CANARY WHARF
GROUP PLC

NQ.PA.21

North Quay
Economic and Regeneration Statement

Quod
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Contents

1. Introduction

1.1 Canary Wharf (North Quay) Ltd ("the Applicant"), part of Canary Wharf Group, are submitting an Outline Planning Permission ("OPP") and Listed Building Consent ("LBC") to enable the redevelopment of the North Quay site, Aspen Way, London ("the Site"). The nature of the planning application allows for flexibility within the quantum and range of uses specified.

1.2 Two separate applications are being submitted for the works as follows:

- Application NQ.1: Outline Planning Application (all matters reserved) ("OPA)" - Application for the mixed-use redevelopment of the Site comprising demolition of existing buildings and structures and the erection of buildings comprising business floorspace, hotel/serviced apartments, residential, co-living, student housing, retail, community and leisure and sui generis uses with associated infrastructure, parking and servicing space, public realm, highways and access works: and
- Application NQ.2: Listed Building Consent Application ("LBCA") to stabilise listed quay wall and any associated/necessary remedial works as well as demolition of the false quay in connection with Application NQ.1.

1.3 The OPA for the Site comprises:

"Application for outline planning permission (all matters reserved) for the redevelopment of the North Quay site for mixed use comprising:

- *Demolition of existing buildings and structures;*
- *Erection of buildings and construction of basements;*
- *The following uses:*
    - *Business floorspace (B1)*
    - *Hotel/Serviced Apartments (C1)*
    - *Residential (C3)*
    - *Co-Living (C4/Sui Generis)*
    - *Student Housing (Sui Generis)*
    - *Retail (A1-A5)*
    - *Community and Leisure (D1 and D2)*
    - *Other Sui Generis Uses*
- *Associated infrastructure, including a new deck over part of the existing dock;*
- *Creation of streets, open spaces, hard and soft landscaping and public realm;*
- *Creation of new vehicular accesses and associated works to Aspen Way, Upper Bank Street, Hertsmere Road and underneath Delta Junction;*

- *Connections to the Aspen Way Footbridge and Crossrail Place (Canary Wharf Crossrail Station);*
- *Car, motorcycle, bicycle parking spaces, servicing;*
- *Utilities including energy centres and electricity substation(s); and*
- *Other minor works incidental to the proposed development."*

1.4 The OPA includes three Control Documents which define the Specified Parameters for the Proposed Development. These Control Documents are – (1) the Development Specification; (2) the Parameter Plans; and (3) the Design Guidelines.

1.5 At the time of making the OPA, the Applicant is unable to determine exactly how much of the Proposed Development is likely to come forward in which land use and for this reason the OPA is made for ranges of floorspace within each proposed land use category.

1.6 The Parameter Plans indicate which Development Zones may be suitable for which use and therefore manage where the proposed uses could arrive on the OPA Site. The Parameter Plans also identify features such areas of public realm and access and circulation routes. The Parameter Plans are set up to provide a level of flexibility for the detailed design of the scheme at a later date which will need to be approved by the local planning authority through subsequent Reserved Matters Applications ("RMAs").

1.7 In order to test and validate the OPA, an Indicative Scheme showing the potential location of buildings, uses and open spaces has been produced. This scheme provides a vehicle for examining the possible architectural, environmental, operational and social impacts of the project. It remains schematic but it conforms to the development parameters as defined in the Development Specification, Parameter Plans and Design Guidelines. It has been essential in testing these development parameters. The Indicative Scheme is not a design template or submitted for approval; it represents one possible way the principles as defined in the above listed documents could be interpreted/achieved and developed into a design.

An Introduction to North Quay and Canary Wharf

1.8 The North Quay site ("the Site") is located in the north of the Isle of Dogs, within the administrative boundary of the London Borough of Tower Hamlets ("LBTH"), at Canary Wharf. It is bounded by Canary Wharf Crossrail Station to the south, Aspen Way (A1261) to the north, Hertsmere Road to the west and Billingsgate Market to the east. The West India Quay Docklands Light Railway (DLR) station and Delta Junction are located on the western side of the Site and the Site also incorporates parts of North Dock, Upper Bank Street and Aspen Way

1.9 The Site is 3.28 hectares (ha) in area. Currently the Site comprises mostly cleared land, being previously used as a construction laydown site for the Canary Wharf Crossrail Station. There are some temporary uses currently on-site, including the LBTH Employment and Training Services, WorkPath and advertising structures.

Figure 1-1: North Quay Site Location

1.10 Developed largely by Canary Wharf Group (CWG), the Canary Wharf Estate, is an internationally renowned financial district. This relatively small area makes a significant contribution towards London, and the UK wide, economy.

1.11 As a result of the success of Canary Wharf in attracting international businesses and investment, there has been substantial growth in the Isle of Dogs as a whole, both in terms of employment but also homes and new communities.

1.12 To date the commercial core of the Canary Wharf Estate has been largely corporate in nature, dominated by large format office buildings, with retail and leisure aimed at the working day population. However, in recent years this area has begun to change. Developments such as Wood Wharf, Newfoundland, and various developments along South Quay have brought new homes, residents and a wider mix of community infrastructure.

1.13 This has been an important stage in the evolution of Canary Wharf and has led to The Draft London Plan – Intend to Publish version (December 2019) ("Draft London Plan") classifying Canary Wharf as a Metropolitan Town Centre.

1.14 This Site plays a pivotal role in this evolution. Located on the northern edge of the Estate, creating a vital link to south Poplar across Aspen Way, the Proposed Development will deliver the range of uses that can further help to diversify this area, and better integrate the Canary Wharf Estate with its surrounding areas.

1.15 In order to make the most of this key Site, the Applicant is bringing forward a scheme that recognises the importance of delivering office space, but seeks to do so with a mix of other uses and with sufficient flexibility to ensure that the scheme can be delivered over the medium term against a backdrop of a rapidly changing market. In particular, it is proposing a range of housing types that will both help to tackle the affordability of housing and provide a wider range of occupants who will help create a vibrant, mixed-use area. The range of retail, leisure and community uses, along with public ream and new routes will all make a significant contribution to the wider area.

1.16 The Applicant has played a very significant role in the development and growth of the Isle of Dogs and continues to do so. The Proposed Development draws on the Applicant's experience and understanding of how to support the growth of the Isle of Dogs economy and meet their occupiers needs. It is the next iteration of an evolving approach to place-making that has seen the Isle of Dogs transformed into one of the most important clusters of economic activity in the country.

Introduction to the Economic and Regeneration Benefits

1.17 The Proposed Development will bring major employment benefits, a wider mix of uses that brings animation (which is increasingly important to occupiers), improved public realm and connectivity to Poplar and a range of measures to increase the ability of Poplar residents to enjoy the benefits of the scheme. It is expected to deliver:

- Construction employment over an eight year construction phase;
- Up to 18,800 jobs across a range of sectors and skills profiles;
- Up to up to 1,264 homes, including affordable housing, and the potential for a variety of types of other living space such as typical residential space, Student Accommodation or Co-living;
- Deliver substantial economic benefits including spending in the local area from residents, employees, visitors and students;
- Increased Gross Value Added associated with the new employment;
- Increase Council revenue through council tax, New Homes Bonus, Business Rates and Community Infrastructure Levy.

Structure of this Report

1.18 This Economic and Regeneration Statement sets out in detail the importance of this Site, and the contribution it will make to the Isle of Dogs and LBTH overall.

1.19 Section 2 sets out the existing Site and wider Canary Wharf context and the relevant policy framework driving the economic and regeneration benefits of this Site.

1.20 Section 3 explores the Proposed Development and the regeneration benefits that could be realised through the delivery of this Proposed Development.

1.21 Section 4 provides an analysis of the economic benefits associated with the Proposed Development through employment generation and housing delivery.

2. North Quay – In Context

Site Context

2.1 In 2007 this Site was granted planning permission for an office-led scheme (Local Planning Authority (LPA) reference number: PA/03/00379). This proposal for the Site was for very large format office buildings (two towers with a linked element to provide 372,660sqm of office floorspace) and supporting retail 5,324sqm of floorspace) and public realm. This consent was implemented, but the development has not been brought forward to date as there has not been sufficient demand for this scale of large floorplate office space in this location.

2.2 Since this time, the Site has been used as a construction works site for the development of the Canary Wharf Crossrail Station. Since works have been completed the Site is largely vacant, with a number of temporary uses including LBTH's Employment and Training Services, WorkPath and several advertising structures.

Canary Wharf

The origins of its success

2.3 The Isle of Dogs has had an important role in London's economy for centuries, and its role as a global city. The development of the docks in the 19th Century supported employment and established residential communities in this area. The docks played a vital role in the economic function of London in servicing the city's trading routes. By the 1930s an estimated 100,000 people were working in this area.

2.4 By the 1970s the docks began to decline as they were no longer able to cater for larger ships, and eventually closed in 1981.

2.5 In order to facilitate the regeneration of Isle of Dogs, it was designated an Enterprise Zone by the Government and the London Docklands Development Corporation was set up.

2.6 Investment began to pour into the area, and the vision to establish a new business district to support the City of London started to be realised.

2.7 Over the last 30 years Canary Wharf has grown into a global business centre, attracting international companies and headquarters, and supporting the growth of more locally born enterprises.

Future Challenges and Evolution

2.8 Canary Wharf's initial focus on the financial and professional services sectors has been changing in recent years, and the office market here now attracts a wider range of businesses. Compared to other office markets across London however, the diversity in terms of sectors is lagging. Latest office market data[1] shows that the Central London occupier base has diversified in terms of its sectoral composition, as technology, media (TMT) and services occupiers have grown substantially. Leasing activity to TMT companies accounted for 23% of take-up over the last 10 years but only 9% in Canary Wharf.

2.9 The challenge now facing Canary Wharf is delivering the type of floorspace, supporting services and placemaking to remain relevant and attractive to businesses looking to locate here, and appealing to a wider sectoral base.

2.10 A large amount of the existing office stock on the Estate is in large format office blocks, with single floorplate office space. This is the type of space sought by large international headquarters, however there is also a need for more flexible space; buildings that can be multi tenanted; and floorspace that can grow with businesses.

2.11 Office take up rates in Canary Wharf have been underperforming compared to other competing office markets such as the City of London, Southbank, Shoreditch and Clerkenwell. JLL's office market research sets out that this more indicative of the type of space available at Canary Wharf rather than due to a lack of demand for space. In order to continue to support employment growth, the supply and type of space available here needs to be more flexible and diverse.

2.12 Canary Wharf has historically targeted large pre-lets, however its share of Central London's pre-lets has reduced from 23% between 1998 and 2003 to only 5% between 2014 and 2019 (See (Appendix 2 – Section 5.2).

2.13 The market data shows that the highest demand for floorspace in Central London is within the 10,000 – 25,000 sq ft bracket – which does not fit into the large pre-let office formats that Canary Wharf's success has been based upon (Appendix 2 – Section 4.3).

2.14 There are also wider placemaking factors that are significant in maintaining the attractiveness of the Isle of Dogs as an employment location. These are discussed in greater detail in Section 3.

2.15 New developments coming forward in the Isle of Dogs have a pivotal role in not only delivering more space to accommodate growth, but more importantly to drive the change needed to protect

[1] JLL (2020) Market Report (see appendix 2)

the economic success achieved to date, to remain competitive and attractive to existing and new occupiers.

Policy Framework

2.16 Employment and housing targets are the two key policy drivers of relevance to the economic and regeneration objectives for this Site. Both regional (London Plan (2016[2] & 2019[3])) and its supporting policy framework) and borough level (Local Plan 2020[4]) employment and housing targets form the policy framework against which the benefits of this Site can be considered.

2.17 The London Plan's Opportunity Areas have been selected to deliver the majority of the city's housing need and to support continued economic and employment growth. The Site lies within the Isle of Dogs and South Poplar Opportunity Area Planning Framework (OAPF) (2019)[5] which sets challenging employment and housing targets for the area to be delivered by 2041.

2.18 Locally these are drawn through to LBTH Local Plan which provides more detail on how progress towards meeting these targets can be achieved over a ten year period (up to 2031).

POLICY	TIMESCALE	JOBS	HOUSING
Adopted London Plan (2016)	2031	110,000	10,000
Draft London Plan (2019) Intend to Publish	2041	110,000	29,000
Isle of Dogs OAPF (2019)	2041	110,000	31,000
LBTH Local Plan (2020)	2031	78,975	31,209

Table 2-1: Housing and employment targets for the Isle of Dogs

2.19 LBTH adopted a new Local Plan[6] in January 2020. The Plan has a number of policy designations that relate to the Site's economic and regeneration significance:

- Policy S.EMP 1 'Creating investment and jobs'
- Policy S.H1 'Meeting housing needs'
- Site Allocation 4.9 'North Quay'

2.20 LBTH Local Plan Policy S.EMP 1 'Creating investment and jobs' provides the details of the various designated employment locations across the borough. The Site is designated as a Secondary Preferred Office Location (POL).

[2] Mayor of London (2016) The London Plan – The Spatial Development Strategy for London Consolidated with Alternations Since 2011
[3] Mayor of London (2019) Intend to Publish London Plan
[4] LBTH (2020) Tower Hamlets Local Plan 2013: Managing Growth and Sharing Benefits
[5] Greater London Authority (2019) Isle of Dogs and South Poplar
[6] LBTH (2020) Tower Hamlets Local Plan 2013: Managing Growth and Sharing Benefits

2.21 This Secondary POL designation follows on from the GLA's guidance in relation to development within the Central Activities Zone (CAZ). The GLA's CAZ Supplementary Planning Guidance (SPG)[7] provides guidance on balancing the priorities for development within the CAZ. Areas within the CAZ are classified based on the appropriate balance between residential uses and other strategic CAZ uses[8]:

- Category A - Residential uses are not appropriate: The spatial definition includes the north of the Isle of Dogs (which is designated as the Primary POL in LBTH's Local Plan)
- Category B – Office and other CAZ strategic functions should be given greater weight relative to new residential: The spatial definition includes the other parts of the north of the Isle of Dogs (which are designated as Secondary POL areas in LBTH's Local Plan, such as this Site).
- Category C – Offices and other CAZ strategic function may be given equal weight relative to new residential: This areas are defined as tertiary CAZ areas in LBTH's Local Plan.

2.22 The role and function of this designation is to promote the delivery of significant office floorspace. Greater weight is given to office and other strategic CAZ uses as a priority but residential uses can also be delivered in these areas.

2.23 The GLA's CAZ SPG sets out an indicative list of strategic uses that are suitable within the CAZ. The strategic uses of relevance to the Proposed Development include:

- Agglomerations of nationally and internationally significant offices and company headquarters connected with finance, business, professional bodies, associations and institutions
- Centres of excellence for higher and further education and research
- Arts, culture, leisure and entertainment uses/clusters of regional, national and international importance
- Retailing, including specialist outlets, of regional, national and international importance
- Tourism facilities including hotels and conference centres.

2.24 LBTH's Local Plan Policy S.H1 'Meeting housing needs' set a target of 58,965 new homes to be delivered by 2031 across the borough. Housing delivery is to be focused within opportunity areas and allocated sites.

2.25 Reflecting the regional and local planning policy context, LBTH's Local Plan allocates the Site (Site Allocation 4.9 'North Quay') for employment (office with ancillary supporting uses such as gyms, hotels, restaurants and retail); and housing. The allocation also requires a small open space (a minimum of 0.4 ha) and improvements to the existing Aspen Way Footbridge and routes to it. The allocation sets out a number of delivery considerations, one of which highlights the

[7] Mayor of London (2016) Central Activities Zone Supplementary Planning Guidance
[8] See Table 1 in the CAZ SPG for Indicative List of CAZ Strategic Functions

opportunity this Site possesses to positively address the social, economic and environmental disparities between Poplar and Canary Wharf.

Summary

2.26 This OPA for the Site supports these policy objectives by creating a flexible development, subject to controls, which will enable the delivery of employment, homes, new areas of public open space, new routes and connections, and a wider selection of facilities and services for workers, residents and visitors, both new and existing.

2.27 The spatial context of this Site is important. It has a key role in addressing the social and economic divide between Poplar to the north and Canary Wharf (this is discussed in further detail in Section 3).

2.28 The flexible approach taken in the OPA will enable this Site to respond to the changing requirements from the market, both in terms of demand for employment space but also in the nature of the type of living space delivered here. This flexibility is key to ensure that this Site allows the Applicant to meet the challenges facing the existing office market here and allow this area to mature and fulfil its role as a Metropolitan Town Centre.

3. Regeneration Case

3.1 North Quay is arguably the best remaining development site on the Isle of Dogs. Its strategic location on the edge of the Canary Wharf Estate connecting northwards to South Poplar, with excellent transport connectivity through the Elizabeth Line, London Underground and the DLR, is a fantastic opportunity to realise a whole range of economic and regeneration benefits.

3.2 The development of this Site presents an excellent regeneration opportunity, the context and benefits of which are considered in detail below.

Employment

Meeting Employment Targets

3.3 The Isle of Dogs plays a vital role within the London economy, accommodating a significant proportion of London's jobs. According to the latest BRES data[9], there are a total of 300,000 jobs within LBTH - this equates to 6% of employment within London, the third greatest proportion after Westminster (14%) and the City of London (10%). Within the Isle of Dogs there are 163,000 jobs - 55% of all jobs within the LBTH.

3.4 Employment has grown significantly in the last 20 years – since 2004, jobs within the Isle of Dogs have doubled. This rate of growth is well above both the borough and regional average, as demonstrated in Figure 3-1. (Note that the percentage job growth for the Ise of Dogs illustrated in Figure 3-1.below, is also included within the growth figures for LBTH as a whole)

3.5 Figure 3-2 illustrates the progression towards employment targets set for the Isle of Dogs as previously identified within Section 2. The London Plan 2004 target of 150,000 total jobs to be achieved by 2016 was surpassed in 2015 according to BRES data – a year ahead of target. The employment delivery trajectory is on track to also meet the London Plan 2008 target of 200,000 total jobs by 2026 and the OAPF target of 262,000 total jobs by 2041.

3.6 The Isle of Dogs has a strong track record of delivering new office floorspace. Canary Wharf Group has played a key role in this, having delivered approximately 16.5 million sq.ft of high quality office, alongside retail and leisure space over the last two decades, and will continue to do so. There is also a significant quantum of employment floorspace within the planning pipeline on the Isle of Dogs. Schemes such as Wood Wharf, 10 Bank Street, Riverside South and Billingsgate Market will deliver a significant quantum of office space, accommodating substantial job numbers. Additionally, there will be opportunities to optimise existing buildings by increasing occupancy efficiencies, refurbishments, extension and redevelopment of older stock.

[9] Office for National Statistics, 2018. Business Register and Employment Survey.

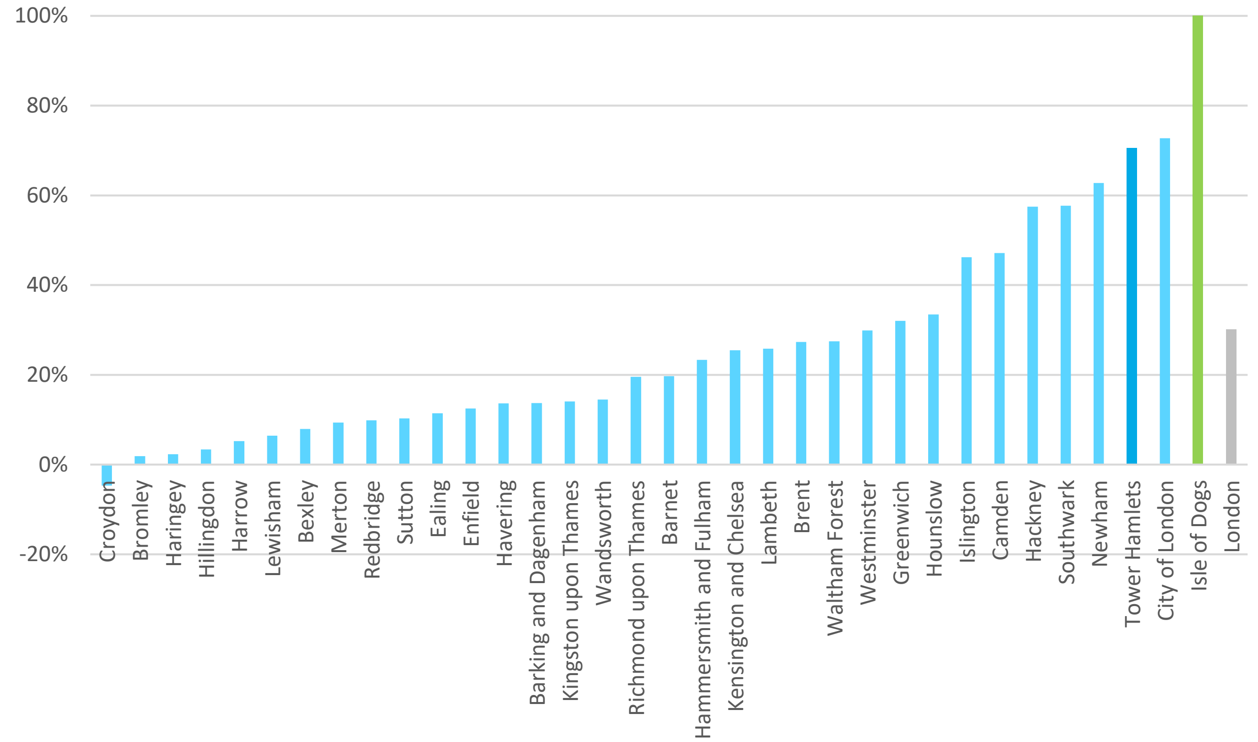

Figure 3-1: Employment Growth 2004 – 2018

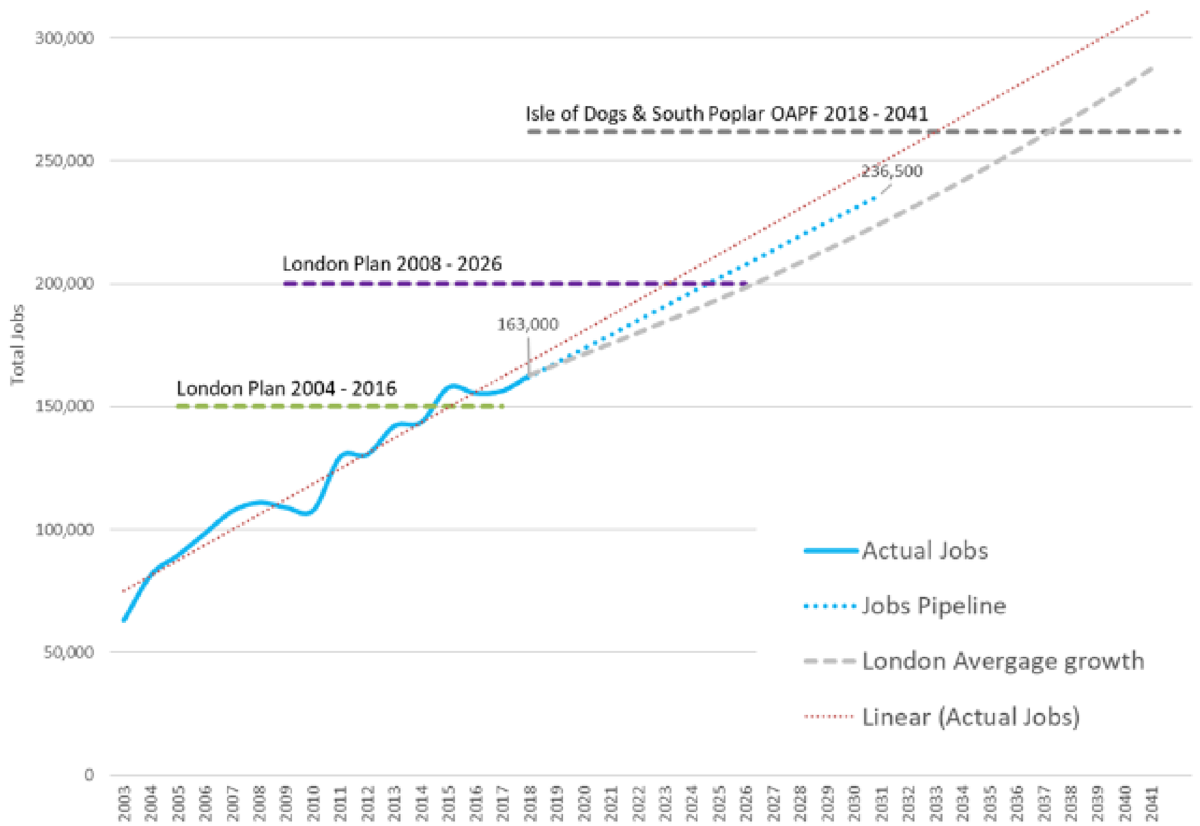

Figure 3-2: Isle of Dogs Progress to Employment Targets

3.7 All evidence points towards the OAPF 2041 employment target being hit early. Figure 3-2 shows three trend lines that support this confidence. The blue dotted line shows that existing consents would deliver a 45% increase in employment to 236,500 jobs - meaning that the OAPF target could be 90% achieved by 2031 simply by implementing existing consents[10].

3.8 The other two lines show that the remainder of this target is likely to be achieved very early. The red dotted line shows the trend rate of employment growth on the Isle of Dogs; if this continues from the position in 2018 then the target would be hit in 2033. Even if a lower rate of growth is considered - taking the average across London (grey dotted line) - the target could be hit four years early, in 2037.

3.9 It is important to note that the economic impacts of COVID-19 can not be predicted. Equally so the potential impact upon office space demand, and the spatial distribution of jobs could be affected. The graph above however does demonstrate how previous economic shocks (2009 global financial crisis) impact upon job growth – and how recovery follows these shocks.

3.10 There is therefore no need to require sites coming forward in 2020 to be limited to commercial floorspace, in order to maximise their contribution to an employment target that is likely to be achieved easily, and early, and to which many other sites across the Isle of Dogs will make a contribution.

3.11 Doing so would be particularly risky at this point in the economic and office market cycle, as we are starting to see a change in market sentiment which means greater flexibility will be needed across the Isle of Dogs and in particular the North Quay Site. The need for greater flexibility on site's such as North Quay is only amplified by events such as the COVID-19 pandemic – demonstrating how development needs to be able to respond to changes in the scale and type of uses needed.

3.12 It has never been more important to create attractive, diverse and vibrant places to attract occupiers and their employees. This Site has remained undeveloped since gaining planning consent in 2007, therefore this revised approach, allowing for greater flexibility will enable it to come forward for development and respond to changes in occupier needs and requirements.

Responding to Changing Occupier Demands

3.13 What is crucial now is that schemes are delivering the right type of employment floorspace, and that as a location, Canary Wharf is able to adapt and diversify to continue to attract occupiers.

[10] Employment floorspace pipeline assumptions are set out in Appendix 1.

3.14 Canary Wharf is starting to experience a shift away from its traditional focus as a centre for financial and professional services, and towards a greater variety of sectors as London's occupier base becomes less reliant on the financial market.

3.15 JLL's research (Appendix 2 – Section 4, Chart 4) has found that demand from telecommunications, media, technology (TMT) and service occupiers has grown substantially in central London. Total uptake of office floorspace within central London by TMT and service sectors between 2004 and 2008 was 11% and 15%, respectively. Between 2014 and 2019 TMT uptake had increased to 24%, and service sector uptake to 26%. By contrast uptake by banking and finance occupiers has decreased from 31% to 19% over the same period.

3.16 The nature of office space and qualities in office locations sought by these growing sectors differs from traditional financial and professional sector occupiers. There is a greater demand for smaller scale, flexible space and a high-quality external environment.

3.17 As with all high skilled knowledge-based sectors, TMT businesses are competitive in attracting talent. Therefore, there is an increased focus on floorspace in desirable locations, with access to housing close to the place of work and a range of services, amenities, leisure and cultural amenities. Canary Wharf needs to respond to these changing demands in order to remain an attractive, globally significant office location.

3.18 The Proposed Development will deliver up to 240,000sqm GIA of business space that can meet the needs of a more diverse business base than traditionally catered for within Canary Wharf. This provision will help diversify Canary Wharf's commercial offer, helping to meet the needs of London's growing sectors. The Proposed Development's retail/leisure provision will help Canary Wharf consolidate its position as a Metropolitan Town Centre location and provide amenities and vibrancy for office workers and residents to enjoy (discussed in further detail below).

Job Creation

3.19 The OPA applies for office, retail, hotel/ serviced apartments and leisure floorspace, all of which will accommodate a range of jobs. These will be in a variety of sectors and across a broad spectrum of skills.

3.20 As the planning application is in outline the exact mix and balance of employment generating uses is not known at this stage. This flexibility allows the scheme to respond to market needs as the development comes forward. The Socio-economic Chapter of the Environmental Statement (ES Chapter 6) considers the minimum and maximum levels of employment that could be supported by the Proposed Development. This approach tests the upper and lower parameters of the scheme, to consider the worst case scenario in socio-economic terms (lowest number of jobs created) and the best case scenario (highest number of jobs that could be created).

3.21 An Indicative Scheme has also been prepared as part of the Application. This helps to illustrate how a potential mix of uses proposed could come forward.

3.22 Table 3-1 below sets out the level of employment that could come forward under the various development scenarios within the parameters of the OPA. These have been calculated using industry standard employment density ratios[11], and ranges existing within the different use classes to reflect the different occupation densities of different specific uses.

3.23 This shows that the Proposed Development could support up to 18,800 jobs, with the Indicative scheme supporting between 10,320 to 13,380 jobs.

USE CLASS	MAXIMUM EMPLOYMENT SCENARIO	MINIMUM EMPLOYMENT SCENARIO	INDICATIVE SCHEME EMPLOYMENT SCENARIO
Retail (A1-A5)	785 – 1,045	180 – 240	495 – 655
Community (D1)	95 - 320	15 – 50	-
Leisure (D2)	50 - 155	15-40	-
Business (B1)	13,290 – 17,280	8,310 – 10,800	9,675 – 12,575
Hotel/ Serviced Apartments (C1)	-	-	150
Sui Generis	-	15 – 25	-
Total	14,220 – 18,800	8,535 – 11,155	10,320 – 13,380

Table 3-1: Employment Scenarios

Mixed-Use Development within the Secondary POL

3.24 LBTH's Local Plan Policy S.EMP 1 Part 1 states that within Secondary POL's residential uses, can be supported, but should not exceed 25%. Part 2 of this policy states that where this residential floorspace threshold is exceeded, applicants must demonstrate that the supply of sufficient employment capacity to meet future need is not compromised.

3.25 This Local Plan Policy is more prescriptive than the approach set out within the GLA's CAZ SPG which states that in Category B areas (defined locally as Secondary POL) greater weight should be given to strategic CAZ uses over residential uses.

3.26 As set out in Section 2 the OPA seeks permission for a flexibility in the quantum and balance of uses to be delivered on this Site. The maximum floorspace applied for is 355,000 sqm (GIA). Various development scenarios have been assessed as part of this OPA to consider the balance of uses allowable under the Development Specification – as well an Indicative Scheme.

[11] Homes and Community Agency (2015) Employment Density Guide, 3rd Edition

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3.27 Table 3.2 below considers these scenarios in the context of the 25% residential limit set out in Policy S.EMP 1.

USE CLASS	MAXIMUM EMPLOYMENT SCENARIO		MINIMUM EMPLOYMENT SCENARIO		INDICATIVE SCHEME EMPLOYMENT SCENARIO	
	Floorspace GIA	**% split**	**Floorspace GIA**	**% split**	**Floorspace GIA**	**% split**
Total	355,000 sqm		355,000 sqm		354,928 sqm	
Residential	0	0%	150,000 sqm	42%	84,736 sqm	24%
All other uses/ CAZ Strategic Uses	355,000 sqm	100%	205,000 sqm	58%	270,192 sqm	76%

Table 3 Error! No text of specified style in document.**-2: Employment Scenarios**

3.28 Table 3.1 sets out the level of employment that could be delivered across these various development scenarios. The maximum employment scenario could support up to 18,800 jobs.

3.29 When considering the minimum employment scenario (that would enable the maximum level of residential development – 42% of floorspace) the remaining employment uses could support up to 11,155 jobs.

3.30 The Indicative scheme, which falls below the 25% residential floorspace threshold, and which presents a balance between the these two limits, could support up to 13,380 jobs.

3.31 This demonstrates that the increase in residential floorspace from the threshold of 25% set out in Policy S.EMP1 to this maximum scenario of 42% does not result in a significant change in the number of jobs that could be delivered by the Site (a decrease of 2,225 jobs compared to the Indicative Scenario).

3.32 The analysis of the Isle of Dogs progress towards employment targets set out in Figure 3.2 included an assumption of 13,500 jobs to be delivered on the North Quay site. This represents an approximate midpoint between the minimum and maximum likely jobs set out in Table 3.1.

3.33 Therefore should the 25% residential floorspace threshold be exceeded, the development is still able to deliver sufficient commercial floorspace to ensure continued employment growth and contribute towards job targets. Additionally the mix and balance of uses proposed under each of the development scenarios remains in line with the GLA CAZ SPG – greater weight is given to strategic CAZ uses over residential.

3.34 Allowing for greater flexibility in the mix and balance of uses has significant benefits as discussed throughout this report – allowing the Site to respond to changing occupier demand, economic pressures and to contribute to the overall diversity of uses within Canary Wharf – while not compromising the delivery of sufficient employment capacity.

Retail and Leisure Offer

3.35 The mix of commercial uses within the Proposed Development would offer the opportunity to diversify, broaden and extend the Metropolitan Town Centre offer in Canary Wharf. These uses would be integrated with ground floor amenities and enhanced public realm, integrating the Site into the wider area.

3.36 The new retail floorspace will genuinely add to the retail offer and bring greater variety and choice for residents, workers and visitors. This will be appreciated by the footfall enjoying the network of pedestrian and cycle routes proposed, including the quayside on the west-east route from West India Quay and north-south route from Poplar via Aspen Way footbridge.

3.37 The potential provision of leisure floorspace as part of the proposals would also diversify the offer as part of the mixed-use development, helping to support Canary Wharf's evening economy. Expanding the food and beverage offer, as well as leisure floorspace, increases dwell time of shoppers, activates the Site and increased the spending that is captured by the local economy.

3.38 The delivery of active uses, such a retail and leisure and the increase in resident, working and visitors populations on the Site will help bring Canary Wharf and Poplar closer together.

3.39 In addition to attracting visitors, these uses create opportunities for employment. Both retail and leisure floorspace would help to diversify the skills profile of the local area.

3.40 Retail creates employment opportunities, particularly for groups who are otherwise disadvantaged within the labour market such as young people, women (particularly those with dependent children), minority groups and those with lower levels of skills or experience.

3.41 As a sector, retail has a large amount of entry level employment opportunities and retailers have an excellent track record in skills and training programmes to help employees progress in their careers. Successful retail chains are particularly committed to training and management programmes.

3.42 In addition, retail has a high turnover of employment, therefore creating more job opportunities each year compared to other sectors.

Figure 3-3 Impression of Quay Square as presented in the Indicative Scheme

Housing

Housing Need and Delivery of Targets

3.43 London is facing unprecedented levels of population growth resulting in significant pressure to deliver new homes. LBTH has frequently been earmarked to deliver a significant proportion of new homes to help meet demand across London.

3.44 The adopted London Plan (2016) outlines a need for 420,000 new homes. Of this target almost 10% (39,314) is allocated to LBTH illustrating the vital role of site allocations across the borough. This is reiterated in the draft new London Plan (2019) which sets LBTH a target of 34,730 new homes over a 10 year period. Although this figure is lower than the adopted London Plan this is the highest target set for any London borough.

3.45 The LBTH Local Plan (2020) sets an ambitious target of 58,965 new homes by 2031 – higher than regional targets.

3.46 Data from London's annual monitoring reports illustrate that LBTH has consistently failed to meet the annual housing targets set out in the London Plans (from 2011 onwards). Reviewing data between 2011 and 2018, LBTH has delivered a total of 14,605 homes over the seven year period. While significant, this has represented an under delivery across six of the seven years (the exception being 2016/17 where the target was exceeded by over 1,000 homes). This represents an under delivery equates to 8,728 homes over this period.

3.47 The delivery of housing against the London Plan targets (2011 and 2016) are set out in Figure 3-4 below.

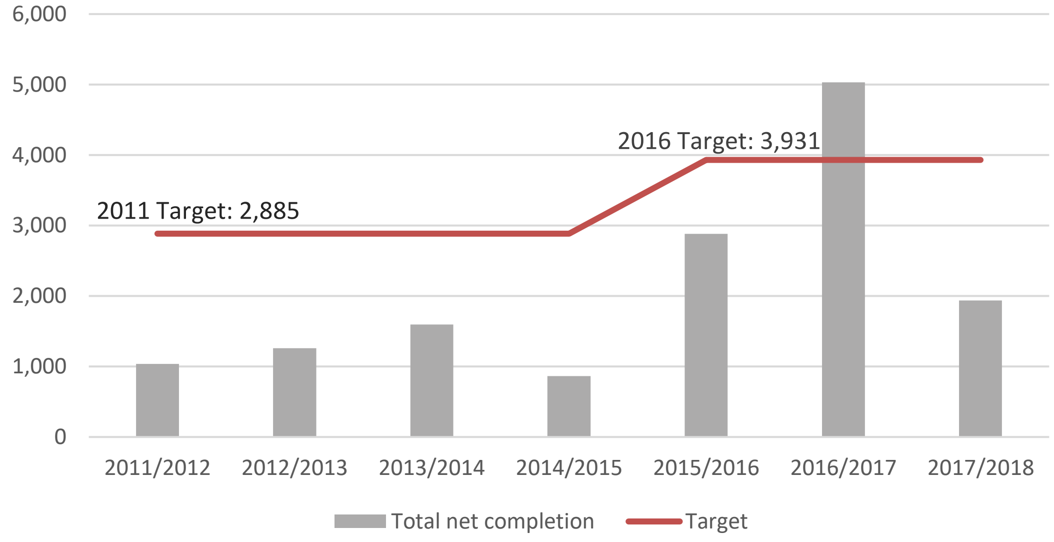


Figure 3-4 LBTH Progress to Housing Target

3.48 The Isle of Dogs has the potential to make a valuable contribution towards LBTH and London's housing needs. The Isle of Dogs has been identified by both regional and local policy as a key location to accommodate growth. The adopted and draft London Plans (2016 and 2019) identify an indicative capacity of 29,000 new homes across the opportunity area – the OAPF indicative capacity is even higher at 31,000 homes.

3.49 The LBTH Local Plan (2020) suggests that delivery of the borough housing target should be focused within Opportunity Areas and site allocations (Policy S.SG1).

3.50 The Isle of Dogs and LBTH have experienced significant population growth compared to the rest of London and are forecast to increase further. Between the 2001 and 2011 Census the population on the Isle of Dogs increased by 74% compared to 30% across the borough and 14% across London. This trend has continued with GLA population estimates suggesting a 36% and 25% increase in the population on the Isle of Dogs and LBTH from 2011 to 2018, respectively. Both figures are significantly higher than London as a whole (9%).

3.51 It is expected that the population in LBTH and London will continue to grow, with LBTH projecting a 27% population increase by 2041, and London projecting almost half this increase rate at 16%.

3.52 This reflects the significant demand for housing generated by the borough's forecasted population growth.

Housing Provision

3.53 The proposals for the Site include up to 150,000 sqm GIA of living floorspace. The Development Specification (NQ.PA.05) includes some flexibility between the various living space use classes. The overall maximum will be limited to 150,000 sqm GIA, but this could include residential (C3), co-living (C4/Sui Generis) and/ or student housing (Sui Generis).

3.54 The ES (NQ.PA.08) (Chapter 6: Socio-economics) includes a number of residential scenarios and sensitivity tests to consider how many units could be delivered if the maximum 150,000 sqm GIA if floorspace was delivered entirely as each of the various residential use classes. This shows a maximum number of units by type/ use class as follows:

- Residential (C3) – up to 1,264 homes
- Co-living (C4/ Sui Generis) – 3,718 homes
- Student Accommodation (Sui Generis) – 3,718 units

3.55 The Indicative Scheme, which comprises two residential buildings, would deliver 702 new homes.

3.56 The Proposed Development will deliver a range of unit sizes to meet a broad spectrum of needs. The exact mix of dwellings that might be needed is unknown at the stage that the OPA is being submitted.

3.57 The Development Specification sets out potential ranges for the unit mixes for open market and intermediate housing tenures. However the mix for the Affordable/Social Rented units is anticipated to be delivered in accordance with the specific target mix as set out in LBTH's Local Plan (Policy D.H2 'Affordable Housing and Housing Mix').

Affordable Housing

3.58 Affordability of housing is a key issue across London. There is a clear drive within policy to deliver genuinely affordable homes to create inclusive communities and build homes Londoners need. The Draft New London Plan (2019) emphasises the need for affordable housing to support communities and the wider economy as market prices hinder the capital's ability to recruit and retain workers.

3.59 LBTH already reports a high level of social rented housing. According to the 2011 Census, 40% of homes in LBTH are social rented - significantly higher than the London average (24%). However, the proportion of social rented housing in the Isle of Dogs is in line with the London average at 24%.

3.60 A high proportion (42%) of homes across the Isle of Dogs are privately rented demonstrating the contrasting housing profile within the Isle of Dogs compared to a large proportion of LBTH.

3.61 Private rented housing in London is important to meet the needs of those who may not be able to afford to buy or choose not to. This type of housing is particularly attractive to young professionals who are looking for high quality housing with secure tenancy and management solutions. The high proportion of private rented occupancy on the Isle of Dogs is important to supporting the significant workforce at Canary Wharf.

3.62 The proposals for the Site include provision of a range of housing types and tenures to meet local needs. Proposed tenures include private market housing, intermediate tenures and affordable/ social rented options. The potential for the Site to deliver co-living as part of the residential offer could be an attractive opportunity for people working in the borough, particularly when first moving to LBTH. Co-living gives residents access to well managed accommodation available on flexible lease terms.

3.63 The development will deliver affordable housing, currently proposed as a split of 70% affordable/ social rented and 30% intermediate tenures. The affordable/ social rented and intermediate homes will offer housing at discounted prices allowing residents to rent at more affordable prices while saving for a deposit to potentially purchase a home.

- The affordable/ social rented mix intended as part of the proposals is currently proposed to include London Affordable Rent (LAR) and LBTH Living Rent (LBTH LR) - offering genuinely affordable rents for local residents.
- The intermediate housing proposed would create a midpoint between social housing and private tenures offering housing at a discounted market rent. This could be delivered through a range of types of intermediate products.

3.64 The range of housing provision offered will help to meet housing needs and meet market demand in the local area, making a significant contribution towards LBTH's housing targets.

Higher Education and Demand for Student Housing

3.65 London is a world-leading city for higher education, with two universities ranked among the top 15 in the world (2020), Imperial College and University College London (UCL). UCL has expanded its campus to Canary Wharf where its School of Management is now located.

3.66 The CAZ's central role is to maintain and support London's global city status; the strategic function of London's higher education in supporting this role is acknowledged within the CAZ SPG:

> *"As well as meeting national and more local education needs, London's higher education sector is an important element in the capital's offer as a world city and makes an important contribution to its economy" (CAZ SPG, paragraph 4.6.1).*

3.67 A number of London's universities are looking for additional education space. The historic buildings of many of London's universities limit the level of expansion that can be delivered at some university campuses.

3.68 This has resulted in expansion of some university campuses eastwards in search of more space. For example, both UCL and UEL have opened new campuses at Stratford, and UCL has recently moved its School of Management to Canary Wharf. The eastward move and general expansion of London's universities has resulted in an increasing need for student housing to support the higher education sector.

3.69 The Site is well located for a large number of higher education institutions. Excellent transport links provided by the Jubilee Line, the DLR and Crossrail make Canary Wharf an great location for accessing various university campuses across Central London. The DLR provides direct access to university campuses in Stratford, as well as Greenwich University and Goldsmiths College south of the river. Students typically use transport at different times of the day from commuters, and therefore would use capacity at lower demand times of the day.

3.70 Access to good quality accommodation is key to the continued success of London's higher education institutions.

3.71 The Draft New London Plan Policy H15 'Purpose-built student accommodation' acknowledges the importance of student accommodation to support London's higher education provides and their contribution towards London's economy and labour market. The GLA have published data[12] showing a need for 3,500 purpose built student accommodation bed spaces annually over the London Plan period. The Draft New London Plan notes that the spatial location of where this strategic need should be delivered is determined by higher education providers, their expansion plans and appropriate sites.

3.72 The expansion of campuses creates more demand for student accommodation, this is placed on top of a historic undersupply of appropriate student provision. There are 374,670[13] full time students studying in London and currently there are less than 87,000 purpose-built student accommodation bed-spaces available. This places significant pressure on the private rented sector to accommodate the student population that is not able to access purpose-built accommodation.

3.73 At the time of the 2011 Census almost 2,000 homes with LBTH were occupied entirely by full time students. Student households tend to occupy family sized homes (3+ bedrooms) at the

[12] Greater London Authority (2018) Student population projections and accommodation need for new London Plan

[13] Higher Education Statistics Agency (2018/19) Open Source Data Online www.hesa.ac.uk

expense of families who may be in need of larger accommodation. Table 3.3 demonstrates this trend.

	ISLE OF DOGS[14]	LBTH
Total	290 (1%)	1,970 (2%)
1 bed	40 (1%)	180 (1%)
2 bed	130 (2%)	710 (2%)
3 bed	60 (2%)	550 (3%)
4 bed	40 (4%)	340 (6%)
5 bed	20 (7%)	200 (10%)

Table 3-3: Households occupied by full time students (Census 2011)

3.74 LBTH Local Plan 2031 acknowledges that there is a shortage of family sized homes within the borough.

3.75 The Development could deliver up to 3,718 student units. The Draft New London Plan Policy H1 'Increasing housing supply' sets out a ratio of 2.5 student units to be counted as one home. Therefore the Proposed Development's provision equates to the delivery of approximately 1,487 homes which can be considered to protect/free up family sized housing elsewhere in the borough.

3.76 It is also important to acknowledge that the provision of high-quality, purpose-built student accommodation plays a key role in attracting and retaining students. Moving to a new city and starting university can be a daunting experience, this is particularly the case for international students who also face the challenge of adapting to a new country and culture. Access to accommodation is therefore often a central consideration.

3.77 London has a large international student population – in 2016-17 there were 112,200 international students living in London, accounting for 41% of London's total student population[15]. This population plays a significant role in contributing towards the viability of London's universities as well as the economy through tuition fees, subsistence spending and spending by visiting friends and family. Research by London & Partners[16] found that over the 2016-17 academic year international students directly contributed an estimated £3.45 billion to London's economy.

3.78 Provision of managed student accommodation is attractive to both international and domestic students as it provides a high-quality product and service and can help to cultivate a sense of community and security, thereby ensuring that a high-level student experience is provided. With higher education institutions becoming more financially reliant on the international market, investing in quality student accommodation has never been more important.

[14] Blackwall and Cubitt Town and Millwall wards (It is acknowledged that the ward boundaries have been re-drawn across the Isle of Dogs since the 2011 Census and are now three wards, Canary Wharf ward, Island Gardens ward and Blackwall and Cubitt Town ward).
[15] London & Partners, 2018. The Economic Impact of London's International Students.
[16] London & Partners, 2018. The Economic Impact of London's International Students.

3.79 Bringing a student population into Canary Wharf is also a huge opportunity to enhance the diversity of the area. Whilst student income is generally low, student spending is not. Students can be supported by a number of resources including bursaries, grants, parents and part-time employment which results in high spending, disproportionally local, on a range of amenities.

3.80 Students living in Canary Wharf will help to animate the Metropolitan town centre in the evening and at weekends and will support a greater range of services compared to the workday population.

3.81 The challenge faced by office markets to evolve and continue to attract occupiers has been discussed earlier in this Report. There is an increased emphasis placed of the lifestyle factors in and around the places where people work. Employees are seeking a better balance between work life and leisure time. Therefore Canary Wharf needs to be able to support a wider range of leisure and cultural uses, to support the office market.

3.82 However, delivering these uses is only half the challenge; ensuring there is sufficient demand to support these uses throughout the week, in the evenings and at the weekends is crucial to their success and viability.

3.83 The introduction of students creates a fantastic opportunity to support the demand for a wider variety of amenity and leisure uses at alternative times compared to the typical demand from the workplace population. Therefore creating a better balance in the types of populations using the town centre across the day.

3.84 Bringing students into Canary Wharf also helps to forge links between education and employment. Businesses located here offer thousands of work experience opportunities, internships and graduate jobs each year. UCL's School of Management brings its students closer to future employers and allows students to gain greater exposure to different types of industries. Students living and studying here, increases this dynamic.

3.85 Out of term time many businesses offer summer/ vacation placements for students. A key issue is finding suitable, safe and well managed accommodation for students that may be coming from across the country to access these opportunities. Student accommodation delivered here offers a solution, therefore supporting employers looking to give students an opportunity of work experience.

Place Making

Links to Poplar – Improving the Interface

3.86 The Proposed Development will have a mix of uses on the northern side of Canary Wharf helping to integrate and soften the northern boundary of the Estate. The existing northern side of the

Estate is predominantly made up of large format office buildings, which do not integrate well with the surrounding area.

3.87 South Poplar, north of Aspen Way, has a lower density urban form, is more residential in character, and has a well-established community. The current interface between these two areas of the borough, which are very different in characters, is a hard edge. The Aspen Way Footbridge and its landing areas need to be improved to create a more inviting link between these two places.

3.88 The Proposed Development will improve the physical connections (discussed in further detail below), but the proposed mixed of uses will also help to soften this interface to the north.

3.89 The mix of land uses proposed include residential, office, retail, community and leisure floorspace, with public realm at the heart of the masterplan. New homes would introduce residents to the Site creating a new community which can contribute to existing surrounding neighbourhoods. Commercial floorspace will be integrated with public realm through ground level terraces, restaurants and shop fronts creating an attractive, vibrant mixed-use centre for residents, workers and visitors.

3.90 The proposed mix of uses and public realm would work to create a softer edge to the existing Canary Wharf Estate and improve connectivity with Poplar to the north.

3.91 New developments such as Wood Wharf, Newfoundland and the proposals at North Quay would help Canary Wharf to evolve, adding the benefits of a residential population, including businesses and services which support the new and existing communities living here. The Site is, therefore, the key location to ensure that Poplar and Canary Wharf become better integrated in the future and enabling Canary Wharf to consolidate its position as a Metropolitan Town Centre.

Links to Poplar – Physical Connectivity

3.92 A key design principle of the Proposed Development is to improve connections and accessibility through new routes and public spaces, creating a positive sense of place and uniting this Site with its wider context. The design has included extensive work to improve links with Poplar to help address the barrier of Aspen Way.

3.93 The Proposed Development includes a network of pedestrian and cycle routes strengthening walking and cycling connections and improving permeability across the Site, particularly north-south (see NQ.PA.03.A – Parameter Plan NQMP-PP-006). A north-south pedestrian route would provide strategic links through the masterplan from Canary Wharf Crossrail Station to Poplar High Street and Poplar DLR Station. This route would encompass the proposal's main public space, Quay Square.

3.94 Quay Square is at the heart of the proposals, creating a positive sense of place and connecting the Canary Wharf Crossrail Station and the dockside promenade (Quayside) to Poplar DLR station and Poplar High Street.

3.95 The proposals for Poplar Plaza (where the Aspen Way Footbridge arrives into the Site) will provide an accessible, arrival space from the north. The plaza would greatly enhance and improve the landing space of the footbridge, working to attract visitors and encourage movement between South Poplar and Canary Wharf.

3.96 The inclusion of these improvements and strategic connections would help to positively address the social, economic and environmental disparities between the areas.

3.97 This approach to public realm design would allow residents in the local area, particularly South Poplar neighbourhood, to become better connected to the established centre of the Canary Wharf district, sharing in the benefits of the ongoing investments across the Isle of Dogs.

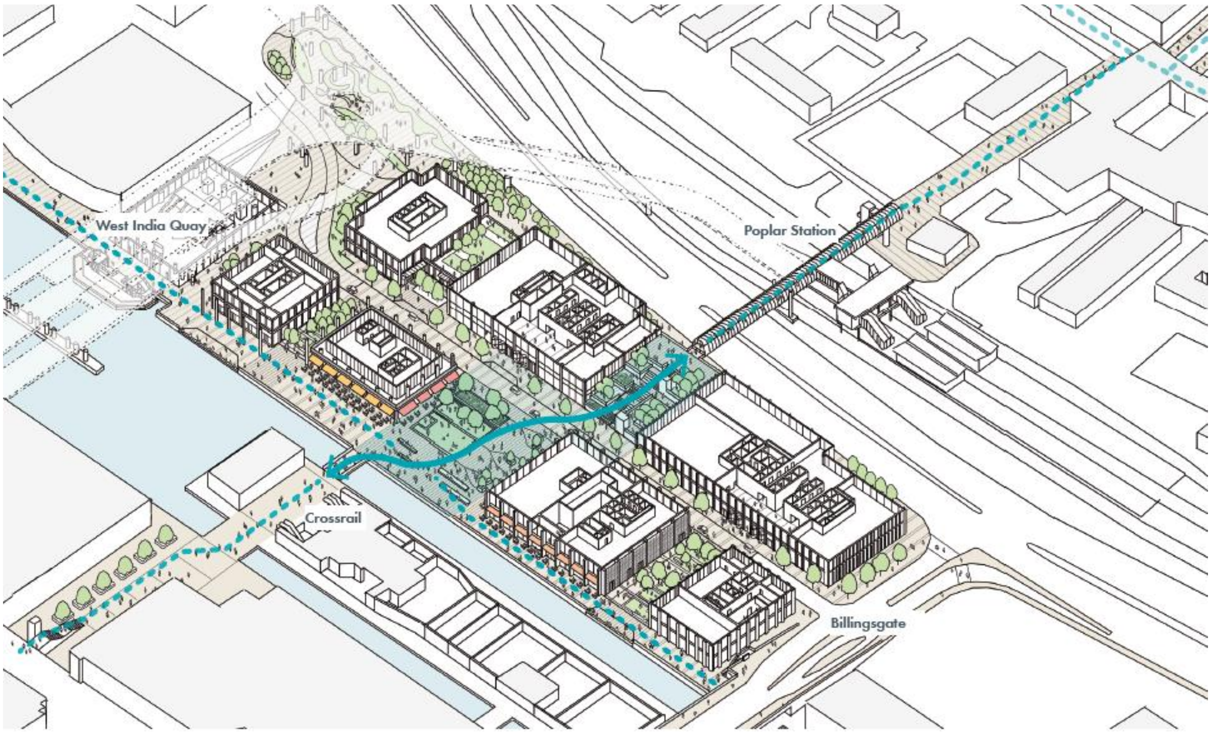


Figure 3-5 Indicative Scheme showing linkages with South Poplar and the existing Canary Wharf

Open space and Playspace

3.98 As outlined above, the inclusion of public realm has been a key element in the Masterplan design to support placemaking. Public realm spaces are prominent throughout the Site to provide links, animation, increase footfall and support residents, visitors and workers (see NQ.PA.03.A – Parameter Plan NQMP-PP-005).

3.99 The public realm space proposed vary in character to meet the needs of the new and surrounding community including soft and hard landscape.

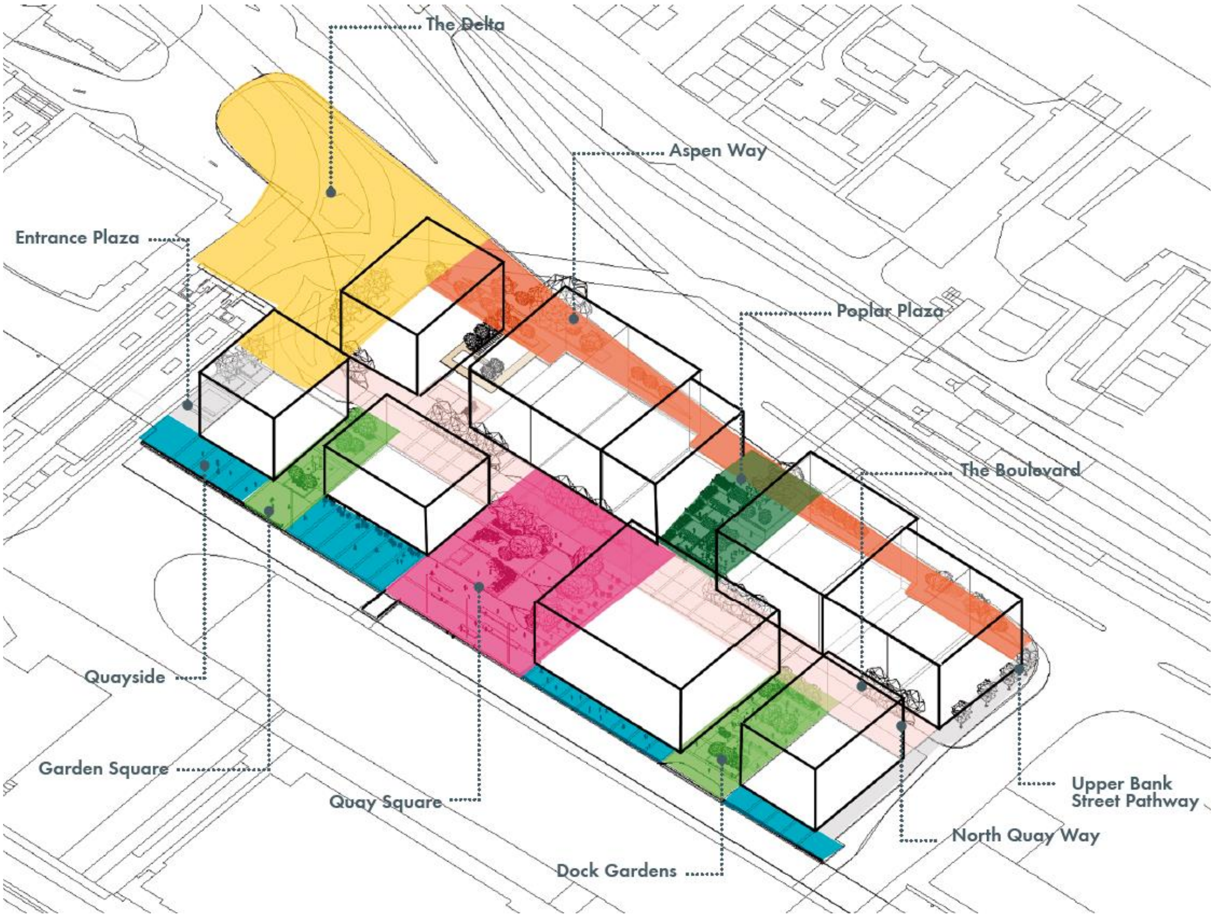


Figure 3-6 Indicative Scheme areas of open space and public realm

3.100 The public realm proposed across North Quay bridges the gap between the character of open spaces across Poplar and Canary Wharf. In neighbouring South Poplar open spaces are geared towards residential and community uses offering open lawn spaces for sports. The area to the south of the Site displays a different character with more formal public squares designed to suit the surrounding high-density commercial uses and meet needs of the business community.

3.101 The spaces throughout the Proposed Development are fundamental to the future identity of North Quay. Quay Square is at the centre, bounded by buildings and the quay to the south. This public square will be enveloped by active ground floor frontages providing a plaza, open lawn space and flexible seating. The plaza will offer the opportunity for pop-up / temporary uses including markets, open air performances and community gatherings.

3.102 This multi-use approach is found across all public realm provision on-site with spaces offering enclosed seating areas and garden spaces alongside pedestrian routes and terraces providing spill out space for ground floor commercial uses.

3.103 In the Indicative Scheme playspace has been integrated into these areas of public realm offering the opportunity for spontaneous play by residents and visitors alike. Play features for incidental use are placed throughout the quayside, lawns provide opportunities for flexible play and dedicated facilities are found across garden spaces. In addition, the proposals take on the opportunity to activate the space under the DLR rail tracks at Delta Junction through provision of a skate park for older children.

3.104 These spaces are open to the public and contribute to neighbourhood cohesion and creation of a vibrant community hub within this mixed-use development.

3.105 Beyond public realm space, internal playspace in the Indicative Scheme has been designed within the residential buildings. This offers dedicated playspace, designed to meet the needs of children of various ages. This offers playspace which will be well managed and offer an alternative to outdoor place. In addition, the types of play facilities that can be delivered in an indoor environment on a Site such as this are more varied than those which could be delivered outdoors.

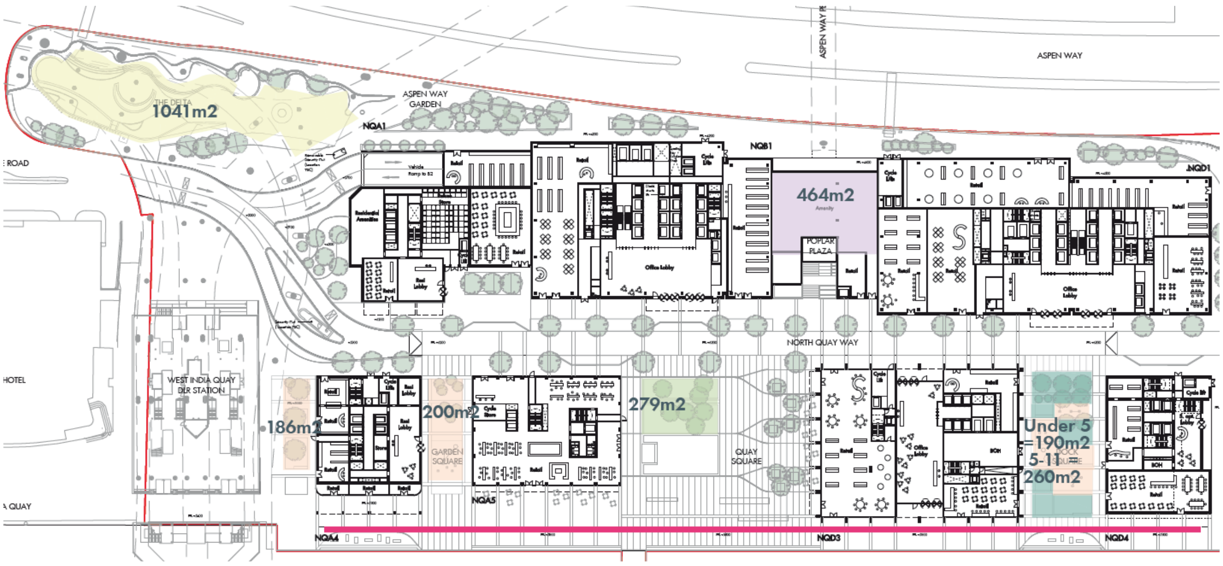


Figure 3-7 Indicative Scheme showing outdoor play areas

4. Economic Benefits

4.1 Due to the nature of the OPA and the variety of ways in which the quantum and balance of uses could come forward, this section considers the economic benefits arising from the Indicative Scheme. A sensitivity analysis is then provided to consider the economic benefit arising from the maximum scenario of the relevant use.

4.2 For example the economic benefits associated with employment are presented as an assessment of the Indicative Scheme and the maximum employment scenario as an up to maximum. The benefits associated with the residential uses, are also considered against the Indicative Scheme with commentary of the up to maximum benefit, should the maximum level of residential development come forward.

4.3 On this basis the cumulative total of the economic benefits associated with the maximum employment and maximum residential levels of development should not be considered as a whole.

4.4 The Indicative Scheme provides a more realistic balance between the economic benefits arising from the potential mix of uses that could be delivered.

Construction Benefits

Construction Employment

4.5 The construction programme for the Proposed Development is anticipated to stretch over eight years. This would support employment within the construction sector. The Construction Industry Training Board (CiTB) Labour Forecasting Tool calculates the likely labour profile generated by different types of development.

4.6 This estimates there would be a monthly average of 1,635 full time equivalent (FTEs) jobs involved in the construction of the development over the duration of the construction period. Due to the nature of the construction industry not all of these jobs may be based onsite. Employment onsite would fluctuate over the course of the construction programme.

Supply Chain Benefits

4.7 In addition to the creation of employment the development would have wider supply chain benefits to the construction sector. Supply chain effects and procurement varies across all projects in response to cycles within the sector. It is not possible to accurately quantify the spatial impact of the benefits to the supply as these would range from local to national and even international – but overall the supply chain benefits from the Proposed Development would be positive.

Long Term Benefits – Employment Floorspace and Jobs

Employment Creation

4.8 The range of uses proposed will generate employment once the Proposed Development is completed and occupied. The benefits of a mixed use development on this Site means that there is a greater range of types of employment. This includes offices designed to attract a range of occupiers, retail, leisure and serviced apartments. In addition, there would be additional employment generated within the Canary Wharf Estate management and security teams and employment associated with the new homes.

4.9 The Proposed Development includes flexibility on the quantum of development under each use class and breakdown of the split between uses within the commercial floorspace. A number of potential employment scenarios have been assessed by modelling the likely maximums and minimums of each use to test the resulting employment impact. A minimum and maximum employment scenario has been established along with a comparison with the Indicative Scheme (as set out in Table 3-1 above).

4.10 This shows that the proposals could support up to 18,800 jobs. With the Indicative scheme supporting between 10,320 and 13,380 jobs. Note: all job figures reported here are full time equivalent (FTEs) jobs.

Local Employment and Skills - the Applicant's Track Record

4.11 The Applicant has a long term investment in this area. They have developed more top quality office space in London than any other company over the last 30 years and they place great importance on living the values and principles of being a good neighbour. Their aim is to create quality, inclusive and sustainable districts that emerge through close working partnerships with their neighbours and stakeholders.

4.12 To open up the economic opportunities to people living in the surrounding areas, the Applicant supports programmes and organisations which assist in the creation of direct or indirect opportunities for local people, primarily in the areas of education and training.

4.13 The Applicant has a dedicated Education Officer who liaises with Schools in LBTH, listening to the needs of the individual schools. Through these activities they support after-school clubs, school trips and extra-curricular activities. There is an active work experience placement programme, with a focus on opportunities for local residents to gain valuable experience in various roles.

4.14 As many roles at Canary Wharf are focusing more towards the TMT sector the Applicant have been working with Code First Girls to deliver coding training to female graduates and redress the gender balance in the sector. For students in LBTH who have left school but need specific additional training, they can apply for funding through the Canary Wharf and Tower Hamlets Further Education Fund that was set up by the Applicant and is administered by LBTH.

4.15 The Applicant works closely with the Tower Hamlets Employment Service to ensure that local residents are aware of vacancies on the Estate. This partnership working will apply both to the construction employment opportunities generated by the development and the jobs in the end uses.

4.16 Commitments to local employment and training initiatives will be secured within the Section 106 Agreement that will form part of the OPA.

Diversification of Skills Profile

4.17 The range of jobs that will be available here will help to diversify the employment base at Canary Wharf, offering an increased range of opportunities to the labour market.

4.18 The office space has been designed to attract an increasingly diverse range of occupiers compared to some of the office space within the existing Estate. As set out previously, new growth sectors are having a huge impact on London's economy. The diversification of the sectoral base in Canary Wharf from its initial focus on finance will open up the skills base requirements for employment based here.

Gross Value Added and Additional Employee Spending

4.19 The commercial floorspace in the Proposed Development will generate a number of economic benefits for central Government such as VAT on spending within the retail and leisure, income tax on employees, national insurance etc.

4.20 Gross Value Added (GVA) is the measure of the value of goods or services produced in an area, industry, or sector of the economy. It measures the value produced by the economic activity that is undertaken in a given area.

4.21 The increase in employment would make a significant economic contribution; in terms of GVA, the increase in employment represents an impact of between £774 million and £1 billion per annum based on the Indicative scheme. This would increase to up to £1.4 billion per annum based on the maximum employment scenario.

4.22 A recent survey undertaken by Visa Europe of workers in the UK found that on average people spend £11 per day in the local area around their place of employment. The new jobs accommodated by the commercial floorspace in the Indicative Scheme could generate up to £32.2 million per year in the local area around the Site. If the maximum employment scenario comes forward this would increase to up to £43.8 million per year.

4.23 The Indicative scheme includes the 750 serviced apartments, bringing additional spending from tourism, both leisure and business tourism to the area. It is estimated that the level of annual spending from visitors staying in the serviced apartments would be approximately £34.7 million per annum.

4.24 Research[17] shows that on average students are likely to spend £6,800 annually. Therefore, the spending arising from the 3,178 student homes would be £25.3 million per annum.

Business Rates

4.25 Business rates are calculated by assessing the rateable value of commercial floorspace and applying the current business rate multiple to the rateable value (50.4p for standard businesses based on 2019/20 business rate multiplier). The rateable value varies by use and location. Analysis of the Valuation Office Agency database into average rateable value for business within the local area has been undertaken to estimate the potential rateable value of the proposed commercial floorspace.

4.26 The non-residential floorspace delivered as part of the Indicative Scenario could generate £37 million annually. However, this figure is likely to underestimate the yearly business rates income as it is not possible at the planning application stage to estimate the business rates arising from the Hotel/Serviced Apartment (C1) floorspace delivered in these proposals. This is due to the complex methodology employed to calculate the business rates for hotels which is specific to the type of accommodation, level of trade etc, which is very susceptible to change – and not known at the planning stage.

4.27 If the maximum employment floorspace is delivered as determined by the Development Specification (NQ.PA.05), this figure would increase to an estimated £58 million annually.

4.28 A proportion of this growth in business rates could be retained locally to be shared by LBTH and the GLA once North Quay is completed and occupied.

[17] Department for Business, Innovation and Skills (2018) Student Income and Expenditure Survey Research Paper

Long Term Benefits - Housing and Residential Population

Bringing Residents into the town centre

4.29 A mix and balance of uses between commercial and residential is vital in supporting a sustainable town centre (especially in a post Covid-19 climate). Increasing the number of residents in the town centre would give a new dimension to the centre and benefit the day and night time economy both on the Site but across the wider Canary Wharf Estate. Not only would this help support demand for new restaurants and cafes, it creates a 24 hour community in the town centre which would improve the sense of security.

4.30 It is estimated that the 702 new homes proposed in the Indicative Scheme will accommodate 1,665 residents. This new residential population would bring additional household spending of up to £10.6 million per annum into the town centre and it is reasonable to assume that a significant proportion of this would be captured locally.

4.31 If the maximum level of housing is delivered (1,264 homes), the scheme would support additional household spending of up to £19 million per annum.

Council Tax & New Homes Bonus

4.32 Residential space on this Site will increase council tax revenue collected by the council. Based on the average council tax rate (band D) for 2020/21 in LBTH, the 702 new homes would generate £977,500 in council tax annually. This could increase to a potential £1.76 million per annum if the maximum number of homes is delivered.

4.33 Council tax revenue helps LBTH support a range of services including schools, libraries, public health, child and adult social care, housing services, highways and transport services, environmental services and rubbish collection etc.

4.34 New Homes Bonus is a grant paid to Local Authorities by the Government as an incentive to promote housing growth – a bonus of £1,750 is applied to all homes. This tops up the council tax collected on new homes for the first four years after they are completed. There is an additional bonus payment for providing affordable housing (£350 for each home).

4.35 Local Authorities can choose how to spend their New Homes Bonus, and it can be spent on local regeneration priorities within their borough.

4.36 Provision of 702 homes proposed as part of the Indicative Scenario would generate an estimated £5.2 million over four years for the local authority to allocate to investment priorities. If the maximum number of homes are delivered (1,264 homes) this figure would increase to £9 million over four years.

4.37 The planning obligations and Community Infrastructure Levy (both Mayor of London & LBTH) required to mitigate the impact of the development, will help fund new social and physical infrastructure in the area.

4.38 Together this level of investment and spending will invigorate the local economy and stimulate knock-on effects in supporting local businesses and generating new enterprises, as well as funding public spending on local infrastructure.

5. Summary and Conclusions

5.1 Canary Wharf, and the Isle of Dogs as a whole, plays a huge role in London's economy. There are 163,000 jobs located here, and this area has experienced significant levels of employment growth since the regeneration of the docklands began in the 1980's. The Applicant has played a pivotal role in this economic growth and regeneration of this area of LBTH – and has supported the local community to be access the opportunities created here, in the aim of sharing the benefits throughout the borough.

5.2 North Quay is arguably the best remaining development site on the Isle of Dogs. Its strategic location on the edge of the Canary Wharf Estate connecting northwards to South Poplar, with excellent transport connectivity through the Elizabeth Line, London Underground and the DLR, is a fantastic opportunity to realise a whole range of economic and regeneration benefits.

5.3 The range of uses and level of flexibility being applied for allows this Site to improve the relationship between Canary Wharf and the rest of the borough to the north. South Poplar to the north of the Site is a lower density area, more residential in nature. The Canary Wharf Estate has been largely corporate in its nature, dominated by large floorplate office buildings. However this is changing.

5.4 Recent developments in and around the Estate have begun to change the nature of the area such as Wood Wharf, Newfoundland and a number of developments on South Quay. Bringing residents and a greater mix of uses into Canary Wharf and the rest of the north of the Isle of Dogs is crucial in order to diversify the area, and allow Canary Wharf to mature into a Metropolitan town centre.

5.5 This need to diversify is vitally important to protect the office market here, and to ensure that Canary Wharf can continue to attract and retain occupiers, business and employer. Canary Wharf has been mainly focused on financial services, however this is changing rapidly. Sectors such as TMT are growing and taking up a role in the UK economy and London's office market demand. Broadening the range of sectors in Canary Wharf is good for the office market's resilient and in creating a greater range of employment opportunities for residents.

5.6 Occupier needs are changing, there is an increased focus on the need to deliver the right type of floorspace, in areas attractive to workers with the right balance of services and facilities. Employers are increasingly having to complete within the labour market for talent, and part of this challenge is offering employees an attractive work environment which is vibrant and offers a good lifestyle. Bringing resident, including students, into the area plays an important role in achieving this diverse mix. Residents help to support a wider range of services, including more varied types of retail, cafes/ restaurants and leisure facilities.

5.7 This site will have an important placemaking role, creating new areas of open space and public realm, but most vitally, creating new routes through and into the Estate. Better linking South Poplar with the existing Estate, north of the Isle of Dogs and beyond. Improvements to the Aspen Way Footbridge will make a significant improvement for residents in South Poplar in accessing Crossrail Place – the Canary Wharf Crossrail Station.

5.8 The flexible approach set out within the OPA allow this site to respond to market changes and occupier demands. The employment growth experienced in recent years, and the pipeline of development in the area shows that Canary Wharf has to date achieved the employment targets set out by the London Plan since its first publication in 2004. There is sufficient momentum and capacity to continue to meet the longer term targets set for this area.

5.9 The bigger challenge facing Canary Wharf is ensuring that this area remains attractive and can evolve and adapt to changes in the market and the way in which people live and work. The OPA includes a level of flexibility between commercial and living space. There is flexibility in the type of residential space that could be delivered, from typical residential (C3 use class) to co-living space (C4/ Sui Generis) or Student Accommodation (Sui Generis).

5.10 The economic and regeneration benefits that this Site has the opportunity to deliver will depend on the exact mix of uses that come forward. The Indicative Scheme helps to demonstrate a likely balance across these benefits. These are summarised below, along with the up to maximum level of benefit that could be achieved based on the maximum development of each use. The up to maximum benefits aren't cumulative but illustrate the potential within the development.

	Indicative Scheme	Maximum Employment Minimum Residential	Minimum Employment Maximum Residential
Construction Employment	1,635 FTE jobs on average over the eight year construction programme		
End use jobs	10,320 – 13,380 jobs	Up to 18,800 jobs	Up to 11,155 jobs
Gross Value Added	£774 million - £1 billion per year	Up to £1.4 billion per year	Up to £848.2 million
Employee Spending	£24 million - £32.2 million per year	£43.8 million per year	£26 million per year
Visitor Spending	£34.7 million per year	n/a	n/a
Business rates	£37 million per year	£58 million per year	£32.8 million per year
Student Spending	n/a	n/a	£25.3 million per year
Resident spending	£10.6 million per year	n/a	£19 million per year
Council tax	£977,550 per year	n/a	£1.76 million per year
New Homes Bonus	£5.2 million over four years	n/a	£9 million over four years

Table 5-1: Summary of Economic Benefits

Appendix 1: Employment Pipeline Evidence Base

	PLANNING REF	JOBS	SOURCE/ ASSUMPTIONS
Canary Wharf Estate			
Wood Wharf	PA/13/02966	17,045	Planning Application Documentation - ES Calculations for Illustrative Scheme.
10 Bank Street	PA/13/01150	7,690	Planning Application Documentation - ES Calculations
North Quay	n/a	13,660	Calculated as the midpoint between the upper and lower Dev Scenarios
Park Place	n/a	1,745	Alternative scheme considered with a wider mix of uses compared to consented commercial scheme
1 Bank Street	PA/14/01428	5,840	Planning Application Documentation - ES Calculations
Newfoundland	PA/13/01455 & PA/14/02134	89	Planning Application Documentation - ES Calculations
Crossrail	PA/08/01666	502	Based on retail floorspace (2,340 sqm)
Canary Wharf Sub-Total		46,571	
Wider Isle of Dogs and South Poplar Opportunity Area			
Poplar Business Park	PA/14/00944	540	Calculated based on 15 jobs per Gross Office Area (GEA 6,945sqm)
Columbus Tower, Hertsmere House	PA/14/02418	2,006	Calculated based on 15 jobs per Gross Office Area (GEA 30,085sqm)
Riverside South	PA/13/03161	9,263	Calculated assuming 55% of the 179,288 sqm (NIA) of approved floorspace comes forward as commercial. The remaining 45% is assumed to be residential
Billingsgate Market	n/a	15,000	Calculated using the 150,469 sqm (NIA) of commercial floorspace set out in the LBTH Viability Assessment 2017
DLR Poplar Yards	n/a	1,400	Calculated based on 15 jobs per Gross Office Area (GEA 21,000 sqm)
South Quay Plaza	PA/15/02104	147	Calculated based on 15 jobs per Gross Office Area (GEA 2,206 sqm)
40 Marsh Wall	PA/10/1049	82	Calculated based on 15 jobs per Gross Office Area (GEA 1,226sqm)
30 Marsh Wall	PA/14/00990	150	Calculated based on 15 jobs per Gross Office Area (GEA 2,245sqm)
225 Marsh Wall	PA/12/03315	45	Calculated based on 15 jobs per Gross Office Area (GEA 675 sqm)
Jemstock 2, South Quay Square	PA/12/03248	129	Calculated based on 15 jobs per Gross Office Area (GEA 1,935 sqm)
Meridian Gate	PA/14/01428	28	Calculated based on 15 jobs per Gross Office Area (GEA 425sqm)
45 Millharbour	PA/11/01945	31	Calculated based on 15 jobs per Gross Office Area (GEA 461 sqm)
Former Westferry Printworks	PA/14/03195	564	Planning Application Documentation - ES Calculations
Skylines Village	PA/07/03282	484	Calculated based on 15 jobs per Gross Office Area (GEA 7,264sqm)
New Union Close	PA/08/00504	7	Calculated based on 15 jobs per Gross Office Area (GEA 103 sqm)
Glengall Bridge	PA/11/00798	571	Calculated based on 15 jobs per Gross Office Area (GEA 8,560 sqm)
Millharbour Village	PA/14/01246	47	Calculated based on 15 jobs per Gross Office Area (GEA 700 sqm)
London Arena	PA/14/00293	1,722	Calculated based on 15 jobs per Gross Office Area (GEA 25,835 sqm)

	PLANNING REF	JOBS	SOURCE/ ASSUMPTIONS
The Forge	PA/15/02216	31	Calculated based on 15 jobs per Gross Office Area (GEA 460 sqm)
Blackwall Yard, Reuters Site	PA/14/03585	95	Calculated based on 15 jobs per Gross Office Area (GEA 1,430 sqm)
Blackwall Reach - Robin Hood Gardens Estate	PA/11/03670	60	Calculated based on 15 jobs per Gross Office Area (GEA 900 sqm)
Coldharbour Phase 1+2	PA/12/02923	335	Planning Application Documentation - ES Calculations
Wider IoDSP OA Sub-Total		**32,736**	
Total		**79,307**	
Total rounded		**80,000**	

Appendix 2: JLL Market Place Report

United Kingdom | April 2020

Research Report
Jones Lang LaSalle Incorporated

Market Report

Provided for :

Canary Wharf Group

One Canada Square

Canary Wharf

London

E14 5AB

1. Executive summary

1.1.1. JLL has been instructed by the Canary Wharf Group (CWG) to prepare a study looking at the Central London office market, how supply and demand for offices is changing, what is influencing this change and how it impacts the Canary Wharf (CW) office market.

1.1.2. CW is the main focus of office-based employment and associated office stock in the London Borough of Tower Hamlets (LBTH). The borough has seen one of the strongest levels of office employment growth over the last five years- there are 38% more people working in office-based employment in 2018 than in 2008.

1.1.3. CW is recognised as a financial and business services centre. Its employment and hence office demand is more heavily reliant on financial services than other parts of Central London. Over the last 10-years 40% of take-up in Canary Wharf was from banking & finance compared to 22% in Central London.

1.1.4. Unlike the main Central London leasing market, which has seen above average levels of take-up for the last six years, Canary Wharf has been less resilient since the EU referendum and since 2016 has seen more muted levels of take-up.

1.1.5. Average annual take-up for the past 10 years in Canary Wharf is 768,000 sq ft – compared to 1 million sq ft in the preceding 10 years with less new developments and major pre-lets over this period.

1.1.6. While it is recognised that the tenant base of CW is diversifying, it trails other parts of the capital. The Central London occupier base has diversified in terms of its sectoral composition, as technology, media (TMT) and services occupiers have grown substantially. Leasing activity to TMT companies accounted for 23% of take-up over the last 10 years but only 9% in Canary Wharf.

1.1.7. This variation in occupier composition is also being reflected in the pattern of unit sizes. Average deal sizes are much larger in the Canary Wharf than elsewhere in Central London primarily due to the dominance of financial services companies and the associated office supply.

1.1.8. But the number of large deals, have become less common in Canary Wharf since the GFC while the opposite trend has been seen across the wider market. There were 15 transactions (6.5 million sq ft) in excess of 250,000 sq ft in the 10 years prior to the GFC in Canary Wharf but this fell to nine transactions (3.8 million) in the 10 years to 2019.

1.1.9. This is attributable to both increased competition from competing schemes across Central London with more sites able to accommodate large requirements than in previous years, and a shift in the composition of business sectors expanding in London who have different locational requirements and needs in terms of how they work.

1.1.10. Large requirements have migrated to areas such as King's Cross, Paddington and Clerkenwell. These areas have undergone rapid change over the last 10 years, to provide mixed use development alongside improvements to the local environment that have created places to work for the Capital's younger workforce.

1.1.11. Prior to the Olympics, Canary Wharf provided the cheapest East London location able to deliver offices of over 250,000 sq ft with good transport connections. Stratford now provides competition to Canary Wharf and requirements that would have only looked at Canary Wharf now have an alternative option.

1.1.12. The employment market in LBTH has changed and is expected to diversify further. The composition of current demand and employment growth forecast are all indicative of a more diverse future occupier base in Canary Wharf.

1.1.13. Occupiers are increasingly footloose and historic location ties have been broken as companies seek out the best space to meet their needs, particularly around the attraction and retention of talent.

1.1.14. As a result, workplace design, health & well-being, activity-based working, sustainability, amenity and flexibility are all high on the corporate agenda.

1.1.15. At the same time, there has been a shift to buildings with smaller floorplates, due to the changing nature of work and the type of company leasing space. The proportion of deals over 50,000 sq ft leasing space with a floorplate of 20,000 sq ft or below increased from 50% between 2009-2013 to 56% between 2014-2018.

1.1.16. Demand for large floorplates in Central London is typically driven by financial services occupiers, who favour larger floors to accommodate trading functions and large departments. The existing Canary Wharf office stock was developed to appeal those firms seeking larger floorplates. As a result, the majority of current and pre-let stock available is of floors of in excess of 20,000 sq ft.

1.1.17. CW has a large pipeline of future offices, which comprises of a number of schemes that typically will require a pre-let of 250,000 sq ft plus to start construction. There are fewer requirements of this size in general and there is now increased competition from other areas of London, that may be more suitable for the wider range of occupier types.

1.1.18. The dependency upon off-plan pre-lets to kick start many of these proposed schemes could curb future supply and prevent inward occupier migration into the area. Canary Wharf's share of Central London off-plan pre-lets has fallen from 23% between 1998 and 2013 to just 5% between 2014-2019. Pre-lets are no longer the domain of financial services companies and other occupiers require different needs to suit their business.

1.1.19. Current planning policy is geared towards sustaining and enhancing CW as an office location. While this policy needs to be maintained, market trends indicate that CW needs to have a wider range of property types to appeal to a wide range of occupiers- especially given the increasingly footloose nature of occupiers and new emerging areas of London that are increasingly on the occupiers' radar- to ensure long- term sustainability.

1.1.20. Providing an office building with smaller floorplates could be complementary to the existing pipeline elsewhere on the estate, which are able to meet the demand for large floor-plates, in terms of meeting an identified need to diversify the CW footprint and attract a different type of tenant.

1.1.21. Mixed- use development would not prejudice the overall plans for the estate, as it would help attract a new cohort of occupiers, support employment and provide a more dynamic local environment.

2. Basis of instruction and approach

2.1. Objective

JLL has been instructed by the Canary Wharf Group (CWG) to prepare a study looking at future office space supply and demand, trends and typologies at Canary Wharf and the wider Isle of Dogs.

The purpose of this study is threefold:

- to broadly assess where Canary Wharf sits within London's office market, historically, now and in the future;
- to identify changing employment characteristics and what this means for the Estate;
- to understand how this is reflected in planning policy, and the scope for influencing emerging policy documents.
- to consider how this will impact on the demand for space in Canary Wharf and what is the most appropriate development design to best capture this.

2.2. Scope

The scope of our study is as follows

- To provide a general market overview of London, looking at key strategic market drivers, employment sector forecasts and recent performances of key market locations;
- To analyse the property market within the context of Canary Wharf and its surrounding employment characteristics;
- To understand current and future demand of commercial space, including the nature of the space required and tenant profile; and
- To understand the role of Canary Wharf in the context of overall employment aspirations for London, to establish if policy aspirations for Canary Wharf are justified, viable and achievable.

Our approach is empirical, using both quantitative and qualitative data.

We draw on JLL's own market statistics, as well as data from Oxford Economics and other third-party data sources, to compile estimates and forecasts to provide the overview of the Central London and Canary Wharf office markets. We have utilised JLL's extensive market experience and knowledge in dealing with occupiers seeking space across Central London as well as working on development sites in Canary Wharf and the wider London office market.

3. UK economy and labour market

3.1. Introduction

3.1.1. This section describes conditions in the UK economy, providing background and context for subsequent sections which examine the performance and market drivers in Central London and in Canary Wharf specifically. It begins with an overview of economic conditions, touches on the impact of Brexit, as it stands today, and the outlook which provides insight into the strength of anticipated occupier demand, and the likely sectoral composition of the business mix.

3.2. UK GDP growth and outlook

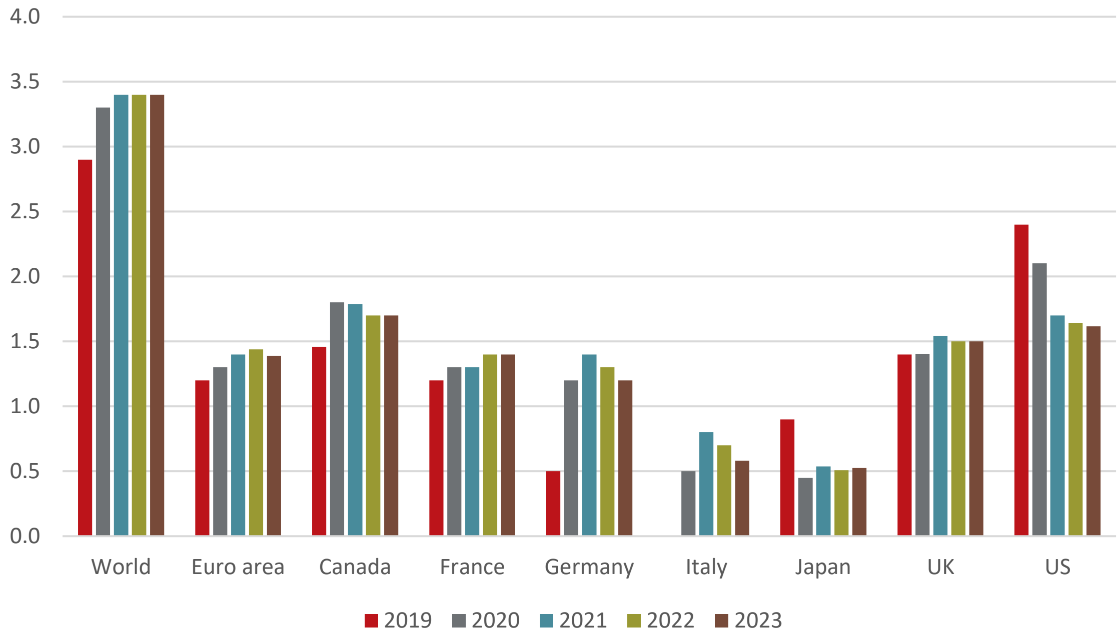
3.2.1. UK GDP growth has been relatively stable in recent years. In the immediate aftermath of the UK's vote the leave the European Union, there were fears of very weak output growth, and possibly even negative growth. These fears appear to have been unfounded, with growth of 1.8% in each of 2016 and 2017, and 1.4% in 2018. While this growth is not spectacular, it is steady and sustainable, particularly given the political backdrop.

3.2.2. Nevertheless, the UK economy is in the deceleration phase of the economic cycle, seeing GDP growth slow from previously quicker rates as business investment has softened and the labour market tightness has caused the economy to butt up against capacity constraints. The slowdown is not forecast to descend into recession, instead growth is forecast to stabilise and recover as Brexit-related uncertain dissipates over the coming year.

3.2.3. The UK economy expanded by 1.4% year-on-year in 2019. Despite the relatively robust performance, the pace of expansion was still amongst the weakest since the recession during the Global Financial Crisis of 2008-09 and below the long-term trend, which is between 1.5%-2.0% per annum. Looking further ahead, the IMF forecasts the UK economy to stabilise at 1.4% in 2020 and firming up to 1.5% in 2021. This assumes a gradual transition to a new economic relationship with the EU.

3.2.4. Compared to its G7 peers, UK GDP growth was the third fastest growing economy, behind only Canada and the USA. According to the IMF, in the medium term, UK growth will be on par with that in Canada and US, and above that in France. Germany, Italy and Japan.

Chart 1: Real GDP Growth (% year on year)



Source: IMF

3.3. Impact of Brexit[1]

3.3.1. The UK left the EU on 31st January 2020. Questions over the UK's withdrawal from the EU are now settled, with the official departure now seeing the UK moving into an 11-month transition period, during which it will continue to be treated as if it were a member of the EU.

3.3.2. The transition period in the current Withdrawal Agreement provides for a transition until the end of 2020 or the end of 2022 if the UK requests an extension by June 2020. The terms of the extension could be altered if a new agreement is reached. During any extension the UK would negotiate the terms of its future trade agreement with the EU. However, Boris Johnson has stated his intention to pass legislation to rule out any extension and set the end of 2020 as a hard deadline to negotiate the future relationship.

3.3.3. If, over the remaining 11 months of 2020, the UK and EU fail to agree on a future trading relationship, the UK will effectively leave the trading bloc with 'no deal' and will revert to WTO trading standards. Given the government position and short time scale available, any trade agreement that is reached would likely be narrow (covering goods only), shallow (covering tariffs and quotas only, not the much more important non-tariff barriers), and biased toward the EU (as they are the larger party, and not operating under the confines of a self-imposed timetable).

3.3.4. The immediate outlook of the UK economy is looking a little more certain since the result of the General Election and the UK's formal leaving of the EU on 31st January. However, beyond this the impacts remain uncertain and will be largely dependent on the outcome of trade negotiations over the course of the year. The pound is likely to remain under pressure and remain close to present levels; businesses are unlikely to embark on additional investment spending; and consumer and business confidence will likely remain subdued until clarity emerges.

[1] This section will be updated once 31st Oct deal has been determined

3.3.5. Assuming some agreement is reached over the course of the year, be it a bare-bones trading arrangement or a full free-trade agreement, the removal of uncertainty would provide a boost to consumer and business confidence and likely result in an increase in business investment spending. Sterling would likely appreciate significantly when the threat of a No Deal outcome reduces. The stronger currency would reduce import prices and remove the upward pressure on CPI inflation that resulted from the post-referendum depreciation. Over time, this is likely to mean that imported goods prices flatline or fall. Household real income growth will be supported by the reduction in inflation. The government would then be able to embark on its fiscal plans to increase spending, drawing on the reserve fund created in case of a No Deal outcome.

3.3.6. In the event of a No Deal, which is still a possibility at end-December 2020, the UK would suffer a negative economic shock. Sterling would depreciate, although probably not as severely as was forecast in the event of an earlier No Deal. In the near term, the currency is likely to overshoot, as financial markets frequently do. UK equity markets will face competing pressures. The FTSE 100 may well rise due to the high proportion of foreign currency earnings of firms comprising the index. These firms will see the sterling value of their non-sterling revenue increase. For firms with a more domestic focus, and those in other indices, the direction of movement is likely to be down as markets interpret the No Deal departure as negative for the UK's long-term economic prospects.

3.3.7. Economic growth will slow, and the economy may contract, as is forecast by the plurality of forecasters, as uncertainty about the future will continue and barriers to trade would be erected overnight between the UK and its largest trade partner (as well as other markets). Due to countervailing measures put in place by firms in the UK and EU, and by governments on both sides, the full negative impact will be mitigated in the short term, potentially allowing time for solutions and process improvements to be found. Nonetheless, in the short term the impact would be negative.

3.3.8. The UK government is expected to pump money into the economy to provide an offsetting boost, as well as provide funds to firms to offset additional costs. This expenditure will cushion the impact of No Deal in the short term.

3.4. London office employment growth and forecasts

3.4.1. Conditions in the UK labour market are positive. Since unemployment reached a peak of 8.4% in late 2011, the UK has enjoyed something of an employment boost. The unemployment rate has steadily declined to the current level of around 3.8%, the lowest in more than 40 years. Employment is also at record levels (76.3%), and the economy is believed to be at, or close to, full employment.

3.4.2. Employment activity has confounded the weaker economic data, but recent growth has been put down to companies taking on new hires rather than making longer term capital investment in their businesses in the wake of economic uncertainty.

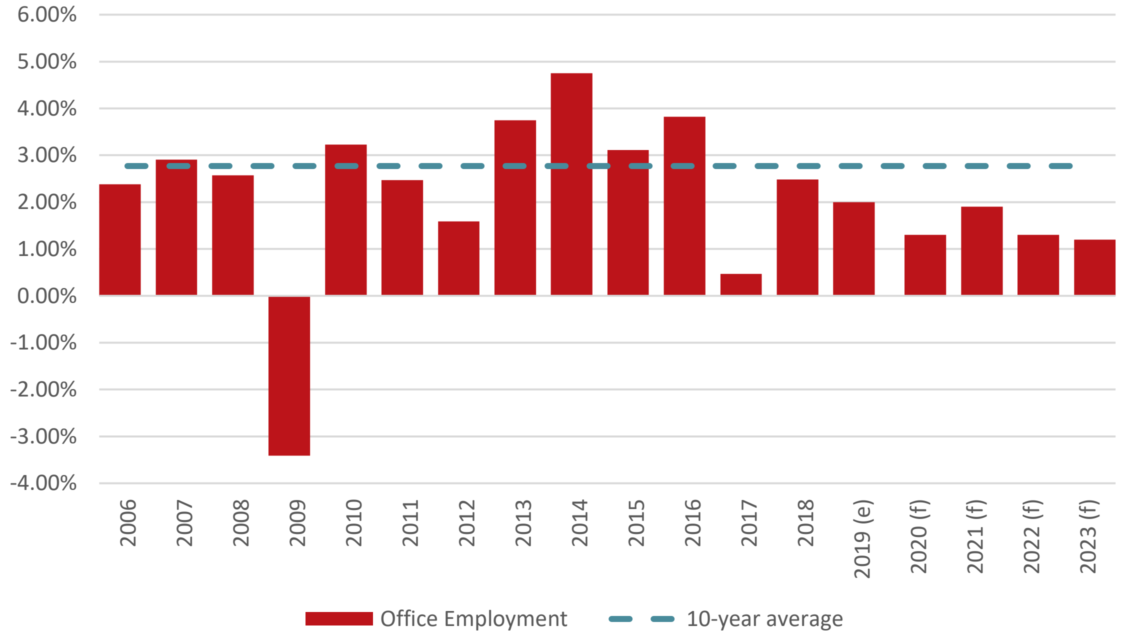
3.4.3. Looking more specifically at the number of people employed in office-oriented sectors[2] within Greater London, employment is at peak levels and has grown by 317,000 (15.2% or 2.9% per annum) in the five years to end of 2018, which is far more than the pace of growth across the UK as a whole. This reflects the continuing urbanisation of employment, the preference of graduates for city locations, and the concentration of new jobs in sectors such

[2] Administration and support/financial and insurance/information and communication/professional, scientific and tech/public admin/real estate activities.

as tech, media, technical and professional/business services, which all tend to congregate in urban clusters.

3.4.4. Over this period, the fastest growth has come in the information and communication which has grown by 18% or 3.4% per annum to reach 543,000. Despite concern around the future of the financial services sector, headcount growth in financial services has also been positive, at 5.8% or 1.1% per annum, as the sector responds to structural changes within the industry reflected in expansion of compliance and technical roles. The sector saw 7,700 new jobs created in 2019, although the rapidly growing information & communication sector increased by 13,100 new roles and professional services by almost 39,000 jobs.

Chart 2: Change in office employment, Greater London, historic and forecast, 2006 – 2023



Source: Oxford Economics

3.4.5. Oxford Economics forecast that London will continue to see solid employment growth, albeit at a more modest pace than seen in the last five years due to low levels of unemployment and a return to companies making long term capital investment in their businesses. The number of jobs is forecast to increase by an average of 1.4% per annum between 2019 and 2024 which equals just over 187,000 new roles. Much of this growth will be focused on Inner London. Inner London boroughs are anticipated to see growth of 1.5% per annum, which is around 150,000 new jobs.

3.4.6. It is expected that this will continue to be led by the information and communication and professional services sectors, as well as business administration, while the total headcount in financial and insurance is likely to fall. Much of this employment growth will continue to be driven by the types of businesses that tend to congregate in urban locations because of the clustering benefits, most obviously those in professional and business services, technology, creative and media.

Table 1: Employment growth per annum 2018-2023

Sector	Inner London	Outer London	Greater London
Administrative and support	2.5%	1.6%	2.1%
Financial and insurance	0.0%	-0.2%	-0.1%
Information and communication	2.0%	1.8%	2.0%
Professional, scientific and tech	2.5%	1.4%	2.2%
Public administration and defence	0.5%	0.3%	0.4%
Real estate activities	1.2%	0.6%	1.0%
All office-based employment	1.7%	1.3%	1.6%

Source: Oxford Economics

3.5. Tower Hamlet office employment growth and forecasts

3.5.1. Within Inner London, Tower Hamlets has seen one of the strongest levels of employment growth in all boroughs during this period, with 38% more people working in office-based employment in the borough at the end of 2018 than the end of 2008. This equates to an average annual growth rate of 6.7%, much faster than for London overall and second only to the City of London (8.1% per annum).

3.5.2. Oxford Economics' projections for employment growth over the coming decade indicate that Tower Hamlets will outperform Inner London and London as a whole, although the pace of growth is expected to slow across all boroughs. Tower Hamlets' 14.5% projected growth between end-2018 and end-2028 is expected to be one of the strongest levels of growth at borough level, behind Camden (21.6%), Islington (17.3%) and Lambeth (14.6%).

3.5.3. Breaking down employment in Tower Hamlets by sector (Table 3), we see a large proportion of jobs are currently in the financial and insurance sector, with which Canary Wharf is traditionally associated. While the level of employment in this sector is high and has grown strongly over the long term, employment growth since 2008 has been sluggish. This is projected to continue, with the number of jobs expected to see limited growth over the next decade. Other sectors have seen significantly higher growth, particularly professional, scientific and technical which has grown 116% in Tower Hamlets since the end of 2008. This is projected to continue as one of the fastest growing office-based sectors in the coming decade, along with administrative roles. Information and communication has also seen good levels of employment growth in the borough, as the area has expanded its appeal over recent years.

3.5.4. This rebalancing in the local economy is illustrated by the fact that back in 2008, banking & financial services accounted for 32% of all jobs in the borough but had fallen back to 23% in 2018 and is expected to represent only 20% of total employment by 2028. At the same time, professional, scientific and technical employment has risen from 10% in 2008 to 15% by the end of 2018, while admin and support and information and communication roles have also increased their local dominance over the same period to represent around 11% each.

Table 2: Total employment by sector in Tower Hamlets (000s)

Sector	2008	2013	2018	2023	2028	Growth 2009-2018	Growth 2019-2028
Financial and insurance	74.93	77.71	74.74	75.41	76.20	0%	2%
Professional, scientific and tech	22.72	31.08	49.06	56.39	61.82	116%	26%
Administrative and support	17.74	35.13	36.90	42.35	46.86	108%	27%
Information and communication	22.14	28.06	35.39	39.59	40.99	60%	16%
Human health and social work	15.05	19.85	29.98	32.78	35.41	99%	18%
Education	13.24	17	18.28	19.57	20.56	38%	12%
Wholesale and retail trade	14.87	15.39	17.39	18.87	19.91	17%	14%
Accommodation and food service	10.03	13.71	16.37	18.35	19.51	63%	19%
Construction	8.77	7.67	10.54	11.81	12.81	20%	22%
Real estate activities	3.92	5.26	7.26	7.81	8.39	85%	16%
Transportation and storage	6.62	5.56	7.35	8.09	8.37	11%	14%
Arts, entertainment and rec	4.24	3.37	5.53	6.43	7.13	30%	29%
Public administration and defence	8.11	7.1	6.46	6.53	6.36	-20%	-2%
Other service activities	2.67	3.33	4.84	5.42	5.84	81%	21%
Manufacturing – Total	5.1	3.64	4.27	4.12	3.81	-16%	-11%
Electricity, gas, steam and air	0.7	0.05	0.56	0.53	0.52	-20%	-7%
Water supply	0.51	0.43	0.42	0.41	0.39	-18%	-7%
Agriculture, forestry & fishing	0.05	0.01	0.01	0.01	0.01	-80%	0%
Mining & Quarrying	0.03	0	0.02	0.01	0.01	-33%	-50%
Total	231.44	274.35	325.37	354.48	374.9	41%	15%

Source: Oxford Economics

4. Central London Office Market

4.1. Introduction

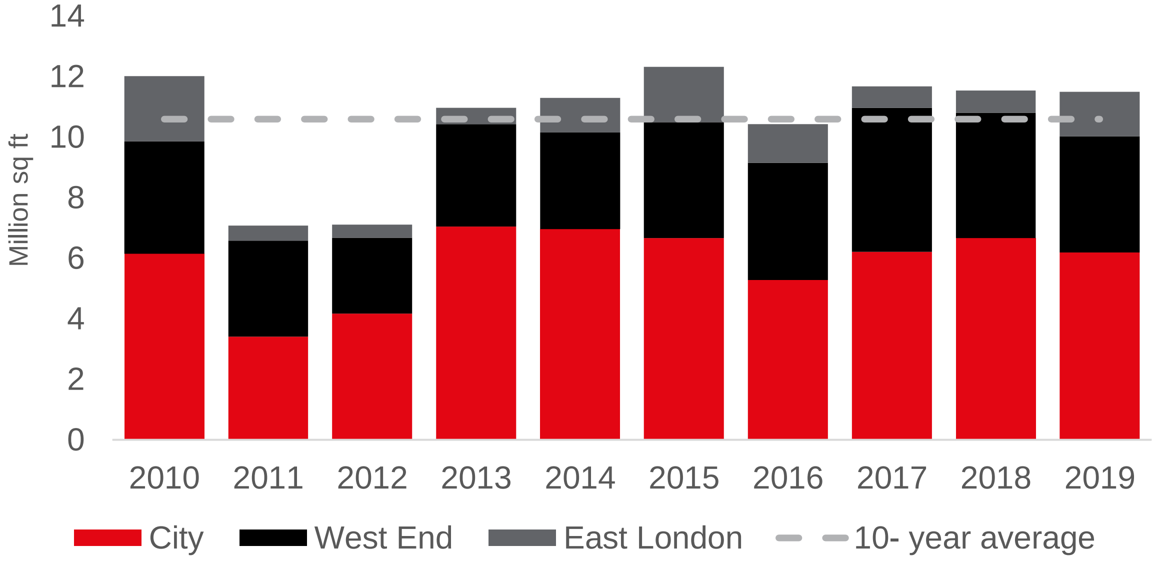
This section provides an overview of the Central London office market and considers the key drivers of activity. London has enjoyed a combination of unprecedented demand and restricted supply which has resulted in healthy rental growth and sustained take up levels. Pre-leasing activity is at record levels and this is forcing occupiers to make early commitments, driving down incentive packages, stimulating rental growth, further inward investment and regeneration. It touches on Canary Wharf for comparison purposes.

4.2. Take-up activity

4.2.1. Leasing volumes have remained robust despite the political uncertainty. However, this resilience is a result of the fact that much of the demand is structural (i.e. driven by lease events, rather than expansion or consolidation). Take-up has exceeded 10 million sq ft in each of the last 7 years, with 2019 volumes surpassing the 10-year average of 10.6 million sq ft to reach 11.6 million sq ft. At 2.5 million sq ft, under offers remain above the 10-year average of 2.1 million sq ft, suggesting that leasing momentum will be sustained in the coming quarters.

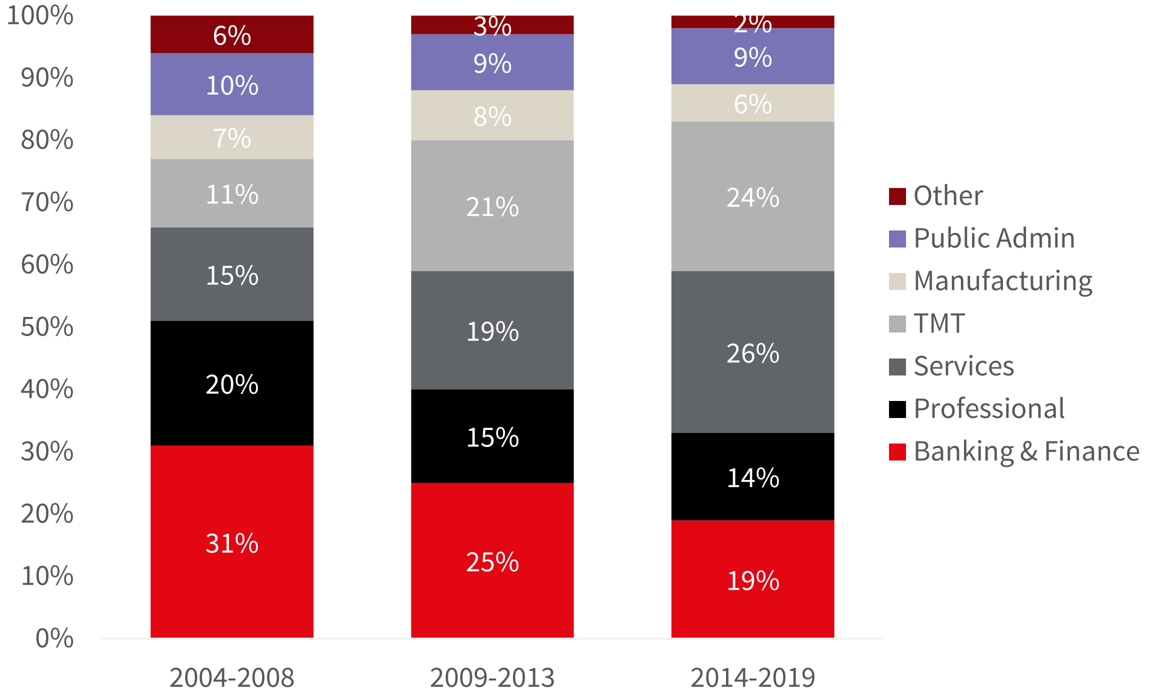
4.2.2. In a market where supply is very tight, this has meant that occupiers are starting their office searches earlier and significantly ahead of their lease events. It is not unusual for occupiers to be in the market now even though they will not occupy a new office until 2022 or 2023. As a result, the Central London market has seen a significant increase in pre-leasing activity – it has averaged 29% for the past five years compared to just 17% over the previous five.

Chart 3: Central London take-up, 2010 – 2019



Source: JLL

Chart 4: Take-up by sector, 2004 – 2019



Source: JLL

4.2.3. London's occupier base is now less reliant on the financial sector. While it remains a key part of the business mix, we have seen far greater diversity in recent years, as technology, media (TMT) and services occupiers have grown substantially, adding to the pool of potential tenants. Chart 4 shows the composition of Central London take-up by business sector and how it has evolved over time. The graph clearly shows a substantial change in the pattern of activity across the three periods.[3]

Table 3: Take-up by sector by main office area (2010-2019)

	Banking & finance	Professional services	Flexible workspaces	Services ex Flex	TMT	Manufacturing	Public Admin	Other
West End	15%	9%	12%	13%	30%	10%	7%	4%
City	23%	19%	11%	16%	20%	4%	6%	2%
East London	32%	8%	6%	7%	9%	6%	32%	1%
Canary Wharf	43%	12%	7%	3%	9%	7%	19%	1%
Central London	21%	14%	11%	14%	22%	6%	9%	3%

Source: JLL

[3] Business sectors do not directly correlate with employment data business sectors.

4.3. Take-up by size band

4.3.1. In terms of the composition of take-up by size, across Central London over the past five years, take-up is spread out across all size bands, with the largest volume in terms of sq ft occurring at the 10,000-25,000 sq ft size bracket. (Table 5).

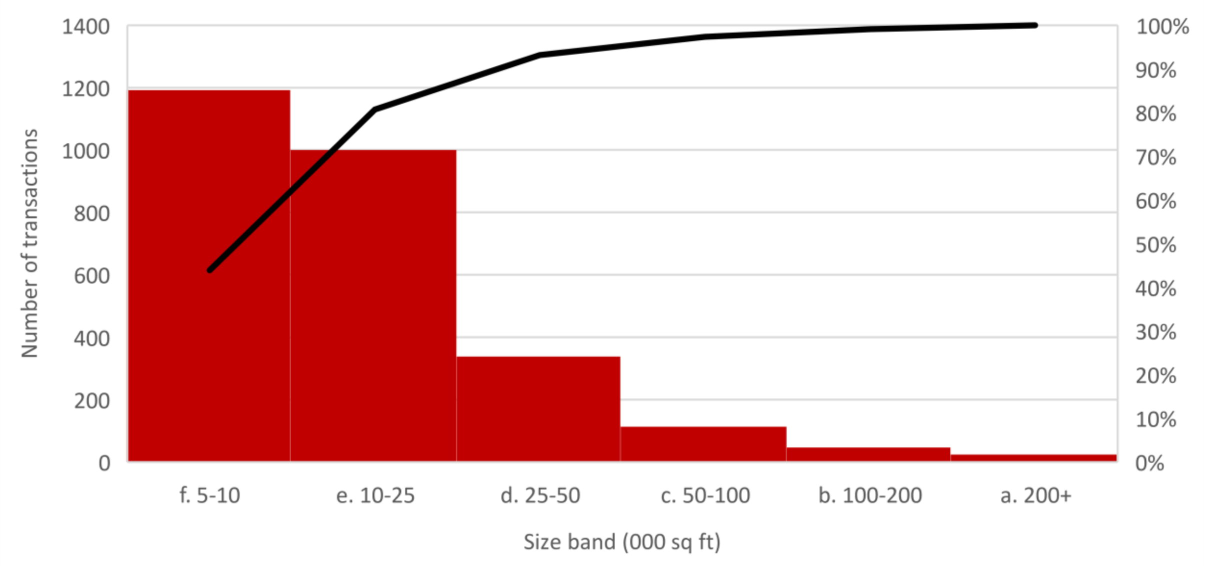
4.3.2. Across Central London the number of larger transactions has helped to support high levels of leasing volumes. Since 2014, there have been 21 transactions over 250,000 sq ft across Central London, which is up on the previous five-year period. Average deal sizes are much larger in the East London market, led by Canary Wharf.

Table 4- Trends in number of larger transactions (over 250,000 sq ft)

	Location			Status- all			
	City	East London	West End	Off Plan	U/C	Lease	Total
2004-2008	8	7	1	9	2	5	16
2009-2013	7	3	2	6	1	5	12
2014-2019	8	10	3	11	5	5	21
Total	23	20	6	26	8	15	49

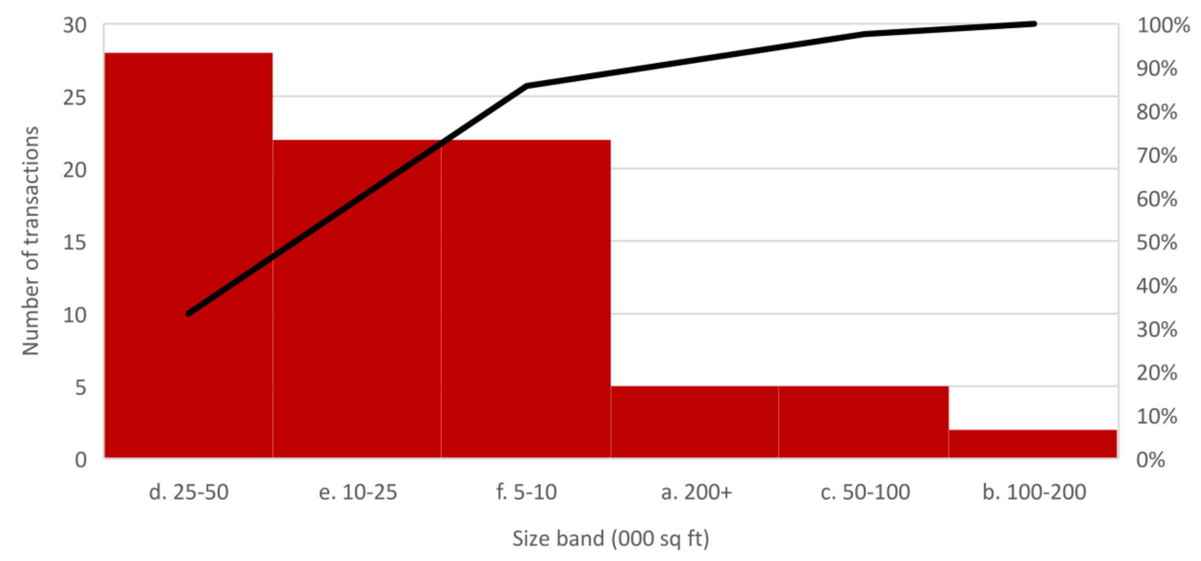
Source: JLL

Chart 5: Number of Central London transactions by size band and proportion (2014-2018)



Source: JLL

Chart 6: Number of Canary Wharf transactions by size band and proportion (2014-2018)



Source: JLL

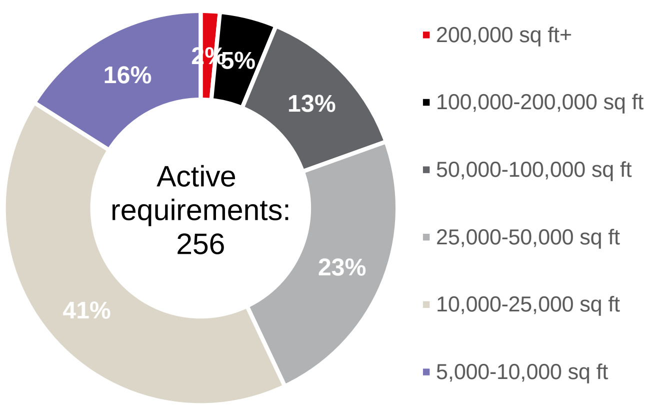
Table 5: Average transaction size (2014-2018)

	Average transactions size 2014-2018
West End	18,151
City	21,292
East London	42,479
Canary Wharf	44,646
Central London	21,077

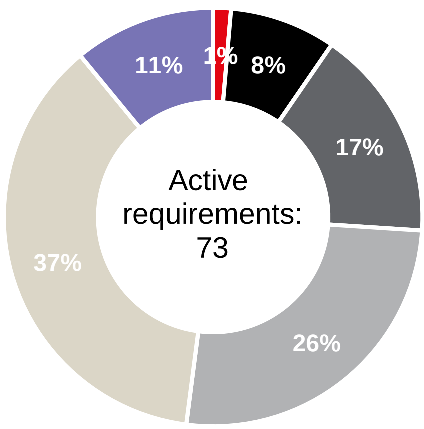
Source: JLL

4.3.3. This trend is reflected in current active demand. Most occupiers in Central London are searching for office space in the 10,000-25,000 sq ft size bracket with 41% of search requirements in this size band. This is also the case in East London although the figures are slightly lower with 37% of occupiers requiring space in the 10,000-25,000 sq ft size band.

Chart 7: Central London active demand by size



East London active demand by size

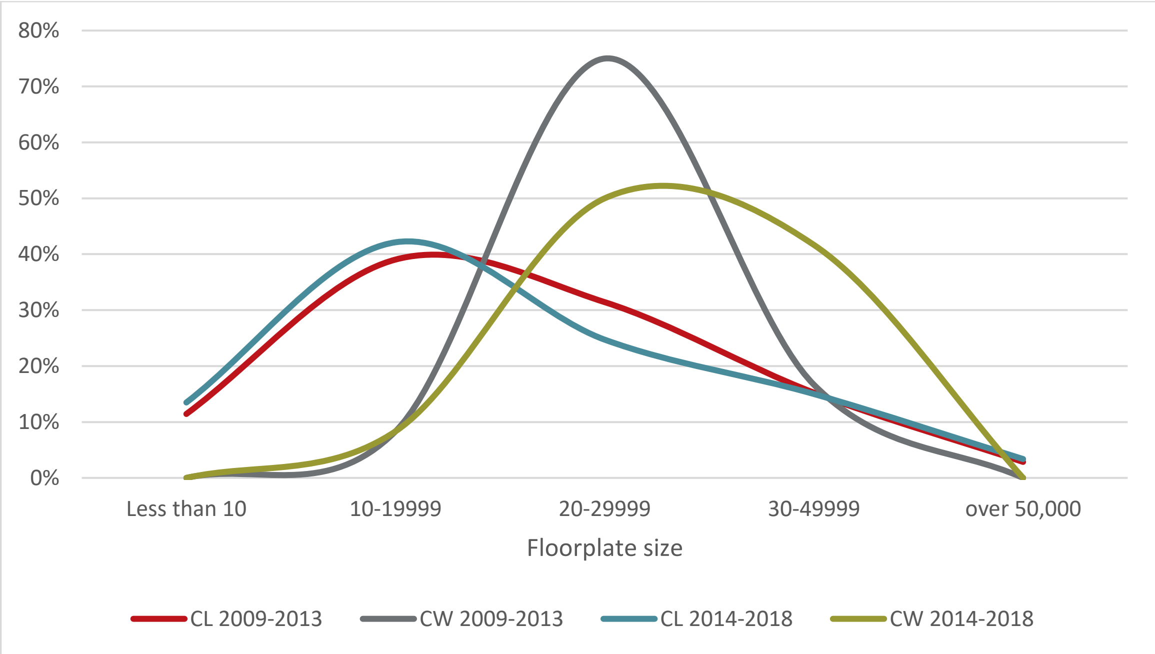


Source: JLL

4.3.4. Companies searching for space today have different requirements to the traditional office occupier base. Workplace design, health & well-being, activity-based working, sustainability, amenity and flexibility are all high on the corporate agenda.

4.3.5. This has been reflected in a shift to buildings with smaller floorplates, due to the changing nature of work and the type of company leasing space. The proportion of deals over 50,000 sq ft leasing space with a floorplate of 20,000 sq ft or below increased from 50% between 2009-2013 to 56% between 2014-2018. This was at the expense of floorplates between 20-30,000 sq ft. Chart 8 shows the dominance of larger floorplates in Canary Wharf in comparison to the Central London average. It also demonstrates the narrow range of floorplate sizes in Canary Wharf compared to the choice available across Central London for requirements in excess of 50,000 sq ft.

Chart 8: Proportion of transactions over 50,000 sq ft by floorplate size (Central London vs Canary Wharf)



Source: JLL

Table 6: Average floorplate size (2009-2018)

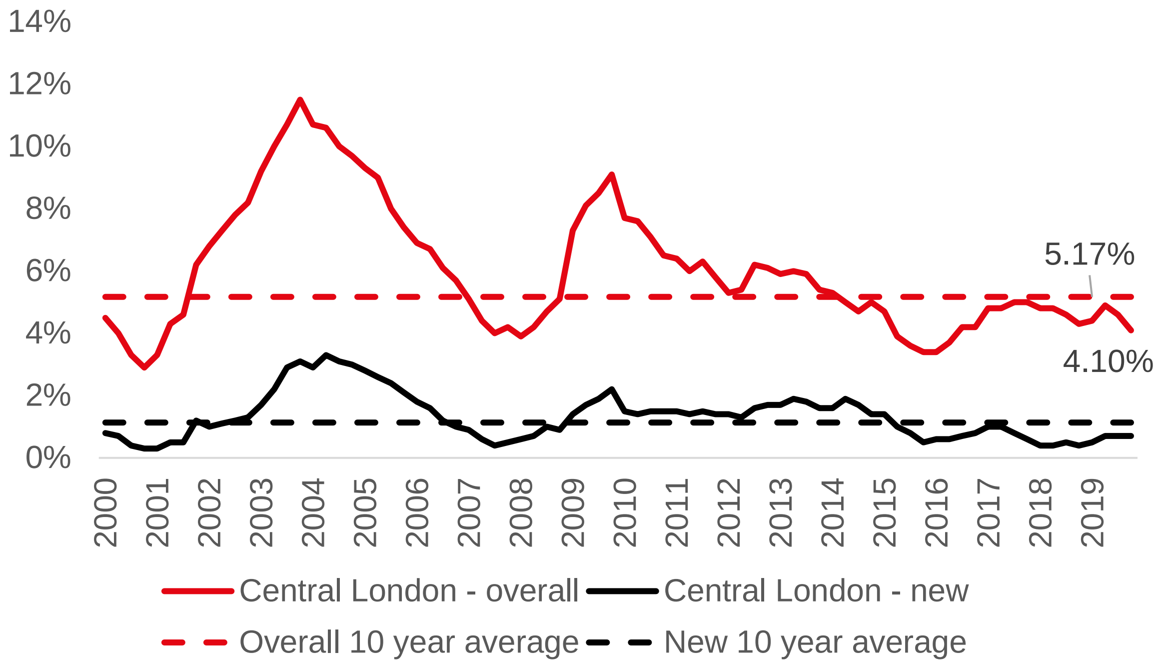
	Average floorplate size 2009-2013	Average floorplate size 2014-2018
Canary Wharf	27,400 sq ft	29,700 sq ft
Central London	22,000 sq ft	20,500 sq ft

Source: JLL

4.4. Current supply

4.4.1. The Central London office market is in an extended period of low supply, remaining below the 10-year average since Q4 2013. Supply fell to a recent low point of 7.7 million sq ft in Q4 2015 before gradually recovering in the years leading up to 2019. The end of the year saw supply reach 9.6 million sq ft, 14% below the 10-year average of 11.2 million sq ft. This level of supply reflects an overall vacancy rate of 4.1%, compared to the 10-year average of 5.0%.

Chart 9: Central London vacancy rate, overall and new build, 2000 – 2019



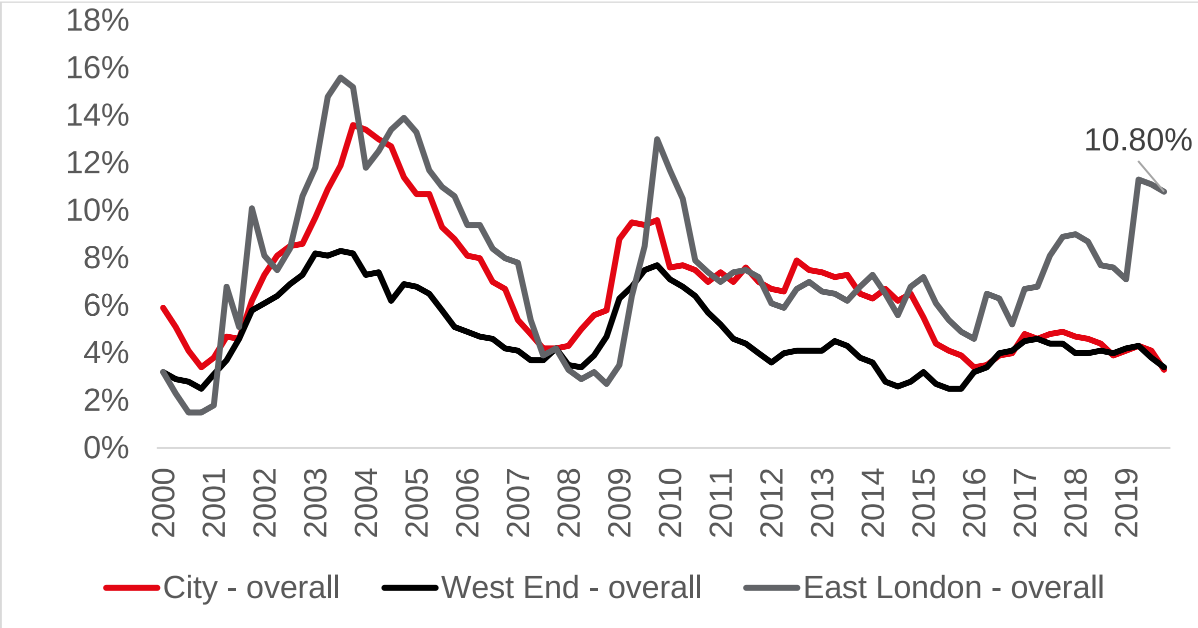
Source: JLL

4.4.2. The recent fall in supply has largely been driven by the City and West End markets, where supply is significantly below long-term average levels. The East London vacancy rate of 10.8% is ahead of the 10-year average of 7.3% but supply has been falling in this market for the past three quarters.

4.4.3. Supply in the West End and City markets has also been on a downward trajectory with both markets recording vacancy rates below 4% at the end of 2019. The City market is the most supply constrained, with an overall vacancy rate of 3.3%, the lowest level since before the 1990s and significantly below the 10-year average of 5.5%. The West End vacancy rate of 3.4% is also below its 10-year average of 3.9%.

4.4.4. The availability of new build supply is particularly limited with 1.6 million sq ft across Central London, reflecting a new vacancy rate of 0.7%, which is well below the long-run average of 1.1%.

Chart 10: City, West End and East London vacancy, 2000 – 2019



Source: JLL

4.5. Future supply

4.5.1. The level of speculative supply under construction fell in the second half of 2019 following a brief surge in development starts in the first half of the year. Speculative development totalled 6.5 million sq ft at the end of 2019 which was broadly in line with the 10-year average of 6.6 million sq ft.

4.5.2. The development pipeline is heavily concentrated in the City market, which accounts for 64% of speculative supply under construction, particularly the City Eastern sub-market, where 26% of speculative development is located. This share is inflated due to the large scale of some of the City Eastern schemes, notably 22 Bishopsgate, EC2 (1.3 million sq ft), 6-8 Bishopsgate, EC3 (582,000 sq ft), 1 Portsoken Street, E1 (241,000 sq ft) and 80 Fenchurch Street, EC3 (238,000 sq ft).

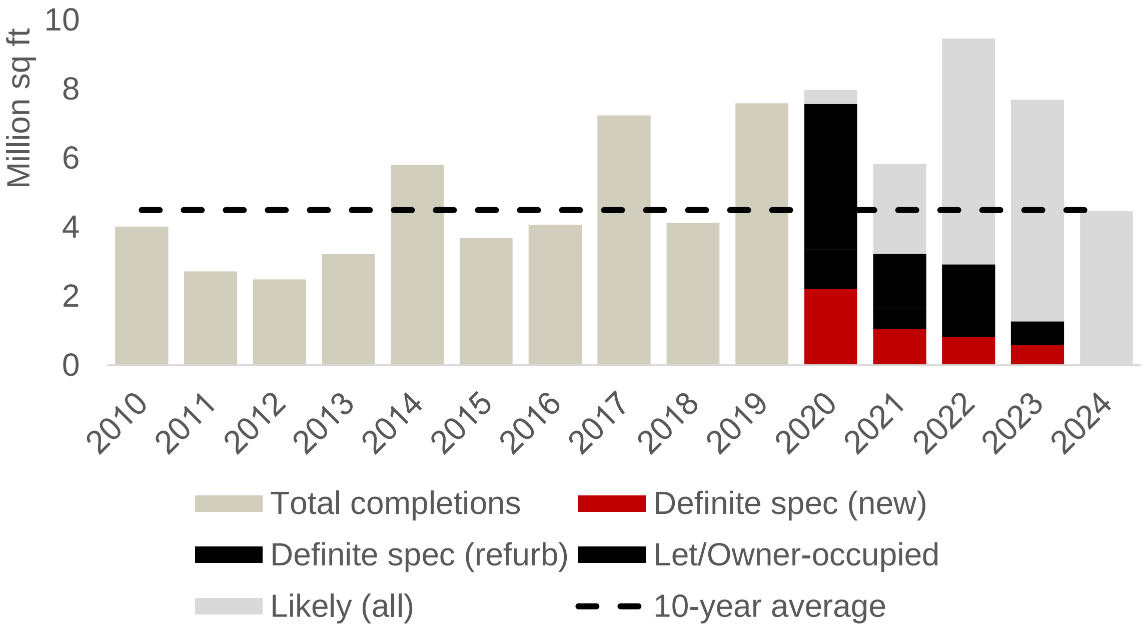
4.5.3. The largest scheme in East London is the refurbishment of 25 North Colonnade, which will provide just under 350,000 sq ft of space.

4.5.4. While development completions will be above average in both 2019 and 2020, the recent high levels of pre-leasing mean the level of speculative development is contained, and unlikely to lead to a major increase in vacancy. Of the 7.6 million sq ft of development scheduled to complete in 2020, 3.9 million sq ft (52%) has been pre-leased or acquired by an owner occupier, leaving a balance of 3.6 million sq ft (excluding completions) of speculative supply scheduled to complete before the end of the year. There is 3.0 million sq ft currently under construction for completion in 2021, 1.1 million sq ft (37%) of which has already been pre-let.

4.5.5. From 2022 onwards, the level of committed speculative development is more limited. There is 914,000 sq ft under construction for completion in 2022 and 582,000 sq ft for 2023, significantly below the 10-year average of speculative completions (2.2 million sq ft) in both years. Given a typical build period for a major new build scheme is three years, there is now insufficient time to deliver a new scheme in this timeframe unless construction starts imminently.

4.5.6. Given that the volume of space under construction has been falling, we expect that supply pressures will continue for some time to come. Central London supply levels are expected to see a marginal uplift in 2020, but thereafter should fall back as lower levels of new completions are delivered. We anticipate that the Central London vacancy rate will reach 4.2% by the end of the year before falling to 4.0% in 2021. The East London vacancy rate is forecast to fall towards 8.0% by the end of 2024.

Chart 11: Central London development pipeline, 2019 Q4



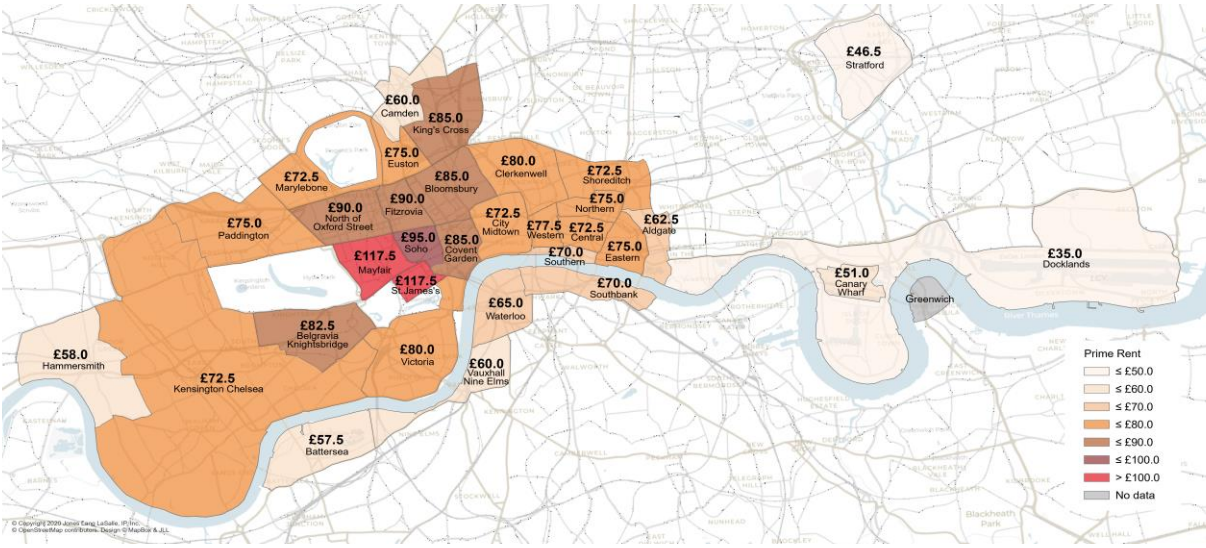
Source: JLL

4.5.7. A bounce in leasing volumes could occur in 2021, assuming an orderly exit from the EU and overall, we expect take-up to average 10.5 million sq ft for the next few years. This is significantly ahead of the pace of new development over this period, which means that occupier choice will remain constrained for the foreseeable future.

4.6. Rents

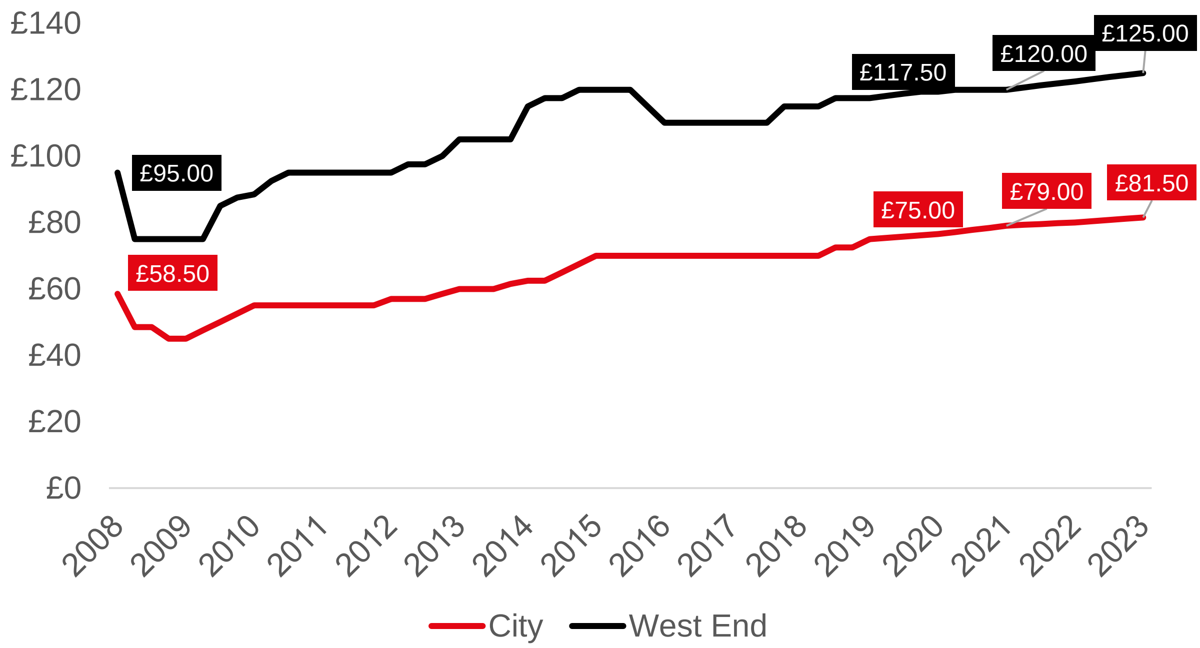
4.6.1. Strong leasing momentum and low levels of supply have seen a growth in rents. Prime rents in the West End currently stand at £117.50 per sq ft, following an increase in the second quarter of 2019 and a further increase is expected in the first quarter of 2020. City prime rents also increased in Q2 to £72.50 per sq ft, the first increase in more than 3 years. Rents were increased again at the end of 2019 to £75.00 per sq ft. With the development of more London submarkets, and the increasing interest of London occupiers in previously fringe locations, these prime rents can be misleading. There are now higher rents in City submarkets such as Clerkenwell than in the City core, for example. Given the increasing homogenization of prime rents in the City market, occupiers are likely to have to move further afield to seek more cost-effective space

Map 1: Central London prime rental map, 2019 Q4



Source: JLL

Chart 12: Rental growth forecast for non-tower prime buildings (10,000 sq ft letting)



Source: JLL

4.7. Drivers of demand

4.7.1. Why an occupier decides to relocate from their existing premises varies for each occupier but in most cases, the move relates to an upcoming lease event. Half of all Central London active requirements are the result of a lease break or expiry. There's a similar picture in East London where 57% of requirements are lease event driven. Existing premises may be worn and obsolete after a lengthy lease term and a new office can bring a fresh look and feel to a company.

4.7.2. A need to expand the premises is also a common reason for a company to upgrade its office – 40% of all Central London active requirements are looking to expand and that figure is similar for the

East London market in isolation (35%). The fact that so many occupiers are choosing to expand in London is encouraging and suggests that these occupiers continue to see the capital as a trusted place of business, despite the ongoing political and economic uncertainty.

4.7.3. Indeed, many occupiers clearly have confidence in London as an office market with some searching for space now even though they will not occupy the premises until 2021 or beyond. The main reason for this is the limited supply in London which is forcing occupiers to start their office search much earlier and significantly ahead of their lease events. Of the 9.1 million sq ft of active demand across Central London, 31% of this space is not required until at least 2021. The figures are similar when looking at East London in isolation where 30% of space making up active demand is not required for occupation until 2021-2023.

4.7.4. Occupiers searching for space for occupation in two to three years' time are more likely to opt for a pre-let. Pre-leasing a new development is more likely to guarantee that the occupiers' specifications are met when compared to taking existing space. A new build will also more likely include the highest standard of specifications and a good level of staff amenity such as cycle spaces, shower facilities and food and beverage outlets in the vicinity. Securing a best in class office is an ideal solution for most occupiers as this will help them to attract and retain the best talent. To do this in a tight supply market, looking for space early and securing a pre-let is many occupiers' only option.

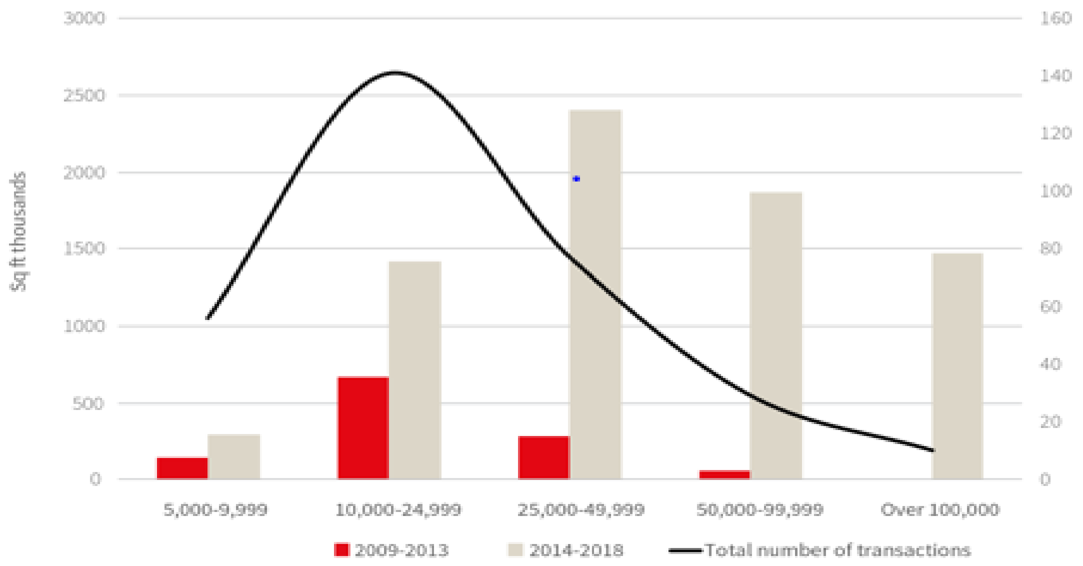
4.8. Flexible workspaces

4.8.1. The flex sector has always been present in the London market, but has experienced robust growth over the last five years, partly a result of the sudden and rapid expansion of WeWork. Its rapid growth is being driven by the evolving nature of work and the shifting structure of the economy, supported by rapidly advancing technology. Flex workspaces are becoming a key flexible solution for large corporates to scale their real estate portfolio, allowing them to scale and reduce their real estate requirements more dynamically than through a traditional lease. Larger consumers of space are adopting a parallel portfolio, combining reduced core requirements with greater flex space. Flexible workplace take-up has averaged 21% of total take-up between 2017-2019.

4.8.2. There has been a marked increase in the number of large transactions involving serviced office providers, with 50 deals of more than 50,000 sq ft between 2014 and 2019, compared to just two deals of this size in the previous 10 years (2004-2013). Of these large transactions, 30 have been leased to WeWork[4]. The average deal size for flexible workplace operators between 2014-2018 was 60,830 sq ft up from 16,600 sq ft between 2009-2013. Amenity space has become a more important element of the offer. Communal areas, meeting rooms or co-working spaces now tend to account for around 15-20% of the net internal space and this has been part of the reason for operators taking bigger spaces.

Chart 13: Flexible workspace operator take-up by size (2014-2018)

[4] This excludes WeWork's subleasing of EMA space at Canary Wharf which signed in Q3 2019.



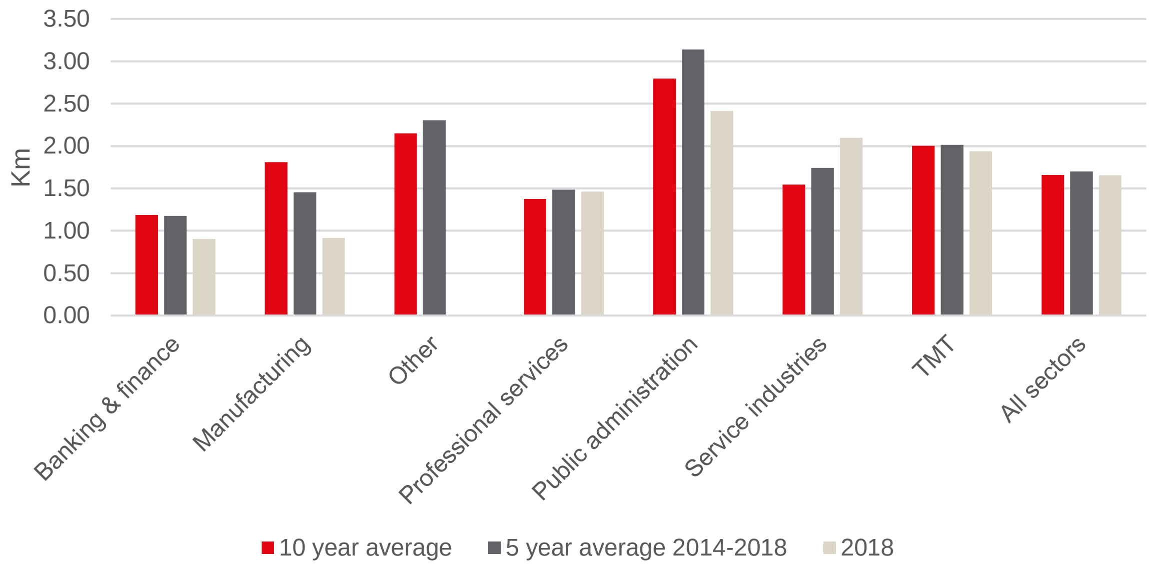
Source: JLL

4.9. Occupier migration patterns

4.9.1. Occupier migration has been a key theme in the Central London office market in recent years, with several high-profile example's indicative of a wider trend of increasing tenant mobility. Occupiers are seen to be increasingly footloose and historic locations ties have been eroded. Location is still important, but it needs to be combined with the right building to represent brand and as a tool to attract and retain talent.

4.9.2. Analysis of migration trends shows that there are clear differences between the distances that different business sectors have been willing to move, with the public sector relocating furthest in their quest for value. The West to East trend is still evident and JLL estimate that 31 West End occupiers relocated to the City or East London during 2018, which brings the five-year total number of moves to 160. This compares with 45 relocations in the opposite direction.

Chart 14: Central London migration trends- distance moved by sector



Source: JLL

4.9.3. Companies are willing to move further to secure space in non-core submarkets, with companies relocating further to secure space in Stratford, Canary Wharf, Southbank, Shoreditch in the City and East London for example, while King's Cross and Paddington in the West End have gained occupiers from further afield than core submarkets.

4.9.4. Occupier migration has long been crucial to the Canary Wharf market. The first waves of Canary Wharf occupiers, by definition, were migrators, either from other areas of London or new entrants to the London market. With each phase of development, and to expand the size of the estate, either existing occupiers must expand, or occupiers with an existing presence in London or elsewhere must relocate to Canary Wharf.

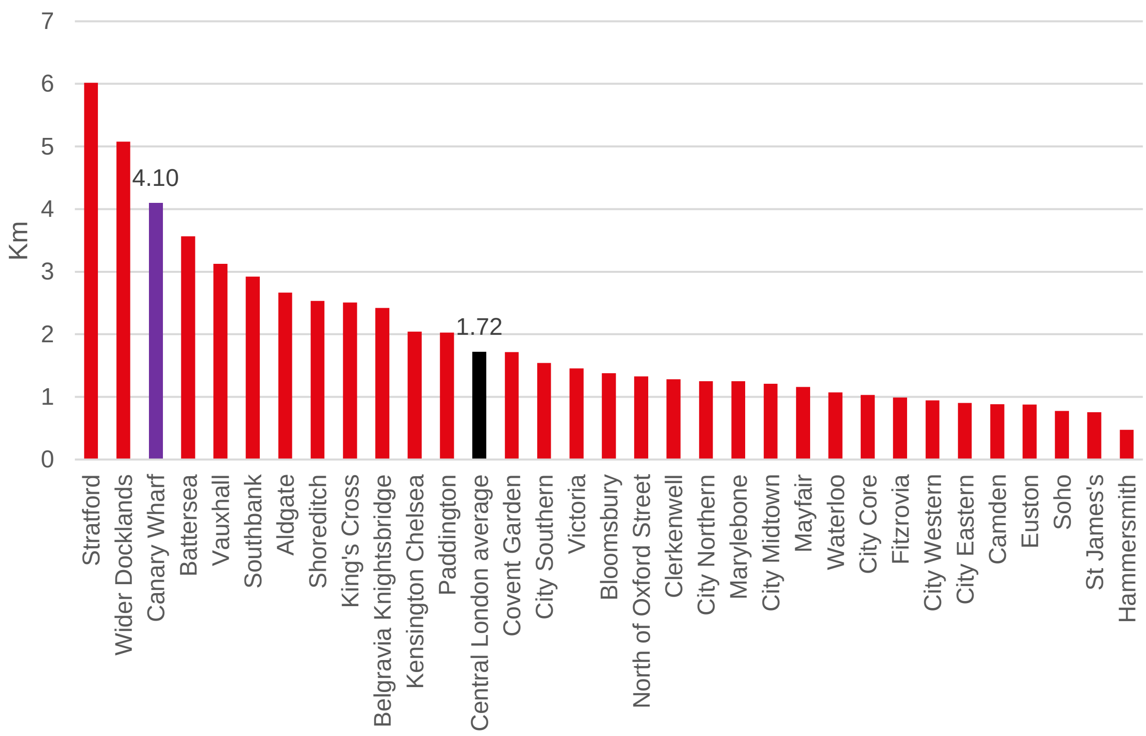
4.9.5. JLL measure the effect of occupier migration across Central London for all occupier moves over 10,000 sq ft between 2011 and mid-2019. The City market has provided the largest share of Canary Wharf occupiers, accounting for 55% of transactions and 52% of total floor space leased in that period. Occupiers moving within the Canary Wharf estate and relocating from the wider Docklands have accounted for a further 30% of transactions and 27% of floorspace.

4.9.6. Post the decision to leave the EU, relocations to Canary Wharf have moderated in comparison to the three previous years, when over 2.2 million sq ft of transactions were from occupiers previously located in the City. Between 2016-2018 this fell to just 125,000 sq ft. The relocation of the EBRD from the City boosted activity in 2019 to date.

4.9.7. With around 75% of transactions over the previous three years involving occupiers not currently located at Canary Wharf, clearly occupier migration is vital to the ongoing success and growth of Canary Wharf.

4.9.8. It is also important to retain existing occupiers within the submarket and to create an environment where companies and their employers want to continue to be located. Canary Wharf has high degree of occupier loyalty-over the last five years, three-quarters of transactions by number have remained within the Canary Wharf submarket, which is the highest across Central London.

Chart 15: Average distance moved into each submarket



Source: JLL

4.10. Performance of high growth markets

4.10.1. The recent strength of Central London take-up has been supported by London's expansion into new and expanding sub-markets. London's office stock has increased 5% over the last five years, as these new submarkets have started to mature.

4.10.2. In the West End, King's Cross has been the main growth area with a 12% share of total West End take-up since the first pre-let was signed at Argent's King's Cross central in 2010, compared to a 3% share in the preceding decade (2000 – 2009). The market itself accounts for less than 2.5% of the West End office stock and so has outperformed relative to its size. Only Victoria has seen higher volumes of lettings over that period.

4.10.3. In the City, the formerly fringe locations of Southbank, Shoreditch, Clerkenwell and Aldgate have attracted a rising share of City take-up, accounting for 8% of leasing activity back in 2010, when the government announced it was to support the growth of tech city, rising to 32% in 2018. This increase has been driven by increased regeneration and redevelopment of the office stock, combined with a local environment and amenity that is attractive to a diverse workforce.

4.10.4. The prime rent in the City Core has historically been the benchmark of the wider City market, with sub-markets in the immediate periphery at a discount of up to 40% in the two years after the GFC. The rental profile of the City has started to change, with less geographic divergence between sub-markets. Since the start of 2009 the average prime rent outside of the core has increased from £34 per sq ft to £69 per sq ft as, while the average discount to the core has decreased from 30% to just 3%.

4.10.5. This rapid convergence of prime rents in the City owes much to the emergence of Clerkenwell, Shoreditch, Aldgate and Southbank, where the pace of growth has outperformed the core. Clerkenwell now has higher rents than the City core, while in Shoreditch rents are on a par. Aldgate has lagged, due to the limited redevelopment that has taken place to date but that is starting to change with the new mixed-use development and the arrival of the Elizabeth line at nearby Whitechapel.

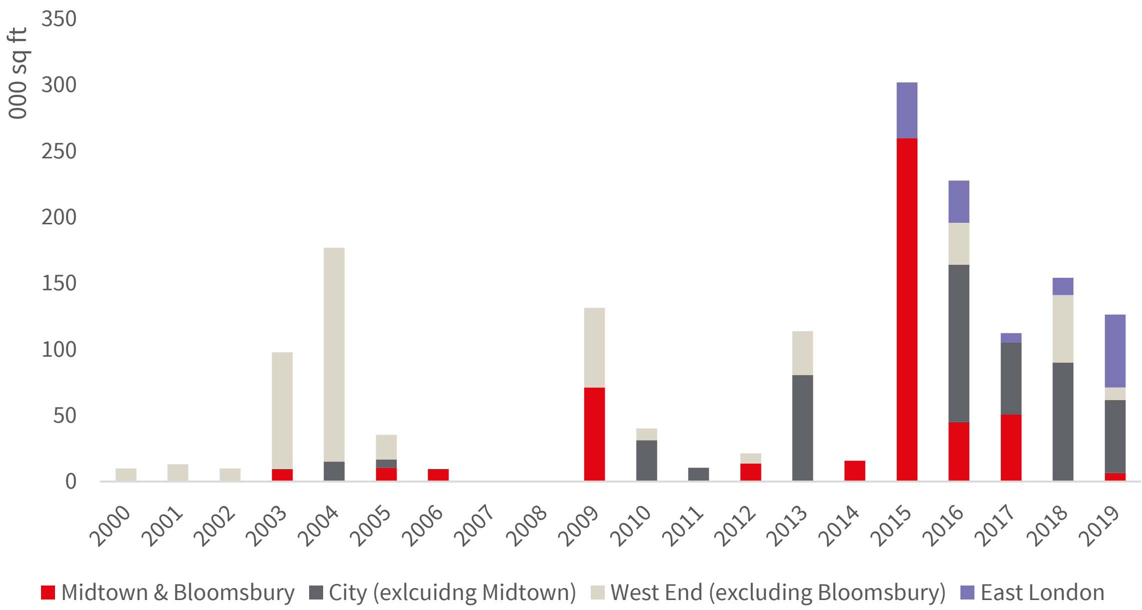
4.10.6. In the West End, we have also seen the strongest recent market performance outside the traditional core market, as evidenced by rapid rental growth in King's Cross, Fitzrovia, Vauxhall and Camden. King's Cross rents now stand at £85.00 per sq ft and have recorded growth of 75% over the last 10 years. The emerging markets of Battersea and Vauxhall have seen rents double in this period, as the delivery of new stock has raised the quality of the office offer.

4.10.7. These high growth submarkets have been helped by the strength of the TMT sector, mixed use development, the improvement of the local environment, and the inherent attractions of the locations as a place to work for the Capital's younger workforce They are perceived to offer the right blend of amenities to be attractive to staff and have attracted a diverse range of occupiers looking for high quality office floorspace in a less corporate environment. The amenity is a crucial draw for employers, with a focus on genuine "live, work and play" environment and strong night-time economy.

4.11. Expansion of University office space

4.11.1. There has been a significant expansion of the office footprint of Universities in Central London. Take-up totalled 921,700 sq ft between 2015 and 2019, compared to 201,000 sq ft in the preceding five years (2010 – 2014). The overall footprint of office space occupied by Universities now totals 2.5 million sq ft, equating to 1% of Central London office stock.

Chart 16: Central London take-up by Universities, 2000 – 2019



Source: JLL

4.11.2. This rapid expansion has been driven by growth of London based universities, as well as the expansion of UK and overseas universities establishing campuses in London. Recent examples of UK universities based outside of London leasing space include Anglia Ruskin University, Coventry University, and Warwick Business School. Overseas institutions leasing space in London include: University of Chicago and NC Italian University. A schedule of Universities from outside of London with a presence in London is provided in table 7.

Table 7: Central London footprint of Universities based outside of London

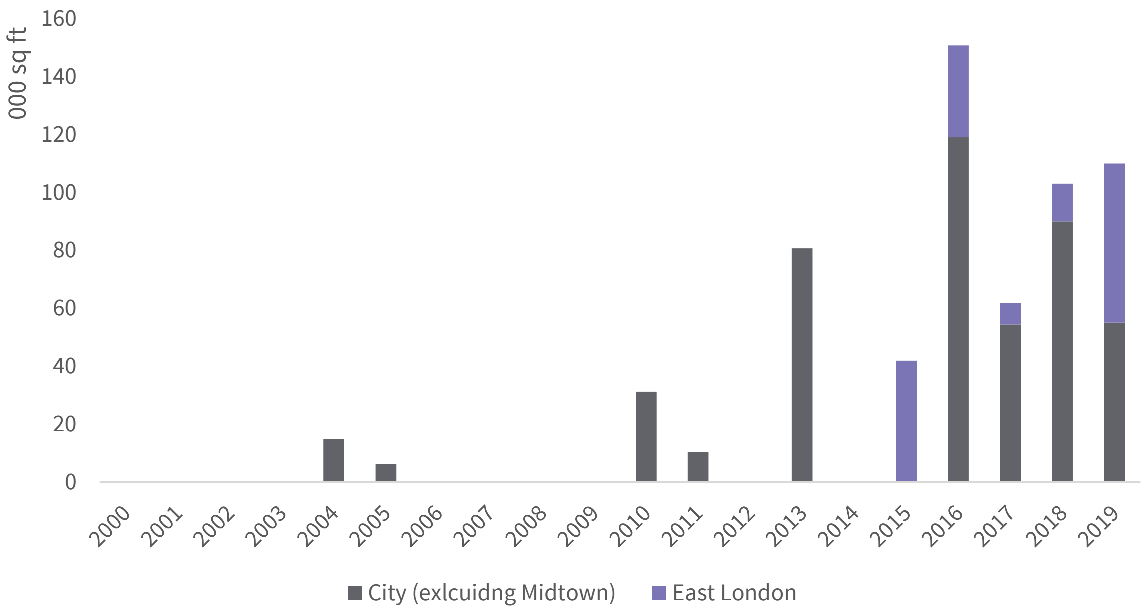
University	London office space occupied (sq ft)
Coventry University Enterprise Limited	79,054
University of Liverpool	72,090
University of Chicago Booth School of Business	70,427
Hult International Business School	60,279
Anglia Ruskin University	32,762
Warwick Business School	18,375
Staffordshire University	13,463
NC Italian University London	13,090
Glasgow Caledonian University	10,536
New York University	9,892
University of Wales Trinity Saint David	6,656

Source: JLL

4.11.3. Most of the office space occupied by Universities has historically been in the City Midtown and Bloomsbury sub-markets, reflecting the cluster of major London university campuses and student accommodation.

4.11.4. UK and overseas institutions which have expanded into London do not have a historic tie to Midtown / Bloomsbury and can therefore be more flexible with their choice of location. This is reflected in the recent composition of take-up, with a growing share of university take-up outside of these areas. Take-up in the City and East London markets totalled 824,300 sq ft between 2015 and 2019, compared to 122,000 sq ft in the preceding five years. This trend is supportive of further student housing provision in the City and East London to accommodate a growing student population.

Chart 17: City & East London take-up by Universities, 2000 – 2019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City (exlcuidng Midtown)
East London

Source: JLL

5. East London and Canary Wharf Office market

5.1. Introduction

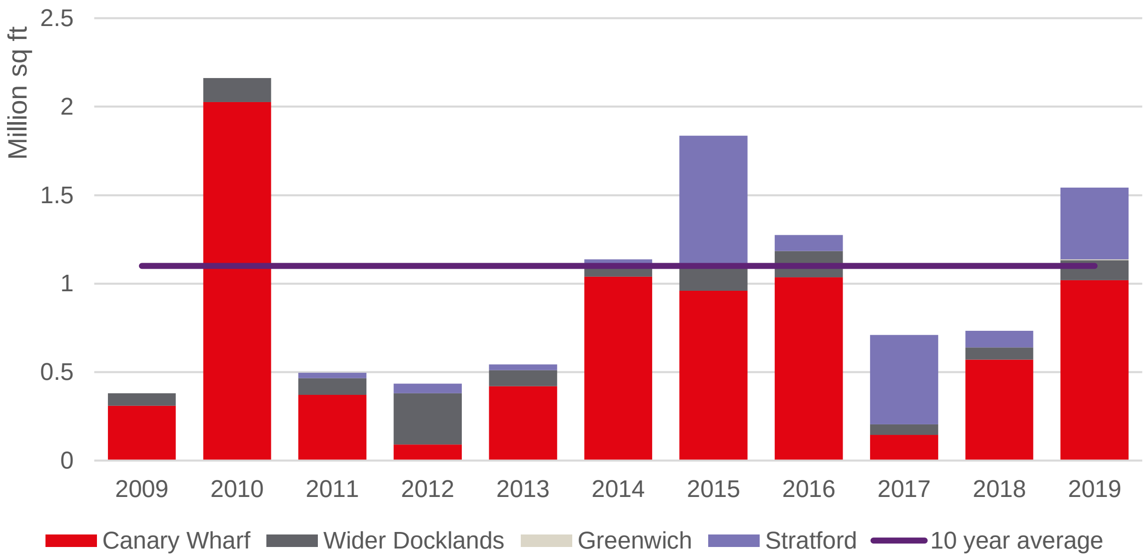
5.1.1. Having assessed conditions in the Central London office market in, this section takes a closer look at the Canary Wharf office market. It assesses trends in the office market, noting how the market fits within the context of the wider Central London market.

5.2. Take-up activity

5.2.1. In East London, take-up volumes were robust between 2014 and 2016 due to ongoing development activity in Canary Wharf and Stratford which was swiftly pre-let. In more recent years however, volumes have been subdued in both 2017 and 2018 as limited new stock has been available on the market. Much of the available space today in East London is tenant controlled and second-hand.

5.2.2. At the end of 2019, take-up in East London reached 1.5 million sq ft, boosted by a large pre-let by the European Bank for Reconstruction and Development at 5 Bank Street, E14 in Canary Wharf, which was the largest deal of the year. Volumes surpassed the 10-year average of 1.1 million sq ft.

Chart 18: East London take-up by sub-market 2009 – 2019



Source: JLL

5.2.3. Canary Wharf dominates the leasing market in East London, accounting for 71% of all space let between 2010-2019. Over the last 10-years, letting activity in Canary Wharf has averaged 768,000 sq ft– compared to 1 million sq ft in the preceding 10 years. These volumes were boosted by three years when over a million sq ft was let (2010, 2014 and 2016).

5.2.4. Unlike the main Central London leasing market, Canary Wharf has been less resilient since the EU referendum. The two full years since 2016 have seen muted levels of take-up, although this was reversed in 2019 following the EBRD transaction mentioned earlier. Take-up totalled just 145,000 sq ft in 2017, before recovering in 2018 (571,000 sq ft) and 2019 (1.5 million sq ft)

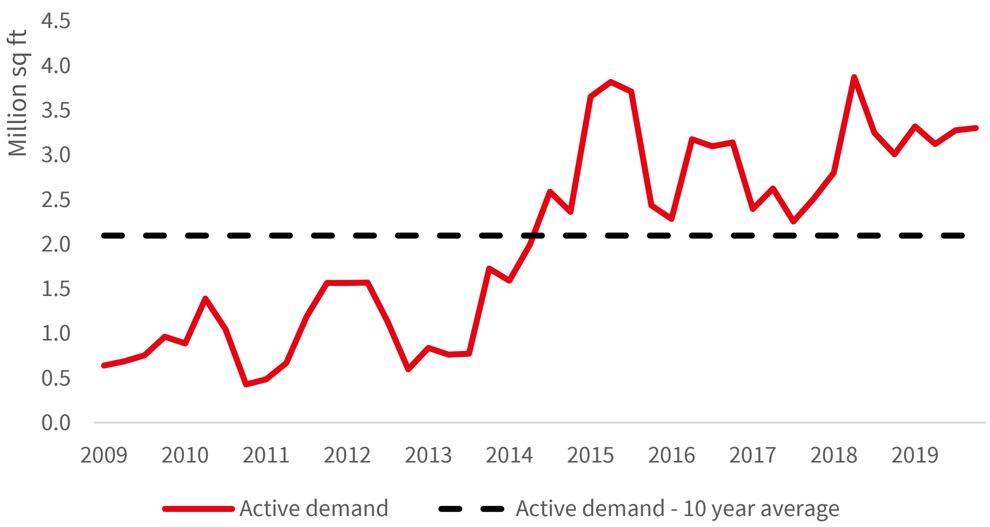
5.2.5. Looking at patterns of take-up during the last 10 years shows that there is a lower propensity to lease new space in Canary Wharf when compared to the London average. Just over half (54%) of floorspace has been for new or refurbished space which is significantly below the Central London average of 66%. This is due to the volume of tenant led space on the market in Canary Wharf and the limited new space that was brought to the market over the period.

5.2.6. Not surprisingly, pre-letting has not been a key feature of the Canary Wharf leasing market over the last 10 years. The share of off-plan pre-lets taking space in Canary Wharf has seen a decline, with three transactions completing in the last 10 years. Canary Wharf's share of Central London off-plan pre-let has fallen from 23% between 1998 and 2013, to 5% between 2014 and 2019.

5.3. Demand

5.3.1. The level of active requirements with a search area including Canary Wharf has been at above average levels for the past five years. East London active demand currently totals 3.3 million sq ft, compared to the 10-year average of 2.1 million sq ft. However, the elevated level of demand has not translated into strong take-up in Canary Wharf.

Chart 19: Canary Wharf active demand



Source: JLL

5.3.2. A principal reason behind the disconnect between requirements and take-up, is the footloose nature of many occupiers, with requirements increasingly searching across a wide range of Central London options, before refining their list of options at the end of the search process. This is evident in the demand data, with 77% of East London options considering options in the City and or West End, and only 20% seeking space exclusively in Canary Wharf.

5.3.3. This trend is even more apparent for larger units of demand. Most large requirements will have a Central London search area including Canary Wharf, due to the relative dearth of options which can accommodate this quantum of space.

5.4. Current and future supply

5.4.1. Supply in Canary Wharf is currently at elevated levels, totalling 1.2 million sq ft, compared to the 10-year average of 859,000 sq ft. As a result, the vacancy rate of 7.9% is significantly higher than the Canary Wharf 10-year average of 5.7% and the City and West End markets, where vacancy currently below average, at 3.3% and 3.4% respectively.

5.4.2. The Canary Wharf vacancy rate has been increasing since reaching a recent low point of 4.1% in 2016. This increase has been driven by supply placed on the market by tenants rather than directly from the landlord. In June 2016, just 314,000 sq ft of tenant marketed space was available but by the end of 2019 this had risen to 874,000 sq ft.

5.4.3. Canary Wharf has a total of 3.6 million sq ft of consented supply in the development pipeline, across three major sites at Wood Wharf (1.9 million sq ft), North Quay (800,000 sq ft) and 10 Bank Street (829,000 sq ft), each of which are large enough to accommodate a major pre-let of in excess of 250,000 sq ft. Outside of the Canary Wharf estate there is a further 3.2 million sq ft of consented supply at Stratford, which will provide direct competition. The East London development pipeline is outlined in Chart 18.

5.4.4. Alongside newly developed stock, upcoming lease expiries and surplus space will provide alternative options for occupiers with larger requirements. Table 8 below outlines the existing and expected future supply of large units (over 100,000 sq ft) of space at Canary Wharf.

Table 8: Canary Wharf existing and future supply, >100,000 sq ft

Address	Demise	Total ft 2	Possession	Lessor
33 Canada Square, E14	Entire Building	500,000	2020 Q4	Citigroup
Cargo, 25 North Colonnade, E14	2-15	306,445	2020 Q4	Blackstone
30 South Colonnade, E14	Entire Building	291,621	2022 Q4	Oaktree Capital/Quadrant Estates
One Cabot Square, E14	10-19	194,229	2020 Q1	Credit Suisse Group
17 Columbus Courtyard, E14	Entire Building	190,000	2019 Q4	Credit Suisse Group
One Canada Square, E14	17,18,19,20,21,45,46,50	176,547	Immediate	Canary Wharf Group
40 Bank Street, E14	8,9,10,11,12,13,14,15	148,538	Immediate	Shell/Canary Wharf Group
5 Canada Square, E14	11,12,14,15	122,887	Immediate	Credit Suisse Group
10 Cabot Square, E14	1,2	120,000	2019 Q4	Barclays Bank Plc
1 Westferry Circus, E14	2,3,6,7,8	102,797	2019 Q3	PPF Real Estate
Total		2,153,064		

Source: JLL

5.4.5. Considering the wider pipeline in Canary Wharf, JLL estimate that just over 560,000 sq ft is currently under construction but that should all complete by end of 2020 and a further 1.2 million sq ft in the pipeline could be delivered between 2021 and 2023, albeit it is likely that some of these completion dates will move out. In simple terms, given that the 10-year annual average take-up for Canary Wharf equates to 768,000 sq ft, then this future supply is sufficient for six years take -up at this level.

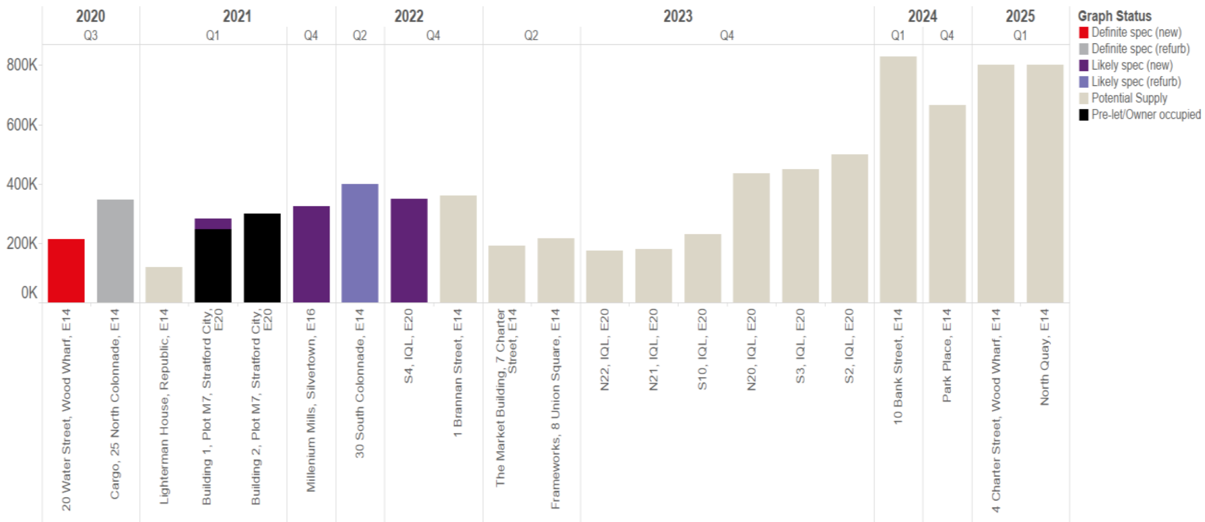
Table 9: Canary Wharf speculative development pipeline 2020-2023

Year	Under construction (new)	Under construction (refurb)	Potential future supply	Total
2020	214,460	345,746		560,206
2021				0

Year	Under construction (new)	Under construction (refurb)	Potential future supply	Total
2022			759,781	759,781
2023			409,893	409,893

Source: JLL

Chart 20: East London development pipeline 2020 - 2025



Source: JLL

5.5. Rents

5.5.1. Prime rents increased at the end of 2019 after remaining stable at £48.50 per sq ft since mid-2018. Prime rents now stand at £51.00 per sq ft and are now at their highest level ever recorded (the rental data start in 2006).

5.6. Diversifying occupier base

5.6.1. The Canary Wharf estate has diversified since its original inception as a financial services centre. As noted earlier, this has been reflected in the fact that the strongest employment growth over the past five years in Tower Hamlets has come from the information and communications and professional, scientific and technical sectors-which largely create activity in the TMT and professional services sectors.

5.6.2. This is a trend we expect to continue given the employment growth forecast for these sectors to continue to outperform, albeit at a more modest rate. The share of banking and finance take-up has fallen from 63% between 1990 and 2014 to 36% between 2015 and 2019. As a result, the occupier profile has diversified, with banking and finance companies currently occupying 53% of Canary Wharf's office stock. At the same time, other business sectors have increased their presence, notably TMT, professional services and public administration and institutions

5.6.3. To date there has been limited activity from the flexible workplace sector in East London and JLL estimate that 549,000 sq ft has been let to the sector between 2014-2019, of which 481,000 sq ft has been for space in Canary Wharf.

5.6.4. The share of flexible workspace accounts for around 3% of total stock in Canary Wharf, which is significantly below the Central London total of 7%. Historically the dominance of financial services companies, which have been less likely to use flexible workspace, the office typology and rental tone have constrained expansion in the market.

5.6.5. WeWork have entered the market leasing 287,500 sq ft at 25 Churchill Place, while The Office Group will open a new centre at 15 Water Street, which will boost the proportion to 3.5%.

5.6.6. There is strong demand from flex providers to expand in Canary Wharf, accounting for 20% of Canary Wharf active requirements. Flex providers are looking to expand into areas that have a diverse economic base, which as noted earlier is in line with the evolution of the area's occupier base but are also attracted to locations where they can tap into the existing occupier base as larger corporates increasingly look to provide flexibility into the real estate footprint.

5.6.7. Given the changing demands on the workplace, along with expectations from corporates that new buildings should have some flex operation or provider as an added amenity, there is potential for the estate to experience more demand from operators in future.

5.6.8. The market is now more resilient than historically when it was reliant on one key business sector. The composition of recent take-up, current demand and the employment growth forecast are all indicative of a more diverse occupier base in Canary Wharf.

5.6.9. It is important to note that as existing CW occupiers approach lease expiry, like others across Central London, they will assess their current space in the context of their business drivers. If that space is deemed obsolete and unable to meet the new requirements, they will look to move.

5.6.10. There is a recognition that the area needs to have a wider range of property offer to maintain this momentum in appealing to a wide range of occupiers- especially given the increasingly footloose nature of occupiers and new emerging areas of London that are increasingly on occupiers' radar.

5.7. Demand for large units of space

5.7.1. Deals of more than 250,000 sq ft in Canary Wharf totalled 3.8 million sq ft in nine transactions in the 10 years to 2019, compared to 6.5 million sq ft in 15 deals in the preceding 10 years.

5.7.2. In terms of numbers, there has been a steady volume of large transactions over the last five years. Nevertheless, only one of the transactions was off-plan during that period with the majority being for units in completed buildings.

Table 10: Trends in number of Canary Wharf large transactions (over 250,000 sq ft)

	Off Plan	U/C	Lease	Total
2004-2008	2	1	3	6
2009-2013	1	1	1	3
2014-2019	2	0	7	9
Total	5	2	11	18

Source: JLL

5.7.3. This is attributable to both increased competition from competing schemes across Central London with more sites able to accommodate large requirements than in previous years, and a shift in the composition of business sectors expanding in London and taking large units of space who have specific locational requirements/preferences.

5.7.4. Prior to the Olympics, Canary Wharf provided the cheapest East London location able to deliver offices of over 250,000 sq ft with good transport connections. Stratford now provides competition to Canary Wharf that previously was not there. What this means is that requirements that previously would have only looked at Canary Wharf now have an alternative option.

5.7.5. The developments in Stratford have accommodated a bigger share of recent large requirements that have moved east over the past five years, with 1 million sq ft in three transactions of more than 250,000 sq ft, this is in part due to the cheaper overall occupational costs compared to other locations as well as Canary Wharf. Stratford has therefore appealed to cost driven government and charity occupiers including HMRC, FCA, Cancer Research and Transport for London.

5.7.6. In addition, the development of Kings Cross, Paddington and White City in the West of London has provided West End focused occupiers with an option to acquire offices close to the West End core but at cheaper overall occupational costs. King’s Cross has also been attractive to larger requirements with two transactions over 250,000 sq ft over the past ten years and a further twelve over 100,000 sq ft including accommodating the expansion of major tech occupiers, notably Google and Facebook who have wanted to remain in the West End/West End fringe due to access to talent.

5.8. Changing floor-plate requirements

5.8.1. The existing Canary Wharf office stock was developed to appeal to financial and professional services firms seeking larger floorplates, typically more than 20,000 sq ft, accommodate trading functions and large departments. As a result, most of the current and pre-let stock available is of floors of more than 20,000 sq ft. Take-up has historically tended towards large office requirement from financial services. These kinds of deals have, however, become less common.

5.8.2. Looking at where demand could come from through future lease events, there are 19 occupiers currently occupying over 250,000 sq ft with lease events in the period from 2024 to 2029, six of these occupiers are law firms who generally prefer a smaller floorplate in order to reduce the depth between the core and the external façade. Historically these occupiers have also favoured a City/Midtown location where they are able to remain close to other law firms as well as their client base.

5.8.3. In the last round of law firm moves in the City there was a general trend to cluster in the northern edge of the City by UK law firms and within towers by the US law firms. There have been no transactions in excess of 100,000 sq ft involving law firms completed in Canary Wharf in the past five years.

5.8.4. The flexibility and support provided by Canary Wharf’s Level 39 facility has allowed smaller occupiers, who would otherwise have been unlikely to locate in Canary Wharf, to take small amounts of space

5.8.5. Some of these companies have expanded rapidly and increased their office footprint at Canary Wharf. Notable examples include Revolut who initially took 200 sq ft and now occupy approximately 60,000 sq ft; and Digital Shadows have expanded into 16,000 sq ft.

5.8.6. The typical large floor plates offered by the existing office buildings on the Canary Wharf estate are not well suited to smaller occupiers, with in efficient sub-division of floors required. In order to attract occupiers across diverse sectors and in particular the growing TMT sector into Canary Wharf, providing a building with a smaller floorplate design that is not currently available will prove attractive and be more lettable than the existing stock and proposed pre-let buildings.

6. Conclusions and recommendations

6.1. Conclusions

6.1.1. This report assesses Canary Wharf's position in the London office market historically, at the current time and in the future.

6.1.2. The commercial success of Canary Wharf and its contribution to national and global economies is well recognised, with the Estate employing over 110,000 people.

6.1.3. Offices in this location have historically been occupied by the financial and banking services sector, as well as corporates and professional services. Its appeal was its ability to provide large new build individual building at a very competitive price point compared to other Central London submarkets, specifically the City of London. This has resulted in a very distinctive built environment as the Estate has been primarily designed for bespoke large occupiers on a pre let basis.

6.1.4. This business model was to a degree impacted by the global financial crisis, which impacted disproportionately on the financial sector, although in fact 2010 saw record take up influenced by large relocations including JP Morgan to Canary Wharf.

6.1.5. Take up recovered over the period 2014-2016 but has been very muted since 2017, significantly below the 10-year annual average of 697,000 sq ft. This may be in part due to the uncertainty created by the EU Referendum, but actually over the same period the remainder of the Central London office market has outperformed the ten-year average and the occupational market in the City of London and its surrounding submarkets such as Shoreditch, Clerkenwell and Southbank has been exceptionally strong in comparison.

6.1.6. This relative underperformance is therefore more directly attributable to changing trends in the Central London office market that do not favour the historic Canary Wharf model of targeting large prelets with very limited reliance on speculative development starts. Canary Wharf still dominates the East London leasing market, accounting for 70% of all take up for the ten years to 2018. However, over the last five years that dominance has been eroded, particularly given competition for major prelets from Stratford, and from other emerging centres for footloose migrating occupiers more generally. Canary's share of the Central London off plan pre-let market has fallen from 23% between 1998 and 2013, to only 5% between 2014 and 2019. There are a number of interrelated factors influencing this.

6.1.7. Office employment in London is at peak levels with continued future growth predicted, well ahead of the UK as a whole, reflecting the continued urbanisation of employment particularly in growth sectors, and the preference of graduates for City locations. Growth is led both in London and specifically in Tower Hamlets by the information, communication and professional services sectors as well as business administration. The finance and insurance sectors by contract are predicted to see overall falls in employment levels in London in the future, with only very sluggish growth in Tower Hamlets. To share in this growth Canary Wharf needs to diversify away from its traditional occupier base.

6.1.8. A related trend is that average transaction sizes are falling and the highest demand across Central London (40% of the total) is in the 10-25,000 sq ft bracket. This demand will not pre-let off plan, and generally requires smaller floorplates than the larger occupiers who previously dominated take up in locations such as Canary Wharf.

6.1.9. This report identifies two specific areas of current demand that add to the overall amenity and attraction of growth submarkets, from which Canary Wharf has not been able to attract its fair share. These are firstly flexible workspace and secondly university office space. For the former, take up has been 20% of total take up in Central London in the last two years, and totals 6.3% of total stock. In Canary Wharf it is 1% of total stock, and whilst increasing its footprint (both We Work and TOG have recently signed on the estate), its growth remains constrained by the dominance of the financial sector, office typology and the lower rental tone. Secondly office-based university space has seen rapid expansion, driven by the growth of London based universities but also importantly national and international universities seeking to establish a London campus, targeting international students. The City and East London has secured a disproportionate percentage of this take up in the last five years (compared to the traditional midtown cluster).This goes hand in hand with further student housing provision in East London.

6.1.10. The increasing maturity of a number of high growth emerging submarkets has also impacted on the Canary Wharf submarket. In the West End the main growth area has been Kings Cross, but Paddington and White City also offer alternative locations for occupiers to acquire offices close to the West End core at economical occupancy costs. To the east there has been the marked rise of the former City fringe submarkets such as Shoreditch, Clerkenwell and Southbank which have proved especially attractive to the high growth sectors and increasingly more established sectors as their diverse eclectic mixed-use environments attract occupiers focussed on employing and retaining the staff to whom these characteristics most appeal. Perhaps more importantly for Canary Wharf, Stratford has emerged since the Olympics when the area was massively regenerated as direct competition for occupier requirements seeking large (pre-let) economical but well-connected space in East London.

6.1.11. Canary Wharf has reacted positively to these trends, exemplified for instance by the success of Level 39 and the nature of the genuinely mixed-use development at Wood Wharf which is already attracting a more diverse occupier base than the core estate. It has a significant supply pipeline, with 3.6 million sq ft consented in three large schemes (Wood Wharf, North Quay and 10 Bank Street) and it can therefore comfortably meet foreseeable office demand from both large and smaller occupiers across a range of sectors. This is aside from non-Canary controlled schemes such as Riverside South. The challenge for North Quay and 10 Bank Street is that their design is still predicated on a major pre-let of 250,000 sq ft or more.

6.1.12. Achieving a diversified offer will improve the attraction of the estate more generally by providing increased diversity and helping change perception of the estate as a financial hub. For smaller occupiers it also provides the opportunity to promote their identity on the estate, which is not possible for them in its larger buildings.

6.1.13. As shown by areas such as Shoreditch and Southbank, a vibrant mix of uses improves perceptions of an area, reinforcing its growth potential and future development. Canary Wharf has this vibrancy now, but perception lags, and this will further enhance that offer.