of creating opportunities for local firms, and jobs and training for local residents** – the Applicant names long-term commitments in their community strategy, including working with industry bodies to maximise apprenticeship opportunities, promoting the construction industry through school and university engagement, and working with institutions to develop the knowledge and skills of the future workforce.⁹
- **Development should be supported in the most accessible places** – the Site is highly accessible, located next to London Bridge station and has the highest PTAL rating (6b), thus is a prime location for new development.
- **Additional retail with work together with public realm to create a 'retail horseshoe' surrounding London Bridge Station** – the Proposed Development would also add another entrance to London Bridge Underground Station, improving access, reducing congestion, and complementing the public realm improvements.

Economic impacts on local businesses and groups

- 4.2 In addition to the specific impacts to on-site businesses, other local businesses would benefit from the additional visitors and workers associated with the Proposed Development who are expected to spend £5.8m of additional expenditure per year in the local area, benefitting local businesses.
- 4.3 The Proposed Development would provide a significant uplift in employment. The increase in employment would continue to address issues of local unemployment, helping to reduce social inequality and deprivation among groups with protected characteristics under the Equality Act.

Displacement of existing businesses

- 4.4 This report also considers the displacement of any on-site activities and the impact of this on the local economy and population. The economic impacts presented above compare the economic activity supported by the Proposed Development against the current use in order to understand the extent to which it would be additional to what is there now and how the types of activity might change. The Site supports 845 office FTEs (equivalent to 900 jobs when accounting for part-time working patterns). The Proposed Development is therefore expected to support approximately 2,690 additional FTEs when compared to the current Site, equivalent to 2,940 jobs.
- 4.5 There are currently no small to medium-sized enterprises at the Site. There are seven occupiers, and they are all fairly large occupiers, supporting a total of 900 jobs between them. All tenants are aware of the proposals for the building and the Applicant is in regular dialogue with the tenants.

⁶ LBS, 2020. Submitted New Southwark Plan (August 2020)

⁷ GLA Economics, August 2017. London labour market projections 2017

⁸ LBS, 2020. New Southwark Plan

⁹ Great Portland Estates. Creating sustainable relationships. [Accessible at: https://www.gpe.co.uk/media/3366/gpe_community_strategy.pdf]

- 4.6 The short-term, flexible nature of the lease agreements is a key reason why the occupiers have chosen to locate here – it suits their business’ needs and is an attraction, not an encumbrance, particularly with the challenges of the current pandemic. Half of the space is let to a co-working and flexible office provider who is in a partnership with the Applicant.
- 4.7 The Applicant has several other buildings in close proximity within LBS and has previously facilitated intra-portfolio moves within the borough. Indeed, the Applicant has already facilitated one intra-portfolio move for an existing tenant who was located at the Site. The Applicant is committed to providing space that meets occupiers’ needs, helping them to achieve high retention rates and low vacancy rates across their portfolio.

Impact on access to work and training

- 4.8 There is a strong and significant positive link between employment opportunities and health outcomes. The Marmot Review (2010), commissioned by the Department of Health, social outcomes the relationship between health inequalities and economic status for communities within England.¹⁰ The review concludes that greater economic status is predictive of better health outcomes, and unemployment contributes to poor health outcomes. This conclusion is echoed within the Public Health England (2014) report, which states “unemployed people have a greater risk of poor health than those in employment, contributing to health inequalities.”¹¹ Employment and skills effects are shown to be particularly relevant for some equality groups, including young children, people from BAME communities, disabled people, and people from low income groups.
- 4.9 The World Health Organisation notes that “higher income and social status are linked to better health. The greater the gap between the richest and poorest people, the greater the differences in health.”¹²
- 4.10 The Applicant has taken the necessary steps to maximise the number of employment opportunities associated with the Proposed Development that can be fully exploited within the local area. In their Community Strategy, Great Portland Estates (the Applicant’s parent company) outline their ten long term commitments. These include:¹³
- **Working with industry bodies and their supply chain to maximise apprenticeship opportunities at their developments and managed buildings** – during construction, at least 5 apprentices will be recruited, and 5 or more apprentices will be recruited within the relevant parties during construction. The Applicant will also work with local universities and colleges to engage with the project team and provide access to the Applicant’s active sites to support learning;
 - **Promoting the property and construction industry through engagement with local schools** – provide opportunities for work experience and career events for schools located in the communities in which our occupied buildings are located;
 - **Working with colleges and universities to develop the knowledge and skills of the future workforce** – provide work experience for at least one university/college student per annum to work within our occupied buildings; and
 - **Helping the existing workforce to adapt to new ways of working** – champion health and wellbeing at our buildings and for our employees.
- 4.11 The Applicant has also committed to providing jobs to unemployed LBS residents in the operational phase of the Proposed Development. The draft s.106 Head of Terms includes the following commitment: Requirement to provide jobs lasting a minimum of 26 weeks for unemployed Southwark residents calculated at 10% (for office floorspace) or 20% (for

¹⁰ Marmot et al., 2010, Fair Society, Healthy Lives: Strategic Review of Health.

¹¹ Public Health England, 2014, Local Action on Health Inequalities: Increasing Employment Opportunities and Improving Workplace Health.

¹² World Health Organisation, 2017, Health Impact Assessment – The Determinants of Health.

¹³ Great Portland Estates, 2018. Creating sustainable relationships.

retail floorspace) of the estimated FTE employment on site according to Homes and Community Agency (HCA) employment densities or an alternative measure agreed by the council. An employment and training contribution will be sought, to be set at the target number of jobs lasting a minimum of 26 weeks for unemployed Southwark residents multiplied by £4,300.

- 4.12 The Proposed Development will also provide approximately 5,000sqm (GIA) of flexible, high quality, affordable workspace across all floors of the Grade II listed Georgian terrace, offering support for start-ups, small, or independent businesses. This equates to 10% of the total office provision.

Public realm and placemaking

- 4.13 An assessment of the existing public realm on St Thomas Street (street of the Proposed Development) showed that increases in passenger footfall will increase pressure on the public realm and drive demand for more generous and high quality public spaces and routes. Whilst there has been significant investment in the London Bridge area, there remain limited opportunities for the creation of additional public open space, resulting in increased pressure on existing local amenities.
- 4.14 As described in the design and access statement, the Proposed Development will add to this offer via the provision of a public terrace at the 24th floor level of the proposed tower. The public terrace will be publicly accessible, maintained by the building owner, activated by high-quality and varied exotic botanical planting and complemented by a café/restaurant offer to provide amenity for visitors. It will provide excellent views towards the River Thames and the city beyond.
- 4.15 In addition, the Proposed Development will result in the generation of two large public squares at street-level in strategic locations where pedestrian flow rates into and out of the site will be the highest. St Thomas street square will sit between the existing fabric of the Georgian terraces and Keats House and King's Head Yard square is adjacent to the London Bridge Underground Station exit and faces the Old Kings Head pub across the yard. The proposals will improve permeability of the Site, creating clear new routes and restoring existing ones, enhance transport links and reduce congestion (particularly on St Thomas Street and Borough High Street), and bridge the gap between pockets of open space to the north and south of the Site.
- 4.16 The local area surrounding the Proposed Development suffers from high crime rates, with particularly high rates of theft and anti-social behaviour. Through both the construction and operational phase, a wide range of measures have been put in place and designed-in so as to maximise natural surveillance and minimise crime in the vicinity of the Proposed Development. Through the use of new crime reduction measures and improvements to the public realm, the Proposed Development would be expected to reduce crime.

5 CONCLUSION

- 5.1 The office sector is crucial to the LBS economy, contributing over 50% of jobs within the borough. However, as a result of limited delivery of office stock, office employment growth in LBS has lagged behind that of other Inner London boroughs in recent years. Of the 10 London boroughs containing an element of the CAZ, only Lambeth and Wandsworth have seen a lower growth in office space over the last ten years.
- 5.2 A historical lack of office stock delivery in LBS has resulted in consistently low vacancy rates and availability rates for businesses choosing to locate in the borough. The mismatch between supply and demand has driven up rental values, meaning that businesses may be deterred from the area, not only through a lack of choice but also high prices. In all, this has the potential to limit the competitiveness of LBS as a place to locate business. This is particularly the case in highly accessible Grade A office space towards the north of the borough in the CAZ
- 5.3 The Proposed Development, through the provision of at least 49,329 m² (GIA) of high-quality office workspace, contributes towards solving this issue, creating an estimated 3,790 office jobs (and a total of 3,840 jobs including retail and F&B space) in the process. In the context of borough targets, the office space in the scheme equates to almost two years' worth of annual targeted provision for LBS to meet demand. In the context of the recovery from the COVID-19 pandemic, it is thought that new types of office floorspace to meet the needs of local businesses, and the Proposed Development will provide an opportunity to redevelop existing low-quality office floorspace into flexible space to meet changing needs.
- 5.4 The Proposed Development has been designed to respond specifically to market trends to ensure that it meets the demands of tomorrow's occupiers. The Proposed Development will provide shared meeting, entertaining and conference space which is useful for both the tenants and the wider community. The Proposed Development has been designed to respond specifically to market trends to ensure that it meets the demands of tomorrow's occupiers. The building itself has been designed so the floorplates can be split, and businesses of all sizes can be accommodated.
- 5.5 The proximity to Guy's Hospital and the flexible design of the office means that the Proposed Development is anticipated to have significant interest in particular from Life Sciences occupiers. The occupational market in Southwark is currently constrained by a limited supply of both Grade A space and large units. With limited new space due on-stream in the short term, occupier choice will remain limited.
- 5.6 In addition to the 3,840 total jobs created at the Proposed Development, the Proposed Development will result in socio-economic benefits for the local area and LBS, uplifting economy activity and contributing to economic growth. Workers located at the Proposed Development would be estimated to generate an additional £5.8m in worker expenditure each year compared to the current site and approximately £298m in additional GVA.
- 5.7 The Proposed Development would result in further social and environmental benefits through providing employment and skills benefits for local residents and through improving public realm and amenity in the local area. In all, the Proposed Development would address the severe excess demand in Grade A office space within LBS, contribute significantly in terms of economic activity in the local area and wider borough settings, and improve public realm within the London Bridge, Borough and Bankside Opportunity Area.
- 5.8 The Proposed Development would increase the supply of office floorspace in the Southbank area – contributing to 11% of the boroughs office floorspace target over the period 2014-2036 – and help to maintain northern Southwark's price competitive position

on which it competes with traditionally dominant locations within the inner London office market, such as the City of London and the West End.

6 APPENDIX ONE: METHODOLOGY FOR ECONOMIC IMPACTS

Employment

- 6.1 Estimates of existing employment on-site are obtained by applying employment densities provided in the Employment Density Guide (2015) to existing floorspaces by use class.¹⁴ Employment supported at the Proposed Development is estimated by applying these employment densities to proposed commercial floorspaces, using a GIA to NIA ratio of 85% for all uses, except retail which uses a ratio of 90%, in line with guidance from the Employment Densities Guide. This is shown in **Table 1**.

Table 1 Proposed floorspaces and densities

| Category | Employment generating floorspace (sqm GIA) | Employment density (sqm per FTE) |
|---|--|----------------------------------|
| Office (including affordable workspace) | 49,329 | 12 |
| Flexible retail / office | 340 | 17.5 |
| Food & drink | 421 | 17.5 |
| Total | 50,090 | - |

Source: HCA, 2015. Employment density guide, 3rd edition; NB: The flexible office/retail space in this analysis is assumed to support retail uses in order to provide a more conservative employment estimate.

- 6.2 In order to consider the total net impact on employment, the displacement and multiplier – indirect and induced jobs that will occur as a result of the scheme’s supply chain and worker expenditure – impacts must also be considered. The (HCA) Additionality Guide provides a framework that allows for the estimation of the net additional impacts of a development.¹⁵ Through this method, both a displacement and a multiplier are applied to direct employment, both of which are defined below.
- 6.3 A ‘low’ displacement is applied in the context of central London’s competitive office marketplace which contains excess demand and continuing high rents, together with its strong employment growth forecast. The scale of the multiplier depends on the size of the geographical area that is being considered, the local supply linkages, and income leakage from the area. The strong supply linkages that occur in central London imply a high multiplier, but in order to be conservative, this analysis assumes that the Proposed Development is likely to at least have ‘average’ supply linkages given the scale of its economy. As a result, a medium regional level composite multiplier of 1.5 has been selected.

¹⁴ Homes and Communities Agency (HCA), 2015. Employment density guide, 3rd edition

¹⁵ Homes and Communities Agency, 2014. Additionality Guide: Fourth Edition



Displacement

- The proportion of jobs that would otherwise have occurred elsewhere.
- The guidance provides a standard displacement rate of **25%** for low levels of displacement.



The Multiplier Impact

- The indirect benefits to other sectors of indirectly boosting jobs in these other industries.
- Given that the study area is in central London, multiplier effects are expected to be significant.
- The guidance provides a standard composite multiplier of **1.5** for medium multiplier effects at a regional level.

Worker expenditure

- 6.4 A 2005 YouGov survey found that workers in the UK spent on average £6 a day in the local area around their place of work. This figure has been uplifted for earnings growth between 2005 and 2020, as well as for the higher average earnings of workers in different industries in London. Once these differentials have been accounted for, it is estimated that the average office worker on the Site would spend approximately £16.40 per working day, with the average retail worker spending approximately £7.00 per working day and the average food & drink worker spending approximately £5.00 per working day.

Economic output generation

- 6.5 Any additional direct employment resulting from the Proposed Development would result in the generation of additional economic activity. The value of the economic activity resulting from the Proposed Development is estimated through multiplying employment estimates by the anticipated annual GVA supported by each job, taking into account the types of employment supported.

Tax revenues

- 6.6 It is commonly assumed that 30%-40% of total GDP accrues to HM Treasury in taxation, through business rates, VAT, corporate, and income tax for example.¹⁶ Therefore, a lower estimate of 30% of GVA and a higher estimate of 40% of GVA has been taken as the estimate for tax revenues created by the Proposed Development.

¹⁶ For an example of the application of this assumption, see DfT WebTAG (2020) guidance for the appraisal of transport interventions.