

# Royal Borough of Kensington & Chelsea **EMPLOYMENT LAND STUDY**



THE ROYAL BOROUGH OF  
**KENSINGTON  
AND CHELSEA**

Final Report  
January 2007

ROGER TYM & PARTNERS

Fairfax House  
15 Fulwood Place  
London WC1V 6HU

t (020) 7831 2711  
f (020) 7831 7653  
e london@tymconsult.com  
w [www.tymconsult.com](http://www.tymconsult.com)

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# 1 INTRODUCTION

- 1.1 This study was commissioned by the Royal Borough of Kensington and Chelsea in July 2005, to review the supply and demand for employment land and floorspace in the Borough. Its findings will form part of the evidence base for the Royal Borough's Local Development Framework, helping inform future policies on employment land<sup>1</sup>.
- 1.2 Key questions for the study are:
- The supply of Employment Space*
- The amount of employment space
  - The condition of premises
  - The future supply of space
- Demand for Employment Space*
- The profile of existing occupiers
  - The future demand for space, focusing particularly on the small and medium-sized firms and start-ups
  - In particular, the potential impact of the White City development, in the neighbouring borough of Hammersmith and Fulham, on the demand for space in Kensington and Chelsea.
- 1.3 In considering these issues, the study was required to focus particularly on the designated Employment Zones and the Kensington High Street area, which are identified in the Borough Council's current planning policies as priority locations for employment uses.
- 1.4 Following this Introduction, Chapter 2 sets out the policy background to the study and Chapter 3 profiles the local economy of Kensington and Chelsea. Chapter 4 describes the Borough's current stock of employment space and Chapter 5 analyses the current property market, considering the drivers of demand and the balance of demand and supply. Chapter 6 considers demand and market balance from a different angle, presenting the findings of an interview survey of 100 occupier businesses. Chapter 7 extends the analysis of market balance into the long-term future, forecasting the demand for space to 2021 and comparing it with the land supply currently identified. Finally Chapter 8 provides conclusions and policy recommendations.
- 1.5 Most of this report was completed in summer 2006. However, in January 2007, the Office of National Statistics released the delayed employment data for 2005, and the report has been updated to take account of this new information.

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<sup>1</sup> As is usual in planning, employment land uses are defined here as the B Class of the Use Classes Order - comprising factories, workshops, warehouses and offices. This excludes many land uses which also provide employment, such as retail, education and health. In Kensington and Chelsea, these 'non-B' land uses are particularly important, accounting for some two thirds of all jobs.



## 2 POLICY CONTEXT

2.1 In this chapter, we summarise:

- The strategic employment land policies, national and London-wide, to which the Royal Borough's new LDF will be required to conform;
- The local employment land policies currently in force, which in preparing the LDF the Borough will need to reconsider.

### Central Government Guidance

2.2 Until recently, the main document providing Central Government guidance on employment land was Planning Policy Guidance Note (PPG) 4, Industrial and Commercial development and Small Firms. PPG4 states that development plan policies should provide for choice, flexibility and competition. Authorities should ensure that there is sufficient land available which is readily capable of development and well served by infrastructure. They should also ensure that there is a variety of sites available to meet differing needs.

2.3 Although PPG4 is the natural home of guidance related to employment land, in recent years the housing agenda has gained in importance, and important new guidance on employment land is now provided in the recently amended PPG3 (Housing), comprising paragraph 42(a), added in January 2005 to help increase the supply of land for housing. The amendment introduced a presumption in favour of applications which propose a change of use away from employment and towards housing:

2.4 *'Local planning authorities should consider favourably planning applications for housing or mixed use developments which concern land allocated for industrial or commercial use.'*

2.5 The idea behind the new guidance is that planners should not safeguard for employment uses sites which have become unattractive for such uses, and therefore would be better released for housing development. However, paragraph 42(a) does not introduce a free-for-all attack on the stock of employment land. The policy is balanced with three criteria which can justify retention.

2.6 Firstly, planning authorities are reminded that not all employment land is suitable for housing. Secondly, they are cautioned that in some markets the release of employment land could trigger or exacerbate excess housing supply. The third criterion is particularly relevant: it states that planning authorities can continue to safeguard employment land and premises if they can demonstrate that

2.7 *'There is a realistic prospect of the allocation being taken up for its stated use in the plan period or that the loss of employment would undermine regional and local strategies for economic development and regeneration'.*

2.8 The present study, like the many employment land reviews commissioned by planning authorities throughout England, is largely a response to this new government policy and the ODPM Guidance Note to which it refers.

The criteria used in our site assessment (Chapter 5) are designed to match the criteria in paragraph 42(a), identifying sites which the market can realistically be expected to take up and those which are critical to the delivery of economic development and regeneration strategies.

- 2.9 In December 2005, the ODPM published a proposed replacement for PPG3. The consultation draft of this replacement, Planning Policy Statement (PPS) 3, omits paragraph 42(a) and contains just two references to the transfer of employment land to housing, both very brief. The first reference is indirect: it states that, when preparing housing policies in Local Development Frameworks (LDFs), authorities should have regard, among other things, to local strategies, which include local economic strategies, community strategies, local transport strategies, local transport plans and so forth. Secondly, when considering applications for housing where the LDF is not yet available or for sites not allocated in the LDF:

*'Local planning authorities should consider favourably planning applications for housing development: if the site is suitable for housing development (including land allocated or previously used for industrial or commercial use, which is no longer needed for that use).'*

- 2.10 A footnote to the above sentence refers to the ODPM Guidance Note on employment land reviews.
- 2.11 Overall, the draft PPS3 seems to mark a retreat from the previous Government position, in that it provides less specific guidance on the release of employment sites than does the current PPG3. It may be that the intended replacement for PPG4 – for which a date has yet to be announced – will fill that gap.

## The London Plan

- 2.12 The London Plan, also known as the Mayor's Spatial Development Strategy, was adopted in February 2004 and replaces the previous strategic planning guidance for London (RPG3). Alterations relating to housing targets and the management of waste were adopted in December 2006
- 2.13 Kensington and Chelsea is classed in the London Plan as part of Central London Sub-Region, to be covered by the draft Central London Sub Regional Development Framework, although the London plan alterations propose to place Kensington and Chelsea in the west London sub region and delete the central sub region. A small part of the Borough, around Knightsbridge, is also part of the Central Activities Zone (CAZ) and is identified in the Plan as an international retail centre, Kensington Gardens and South Kensington museums also fall within the CAZ. The Plan identifies two kinds of areas across London in which large-scale housing and employment growth is to be focused, known respectively as Opportunity Areas and Intensification Areas. None of these areas are in Kensington and Chelsea.
- 2.14 Another kind of priority area in the London Plan are Strategic Regeneration Areas, which comprise the 20% most deprived areas in London, as measured by a purpose-built measure called the London Index of



Deprivation. The Plan says that the Mayor will, and the boroughs should, act to reduce disadvantage in these areas, which in Kensington and Chelsea include most of the North Kensington wards.

- 2.15 The London Plan also defines Strategic Employment Locations (SELs), which are to be safeguarded for industrial and warehousing uses. The Royal Borough contains just one SEL, Freston Rd/Latimer Rd, forming the fringe of a much larger employment area most of which lies in the Borough of Hammersmith and Fulham.
- 2.16 Outside of the SELs, the London Plan notes that the boroughs should develop local policies for the management, protection, release or enhancement of industrial uses. Guidance on these policies is provided in the Mayor's draft Supplementary Planning Guidance (SPG) on Industrial Capacity, published in September 2003. The draft SPG classifies the Royal Borough as a 'restrictive transfer' borough:
- 'Where the pressure of demand for industrial/warehousing land is high and therefore little, if any, land should be released for other uses'*.
- 2.17 The 'restrictive' category is one of three, the others being 'limited release' and 'managed release'. Kensington and Chelsea's classification is based on research carried out prior to the SPG; the more recent London Industrial and Warehousing Demand Study (2004) confirmed that Kensington and Chelsea is one of the Boroughs with the highest pressure of demand against supply, both current and expected for the future.
- 2.18 The SPG is only a draft publication and as such only carries limited weight. It will be for the emerging LDF to make the final recommendations on what, industrial/warehousing land, if any, should be released in the Royal Borough.
- 2.19 Turning to the office sector, forecasts commissioned to the London Plan indicate that economic activities based in offices are likely to dominate future employment growth. Accordingly, supporting text in the Plan says that 'the availability of suitable office accommodation is a critical issue'. Policy 3b.2, Office Demand and Supply, states the Mayor will:
- Seek a significant increment to current stock, through changes of use and development of vacant brownfield sites.
  - Seek the renovation and renewal of existing stock to increase and enhance the quality and flexibility of London's office market offer, in line with policies for maximising the intensity of development
  - Seek the provision of a variety of type, size and cost of office premises to meet the needs of all sectors, including small and medium sized enterprises
  - Put in place processes to investigate and, if necessary bring forward, further potential capacity.
- 2.20 Policy 3b.3 reads in part:

*'The Mayor will, and the Boroughs should, seek to rejuvenate office-based activities in the Central Activities Zone (CAZ) and in strategically specified locations, in view of their contribution to the local economy.'*

- 2.21 These office policies have only limited impact on Kensington and Chelsea. The draft sub regional framework identifies no major development sites in the Borough. Neither of the Borough's two town centres, Kensington High Street and Kings Road, is classed as a major office location. Knightsbridge does fall in the CAZ but is dominated by international retail rather than offices or other employment uses.
- 2.22 Although it does not identify Kensington and Chelsea as a focus for new large-scale office growth, the London Plan does place a requirement on all boroughs to manage and enhance their existing stocks of office space.

### The Unitary Development Plan

- 2.23 The Royal Borough's Unitary Development Plan (UDP) was adopted in 2002 and was the development plan for the area under the now superseded Town and Country Planning Act 1990, Section 54A. The Council has started work on a replacement for this plan, in the form of a Local Development Framework under the new Planning and Compulsory Purchase Act 2004. The UDP is supported by Supplementary Planning Guidance which deals specifically with the Borough's Employment Zones (also 2002).
- 2.24 Although prepared under different legislative processes, the London Plan and the Borough's UDP are broadly in conformity. As an inner London borough, Kensington and Chelsea has no new, greenfield development sites. Given the current market conditions, which favour residential development, it cannot offer a ready supply of new brownfield sites that could be redeveloped for employment. The existing UDP policies were designed to ensure that the existing policy areas remain viable, and where new sites do come forward they are developed appropriately given both the needs of the Borough residents and the potential constrained nature of the sites.
- 2.25 The UDP sets three objectives relating to employment land:
- *'To restrain further large-scale business development, ensuring that such development is well served by public transport and does not harm the residential character and function of the Borough.'*
  - *To secure the provision of a range of business premises and uses to foster a diverse and vibrant local economy and to maintain and widen employment opportunities, particularly for less-skilled and unemployed people.*
  - *To maintain the concentrations of business uses and increase the number of small business premises in the Borough.'*
- 2.26 The text does not provide clear definitions of the crucial terms 'small-scale' and 'large-scale'. It does, however, explain the reasons for resisting large-scale development, noting that proposals for large-scale business premises

do not fit easily into the predominantly residential character of the Borough, and they attract commuting into the Borough, placing pressure on public transport networks and on roads.

- 2.27 The UDP's employment land policies fall into four general groups: the protection of the Employment Zones the North Kensington wards, large units and lastly small units.
- 2.28 Firstly, the Borough has three designated Employment Zones, at Kensal Road, Freston Road/Latimer Road (also an SEL in the London Plan) and Lots Road. In these areas, policy E20 states that the Council will '*resist the loss of business uses*' in general. further policies relate to specific uses within this general designation. Policies E22 and E23 specifically resist the loss of *light industrial* uses, and Policies E25 and E26 resist the loss, and encourage the provision, of *small* and *flexible* business units.
- 2.29 Supplementary Planning Guidance enlarges on these policies, explaining that light industrial uses are valuable because they provide a wider variety of job opportunities than do offices, in particular manual jobs for local residents, and small uses are valuable because they are generally in short supply. Flexibility is valuable because it ensures that small business units which may be in use as offices nevertheless remain capable of light industrial use, should the need arise. Section 6 of the SPG sets out a range of design standards required for this purpose, including width of doors and passageways, goods lifts, clear internal heights, floor loadings and power supply.
- 2.30 A second group of policies recognise the five North Kensington wards, comprising St Charles, Golborne, Notting Barns, Norland and Colville, as an area which houses an important mix of business uses providing important opportunities for local employment. These policies normally restrict transfer from business uses in general and light industrial uses in particular. This policy is weaker than those applying to the Employment Zones.
- 2.31 Between them, the above policies protect most of the remaining industrial and warehouse sites in Kensington and Chelsea. However, they leave out much of the Borough's office space.
- 2.32 Policy E1 resists development of business space in large units, including replacement of existing space, except under very limited circumstances, which are designed to protect residential amenity. The policy also says that any site which is suitable for housing should be developed for housing rather than employment, either in its entirety or 'when appropriate' in substantial part. We question whether this policy stance is consistent with PPG3, which implicitly gives priority to meeting market demand for employment over housing, and with the London Plan, which generally supports office development.
- 2.33 In contrast to the restrictions placed on large-scale development, many policies in the UDP aim to resist the loss, and encourage the provision, of small business units, both in general and in specific areas, which as noted earlier include the Employment Zones, North Kensington and the Principal Shopping Centres. Most of these policies do not define what is meant by a

small unit, but in relation to the Principal Shopping Area the policy specifies that business units of 100 sq m or less should be protected.

- 2.34 Supporting text in the draft UDP gives three main reasons for favouring small units. First, market research undertaken in 1998 for the UDP demonstrated that there was high and unsatisfied demand for small units, especially for those of 100 sq m or less. Second, the same research suggested that small employment units below 300 sq m, and especially below 100 sq m, were more likely to employ local people than larger ones, and therefore reduce out-commuting. Third, the research also found that the provision of small business units in Kensington High Street added to the vitality and viability of the Principal Shopping Area.
- 2.35 Questions were raised at the UDP Inquiry about the validity of the policies relating to small units and the underlying research. The Inspector's report and resulting amendments to the draft upheld the general priority accorded to small units, but introduced more flexibility in specific policies.

### Key Points

- 2.36 In developing employment land policies for the emerging LDF, the Council needs to take account of current and emerging strategic policies at national and regional level. The key points are as follows:
- National planning guidance favours the transfer of surplus employment sites to housing, so that planning authorities who wish to safeguard employment land have to demonstrate that it is needed, against exacting criteria.
  - Strategic guidance for London is provided by the London Plan, which:
    - Does not identify any part of Kensington and Chelsea as a strategic location for either housing or employment growth;
    - Expects that economic activities based in offices are likely to dominate future employment growth, and accordingly aims to increase, renew and improve the supply the stock of office space throughout London;
    - Aims to protect key industrial/warehousing locations through safeguarding employment land in Strategic Employment Locations (SELs) - of which only one, the small Freston Road/Latimer Road area – is in Kensington and Chelsea.
  - The Mayor's Supplementary Planning Guidance, which is still in draft, further identifies Kensington and Chelsea as a 'restrictive transfer' borough, in which there is high pressure of demand for industrial/warehousing uses and therefore little, if any, land should be released from industry and warehousing to other uses.
- 2.37 Turning to local planning policy, the current UDP, adopted in 2002, aims to restrain large-scale office development, lest it cause traffic congestion and harm residential amenity, to encourage the growth of small businesses, and to foster employment opportunities, especially for the less-skilled and unemployed. UDP policies to implement these objectives include:

- Policies that generally resist the development of employment space in large units, even if it replaces existing space, and give priority to housing over employment development;
- Policies that safeguard employment land in general and light industrial space in particular in specific parts of the Borough, comprising the three Employment Zones, North Kensington and Kensington High Street;
- Policies that resist the loss, and encourage the provision, of small business units.

2.38 These are the policies which the Council will reconsider in preparing the new LDF.

## 3 THE ECONOMY

### Overview

- 3.1 In this chapter, we profile the Kensington & Chelsea economy under three headings:
- The workplace economy, considering the competitiveness and growth of businesses and jobs located in Kensington and Chelsea;
  - The residents, considering the well-being of the Borough's working residents, measured in terms of earnings, employment opportunities and the extent of deprivation;
  - Travel to work, considering how far the Borough's residents, rely for these jobs and earnings on places outside the Borough, and conversely how far the Borough provides employment opportunities for people who live elsewhere.
- 3.2 The analysis has two main purposes: to suggest potential objectives for the Borough's employment land policies and to help understand the drivers of demand for employment space.
- 3.3 Throughout this chapter, we benchmark Kensington and Chelsea's economy against Great Britain, London as a whole and the Central London<sup>2</sup> sub region.

### The Workplace Economy

#### *Industrial Structure*

- 3.4 Official statistics for 2005– the latest date for which employment count is available -indicate that there are approximately 112,500 employee jobs<sup>3</sup> in Kensington & Chelsea. This section analyses the industrial structure of this employment – its distribution across different types of economic activity.
- 3.5 To begin with broad economic sectors (Figure 3.1):
- Compared to the national average, both Greater London and the Central London sub-region have two distinctive features. Both have proportionally more jobs in Banking, Finance, Insurance and Business Services (FBS) – one third against 21% in Great Britain – and many fewer manufacturing jobs – which account for some 4% of all jobs against 13% in Great Britain. (Even of these few 'manufacturing' jobs, the majority are in Paper, Printing and Publishing, which is officially classified to manufacturing, but whose publishing component in reality is an office-based activity.)
  - Kensington and Chelsea shares the first of these characteristics, with just 4% of its jobs in manufacturing. But it does not share the second:

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<sup>2</sup> The Central London sub region consists of the Boroughs of: Camden, Islington, Kensington & Chelsea, Lambeth, Southwark, Wandsworth and Westminster.

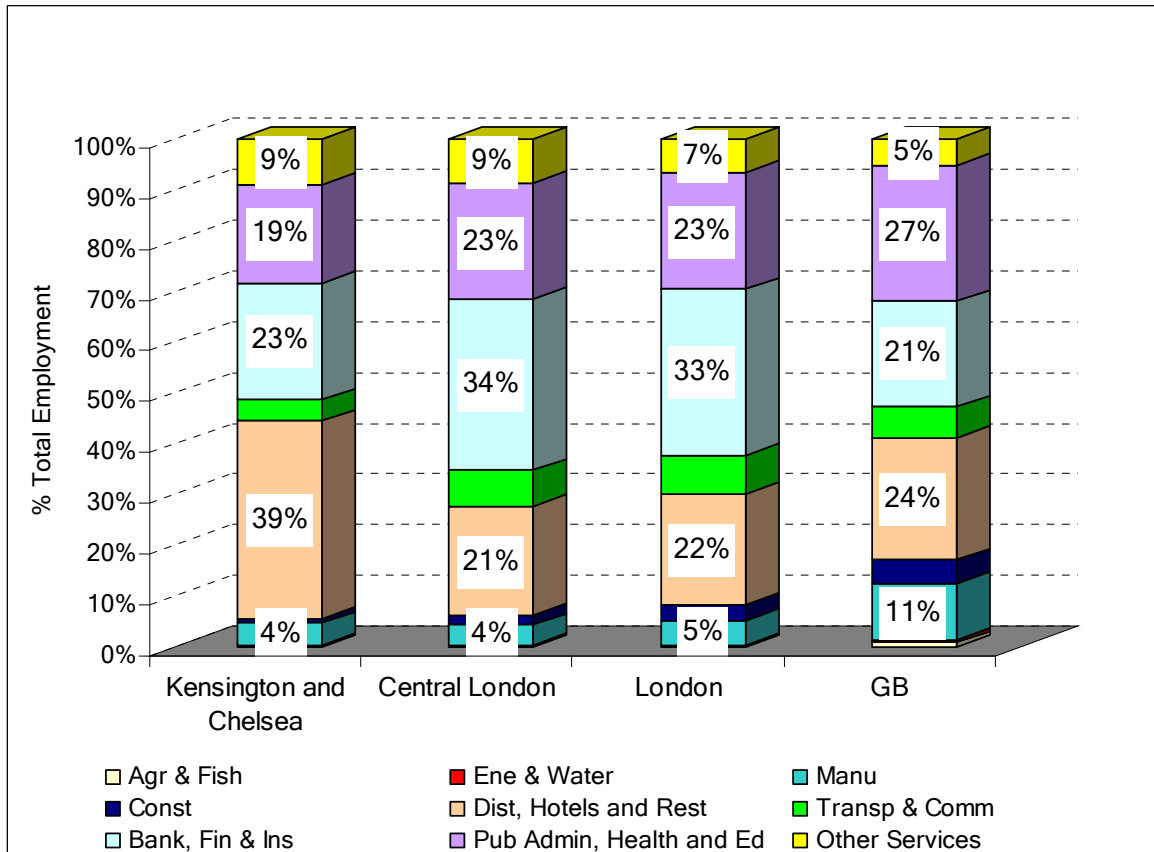
<sup>3</sup> Employee jobs, as used in official statistics, exclude the self-employed.

the share of FBS in the Borough is 23%, close to the national figure and well below the London and Central sub-region.

- Conversely, Kensington and Chelsea has many jobs in Distribution, Hotels and Restaurants; 39% of the Borough's jobs are in this sector, against some 24% in the benchmark areas.

3.6 As we shall see, this distinctive economic structure means that Kensington and Chelsea has relatively low requirements for employment space.

**Figure 3.1 Employment by Broad Sector, 2005**



Source Annual Business Inquiry 2005

3.7 Table 3.1 looks at industrial structure in more detail, aiming to identify particular specialist strengths of the Royal Borough's economy. The table lists those activities which employ more than 500 in Kensington and Chelsea and for which the Borough has a location quotient of 1.3 or more – indicating that their share of total employment is at least 30% greater in the Borough than GB.

**Table 3.1 Industries Over-represented in Kensington & Chelsea, 2005**

	Jobs in RBKC	LQ
22 : Publishing, printing and reproduction of recorded media	3,935	3.0
52: Retail Trade exc Motor Vehicles and motorcycles etc	21,378	2.6
55 : Hotels and restaurants	19,598	2.6
70 : Real estate activities	4,961	2.5
92 : Recreational, cultural and sporting activities	6,838	2.2
93 : Other service activities	2,097	1.6

Source Annual Business Inquiry 2005

- 3.8 With the exceptions of printing and publishing and real estate, these are activities that do not occupy 'employment space' – which as noted earlier is defined here as the B Use Class – but operate in other kinds of property, such as shops and leisure premises.
- 3.9 Conversely, the industries least represented in Kensington and Chelsea, with the lowest LQs, are in the manufacturing sector – which broadly speaking tends both to serve national and international markets and occupy 'employment space'. These under-represented activities include fabricated metals, furniture and medical and optical precision equipment. This is evident in Figure 3.2, which plots the Location Quotient of industries where employment is greater than 100 against that industry's recent national growth rate (1998-2005).
- 3.10 In this chart:
- The industries above the horizontal axis are those which gained jobs between 1998-2005 – the most recent period for which figures are available. The higher up the relevant point, the faster has been this recent growth. These growing industries divide further into two groups:
    - In the north-east quadrant of the chart are industries which are over-represented in Kensington and Chelsea – in proportional terms, they provide more jobs in the Borough than nationally. The further to the right the relevant point, the greater is that over-representation. Yet again, these industries are generally consumer services, such as retail, leisure and hotel and restaurants, which typically serve local markets and do not occupy business space. There are two exceptions. The first is 'other business activities', more commonly known as business services, a large sector which includes professional services, advertising and marketing, consultancy of all kinds and head office activities. The second exception is 'real estate activities'. Both these categories operate in office space, and most likely cater to national and international as well as local demand, contributing to London's roles as a capital and world city.
    - In the north-west quadrant are activities whose employment in GB has been growing, but which are under-represented in Kensington and Chelsea. Many of the jobs in this quadrant, including those in 'financial intermediation' and 'activities auxiliary to financial



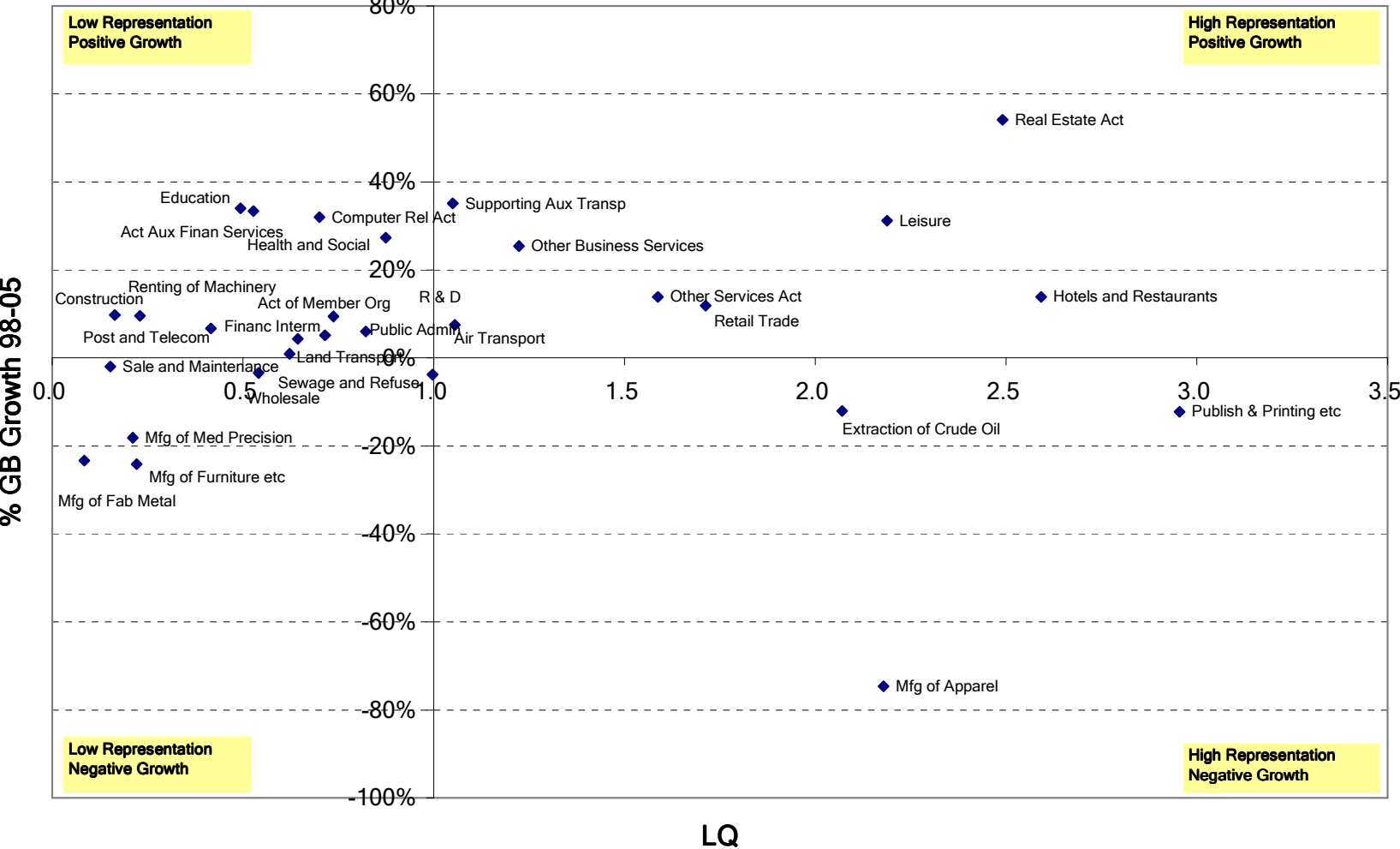
intermediation', occupy business space – specifically offices – and in large part are likely to serve national and international markets, yet again contributing to London's strategic role.

- Below the horizontal axis are industries with declining employment nationally:
  - The south west corner contains sectors which are both under-represented in Kensington and Chelsea and declining nationally; these sectors are part of manufacturing and distribution.
  - In the south east corner, there are sectors which are declining nationally but over-represented in Kensington and Chelsea. There are only three sectors in this category, of which the largest by far is Printing, Publishing etc.

3.11 Thus, in summary, Kensington and Chelsea's industrial structure appears favourable to employment growth, but not necessarily to the kind of employment growth that will either contribute to London's strategic role or generate growing demand for employment space:

- Of the industries which have been gaining jobs nationally, many are well represented in the Borough, but – with exceptions – are local consumer services that do not occupy business space.
- Industries which are declining nationally are mostly under represented in the borough – yet again suggesting good growth prospects for the future – and are generally occupiers of business space – yet again suggesting limited demand for this kind of space.

Figure 3.2 Industrial Structure and Growth, Kensington and Chelsea, 2005



### *Business Space Sectors*

- 3.12 In this study, we are particularly interested in the jobs that occupy business space, comprising office jobs and industrial/warehousing jobs, and jointly referred to as B-space jobs.
- 3.13 To identify these jobs, we use a range of economic sectors based on the Standard Industrial Classification (1992) which is set out at Appendix 1. Industrial space is occupied by manufacturing industries plus certain parts of the construction industry, motor repairs/maintenance and sewage and refuse disposal. Warehousing is occupied by a variety of transport and distribution activities, which are widely spread across the Standard Industrial Classification.
- 3.14 Our definition of office activities is based on the ODPM's analysis of town centres, which is also referred to at Appendix 1. (We have approximated the SIC sectors as closely as possible at a detailed (4-digit) classification.) In addition to the sectors identified by the ODPM, we count as office activities 'the administration of the state and social and economic policies', SIC 75.1
- 3.15 The correspondence between sectors and types of space is not perfect, and hence our definitions of office and industrial/warehousing jobs are no more than approximations. But they are the best possible approximations, which we have developed through a series of employment space studies, most recently the Industrial and Warehousing Land Demand study we produced for the Greater London Authority.
- 3.16 B space employment in the Borough (Table 3.2) accounts for 31% of total employment, much less than the national average, 41%. 26% of the Borough's jobs are in office sectors against a national average of 21%; reflecting the high representation of real estate activities in the Borough. Industrial/warehousing jobs in Kensington and Chelsea account for a modest 5% of total employment, which is far less than the national average of 21%.

**Table 3.2 Employment in Business Space Sectors, 2005**

	<b>Jobs in RBKC</b>	<b>% of all jobs in RBKC</b>	<b>% of all jobs in GB</b>	<b>LQ</b>
Industrial	2,135	2%	14%	0.1
Warehousing	3,353	3%	7%	0.4
Office	28,910	26%	21%	1.3
Total B Space	34,398	31%	41%	0.7
Non B Space	78,123	69%	59%	1.2
Total Employment	112,521	100%	100%	1.0

Source Annual Business Inquiry 2005

- 3.17 Table 3.3 below looks more closely at the activities that occupy business space. As explained earlier, the LQs in the first column show the representation of that employment sector in the local economy compared to the national economy. To identify those sectors which are strongly

over-represented in the Borough, the table selects sectors with LQs greater than 1.3 and employment sectors with more than 500 employees. The table uses a finer-grained industrial classification than Table 3.1 above, which was otherwise similar.

**Table 3.3 Business Space Industries Over-represented in Kensington & Chelsea, 2005**

	LQ	Jobs in RBKC	% of all jobs in RBKC
70 : Real estate activities	2.5	4,961	4.4%
221 : Publishing	5.8	3,678	3.3%
7484 : Other business activities nec	2.2	3,218	2.9%
744 : Advertising	3.0	1,025	0.9%
9220 : Radio and television activities	7.0	605	0.5%

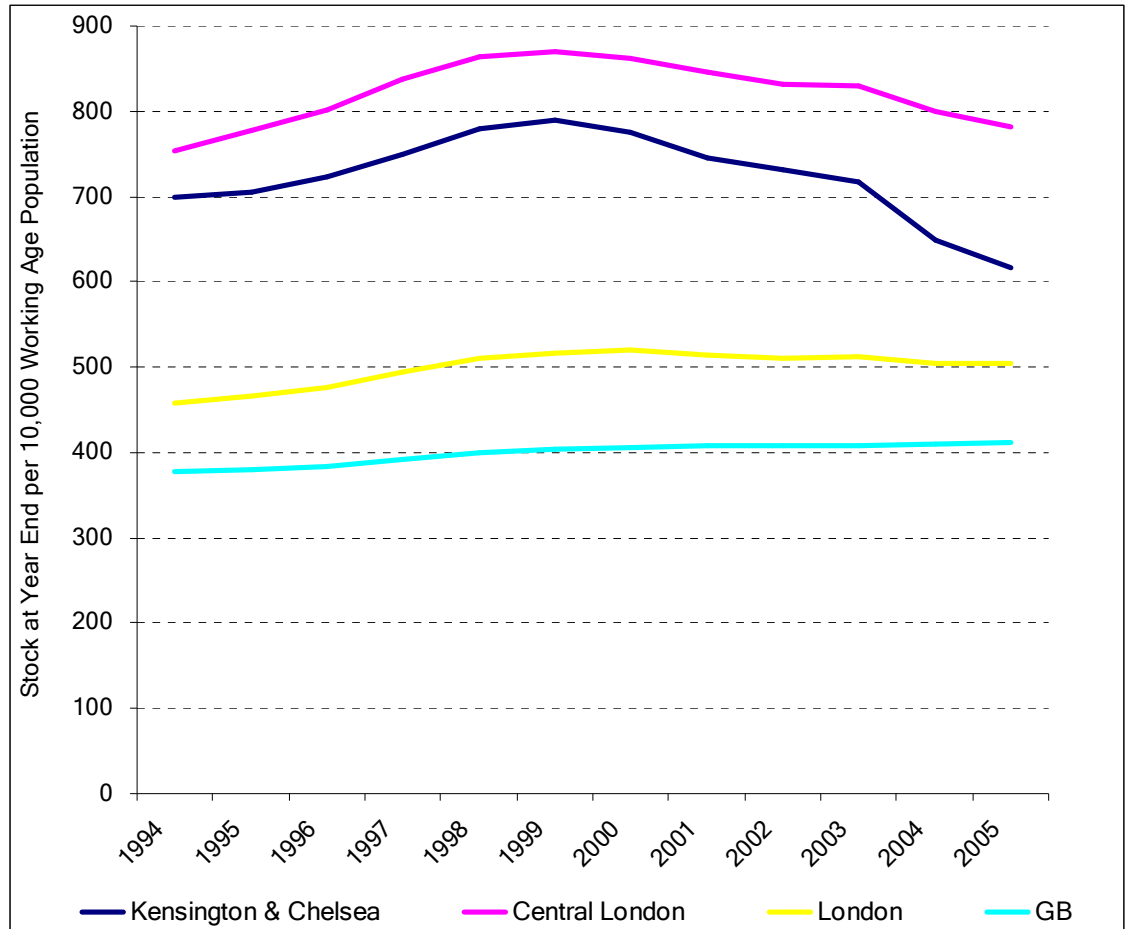
Source Annual Business Inquiry 2005

- 3.18 Table 3.3 shows that all the B-space sectors which are represented in the Borough are office sectors. Radio/TV activities has the highest LQs, but is tiny in absolute terms, with just 600 jobs.

#### *Entrepreneurship*

- 3.19 The stock of VAT-registered businesses is a recognised indicator of entrepreneurship in an economy

**Figure 3.3 VAT-Registered Companies per 10,000 Working Age Population, 1994 -2005**



Source Annual Employment Survey Rescaled 2005-2007 and Annual Business Inquiry 1998-2005

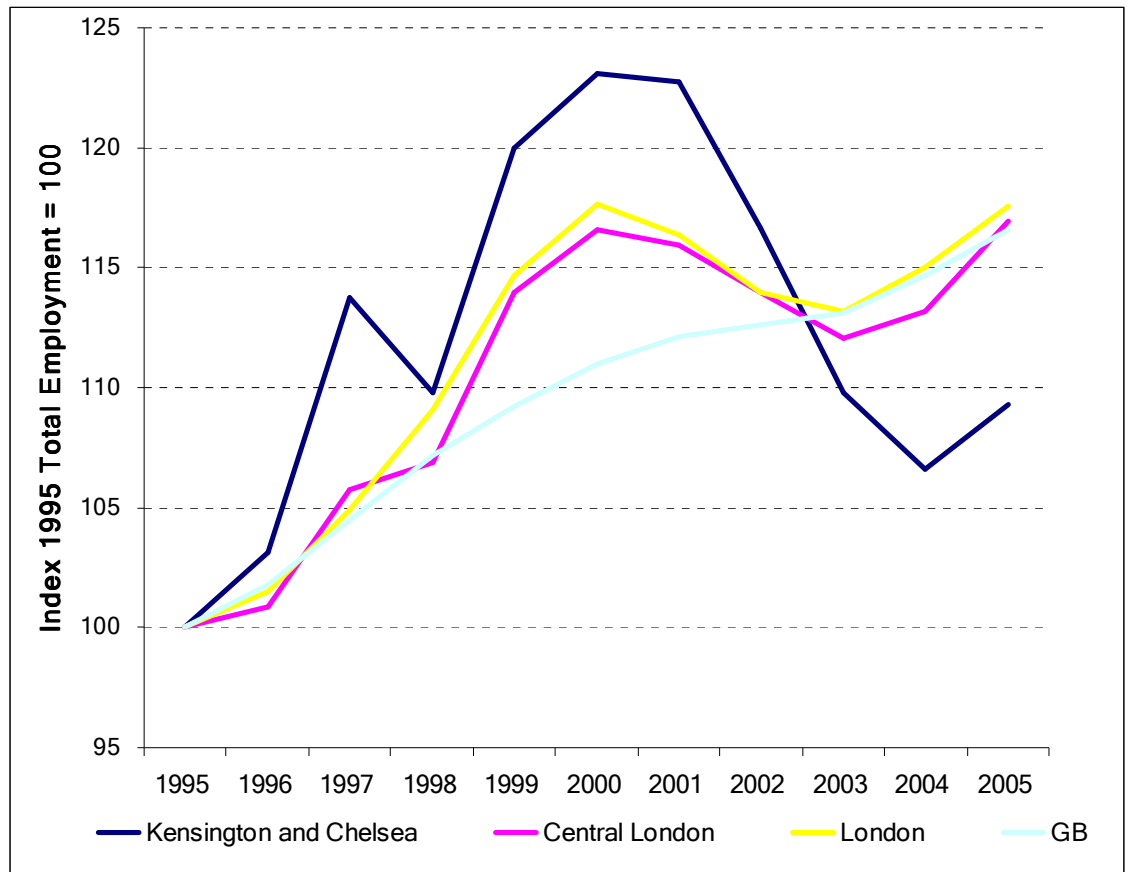
3.20 Figure 3.3 shows the stock of VAT registered firms annually from 1994-2005:

- Great Britain has some 400 firms per 10,000 population and London 500. Central London greatly exceeds both, with just under 800.
- Kensington and Chelsea, with a figure of just over 600, ranks just below Central London and far above the nation and London.
- This comparative position has been broadly unchanged since 1994 at least.
- The growth in firms per 10,000 population peaked in 1999-2000. The cyclical downturn since 2000 is marked in the Central sub-region and more so in the Royal Borough, where numbers fell in comparison to GB and London, where they remained stable.

### Employment Change

3.21 Figure 3.4 shows employment change from 1995 -2003 in Kensington and Chelsea and the benchmark economies:

**Figure 3.4 Employment Change, 1995 -2005**



Source ABI 2005

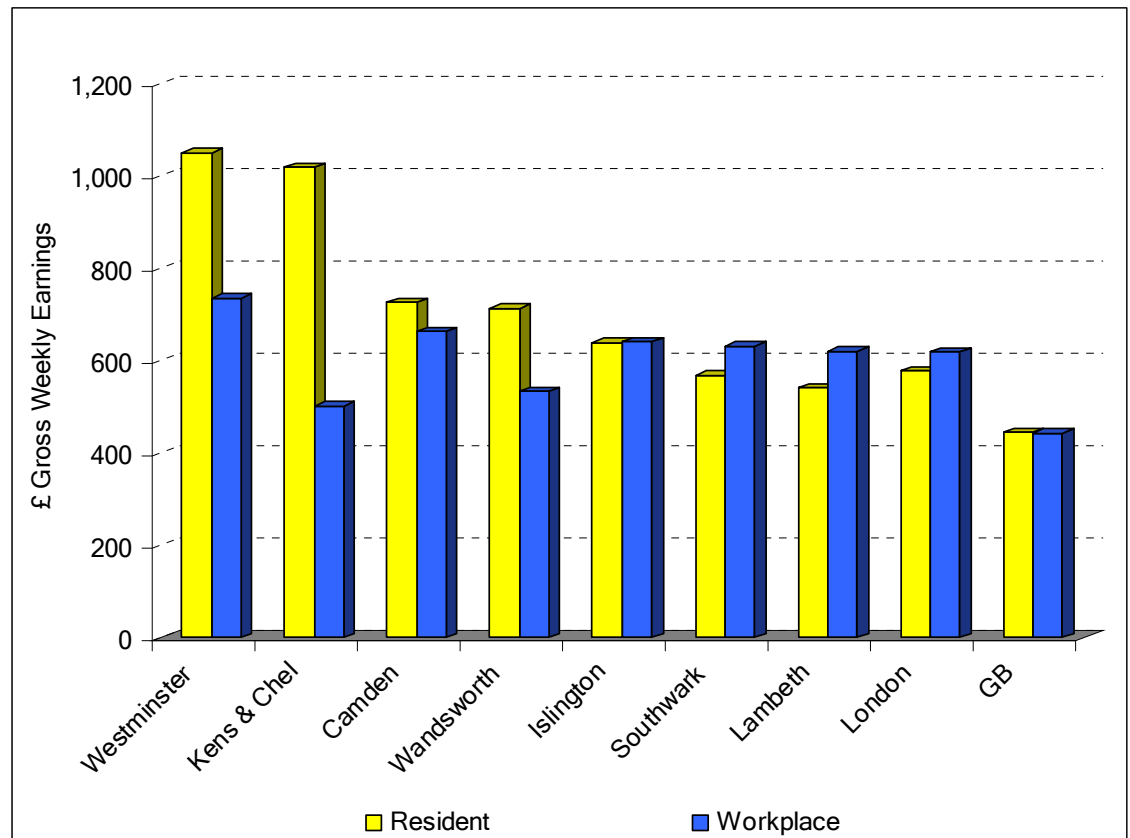
- In the long term, the trend of employment has been upwards in all areas.
- 2001 saw a cyclical peak.
- The cycle was more marked in London and the Central sub-region than nationally; both gained jobs faster than GB in the upswing, and in between 2001-2003 lost jobs, while nationally growth merely slowed down.
- Kensington and Chelsea shows an even stronger cycle, with more growth in the late 1990s than any of the benchmark areas, and greater job losses between 2001 - 2004.

## The Residents

### Earnings

- 3.22 In the figure below, the yellow bars show workplace earnings – the earning of people who work in Kensington and Chelsea and comparator areas. The blue bars show the earnings of these areas’ residents, regardless of where they work.

**Figure 3.5 Gross Weekly Earnings, 2006**



Source Annual Survey of Hours and Earnings 2006

- 3.23 Average residents’ earnings are some £400 per week in GB and just under £600 per week in London. Kensington and Chelsea residents on average earn nearly £1,000 per week, the second highest in London after Westminster and far above all other Central London Boroughs. .
- 3.24 In contrast, Kensington and Chelsea’s workplace earnings, at £500 per week, are just £60 above the national average, £100 below the London average, and lower than all Central Boroughs. One major likely reason for this is the high share of consumer service industries, such as retail and catering, which have below-average earnings.
- 3.25 Why this exceptionally large difference between workplace and residents’ earnings? Either residents who work outside the Borough earn more than residents who work locally, or these residents who work locally earn more than in-commuters who live elsewhere. Most likely, both these explanations are true, as the Borough’s highest-paid residents out-

commute to work in the City and Westminster, while low-paid workers in-commute from areas where housing is cheaper to work in the Borough.

3.26 We will return to commuting later in this chapter.

### *Unemployment*

3.27 At the 2001 Census, the national unemployment rate, on the ILO measure<sup>4</sup>, was 5.0%. London's unemployment was higher at 6.5%, and Central London's even higher at 7.6%. Kensington and Chelsea had a rate of 7.1%, in between the London and Central London averages.

**Table 3.4 ILO Unemployment Rate, 2001**

	<b>Unemployment Rate</b>
Kensington and Chelsea	7.1%
Central London	7.6%
London	6.5%
England and Wales	5.0%

Source Census 2001

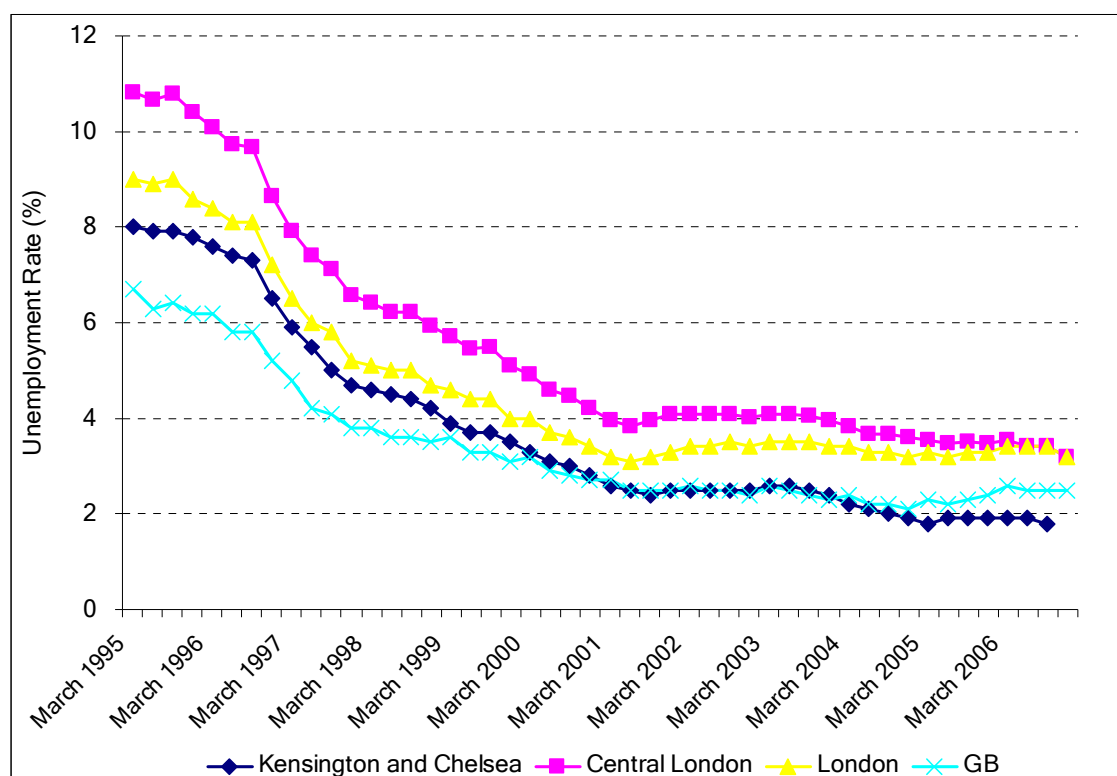
3.28 Figure 3.6 shows unemployment based on a different measure, the claimant count. Although the claimant count shows lower unemployment rates than the ILO, the two indicators normally agree with regard to the relativities between areas.

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<sup>4</sup>Unemployment is based on the International Labour Organisation (ILO) definition taken from the Census 2001. It measures the numbers of people who are economically active, currently not working and actively seeking work. This is the 'official' definition of unemployment used by the Government. ILO unemployment is also available from the Labour Force Survey which is more up to date than the Census. However, much of the data is statistically unreliable, and so we have not included it here.



**Figure 3.6 Claimant Count Unemployment, 1995-2006**



Source NOMIS Claimant Count 1995-2006

3.29 With regard to Kensington and Chelsea, however, the indicators disagree. The claimant count suggests a healthier labour market than the ILO measure. The borough’s claimant unemployment rate for 2001 is identical to the national average and well below the London and Central sub-region benchmarks. Furthermore, the claimant count, which unlike the ILO measure provides a time series, suggests that the Borough’s unemployment improved in relative terms in the late 1990s, and since 2001 has stayed close to the national average, while London and the Central sub-region have remained above that average.

*Population Change*

**Table 3.5 Population Change 1991-2005**

	Resident population		Change 1991-2005	
	1991	2005	Number	% Change
Kens & Chelsea	143,600	196,200	52,600	37%
Central London	1,425,300	1,657,500	232,200	16%
London	6,829,300	7,517,700	688,400	10%
GB	55,831,400	58,485,000	2,653,600	5%

Source Mid Year Population Estimates 1991 and 2005

3.30 Between 1991- 2005, London’s population grew at 10%, approximately double the national rate. The Central sub-region grew slightly faster than London and Kensington and Chelsea much faster than both, with a

population gain of 37%, seven times the national rate and three times that of London.

- 3.31 We have not looked in detail at the balance of the labour market, because this would be beyond the remit of our study. But the broad implications of the figures seem clear. With exceptionally fast-growing population and averagely growing employment, the Boroughs' labour market balance – its ability to provide jobs for its residents within its boundaries – in relative terms must be worsening.

### *Deprivation*

- 3.32 Table 3.6 shows the main official measure of social and economic deprivation - the rank of each local authority area, based on the average Index of Multiple Deprivation (IMD) of the Super-Output Areas in covered by that local authority. Of the 354 local authority areas in England, the one suffering the most deprivation ranks 1 and the least deprived ranks 354.

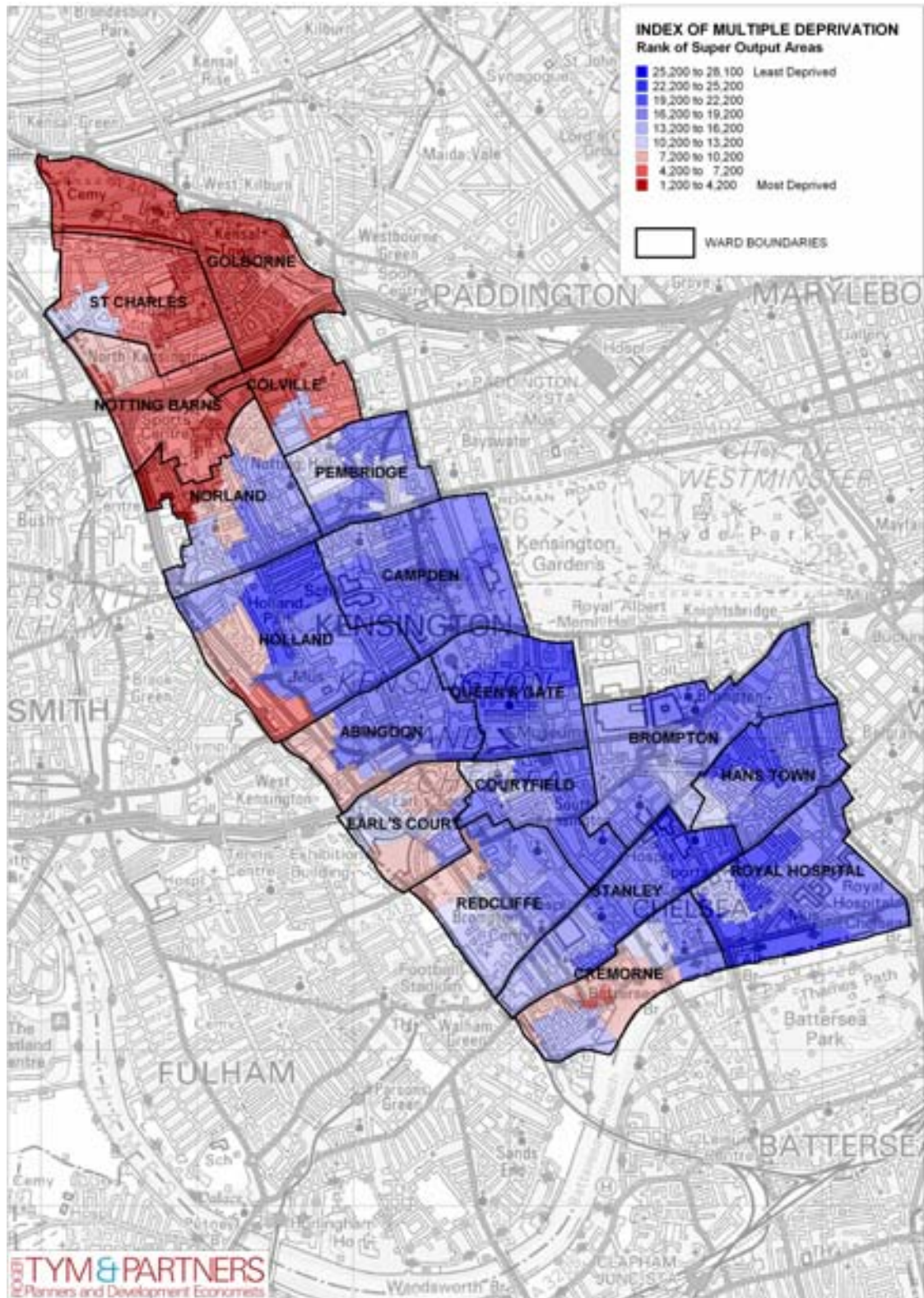
**Table 3.6 Index of Multiple Deprivation, Central London Sub-Region, 2004**

	Rank of Average Rank
Islington	6
Southwark	17
Camden	19
Lambeth	23
Westminster	39
Kensington & Chelsea	116
Wandsworth	128

Source: ONS

- 3.33 With a rank of 116, Kensington and Chelsea has far less deprivation than five of the other six Central boroughs, whose ranks are between 6 and 39. It is close to the sixth Central borough, Wandsworth, which ranks 128<sup>th</sup>. But still, Kensington and Chelsea has a higher incidence of deprivation than two thirds of the local authority areas in England.
- 3.34 Below, we map the geography of multiple deprivation within the Borough, overlaying ward boundaries over Super-Output Areas - the units for which the Index is calculated –. Multiple deprivation is heavily concentrated in the wards of St Charles, Goldborne, Notting Barns and Colville. These wards contain two of the three Employment Zones designated in the UDP and form part of the North Kensington area which also enjoys special protection for employment uses in the UDP. A key aim of these designations is to protect and encourage employment opportunities for local residents.

Map 3.1 Multiple Deprivation



Source: ONS, Roger Tym & Partners

## Travel to Work<sup>5</sup>

- 3.35 The analysis in this section is based on the Census 2001, which is the most recent information available. We describe the travel to work patterns for Kensington and Chelsea and compare the Borough with others in the Central sub region and wider benchmarks.

### Local Authority Areas

- 3.36 According to the Census, Kensington and Chelsea has some 76,000 working residents<sup>6</sup> (Table 3.7). 34% of these residents work in the Borough, 21% commute to the City of Westminster, 13% to the City of London, and some 5% each to the Boroughs of Hammersmith and Fulham, Camden and Tower Hamlets (presumably working in Docklands). The remaining out-commuters are widely spread across other London boroughs and the neighbouring South East, South West and Eastern regions.

**Table 3.7 Travel to Work, Residents of Kensington and Chelsea, 2001**

All working residents of K&C	75,558	100%
<b>Work in:</b>		
Kensington & Chelsea	25,881	34%
Westminster	15,949	21%
City of London	10,104	13%
Hammersmith & Fulham	3,682	5%
Camden	3,550	5%
Tower Hamlets	2,957	4%
Rest of West London	2,889	4%
Islington	1,816	2%
South East and South West England	1,749	2%
Southwark	1,163	2%
Wandsworth	1,083	1%
Lambeth	1,030	1%
South London	924	1%
Rest of East London	749	1%
North London	483	1%
Works overseas	612	1%
East of England	421	1%
Other	516	1%

Source Census 2001.

- 3.37 Table 3.8 shows the place of residence of the 101,000 people who work in Kensington and Chelsea. 25% of these workers live in the Borough, 21% commute from other parts of the Central sub region, and 7% commute from the neighbouring borough of Hammersmith and Fulham and the South West and South East regions. The remaining in-commuters are distributed amongst the other London boroughs. The

<sup>5</sup> Our analysis of travel-to-work flows is based on the 2001 Census and shows different numbers of jobs from the ABI numbers quoted earlier. This is because the Census and the ABI relate to different rates and use different definitions and methods.

<sup>6</sup> The analysis relates to working residents of working age. It leaves

origins of in-commutes are more evenly spread than the destinations of out-commuters.

**Table 3.8 Travel to Work, People Working in Kensington and Chelsea, 2001**

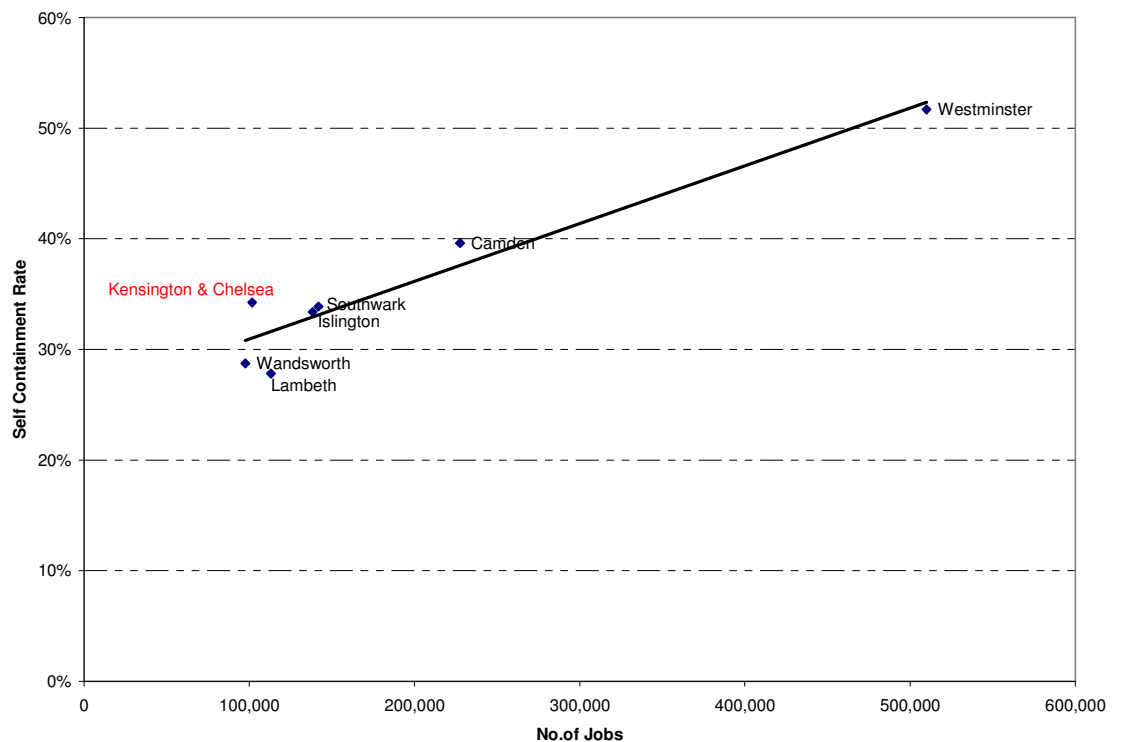
<b>All those who work in K&amp;C</b>	101,643	100%
<b>Live in:</b>		
Kensington & Chelsea	25,881	25%
Hammersmith & Fulham	7,070	7%
South East and South West England	6,790	7%
Rest of Central London	6,500	6%
Wandsworth	6,211	6%
Rest of South London	6,192	6%
North London	6,190	6%
Westminster	4,763	5%
Lambeth	4,367	4%
Ealing	4,103	4%
Brent	3,930	4%
Rest of West London	3,888	4%
Rest of East London	3,129	3%
East of England	3,484	3%
Merton	2,215	2%
Lewisham	1,790	2%
Newham	1,500	1%
Hackney	1,258	1%
Tower Hamlets	1,248	1%
Other	1,134	1%

Source Census 2001

- 3.38 Overall, the Borough's position as regards travel to work may be summarised by two indicators. The first is the commuting balance, which measures the dependence of other places on the Borough, or of the Borough on other places, for employment opportunities. In Kensington and Chelsea, the balance is positive at 26,100, or 34% of working residents – 75,800 in-commuters less 49,700 out-commuters. In terms of simple numbers, the Borough does not depend on other local authority areas; on the contrary, other areas depend on it. However, as we have seen, the simple numbers do not tell the whole story, because the large differences in earnings between residents and workplace workers.
- 3.39 The second key indicator is the self-containment rate – the percentage of the Borough's working residents who also work in the Borough – often used as a measure of sustainability. In Kensington and Chelsea, this indicator stands at 34%. This figure means nothing in absolute terms; to interpret it, we need to compare Kensington and Chelsea with other places.
- 3.40 Figure 3.7 provides this comparison for the Boroughs in the Central London sub-region. The self-containment rate is measured on the vertical axis. It is plotted against the number of jobs in each borough, which is measured on the horizontal axis.



**Figure 3.7 Self-Containment Rates against Number of Workplace Jobs**



Source Census 2001

- 3.41 In absolute terms, the central boroughs' self-containment rates are very similar. Six of the seven boroughs have figures roughly between 30% and 40%. Westminster is the exception, with 52%. Kensington and Chelsea has a middling self-containment rate – higher than the rates for Wandsworth and Lambeth, similar to Southwark and Islington, lower than Camden and much lower than Westminster.
- 3.42 The regression line shows that there is a strong relationship between the number of workplace jobs in a borough and its self-containment rate. The more jobs a borough provides, the higher the its self-containment. Yet again, Kensington and Chelsea is close to the norm. It is a little above the regression line, showing that the Borough's self-containment rate is slightly higher than one would expect based on the number of workplace jobs it provides.

***Policy Areas and Small Units***

- 3.43 The table below analyses travel to work in closer detail, by size of unit and geographical area within Kensington and Chelsea. Business units are split into four size bands according to numbers of people employed. The Borough is split into three sections, comprising the North Kensington (Northern) wards, the Kensington High Street Wards and the Southern Wards. The purpose of the analysis is to test the assumption made in the UDP that small units and units located in the priority areas, comprising Kensington High Street and the North Kensington wards, employ more local people, We cannot analyse the Employment Zones separately,

because of ill-fitting boundaries; two of the Zones are part of the North Kensington wards and one is in the Southern Wards.

**Table 3.9 Travel to Work by Policy Area and Unit Size, 2001**

<b>Size of Business Unit</b>	<b>1-9 Employees</b>		<b>10-24 Employees</b>		<b>25-499 Employees</b>		<b>500+ Employees</b>		<b>All Units</b>	
	<b>Workers</b>	<b>%</b>	<b>Workers</b>	<b>%</b>	<b>Workers</b>	<b>%</b>	<b>Workers</b>	<b>%</b>	<b>Workers</b>	<b>%</b>
<b>Work in the Northern Wards</b>										
<b>Live in:</b>										
N Wards	3,290	46%	509	19%	802	17%	351	21%	4,952	31%
Kensington High St Wards	189	3%	76	3%	80	2%	17	1%	362	2%
Southern Wards	114	2%	50	2%	48	1%	26	2%	238	1%
<b>K&amp;C total</b>	<b>3,593</b>	<b>50%</b>	<b>635</b>	<b>23%</b>	<b>930</b>	<b>20%</b>	<b>394</b>	<b>23%</b>	<b>5,552</b>	<b>34%</b>
Outside K&C	3,581	50%	2,113	77%	3,701	80%	1,285	77%	10,680	66%
<b>All who work in the Northern Wards</b>	<b>7,174</b>	<b>100%</b>	<b>2,748</b>	<b>100%</b>	<b>4,631</b>	<b>100%</b>	<b>1,679</b>	<b>100%</b>	<b>16,232</b>	<b>100%</b>
<b>Work in the Kensington High St Wards</b>										
<b>Live in:</b>										
N Wards	290	3%	131	3%	403	3%	143	2%	967	3%
Kensington High St Wards	4,305	44%	412	10%	684	6%	366	6%	5,767	18%
Southern Wards	334	3%	164	4%	332	3%	130	2%	960	3%
<b>K&amp;C total</b>	<b>4,929</b>	<b>51%</b>	<b>707</b>	<b>18%</b>	<b>1,419</b>	<b>12%</b>	<b>639</b>	<b>10%</b>	<b>7,694</b>	<b>24%</b>
Outside K&C	4,820	49%	3,255	82%	10,142	88%	5,687	90%	23,904	76%
<b>All who work in the Ken High St Wards</b>	<b>9,749</b>	<b>100%</b>	<b>3,962</b>	<b>100%</b>	<b>11,561</b>	<b>100%</b>	<b>6,326</b>	<b>100%</b>	<b>31,598</b>	<b>100%</b>
<b>Work in the Rest of K&amp;C</b>										
<b>Live in:</b>										
N Wards	216	1%	150	2%	216	1%	112	1%	694	1%
Kensington High St St Wards	328	2%	150	2%	319	2%	161	1%	958	2%
Southern Wards	7,235	43%	1,024	13%	1,671	10%	1,053	8%	10,983	20%
<b>K&amp;C total</b>	<b>7,779</b>	<b>46%</b>	<b>1,324</b>	<b>17%</b>	<b>2,206</b>	<b>13%</b>	<b>1,326</b>	<b>11%</b>	<b>12,635</b>	<b>23%</b>
Outside K&C	9,168	54%	6,458	83%	14,487	87%	11,284	89%	41,397	77%
<b>All who work in the Rest of K&amp;C</b>	<b>16,947</b>	<b>100%</b>	<b>7,782</b>	<b>100%</b>	<b>16,693</b>	<b>100%</b>	<b>12,610</b>	<b>100%</b>	<b>54,032</b>	<b>100%</b>
<b>Work in K&amp;C (Total)</b>										
<b>Live in</b>										
N Wards	3,796	11%	790	5%	1,421	4%	606	3%	6,613	6%
Hi St Wards	4,822	14%	638	4%	1,083	3%	544		7,087	7%
Southern Wards	7,683	23%	1,238	9%	2,051	6%	1,209		12,181	12%
<b>K&amp;C total</b>	<b>16,301</b>	<b>48%</b>	<b>2,666</b>	<b>18%</b>	<b>4,555</b>	<b>14%</b>	<b>2,359</b>	<b>3%</b>	<b>25,881</b>	<b>25%</b>
Outside K&C	17,569	52%	11,826	82%	28,330	86%	18,256		75,981	75%
<b>All who work in K&amp;C (Total)</b>	<b>33,870</b>	<b>100%</b>	<b>14,492</b>	<b>100%</b>	<b>32,885</b>	<b>100%</b>	<b>20,615</b>		<b>101,862</b>	<b>100%</b>

Source: 2001 Census, special tabulation



- 3.44 It is clear from the table that the smallest business units, with fewer than 10 workers, employ a far higher proportion of local residents than do larger units. Across Kensington and Chelsea as a whole, 48% of people who work in these units live in the Borough, while for the larger size bands the proportion of local residents varies between 14 and 25%. Figures for the three geographical areas are similar. The share of Borough residents in total employment does not fall steadily with growing unit size; it is just much lower for the smallest units, employing fewer than 10 people. Between the larger size bands, there is little variation, and no consistent relationship between share of local workers and size.
- 3.45 At standard densities, a unit employing up to 10 people will measure approximately 20-30 sq m.
- 3.46 Looking at the figures more closely, we see few journeys to work cross the boundaries of the three policy areas into which Kensington and Chelsea is divided. Thus, of the people working in the North Kensington wards, 31% also live in these wards, 66% outside the Borough, and only 3% in other parts of the Borough. Of those who work in the Kensington High Street wards, 18% live in those wards, 76% outside Kensington and Chelsea and only 6% elsewhere in Kensington and Chelsea. Similarly, of those who work in the Southern Wards, 20% live in the Southern Wards, 77% outside the Borough and an insignificant 3% elsewhere in the Borough.
- 3.47 Thus it is true that, as assumed in the UDP, the smallest units everywhere in the Borough have a considerably higher proportion of workers who live in the Borough, and units of all sizes in the North Kensington wards have a considerably higher proportion of workers who live in these wards, than do units located elsewhere. The latter statement is equally true of the three other sections of the Borough: business units in the High Street and Southern wards also employ proportionally more people from these wards than do units in other parts of the Borough. But in terms of policy objectives the North Kensington wards may be more important, because residents of these wards may have fewer and worse-quality job opportunities elsewhere.

#### *Distance and Travel Mode*

- 3.48 The figures on travel to work between local authority areas which we analysed earlier do not tell us much about the cost, inconvenience or environmental impact of commuting, because a journey which crosses local authority boundaries is not necessarily longer or more undesirable than one that does not.
- 3.49 To provide an alternative measure of the possible adverse impact of commuting, Table 3.10 shows average distances travelled to work and Figure 3.8 shows mode of travel.

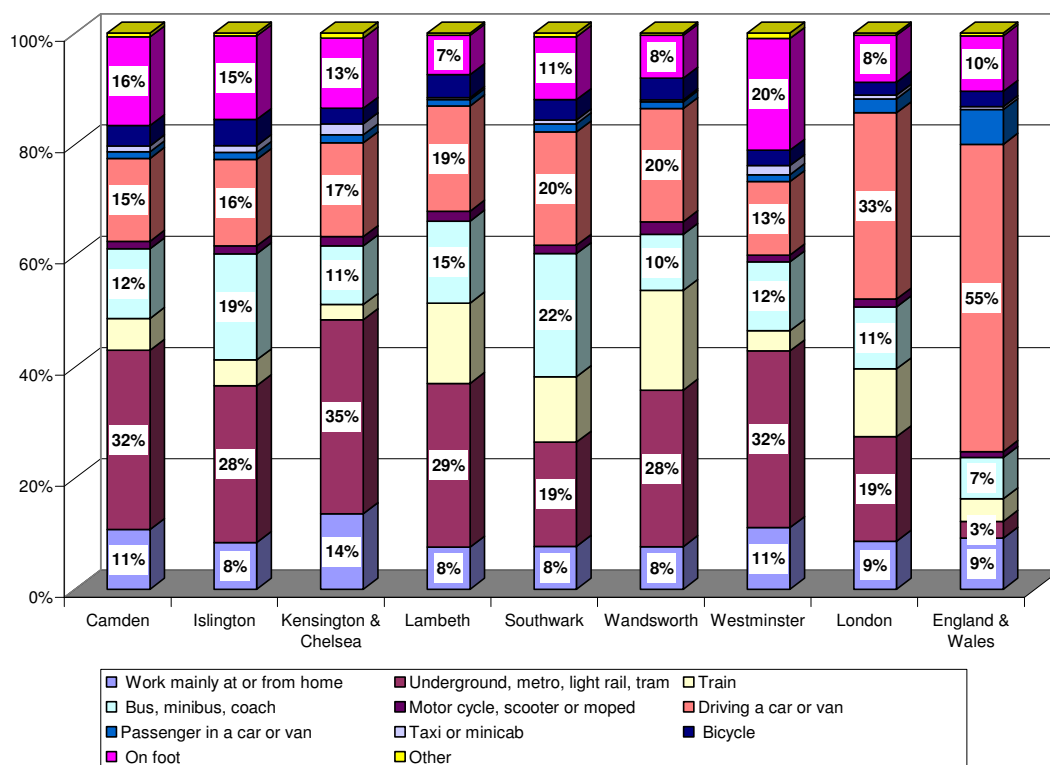
**Table 3.10 Residents' Average Journey to Work, 2001**

Distance Home-Work	km
Wandsworth	7.8
Lambeth	7.0
Southwark	6.1
Kensington and Chelsea	5.7
Camden	5.7
Islington	5.5
Westminster	5.1
London	8.1
England and Wales	9.4

Source Census 2001

3.50 The average journey to work is 9.4 km in England and Wales and 8.1 km in London. In the Boroughs of the Central sub-region, the figure ranges between 5 and 8 km. Kensington and Chelsea has one of the shortest averages at 5.7 km.

**Figure 3.8 Mode of Travel to Work, Working Residents of Working Age, 2001**



Source Census 2001

3.51 Nationally, 55% of working people drive a car or van to work. This proportion is far lower for residents of London, at 33%, and even lower for people who live in the Central boroughs, where it ranges between 15 and 20%. Kensington and Chelsea, at 17%, ranks midway among the Central boroughs.

## Key Points

- 3.52 The workplace economy of Kensington and Chelsea is characterised by high entrepreneurship and a high share of activities that generate employment growth, but also by relatively low earnings, likely due to the over-representation of jobs in consumer services such as retail and catering.
- 3.53 The Borough largely specialises in sectors that do not use business space, such as personal services, retail and leisure, and much of its future employment growth is likely to be in these same sectors.
- 3.54 The demand for industrial and warehousing space in Kensington and Chelsea is likely to be relatively low, because the activity sectors that occupy such space are mostly under-represented in the Borough, as well as losing jobs nationally. Office-based employment is better represented and has better growth prospects.
- 3.55 Of the activities that occupy business space, the Borough has specialist strengths in real estate, creative and media industries and publishing, and to a lesser extent in a wide range of business services. These sectors are likely to account for much of the demand for employment space in future.
- 3.56 The working residents of Kensington and Chelsea on average are economically advantaged. Their earnings are exceptionally high and judging from the claimant unemployment rate they have better job opportunities than others in London and in the Central sub-region (although an alternative indicator, the ILO rate, paints a less positive picture). Their journeys to work are relatively short, and also relatively sustainable, since they are comparatively unlikely to commute by car.
- 3.57 However, the advantaged position of the Borough's residents seems to owe little to the workplace economy of Kensington and Chelsea, because that economy generates especially low earnings. The indications are that high-skilled, high-paid residents travel to work outside the Borough, especially to office jobs in central London and Docklands, while Kensington and Chelsea imports low-skilled commuters from elsewhere to fill its low-paid jobs.
- 3.58 Furthermore, while the Borough's commuting balance is positive – it has more workplace jobs than working residents – this balance has probably been deteriorating, as population growth has outpaced employment growth.
- 3.59 We have analysed travel-to-work patterns in detail to see if, as assumed in the UDP, small business units and those located in the UDP policy areas provide more jobs for local residents than other units. We found that the smallest business units, employing fewer than 10 people, do have a far higher proportion of their workforce living locally. At standard densities, such units will measure approximately 20-30 sq m. It is also true that units located in the North Kensington wards employ a higher proportion of residents of these wards than do units located elsewhere in the Borough, but the same is true of the High Street wards and the Southern Wards.
- 3.60 So far, we have assessed well-being in the Borough by looking at the position of the average resident. Another way to judge well-being is to

consider the position of the least advantaged, or most deprived – who in Kensington and Chelsea are the residents of the five North Kensington wards. By this token, Kensington and Chelsea compares favourably with the Central London sub-region, in that it has far less deprivation than five of the six boroughs in the sub-region. But by national standards, the Borough does less well, with higher deprivation than two thirds of the local authority areas in England.

## 4 THE FLOORSPACE STOCK

- 4.1 This chapter provides a profile and assessment of the stock of employment floorspace in Kensington and Chelsea. It begins with a quantitative analysis covering the Borough as a whole, based on ODPM/Valuation Office data, and goes on to provide a qualitative assessment focusing on the policy areas targeted by employment land policies in the current Unitary Development Plan (UDP).

### Statistics

- 4.2 To analyse the stock of employment floorspace in the Royal Borough, we have used three central sources: the data collected by the Valuation Office (VO) for rating purposes, the ODPM Floorspace Statistics – which are produced from the same data set – and the Borough Council's monitoring of the designated Employment Zones. We first consider Kensington and Chelsea as a whole and then turn to wards and smaller areas.

### *The Borough*

- 4.3 ODPM Floorspace Statistics show that the Borough in 2005 had 734,000 square metres of business floorspace, comprising offices, factories and warehouses. In terms of total employment space, Kensington and Chelsea ranks 28<sup>th</sup> out of the 33 London boroughs.
- 4.4 This ranking hides a contrast between offices on the one hand and industrial space (factories and warehouses) on the other. Kensington and Chelsea is an important office location. Its office floorspace, at 587,000 sq m, is the 12<sup>th</sup> largest in London. For factories, the Borough ranks 31<sup>st</sup>, with only Westminster and the City having less factory floorspace. For warehouses, it ranks 32<sup>nd</sup>; only the City has less space.
- 4.5 While in terms of business floorspace the Borough ranks only 27<sup>th</sup> across London, in terms of the number of business units (hereditaments) it ranks 15<sup>th</sup>. The explanation of course is that business units in Kensington and Chelsea are far smaller than the average. The average employment unit in the Borough measures 230 sq m – less than half the London average of 425 sq m.

**Table 4.1 Business Floorspace, 2005**

Floorspace (000 sq m)				Rank
Offices	Factories	Warehouses	Total	Total
5,656	23	113	5,792	1
5,060	0	19	5,149	2
1,439	522	881	4,243	3
2,140	504	711	3,449	4
431	574	1,572	2,787	5
2,186	184	245	2,692	6
778	427	932	2,305	7
1,152	414	622	2,227	8
1,374	315	298	2,018	9
342	481	1,156	2,017	10
117	1,043	741	1,879	11
236	570	784	1,658	12
817	324	523	1,650	13
255	526	751	1,543	14
519	484	356	1,394	15
829	211	288	1,317	16
163	459	650	1,293	17
653	279	346	1,281	18
249	330	481	1,109	19
369	244	447	1,051	20
199	325	528	1,046	21
188	246	470	1,005	22
281	327	386	1,002	23
445	125	316	951	24
132	345	367	899	25
339	240	265	848	26
279	279	151	735	27
<b>587</b>	<b>46</b>	<b>102</b>	<b>734</b>	<b>28</b>
176	229	323	732	29
366	135	202	709	30
219	180	312	697	31
343	102	228	666	32
209	177	191	629	33

Source: ODPM Floorspace Statistics

**Table 4.2 Business Units, 2005**

	Number of Hereditaments				Rank
	Offices	Factories	Warehouses	Total	Total
Westminster	18,058	92	426	18,576	1
City of London	10,405	0	121	10,526	2
Camden	6,758	753	501	8,012	3
Tower Hamlets	3,409	1,806	1,303	6,518	4
Islington	3,529	1,310	588	5,427	5
Southwark	2,583	1,346	1,449	5,378	6
Hackney	2,116	2,020	840	4,976	7
Wandsworth	2,173	1,125	945	4,243	8
Ealing	1,297	980	1,580	3,857	9
Hillingdon	2,175	753	798	3,726	10
Brent	1,050	1,004	1,602	3,656	11
Hammersmith and Fulham	2,594	543	476	3,613	12
Lambeth	1,331	1,198	862	3,391	13
Croydon	1,687	778	869	3,334	14
<b>Kensington and Chelsea</b>	<b>2,635</b>	<b>224</b>	<b>361</b>	<b>3,220</b>	<b>15</b>
Haringey	1,177	1,007	850	3,034	16
Hounslow	1,498	648	866	3,012	17
Barnet	2,070	483	421	2,974	18
Enfield	1,075	783	823	2,681	19
Newham	865	891	825	2,581	20
Waltham Forest	656	877	965	2,498	21
Bromley	1,258	564	527	2,349	22
Richmond upon Thames	1,654	419	250	2,323	23
Merton	1,092	659	521	2,272	24
Lewisham	561	1,030	590	2,181	25
Kingston upon Thames	1,380	272	408	2,060	26
Greenwich	821	552	662	2,035	27
Havering	719	687	591	1,997	28
Harrow	1,292	240	389	1,921	29
Bexley	572	771	545	1,888	30
Redbridge	1,008	401	417	1,826	31
Barking and Dagenham	550	500	618	1,668	32
Sutton	749	336	382	1,467	33

Source: ODPM Floorspace Statistics

**Table 4.3 Average Size of Business Units, 2005**

	Average Floorspace of Hereditaments (000 sq m)				Rank
	Offices	Factories	Warehouses	Total	Total
Hillingdon	0.66	0.69	1.10	1.14	1
Barking and Dagenham	0.21	2.09	1.20	1.13	2
Hounslow	0.52	0.66	1.08	0.77	3
Ealing	0.33	0.59	0.99	0.72	4
Bexley	0.28	0.60	1.19	0.68	5
Enfield	0.22	0.73	0.95	0.62	6
Newham	0.29	0.59	0.91	0.60	7
Brent	0.33	0.48	0.72	0.55	8
Tower Hamlets	0.63	0.28	0.55	0.53	9
Greenwich	0.24	0.59	0.80	0.51	10
Havering	0.26	0.36	0.80	0.50	11
Croydon	0.48	0.42	0.60	0.49	12
City of London	0.49	0.00	0.16	0.49	13
Sutton	0.29	0.54	0.82	0.48	14
Merton	0.26	0.50	0.74	0.44	15
Southwark	0.45	0.31	0.43	0.41	16
Harrow	0.22	1.16	0.39	0.38	17
Lambeth	0.49	0.23	0.40	0.38	18
Islington	0.39	0.24	0.51	0.37	19
Haringey	0.21	0.33	0.57	0.37	20
Hammersmith and Fulham	0.32	0.39	0.61	0.36	21
Bromley	0.27	0.43	0.50	0.36	22
Waltham Forest	0.20	0.39	0.38	0.36	23
Redbridge	0.21	0.44	0.46	0.34	24
Camden	0.32	0.24	0.49	0.34	25
Lewisham	0.31	0.22	0.55	0.34	26
Kingston upon Thames	0.25	0.38	0.56	0.32	27
Barnet	0.21	0.26	0.75	0.32	28
Westminster	0.31	0.25	0.27	0.31	29
Richmond upon Thames	0.22	0.32	0.81	0.31	30
Hackney	0.25	0.24	0.42	0.28	31
Wandsworth	0.17	0.22	0.47	0.25	32
<b>Kensington and Chelsea</b>	<b>0.22</b>	<b>0.21</b>	<b>0.28</b>	<b>0.23</b>	<b>33</b>

Source: ODPM Floorspace Statistics

### *The 2005 Revaluation*

- 4.6 The floorspace statistics shown below are drawn from the Valuation Office Agency rating lists and collated by the DCLG. Legislation requires the Valuation Office Agency (VOA) to review the rateable value of all non-domestic property in England and Wales every five years. The last revaluation was conducted in 2005 and this has resulted in some changes to the classification of properties across the country, which has an especially large impact on Kensington and Chelsea.



- 4.7 Between 2004 and 2005 the VOA reclassified around 400 small workshops in the Borough, which were previously described as factories, into offices. This reduces the total number of factories in the Borough by two thirds, but its factory floorspace only by one third, reflecting the small size of the units reclassified. Even before this change factories were a very small component of the total floorspace stock. Further to the revaluation, factory floorspace fell from 8% of total business floorspace in 2004 to 6% in 2005.
- 4.8 It is important to recognise that the reclassification is not due to any physical change in the units concerned. Rather, the VOA has now decided that the characteristics of the properties and their use is more accurately reflected by an office classification. This reclassification is driven by the need to relate the properties to the correct tax scale. It reflects the difficulty of accurately classifying flexible business space in central London. The VOA also made similar reclassifications in Westminster.

### Wards

- 4.9 To analyse floorspace by ward, we use the 2003 ODPM statistics, since the 2004 and 2005 figures are not yet available for wards (and may never be, since in future publications wards may be replaced by Super Output Areas). Using 2003 data probably makes little difference to our analysis, since total business floorspace increased by just 1,000 sq m between 2003 and 2004, and was unchanged between 2004 and 2005. The only problem with the 2003 data is that it does not reflect the reclassification of some workshops into offices.
- 4.10 As before, we have also grouped the wards into three areas to reflect UDP policy designations – the North Kensington (Northern) wards, the High Street Wards and Southern Wards. The Kensington High Street Wards are much larger than the policy area of the same name.

**Table 4.4 Floorspace by Ward, 2003**

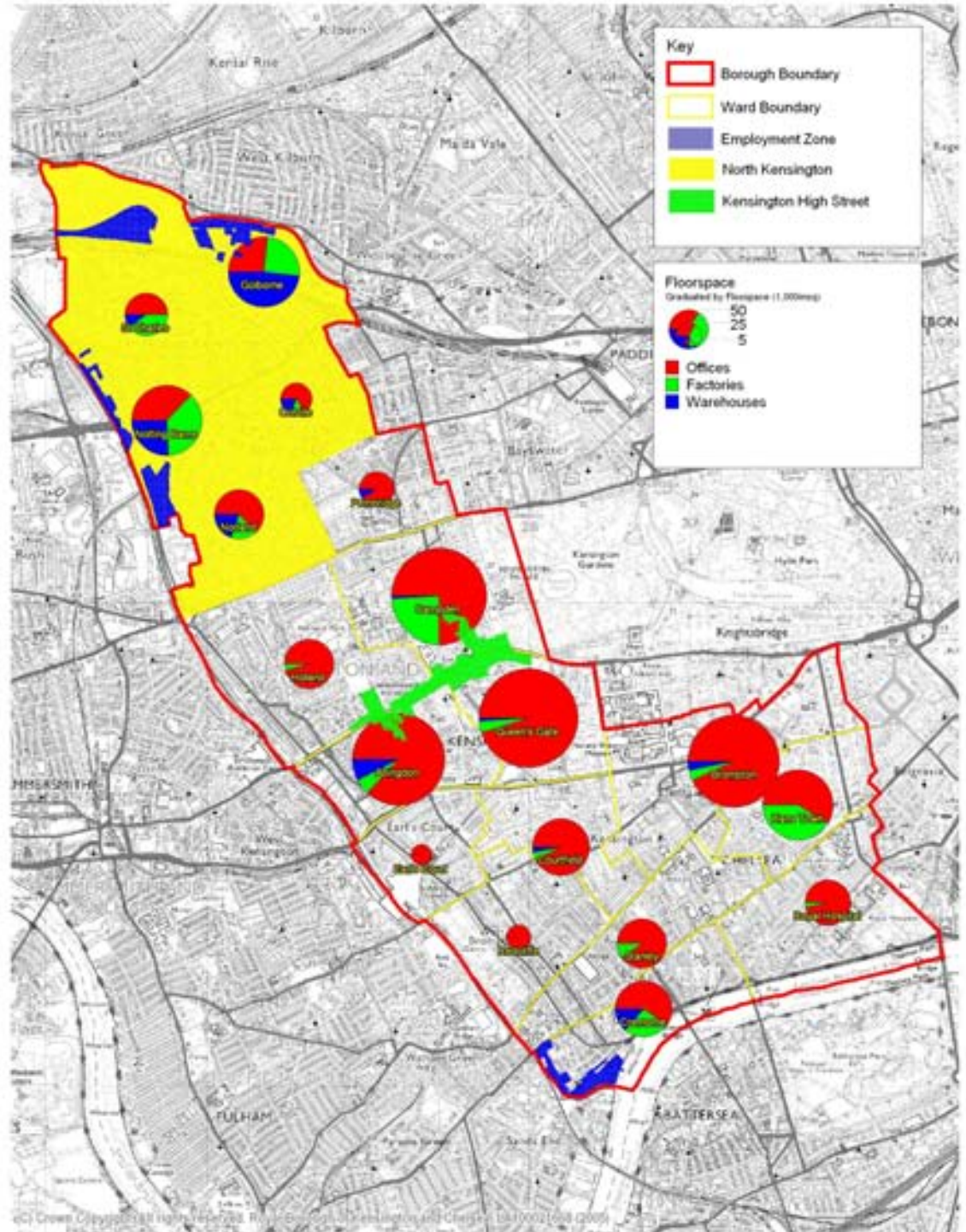
Ward	Area	Offices		Factories		Warehouses		Total	
		Units	sq m	Units	sq m	Units	sq m	Units	sq m
Abingdon	High St	178	6,268	14	407	12	547	204	7,222
Campden	High St	186	5,867	20	1,883	8	70	214	7,820
Holland	High St	62	2,438	21	112	5	0	88	2,549
Pembridge	High St	85	1,195	5	0	9	115	99	1,310
Queen's Gate	High St	158	7,872	26	328	11	83	195	8,283
<i>Total High St</i>		<i>669</i>	<i>23,640</i>	<i>86</i>	<i>2,730</i>	<i>45</i>	<i>815</i>	<i>800</i>	<i>27,184</i>
Colville	Northern	59	775	55	183	27	225	141	1,183
Golborne	Northern	113	1,251	52	1,179	357	2,260	522	4,690
Norland	Northern	97	1,454	26	397	24	459	147	2,309
Notting Barns	Northern	88	1,707	35	1,683	69	1,183	192	4,574
St Charles	Northern	111	918	15	728	7	187	133	1,833
<i>Total Northern</i>		<i>468</i>	<i>6,105</i>	<i>183</i>	<i>4,170</i>	<i>484</i>	<i>4,314</i>	<i>1,135</i>	<i>14,589</i>
Brompton	Southern	350	6,882	36	287	11	236	397	7,404
Courtfield	Southern	66	2,993	14	137	7	103	87	3,233
Cremorne	Southern	140	1,808	26	797	41	421	207	3,026
Earl's Court	Southern	48	638	4	0	0	0	52	638
Hans Town	Southern	118	2,675	13	1,869	4	0	135	4,544
Redcliffe	Southern	43	675	5	0	3	0	51	675
Royal Hospital	Southern	90	2,071	13	79	0	0	103	2,150
Stanley	Southern	116	2,269	6	257	4	0	126	2,526
<i>Total Southern</i>		<i>971</i>	<i>20,011</i>	<i>117</i>	<i>3,425</i>	<i>70</i>	<i>760</i>	<i>1,158</i>	<i>24,196</i>

Source: Valuation Office, Roger Tym & Partners.

Pembridge ward is between the Northern and High Street policy areas and not part of either area. For our analysis, we have included it in the High Street Area.

- 4.11 Map 4.1 shows how this floorspace is distributed across the Borough. As may be expected, industrial and warehousing floorspace is located predominantly in the North Kensington wards, which include the northern Employment Zones. Many of these units by now will have been reclassified as offices.

Map 4.1 Floorspace by Ward, 2003



Data produced from the ODPM Floorspace Statistics 2003

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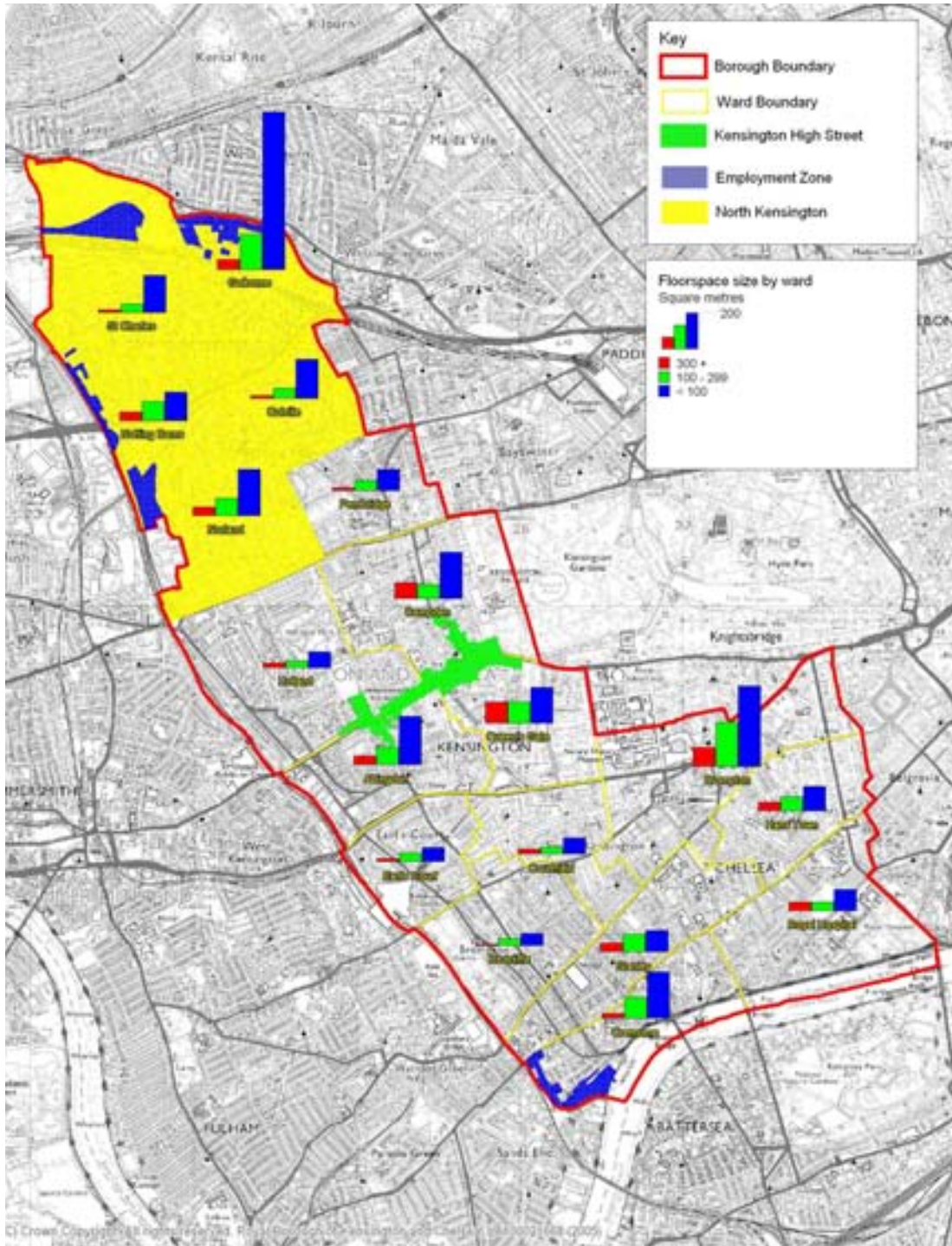
- 4.12 The wards around Kensington High Street and South Kensington show large concentrations of office space, providing far more than the designated Employment Zones and the whole North Kensington policy area.
- 4.13 The ODPM floorspace statistics do not provide any further detail at ward level. However, the Valuation Office has recently started to publish records

of individual hereditaments (units of occupation), which include floorspace. These individual records were previously confidential, but have been made publicly available under the Freedom of Information Act. We have geocoded the records by postcode to obtain data on unit sizes for wards and smaller areas. The records pre-date the recent re-classification of many industrial/warehouse units into offices.

- 4.14 Map 4.2 shows the size profile of employment units by ward. Very small units, under 100 sq m (listed as factories but now potentially offices), are concentrated in the Golborne ward. Larger units, of 300 sq m and more, cluster around Kensington High Street.



Map 4.2 Unit Size by Ward, 2005



Data produced from VO hereditament records

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### The UDP Policy Areas

- 4.15 We have used geocoded Valuation Office data to analyse employment floorspace for areas smaller than wards. The Council already does this for its designated Employment Zones; we have extended the analysis to examine the area around Kensington High Street, where there is a concentration of offices. We have also examined the whole of the North Kensington policy area as a whole, both in and outside of the northern Employment Zones.
- 4.16 The table below shows unit sizes by policy area. We show figures from two sources, the Council's monitoring and the geocoded Valuation Office records. Neither source is perfect. The Valuation Office data provides accurate floorspace for most employment units but owing to poor-quality addresses in the original data it does not capture all units, and it pre-dates the revaluation which as explained earlier changed the status of many units from industrial to office space. The Council's survey partly relies on estimates or judgments rather than hard data, both for floorspace and land use, and it includes in its calculations non-business uses such as housing.
- 4.17 The Council and VO data are not in full agreement, but in most cases differences are less than 10%. The only larger discrepancy relates to the proportion of units in the Freston Road policy area.

**Table 4.5, Units by Size, Policy Areas, 2005**

Policy Area	300 sq m +		100-299 sq m		<100 sq m		Total	
	VO	RBKC	VO	RBKC	VO	RBKC	VO	RBKC
Kensal Rd	6%	5%	17%	7%	77%	88%	100%	100%
Freston Rd/Latimer Rd	18%	27%	41%	26%	41%	47%	100%	100%
Northern Wards (whole)	7%	-	21%	-	72%	-	100%	100%
Lots Road	4%	7%	31%	20%	65%	73%	100%	100%
Kensington High Street	16%	-	21%	-	63%	-	100%	100%
Kensington and Chelsea	11%	-	25%	-	64%	-	100%	100%

Source: Source: Valuation Office, Roger Tym & Partners

- 4.18 The Kensal Road Employment Zone has the smallest unit sizes. Only around 5% of the units in the Zone are 300 sq m or more, while in Kensington and Chelsea as a whole 11% of units are in this size band. Some 80-90% of units in Kensal Road are less than 100 sq m, against 64% in the Borough as a whole.
- 4.19 Similarly, in the North Kensington wards overall, unit sizes are biased towards the smaller end of the scale, though less so than in Kensal Road.
- 4.20 Freston Road/Latimer Road, on the contrary, has proportionally more units in the two larger categories, and fewer units of less than 100 sq m, than the Borough.
- 4.21 Kensington High Street is weighted towards the largest size band, 300 sq m and above.

### *Employment Space outside the Policy Areas*

- 4.22 The employment land policies in the current UDP are mainly concerned with the policy areas set out in the UDP, and hence our analysis so far has focuses on these areas. But much of the Borough's employment space is located outside of these specially protected areas.
- 4.23 Estimating the proportion of floorspace outside of the protected areas is difficult. We cannot rely on hereditament-level detail to give us accurate floorspace totals, because not all hereditaments are accurately mapped. We know that the five Northern Wards, which include the northern Employment Zones, comprise 22% of the Boroughs floorspace as we have accurate data at ward level. The High Street policy area covers only a small part of four large wards which together account for 41% of the Borough's floorspace. Lots Road is only part of Cremone Ward which accommodates 5% of the total floorspace. Using these figures as a guide, we estimate that around 50% of the Borough's floorspace is outside the UDP policy areas, and thus enjoys little or no protection from transfer of land to competing uses.

## **Qualitative Audit**

### *The UDP Policy Areas*

#### *Introduction*

- 4.24 This section provides a qualitative assessment of the UDP policy areas, comprising the Employment Zones, the rest of North Kensington and Kensington High Street.
- 4.25 The assessment is based on a visual 'walk about' survey of each area in the Borough and reflects King Sturge's view about how well each area measures up against a range of criteria. The choice of factors reflects King Sturge's opinion of the key attributes businesses look for when choosing premises and is, therefore, very much based on how well an area is able to meet these market requirements. The assessment factors used are:
- The macro location of the area in terms of its accessibility to the main road network, which is important for users of light industrial and storage accommodation particularly.
  - The micro accessibility of the area, by which we mean the immediate access to the area having regard to factors such as whether the area is constrained by congestion or physical 'barriers' such as a low bridge or a railway line etc
  - The accessibility of the area for workers in terms of public transport – rail, tube and buses. This is important for all business types particularly in areas where parking controls exist (e.g. residents parking only) and where premises have very limited on site parking provision.
  - The internal environment of the area including the availability of amenities for workers (such as cafes), whether the area is, or is perceived to be, a 'problem area' in terms of crime/security and the overall density of development.

- The external environment of the area, particularly the nature of the area's neighbouring uses and whether these are likely to impinge on business activities.

#### *Lots Road Employment Zone*

- 4.26 The Lots Road Employment Zone is located in the south west corner of the Borough, south of the King Road. For a Central London location, this area benefits from relatively good access to the main road network and its immediate accessibility is also relatively good with no evidence from our visit of access difficulties, or problems with congestion.
- 4.27 From a public transport perspective, the area is reasonably well-served by buses but the nearest and the only tube station within a reasonable walk is Fulham Broadway. However, a new station is due to open in May 2006 on Lots Road itself. The station, to be known as Chelsea Harbour (Imperial Wharf) will be served by trains running between Clapham Junction and Willesden Junction.
- 4.28 The zone has a relatively good internal environment being far superior in this respect to both the Kensal and Freston Road/Latimer Road zones. In particular, there is a range either of amenities including a number of small shops and cafes along Lots Road itself or along adjoining streets, and a sizeable public house serving 'up-market' food at the western end of Lots Road. Our perception is that security and crime would be much less of an issue in this location than in the other two Employment Zones. The overall density of development in this zone does not cause problems in terms of congestion and parking.
- 4.29 The external environment is generally conducive to a range of business activities in the zone. In particular, the southern part of Lots Road backs onto the River Thames and Chelsea Creek while the western part back onto the railway line behind which is the gas works site at Sands End. In this respect, the area does not encroach on residential.

#### *Kensal Employment Zone*

- 4.30 The Kensal Employment Zone is situated on the northern edge of the Borough just south of the A404 Harrow Road. The area is bisected by Ladbroke Grove which separates the Gas Works site in the west from the rest of the Employment Zone in the east.
- 4.31 Situated between the A404 Harrow Road to the north and the A40 to the south, the area has good access to the main road network.
- 4.32 This area has reasonably good local road access, although current access to the Gas Works site is along a relatively narrow access road which can be congested due to cars entering and leaving the Sainsbury superstore.
- 4.33 The area is relatively poorly served by public transport with overland train and tube stations being quite distant. We estimate that Kensal Green tube station is about a 10-minute walk, Ladbroke Grove tube station a 12-minute walk, and Westbourne Park tube station, a 7-minute walk. A variety of buses service the area along Kensal Road, Harrow Road or Ladbroke



Grove. The Number 23 bus route runs along Kensal Road to the West End and City.

- 4.34 The internal environment of the area is reasonable, although the western part of Kensal Road up to Ladbroke Grove provides a superior business environment to the eastern end, in part because it is closer to the Sainsbury superstore which is one of the few amenities in the area. However, crime is an issue in this area and this is compounded by the distance staff have to walk to tube and train stations. In addition, car parking is an issue because on-street parking is controlled (although there are some parking meters) and there is limited potential for parking associated with many of the buildings.

#### *Freston Road/Latimer Road Employment Zone*

- 4.35 The Freston Road/Latimer Road Employment Zone divides into two distinct areas namely Freston Road which is south of the A40 West Way and Latimer Road north of the West Way. The West Way acts as a barrier between the two areas with Freston Road being a 'dead end' at its northern end, where the West Way sports centre is situated.
- 4.36 Freston Road has better access to the main road network than Latimer Road, because it has better access to the A40 via the Holland Park roundabout on the West Cross Route (A3220).
- 4.37 However, in terms its immediate local access Freston Road is probably inferior to Latimer Road due to it being a 'dead end' at the northern end.
- 4.38 Neither part of this Employment Zone is particularly well served by public transport, although the Freston Road part is superior in this respect due to the relative proximity of Latimer Road tube station (Hammersmith & City line) which is actually situated on Bramley Road.
- 4.39 The internal environment of the area is reasonable. Neither Freston Road nor Latimer Road have much in the way of amenities but the southern part of Freston Road is slightly better served in this respect having a small café. In addition, car parking is an issue because on-street parking is for residents only (although there are some meter spaces) and there is limited potential for parking associated with many of the buildings.
- 4.40 In Latimer Road, but not Freston Road, employment units are in close proximity to housing, which could cause bad neighbour problems depending on the business activities taking place in the units.

#### *The North Kensington Wards*

- 4.41 The North Kensington wards covers North Kensington, comprising the entire Borough north of Holland Park Avenue. As noted above, it includes the Kensal and the Freston Road/Latimer Road Employment Zones, but there is a significant amount of employment space dispersed across this area that does not fall in these two zones. Major examples include:
- Westbourne Studios, on Acklam Road, owned by Workspace Group;
  - Ladbroke Hall, the Shaftesbury Centre and the Pall Mall Deposit all on Barlby Road and also owned by Workspace.

- 4.42 Access to the main road network is relatively good in North Kensington, which is served by both the A404 Harrow Road and the A40.
- 4.43 Much of this area is poorly served by public transport, particularly along Barlby Road, which includes a significant amount of stock.
- 4.44 The overall environment of the area is also quite poor in many places from a business perspective. For example, the area around Barlby Road is largely residential and includes virtually no amenities.

#### *Kensington High Street*

- 4.45 Kensington High Street is a major retail location in west London. The street-level built environment is dominated by retail premises with cafes/restaurants and banking/building societies, while the upper floors are predominately either flats or offices. The bulk of employment space comprises small office suites over shops. However, there is one significant new development known as 5 Young Street which offers 45,000 sq ft of grade A quality space on the former Kensington Market site. This development, which completed in March 2005, is fully available at a quoting rent of £47.50 per sq ft.

#### *Available Floorspace*

- 4.46 As instructed by the client team, we have identified the available employment properties currently on the market in the policy areas and assessed their quality, or fitness for purpose, individually. The analysis of availability was undertaken shortly after the project commenced and, therefore, reflects the position as at September 2005. In addition, the availability figures do not include available space within much of the managed workspace in the Borough, since we were unable to secure accurate unit-level information from certain providers of this space.
- 4.47 The assessment is based on external observation and contact, where possible, with the agents responsible for marketing the property. The properties have been scored as being of 'poor', 'average' or 'good' condition. In making this assessment, we have taken a hypothetical 'average' property of the same type for London as an appropriate benchmark and assessed each property against this average. This hypothetical average represents a property of modern construction which is fit for purpose in an 'average' location for that use. Properties assessed as average therefore equate with the benchmark, while properties scored as good are superior and properties scored poor are inferior.

4.48 The following tables summarise our findings for each area.

**Table 4.6 Available Space - Lots Road Employment Zone, September 2005**

<b>Building Name/address</b>	<b>Type</b>	<b>Size sq m</b>	<b>Comment</b>	<b>Quality</b>
90 Lots Road, Unit 7	Office/studio	43		
90 Lots Road, Unit 33	Office/studio	59	Former Victorian warehouse. Used as borderline office/studio space.	Poor
90 Lots Road, Unit 41	Office/studio	122		
90 Lots Road, Unit 42/43	Office/studio	105		
90 Lots Road, Unit 50	Office/studio	67		
Christianna Depot, 77 Lots Road	Office/studio			
Plaza 535, Lots Road/Kings Road	Office	125	Built in 1988, this modern office block totals 65,000 sq ft. Units have stripped wooden floors, recessed lights and good natural light. Quoting £25 per sq ft.	Good
Chelsea Wharf, Units 6, 15 Lots Road	Office/studio	67	Part of the building is currently being redeveloped. This is expected to take around 18 months to 2 years, during which time tenants are being offered a 50% discount on rents. Due to the redevelopment work there is currently a higher level of vacancy in the building than usual.	Average
Chelsea Wharf, Unit 22, 15 Lots Road	Office/studio	22		
Chelsea Wharf, Unit 25, 15 Lots Road	Office/studio	133		
Chelsea Wharf, Unit 31a, 15 Lots Road	Office/studio	132		
Chelsea Wharf, Unit 36, 15 Lots Road	Office/studio	57		
Chelsea Wharf, Unit 37, 15 Lots Road	Office/studio	251		
Chelsea Wharf, Unit 38/39, 15 Lots Road	Office/studio	214		
Chelsea Wharf, Unit 40/21, 15 Lots Road	Office/studio	197		
World's End Studios, Unit 107, 132-134 Lots Road,	Office/studio			Average
World's End Studios, Unit 109, 132-134 Lots Road,	Office/studio			
World's End Studios, Unit 110/111, 132-134 Lots Road,	Office/studio			
World's End Studios, Unit 222/223, 132-134 Lots Road,	Office/studio			
World's End Studios, Unit 225, 132-134 Lots Road,	Office/studio			
<b>Total available floorspace (sq m)</b>		<b>1,594</b>		

Source: King Sturge

- 4.49 Our assessment of available premises in the Lots Road Employment Zone indicates that there is currently 1,594 sq m of available premises on the market, all of which is office/studio accommodation.
- 4.50 The quality of premises available in the area varies from relatively poor, such as that at 90 Lots Road, to average, such as the refurbished office/studio space at Chelsea Wharf, 15 Lots Road, to good accommodation at Plaza 535, which provides office/studio space in a modern glass building built in 1988.

**Table 4.7 Available Spaces - Kensal Employment Zone, September 2005**

Building Name/address	Type	Size sq m	Comment	Quality
Saga Centre, Kensal Road	Office	28		
Network Hub, Kensal Road	Offices	3,284	3,284 sq m available in a range of units from 84 sq m upwards.	Good
Network Hub, Unit 306 Kensal Road	Light Industrial	379		Good
269 Kensal Road	Office/studio	47	Ground floor. Open plan. Quoting £19.60 sq ft. Neither the area nor the condition lends itself to a quick transaction.	Poor
Canalot Studios, 222 Kensal Road				Average
Grand Union Centre, West Row				Average
Buspace Studios	Studios		Units range from 200-1500 sq ft. The studios are c 75% occupied. Quoting rents are £12 per sq ft.	Average
Total available floorspace (sq m)		3,738		

Source: King Sturge

- 4.51 Our assessment of available premises in the Kensal Employment Zone suggests that there is around 3,738 sq m of available floorspace. The vast majority of this can be attributed to Network Hub (see case study in the next chapter), where 3,663 sq m is available. Office/studios account for 89.6% of available floorspace with light industrial units account for the remaining 10.1%.
- 4.52 The quality of available premises in the Kensal Employment Zone is mixed. Network Hub, which is a new development, provides a good standard of accommodation, although discussions with local agents and landlords suggest that the size of units available at the scheme is too big for local market requirements. However, other premises in the Employment Zone, such as 269 Kensal Road provide a relatively poor standard of accommodation.

**Table 4.8 Available Space - Freston Road /Latimer Road Employment Zone, September 2005**

Building Name/address	Type	Size sq m	Comment	Quality
Soane House, Latimer Road	Office	602		Average
101 Latimer Road	Business Unit	135	Refurbished business/studio unit, comfort cooling.	Average
333 Latimer Road	Office	273	Modern refurbished office. No air conditioning.	Average
Ivebury Court, Latimer Road	Office	41		Average
Ivebury Court, Latimer Road	Office	31		Average
Park House, Latimer Road	Studio	121	Ground floor office suite. Quoting £20 per sq ft.	Good
Park House, Latimer Road	Studio	121	Ground floor office suite. Quoting £20 per sq ft.	Good
The Clockhouse, 220 Latimer Road	Office	127	Three-storey office building. Under offer to film company.	Average
The Clockhouse, 220 Latimer Road	Office	151		Average
The Clockhouse, 220 Latimer Road	Office	196		Average
Unit 6, Latimer Road Industrial Estate	Light industrial	376	This unit is under offer.	Average
Unit 9, 343-453 Latimer Road Industrial Estate	Light industrial	286	Portal frame. Built c 30 years ago.	Average
Notting Dale Technology Centre building, Freston Road	Office			Average
151 Freston Road	Office	139		Average
151 Freston Road	Office	139		Average
2 The Peoples Hall, Ground floor, 2 Olas Street, Freston Road	Office/studio	54		Poor
Baseline Business Studios, off Latimer Road.		31	Business unit built in 2003 available on flexible terms	Good
Total available floorspace (sq m)		2,823		

Source: King Sturge

- 4.53 Our assessment of available premises in the Freston Road/Latimer Road Employment Zone suggests that there is currently around 2,823 sq m of available industrial/office floorspace currently being marketed.
- 4.54 The majority of floorspace available in the Freston Road/Latimer Road Employment Zone has been assessed as average quality. The only exceptions to this are Park House on Latimer Road and the Baseline Business Studios, both of which offer a superior quality of accommodation, and Number 2 The Peoples Hall on Freston Road, which is inferior in terms of quality.

**Table 4.9 Available Space - North Kensington, Excluding Employment Zones, September 2005**

Building Name/address	Type	Size sq m	Comment	Quality
6 Walmer Court, 227 Walmer Road	Office	78	Refurbished accommodation.	Average
1 Clarendon Road	Office	62	Newly refurbished. Under offer.	Good
Exmoor Street	Studio	465	A warehouse conversion which is now used as studio space. Studios have comfort cooling, recessed lights etc Units available from 37 sq m to 465 sq m depending on how the space is divided up. Quoting rent £18-£20 per sq ft.	Good
Pall Mall Deposit, 124-128 Barlby Road				Average
Shaftesbury Centre, 35 Barlby Road				Average
Ladbroke Hall, 3 Barlby Road				Average
Two Kensington Square	Office	567	Grade A refurbished offices. Built c 15 years ago.	Good
6 Crowthorne Road	Industrial	481	Quoting rent is too high at £65,000 pa. Should be reduced shortly to £55,000 pa.	Average
Total available floorspace (sq m)		1,653		

Source: King Sturge

- 4.55 Our assessment of available premises in North Kensington, excluding the above Employment Zones suggests that there is currently around 1,653 sq m of available industrial/office floorspace currently being marketed.
- 4.56 The general quality of floorspace available in the North Kensington area is of a reasonable standard, with most of the space scored as being either good or average.

**Table 4.10 Available Office premises in Kensington High Street Area, September 2005**

Building Name/address	Type	Size sq m	Comment	Quality
5 Young Street	Office	4,180	Brand new development on former Kensington Market site, quoting £47.50 per sq ft	Good
181 Kensington High Street	Office	68	Under offer at £25 per sq ft. Period style 1 <sup>st</sup> floor offices above retail.	Average
181 Kensington High Street	Office	75	Under offer at £25 per sq ft. Period style 1 <sup>st</sup> floor offices above retail.	Average
Orchard House, Kensington High Street	Office suite	35	Under offer at £25 per sq ft. Refurbished space. Part of multi-let building.	Poor
Orchard House, Kensington High Street	Office suite	60	Part of multi-let building. Quoting £19.50-£25 per sq ft.	Poor
Total available floorspace (sq m)		4,418		

Source: King Sturge

- 4.57 Our assessment of available premises in the Kensington High Street area suggests that there is currently around 4,418 sq m of available industrial/office floorspace currently being marketed. The majority of this space is accounted for by 5 Young Street, which provides 4,180 sq m of Grade A office space.
- 4.58 The quality of available stock in the North Kensington area varies from poor in buildings such as Orchard House to good quality premises at 5 Young Street, which provides brand new office accommodation.

### Key Points

- 4.59 Compared to other London boroughs, including those in the Central London sub-region, Kensington and Chelsea has an exceptionally small amount of industrial/warehousing space, which since the 2005 revaluation has got even less. Only 6% of floorspace is now classified as factory and 14% warehousing.
- 4.60 The distinction between small offices and small factories/warehouses in Kensington and Chelsea is very difficult, as illustrated by the reclassification of two thirds of the Borough's factory units into offices in the last revaluation. This is a typical feature of much of London. It is likely to reflect the changing way in which occupiers are using space, turning to office related activities and away from manufacturing and factory process. These changes have occurred without either physical works or planning permission for change of use.
- 4.61 These small business units are concentrated in the North Kensington wards, which include two of the Borough's three Employment Zones, and under the current UDP are protected from transfer to other uses.

- 4.62 Kensington and Chelsea has considerable office space, some of it in units of substantial size, concentrated in and around Kensington High Street and further south. The office sites outside the UDP policy areas, which account for an estimated 50% of the Borough's employment floorspace, are not protected by current planning policies. On the contrary, policy actively discourages development and even redevelopment of office units, unless they are very small.
- 4.63 The policy areas identified in the UDP for employment uses are small and fragmented compared to the employment areas found in neighboring boroughs. They are of varying quality. While Lots Road provides a good environment and access, much of North Kensington has poor access, limited amenities, a relatively poor environment, high crime and inadequate parking.
- 4.64 These local deficiencies do not mean that the employment areas of North Kensington are unsuitable for employment uses. Depending on the priorities of the Council and other public authorities, these problems could be relieved by policy action, such as transport and environmental improvements, better policing and different parking policies. Even without such improvements, the area plays a valuable economic role, as discussed in the next chapter.
- 4.65 High Street Kensington is better known as a major retail destination than an office location. Although there are exceptions, most office stock in the area comprises small suites above retail premises.
- 4.66 All the UDP policy areas offer a wide range of available employment space, both old and modern or recently refurbished. While quality is variable, most available units are rated as average, providing cost-effective accommodation of a reasonable standard.



## 5 THE CURRENT PROPERTY MARKET

### Existing Occupiers

- 5.1 As we have already noted, most business occupiers in Kensington and Chelsea, regardless of the type of property they occupy are relatively small-scale. With a few exceptions, such as Chrysalis, the music company, the Borough does not have many major companies occupying sizeable buildings
- 5.2 This profile reflects the Borough's property offer. For example, in terms of offices the Borough offers very few sizeable buildings particularly in comparison with the neighbouring markets, such as the West End and Hammersmith, or further out, Chiswick, which are preferred locations for larger corporate occupiers. Most office accommodation in Kensington and Chelsea is in the south of the Borough.
- 5.3 In terms of industrial and warehouse property, the Borough does not have the number and scale of properties available in neighbouring locations, such as Park Royal, London's largest industrial area and a preferred location for servicing central and west London. The Borough's Employment Zones are generally very small.
- 5.4 Many occupiers in the Borough are located within managed workspace accommodation, with the Workspace Group (London's largest provider of such accommodation) having five such facilities in the Borough. This type of space is particularly suitable for new start-ups or companies which are looking for their first commercial premises because it provides relatively flexible terms of occupation. It is also attractive to certain type of companies, such as those in creative industries, which might derive benefits from clustering close to similar type of businesses, and to micro-businesses, which are often looking for their first business premises having previously started up by working from home.

### Recent Floorspace Take-Up

- 5.5 At present, the bulk of take-up for employment premises in the Borough, whether light industrial, storage or offices, is for relatively small units. For light industrial units most take-up is in units up to about 230 sq m (2,500 sq ft) whereas for office units most take-up is for units between 45 sq m and 75 sq m (500 sq ft and 800 sq ft).
- 5.6 In the North Kensington policy areas, the majority of take-up is for floorspace that is of sufficient quality to meet operational needs but which offers good value for money. In this respect, occupiers want fit for purpose and good value for money space. Although demand comes from across the business sectors, our conversation with marketing agents and selected landlords suggests that many requirements come from creative industries and media businesses. As our case study of the Network Hub suggests (see below) there appears to be little demand for more expensive accommodation, especially where users have a relatively good choice of cheaper second-hand space. Local agents also report particularly strong

demand for freehold units, which is in keeping with the current market across the UK as a whole.

5.7 Recent examples of take-up in the policy areas include:

- Chelsea Wharf, Lots Road, Unit 24, where a 90 sq m ground floor unit was let in August 2005 to Amanda Lacey Ltd (cosmetics and face cream company) on a 4 year 4 month lease at £23 per sq ft. This was discounted by 50% until the refurbishment work on site finishes (c 18 months - 2 years), with 3 months rent-free and a tenant break after the 1<sup>st</sup> and 3<sup>rd</sup> year.
- Chelsea Wharf, Unit 32, Lots Road, where a 136 sq m second floor unit was let to Echo Publishing Ltd (internet publishing company) on a 4<sup>1/2</sup> year lease in July 2005 at £23.50 per sq ft. The lease has been discounted by 50% until the refurbishment work on site finishes (c 18 months - 2 years), with 3 months rent-free and a tenant break after the 3<sup>rd</sup> year.
- 316 Kensal Road, where 250 sq m of ground and first floor offices were sold to Milmematic Ltd for £685,000 in June 2005.
- Linen House, 253 Kilburn Lane, where DSPG Ltd purchased 116 sq m of office space for £270,000 in August 2005.
- 99 Freston Road, where APCOA (parking management service) leased 135 sq m of refurbished studio accommodation at £22.75 per sq ft in September 2005.
- The Baseline Business Studios off Latimer Road, where all units totalling 1,381.5 sq m were initially let within 12 months of completion in autumn 2003.

5.8 In addition, the retailer Monsoon has acquired a site to the rear of the Westway Studios in the Freston Road policy area for a new corporate HQ.

5.9 At current rents and prices, and having regard to the costs of development, office and industrial development in the UDP policy areas is financially viable, so long as land values reflect the allocation of the site to employment uses. However, as elsewhere in London, there is intense competition for land and land values for housing are typically some five to six times higher than for industrial use.<sup>7</sup> Therefore, if the value of employment land is increased by the hope value associated with housing use this will undermine viability of development for employment use.

5.10 There is some speculation in the property industry that the extension of the central London Congestion Charge, due to become operational in February 2007, could undermine demand for light industrial units in the Borough. For example, businesses that rely on customers visiting them, or that dispatch or receive large numbers of items, may look more favourably at location outside the congestion zone.

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<sup>7</sup> For example the latest Valuation Office Agency Property Market Report (January 2006) says that typical values for residential development are around £10.16 million per ha in inner London for small site compared with compare with a typical figure of £1.78 million per ha for industrial land in London

### Case Study: Network Hub, Kensal Road

- 5.11 Network Hub on Kensal Road is one of the few new commercial/industrial developments that has been developed in the Borough over recent years and hence provides important evidence and insight into the nature of current market demand.
- 5.12 Network Hub is part of a mixed use development by Stadium which includes a significant residential element. It is a two-storey development which consists of a number of industrial and office units providing a total of 1,862 sq m (20,044 sq ft) of light industrial space and 3,831 sq m (41,243 sq ft) of office accommodation. In summary:-
- The ground floor comprises five light industrial units (units 304, 306, 308, 310 and 312) totalling 1,862 sq m (20,044 sq ft) and ranging in size from 234 sq m (2,523 sq ft) to 458 sq m (4,929 sq ft), plus, a total of 454 sq m (4,888 sq ft) of office accommodation in two units at 292 Kensal Road (Unit A is 211 sq m (2,272 sq ft) and Unit B is 243 sq m (2,616 sq ft)).
  - The first floor provides a total of 3,377 sq m (36,355 sq ft) of office accommodation. In the West Wing there are 11 units (units 101-111) fronting Kensal Road which provide a total of 1,031 sq m (11,102 sq ft), with units ranging in size from 62 sq m (664 sq ft) to 127 sq m (1,366 sq ft). To the rear of these, on the canal side, there are another 11 units (units 112-122) providing 916 sq m (9,857 sq ft) in total in sizes ranging from 68 sq m (734 sq ft) to 98 sq m (1,054 sq ft). In the East Wing, there is an additional 1,430 sq m (15,396 sq ft) of office space divided between units 123-129 (6,239 sq ft) and units 130-137 (851 sq m/9,157 sq ft).
- 5.13 The development completed in February 2004 and at the time of writing (October 2005) has been marketed for a full 18 months since completion. In terms of take-up we understand from the letting agents that the smallest one of the five light industrial units (i.e. unit 304 providing 234 sq m/2,523 sq ft) has been sold to the ladies' fashion retailer Ghost, and that there is currently some interest in unit 306 (providing 379 sq m/4,079 sq ft). However, due to limited interest, we understand that the Council has been persuaded to grant a change of use on the remaining three units (units 308-312 inclusive) to a Job Centre Plus. The quoting price on the unit purchased by Ghost was £180 per sq ft on a freehold basis.
- 5.14 We understand that there has been no real interest in the two ground floor office units at 292 Kensal Road, probably because these units are too large for the local market given that the bulk of demand in this area for office accommodation is to meet requirements suitable for between one and four people. In addition, the area is relatively well-served by cheaper office space in nearby facilities including at the Saga Centre and the Workspace's Canalot Studios both on Kensal Road. As a result, the quoting rent for office space at Network Hub, which was originally £22 per sq ft, has been lowered significantly to £17 per sq ft and the agents may be prepared to do a deal at around £10 per sq ft.

- 5.15 On the first floor, we understand that only four out of the 22 units in the West Wing have been let. Significantly these include the two smallest units (i.e. unit 101 and unit 120 respectively), which are both under 65 sq m (700 sq ft), and the fourth and seventh smallest units, which are both under 84 sq m (900 sq ft). We also understand that units 136-137 in the East Wing have been let on a short-term lease with breaks.
- 5.16 In our assessment, therefore, this development has struggled to attract occupiers in part because the size of units are in the main too large for the market, and because of the availability of cheaper accommodation elsewhere, better suited to the bulk of demand, which is for 'good value' accommodation.
- 5.17 Furthermore, in our opinion, other general factors that have probably discouraged demand include a lack of car parking (there are only three spaces assigned to the development), the location's distance from a tube or train station, the area's lack of amenities and concerns over crime.

### **Case Study - Baseline Business Studios, off Latimer Road**

- 5.18 Developed in 2003, the Baseline Business Studios provide further insight into the demand for property in North Kensington.
- 5.19 The Baseline Business Studios is a development funded by the Royal Borough of Kensington & Chelsea and the London Development Agency. The Studios provide 39 business units suitable for small start-up businesses. Of these, 33 of the units each provide 31 sq m (329 sq ft) and the remaining six units each provide 62 sq m (668 sq ft).
- 5.20 Further to completion in autumn 2003, all 39 units were let within 12 months, and at the time of writing just one 31 sq m (329 sq ft) unit was available to let at the development, with four further units under offer.
- 5.21 The Studios offer flexible tenancies with new leases being offered for a period of three years. After six months, the tenant can vacate its property subject to one month's notice. In terms of occupancy costs, the rental level for all units on the development equates to £16.72 per sq ft, inclusive of service charge. However, due to strong demand an uplift in rent to just over £18.00 per sq ft was being drawn up at the time of writing.
- 5.22 The business units are let to tenants as office accommodation, with tenants from a wide range of industries/organizations including publishing, music, design, charity and non-profit, recruitment, retail, financial services and property management.
- 5.23 In general, this case study suggests strong levels of demand for very small unit accommodation on flexible terms.

### **The Potential Impact of White City**

- 5.24 Major developments can generate demand for property in the surrounding area. One potential example is the White City shopping centre at Shepherds Bush in Hammersmith and Fulham.

- 5.25 This development, which is being undertaken by Westfield and German Fund CGI, is now under construction and when complete will provide some 139,350 sq m (1.5 million sq ft) of retail floorspace comprising four department stores and over 260- other stores.
- 5.26 Major shopping centres of this type can have knock-on effects on surrounding areas particularly by generating demand from retailers for off-site stock rooms where they can make goods 'shop-ready' and hold additional stock close to hand for very rapid replenishment. For example, a number of retailers at other large regional shopping centres, such as Brent Cross, Blue Water (Dartford) and Lakeside (Thurrock) operate these sorts of facilities either by themselves or use a shared user facility operated by a third party logistics services provider. In other cases, such as Bristol Broadmead shopping centre, a third party contractor operates a warehouse as a consolidation centre, which consolidates inbound deliveries to retailers in the shopping centre.
- 5.27 However, in all of these cases the type of warehouse facility required tends to be larger than those typically available in Kensington & Chelsea, since typically these are in excess of 930 sq m (10,000 sq ft). Having regard to this and the availability of more suitable premises elsewhere, at locations such as Park Royal, we believe the White City development is not likely to have a significant impact on the demand for light industrial or storage space in Kensington & Chelsea.

### Key Points

- 5.28 The market for employment land in Kensington and Chelsea can be split into two quite different sub-markets.
- 5.29 The first sub-market is for standard office space, which is concentrated in the south of the Borough, including along and around Kensington High Street. Most demand in these areas is for small units, as the Borough is squeezed between the larger markets of the West End and Hammersmith.
- 5.30 The second sub-market comprises light industry, storage, lower-cost offices and 'business units' that could be classified to any of these units. This sub-market is concentrated in the Employment Zones and North Kensington generally. The bulk of demand again is for small units, and also for flexible, fit-for-purpose floorspace, offering good value for money. Much of this demand is accommodated within managed workspace, offering flexible terms of occupation. As elsewhere in London, there is strong demand for small freeholds. Whilst demand comes from all business activities, our contact with marketing agents and selective landlords suggests that creative and media industries account for a major share of the total.
- 5.31 The evidence from Network Hub and the Baseline Business studio reinforce these observations. In particular, the two case studies suggest that in the North Kensington Employment Zones:
- There is very limited demand for new and relatively expensive accommodation, be this light industrial or office accommodation. This is likely to reflect the availability of cheaper accommodation elsewhere.

- What demand there is, is very clearly focused on the smaller end of the size spectrum. Light industrial units over 230 sq m (2,500 sq ft) would appear to be too large for the current market, as would office units much above 75 sq m (800 sq ft).
- There is strong demand for very small units (30 to 60 sq m) on flexible terms.

5.32 In our opinion, the White City development is not likely to have a significant impact on the demand for light industrial or storage space in Kensington & Chelsea.

## 6 THE OCCUPIER SURVEY

### Survey Method

- 6.1 To find out more about the profile of business in Kensington and Chelsea, the drivers of demand and the experience of occupying commercial property in the Borough, we have carried out an interview survey of 100 business units occupying offices employment space in the Borough.
- 6.2 The survey sample was taken from the Experian business database, which aims to list all business units (establishments), showing address, site activity and numbers employed.
- 6.3 From the database, we first extracted those units which we expected to be operating in employment space (offices, industrial or warehousing property), based on the sector-land use mapping shown at Appendix 1. The resulting list provided our sampling frame (population), from which we drew a random sample stratified by unit size (number employed) and by location, distinguishing between Kensington High Street Principal Shopping Centres and the rest of the borough. Details of the population and sample and a copy of the survey questionnaire are at Appendix 2 of this report.
- 6.4 The purpose of stratifying the sample was to ensure that the survey had sufficient coverage of larger units and units in Kensington High Street; both these groups comprise small minorities of the population but are important in policy terms. The stratification introduced a bias in the sample, which we corrected by weighting the survey results.
- 6.5 The analysis below uses these weighted results. Accordingly, all the findings quoted in this chapter are unbiased estimates relating to the total population of business units that occupy employment space in Kensington and Chelsea.

### Occupier Profile

- 6.6 Table 6.1 below shows business activity (economic sector) as provided in the interview survey. The information relates to site activity – the work done at the specific business unit, or site – which may differ from company activity – the main activity of any larger business of which that unit may be part.
- 6.7 This sector breakdown is not necessarily the same as recorded by government statistics such as the Annual Business Survey (ABI) or commercial databases such as Experian. Even when, like ours, these large-scale surveys aim to record site activity, in our experience they often record company activity nonetheless. It is especially difficult to classify correctly office units which provide support services such as marketing, administration and sometimes design as part of firms engaged in industrial sectors, such manufacturing, construction and transport/distribution. We suspect that such units are often misallocated to the industrial activities of the parent firm, instead of the business services category where they properly belong. This is likely to distort the statistics, understating



employment in the office-based business services sectors. Table 6.1 should provide a better picture, though its accuracy is limited by the small size of our sample.

**Table 6.1 Site Activity**

	SIC Codes	% of units*	% of jobs*
Textiles and clothing manufacture	18	2%	0%
Paper, printing and publishing	22	6%	3%
Wholesaling	51	7%	5%
Finance and insurance	65-67	3%	2%
Real estate	70	22%	12%
Computer services	72	3%	2%
Business services	74	45%	67%
Other services	92	5%	3%
Transport and communications	63-64	7%	7%
<b>Total</b>		<b>100%</b>	<b>100%</b>

\* In this and the following tables, percentages are rounded to the nearest 1%. Accordingly, a zero entry indicates a (weighted) proportion greater than zero but less than 0.5%.

- 6.8 The largest category by far, accounting for 45% of the business units and 67% of the jobs covered by the survey, is Class 74 of the Government's Standard Industrial Classification, officially labelled Other Business Activities and referred to in the table as 'business services'. This covers a wide range of activities including professional services such as lawyers and accountants, advertising and marketing, consultancy of all kinds and administrative/head office establishments of multi-establishment firms.
- 6.9 The next largest sector, accounting for 22% of units and 12% of jobs, is real estate, largely consisting of property agents/consultants. The economic analysis in Chapter 3 has already identified this sector as being heavily over-represented in the Borough.
- 6.10 All other sectors are insignificant in comparison, collectively providing just one third of units and one fifth of jobs.

**Table 6.2 Customer Location**

	% of units
Kensington and Chelsea	20%
Central/West London	8%
Greater London	15%
London and the South East	2%
National	29%
International	27%
<b>Total</b>	<b>100%</b>

- 6.11 28% of units have all or most of their customers in the Borough itself and (less commonly) adjoining areas of central and west London (Table 6.2). 18% serve London and (occasionally) adjoining parts of the South East. 46% serve national and international markets. Thus, although as shown in earlier chapters the Borough's 'B-space economy' is exceptionally small-scale, this does not mean that it is parochial. On the contrary, like other



parts of the Central London sub-region, the Borough has a global economic role, providing a wide range of knowledge-based services, from fashion design to software engineering, to a widely spread customer base.

- 6.12 When asked to describe the main type of space they occupy, the great majority, **87%**, say they are in offices. The remaining units are equally split between workshops, studios, showrooms and garages - categories far too small to analyse separately. No unit is described as a factory or a warehouse.

**Table 6.3 Tenure**

	<b>% of units</b>
Lease or rent	86%
Own the freehold	13%
Have a license	0%
Hold some other tenure	0%
Total	100%

- 6.13 The great majority, 86%, lease or rent their business premises. Only 13% are owner-occupiers.
- 6.14 We asked survey respondents how many of their workers lived in Kensington and Chelsea and immediately adjoining areas, comprising the borough of Hammersmith and Fulham and the local areas of Willesden, West Kilburn, Kensal Green/Kensal Rise, Paddington, Westminster and Battersea.

**Table 6.4 % of Workers who live in Kensington & Chelsea and Adjoining Areas**

	<b>%</b>
In units employing 1-10 people	23%
In larger units	12%
In all units	16%

- 6.15 These answers are highly approximate and should be treated with caution. Nevertheless, as shown in
- 6.16 Table 6.4, and confirming the earlier travel-to-work analysis in Chapter 3, they do suggest that the smallest business units, employing up to 10 people, have a higher proportion of workers living in this local area than do larger units. For both small and larger units, local workers are estimated to comprise a minority of the workforce, but this minority is about twice as large in the smallest units, at 23%, as in their larger counterparts (12%).

### **Advantages and Problems**

- 6.17 We asked businesses about the key advantages of their particular location, relating both to geographical area and specific property (Table 6.5). By far the most answers relate to area rather than property. Clearly the most important driver of demand for space in the Borough is ready access to

customers. 44% of firms mention this as an advantage of their present location, a further 10% give a similar but more specific answer, referring to the wealth of residents, and 6% refer to passing trade.

6.18 Less frequently mentioned, but still important, are:

- The area's attractive environment and image, mentioned by 20% of firms;
- Access to suppliers and other business contacts, mentioned by 17%;
- Access for the firm's owners and staff, mentioned by 12% and 4% respectively;
- Accessibility in general, with most mentions referring to public transport (11% of businesses) and only a few to cars (6%).

6.19 Only 6% say that an advantage of their area or property is value for money, suggesting that occupiers in general consider Kensington and Chelsea an expensive location.

**Table 6.5 Why are you here?**

	<b>% of units</b>
Good access for customers	44%
Pleasant/attractive/central area, image	20%
Good for suppliers/similar firms	17%
Convenient access to owner's home	12%
Good access by public transport	11%
Wealthy (potential) customers live in the area	10%
Close to previous location	9%
The right price/value for money/affordable	6%
Good for passing trade	6%
Good access by car	5%
Convenient for staff	4%
Don't know/ No specific reason	4%
Building size is right	3%
Parking	2%
Building is the right shape	2%
High-quality/attractive building/setting	1%
Modern building	0%
Good for recruiting new staff	0%
Building is safe/secure	0%
Other	9%
<b>Total</b>	<b>100%</b>

6.20 We asked survey respondents if there was anything wrong with either their area or their particular property as a location for their business. 60% have no problems at all. Where problems are reported, they more often relate to general areas than specific premises (Table 6.6). The most common are lack of parking and the Congestion Charge, referred to by 15% and 10% of all firms respectively. Parking was additionally mentioned by the 6% of firms that find it too expensive and 5% who complain about parking attendants. Other area-related problems, which are more uncommon, probably

because they only affect specific parts of the Borough, are poor public transport (mentioned by 6% of respondents) and high crime/poor policing (4%).

- 6.21 The stress on parking is far from unusual. Parking appears as the most common problem in all or nearly all surveys of business accommodation, though of course we do not know if Kensington and Chelsea is more seriously affected than other places. The emphasis on the Congestion Charge may be due to its prominence in the news at the time of the survey, further to the announcement that it would be extended to part of Kensington and Chelsea. This has not yet occurred, and thus the Congestion Charge can only be a potential problem, not an actual one.
- 6.22 In the present study, we are especially interested in problems that relate to specific premises, rather than the area in general. These problems affect only small minorities of firms. The most common, mentioned by just 8% of firms, is bad condition of premises, and the second is high cost or poor value for money of premises (6%). No other premises-related problem is reported by more than 5% of firms.

**Table 6.6 Problems with the Area and Property**

	% of units
None	59%
Not enough parking	15%
Congestion Charge	10%
Premises in bad condition	8%
Parking expensive	6%
Premises expensive/poor value for money	6%
Area has poor access by public transport	6%
Parking attendants	5%
Area suffers from high crime/poor policing	4%
Premises too small	4%
Traffic congestion	3%
Area has poor access by car	2%
Rates high	2%
Poor amenities	1%
Premises are wrong shape	0%
Premises are too large	0%
Other	5%
Total	100%

- 6.23 In order to distinguish between minor nuisances and serious difficulties, we asked those businesses who reported accommodation-related problems if any of these problems had seriously affected the growth or profitability of their businesses. Only 17% of all businesses (less than half of those reporting problems) say that they have been seriously affected in this way (Table 6.7).

**Table 6.7 Have these problems seriously affected the growth or profitability of the business?**

	% of units
<b><i>Any serious effects?</i></b>	
Not applicable - we have no problems	60%
No - we have problems but they have not seriously affected the business	19%
Yes	17%
<b><i>Which problems have seriously affected the business?</i></b>	
Congestion Charge	7%
Premises expensive/poor value for money	5%
Parking attendants	2%
Area suffers from high crime	2%
Not enough parking	2%
Parking expensive	2%
Rates high	2%
Area has poor access by public transport	0%
Area is run down and unattractive	0%
Poor amenities	0%
Other	3%
Total	100%

- 6.24 The bottom section of the table shows which particular problems have seriously affected businesses. No individual problem is mentioned by more than a small minority of firms. Yet again, worries about the future impact of the Congestion Charge top the list, mentioned by 7% of businesses. Next is the high cost of premises, seriously affecting 5% of businesses. No other problem is said to seriously affect more than an insignificant 2% of businesses.
- 6.25 Overall, virtually all respondents feel that their accommodation, both in terms of general location and specific property, suits the needs of their business very well or fairly well. An insignificant 1% answer the question with 'fairly badly' – with reference to a 'grim dark and horrible' basement, too-small premises and worries about the congestion charge.

**Table 6.8 Overall, how well does this place (the area and the property) suit the needs of your business?**

	% of units
Very well	67%
Fairly well	32%
Fairly badly	1%
Very badly	-
Total	100%

## Looking for Property

- 6.26 The final part of the interview comprised questions about business location decisions, exploring firms' geographic requirements and any difficulties they

might have experienced in finding space in Kensington and Chelsea. For the purpose of these questions, we split firms into two groups, according to the length of time they had spent at their current premises. Those that have moved in 2001 or later ('recent movers') were questioned about this recent move. Other firms ('hypothetical movers') were asked to assume for a moment that they were obliged to look for new premises in the immediate future, and questioned about this hypothetical move.

- 6.27 Table 6.9 analyses the origin of recent movers. About a quarter at the time of taking up their present premises were new businesses. For the remaining units, which are either relocations or new offshoots of existing businesses, the table analyses the location of previous addresses or parent establishments.

**Table 6.9 Origins of Recent In-Movers**

% of units that moved in since 2001	
<i>When we moved in, we were...</i>	
A new business	24%
A new offshoot of an existing business	14%
Relocation of an existing unit	57%
Other	5%
Total	100%
<i>New offshoots and relocations: the previous address or parent company was in..</i>	
Kensington and Chelsea	36%
Elsewhere in Central/West London	36%
Elsewhere in London/South East England	24%
Elsewhere in the UK	0%
Abroad	4%
Total	100%

- 6.28 36% of recent movers originate in the Borough itself, another 36% elsewhere in the Central or West London sub-regions, and 24% in London or adjoining areas of the South East. No business unit has its previous address or parent establishment in the UK beyond London and the South East, and just 4% – comprising new offshoots of existing companies – originate abroad.

- 6.29 We asked both actual and hypothetical movers about their areas of search for premises – the geographical area in which they looked or would look for accommodation. Of both groups, only tiny minorities did or would look for premises beyond Central and West London.

**Table 6.10 Areas of Search**

Where did you or would you search for new premises?	% of recent movers	% of hypothetical movers
(Part of) Kensington and Chelsea	60%	86%
(Part of) Central/ West London	32%	12%
(Part of) Greater London	1%	-
Outside Congestion Charge Zone	-	2%
Other	7%	-
Total	100%	100%

- 6.30 Of recent movers, one third consider that it was difficult to find a suitable property in the Borough at a price they could afford (Table 6.11). Among hypothetical movers, a much higher proportion, around three quarters, think that if they had to move it would be difficult to find such a property.

**Table 6.11 How easy or difficult was it/would it be to find a suitable property at a price you can afford?**

	% of recent movers	% of hypothetical movers
Very difficult	1%	44%
Fairly difficult	32%	28%
Fairly easy	43%	27%
Very easy	24%	-
Total	100%	100%

**Table 6.12 Why was it/would it be difficult?**

	% of recent movers	% of hypothetical movers
Not difficult	67%	27%
Difficult because:		
Difficult to get premises at the right price	22%	34%
Little or nothing available	6%	16%
Difficult to get the right size	3%	9%
Difficult to get the right shape	-	9%
Difficult to get enough parking	-	7%
Difficult to meet specialist requirements	-	2%
Difficult to get freehold property	-	1%
Difficult to get prestigious/high-quality building	-	1%
Other/specialist requirements		13%
Total	100%	100%

- 6.31 For both groups, by far the greatest reason for difficulty is believed to be the high price of available premises.

## Key Points

- 6.32 The business survey aimed to answer two main questions: first who occupies employment space in Kensington and Chelsea and why they are there, and second how happy these occupiers are with the available supply of space.
- 6.33 With regard to the first question, the survey confirms our earlier findings from official statistics that business services and real estate (mainly comprising property agents and surveyors) account for the majority of B-space business units and jobs in the Borough. Further, the survey suggests the statistics may classify to industrial sectors, such as manufacturing, construction and transport/distribution, significant numbers of units and jobs whose main activities are administration, marketing and sometimes design, so that they should properly be classified to business services.

- 6.34 In Kensington and Chelsea, as in London generally, the boundaries between production and service activities are increasingly blurred, as are those between light industrial and office accommodation, especially for small premises. This is why, as shown in earlier chapters, the Valuation Office has recently reclassified many of Kensington and Chelsea's industrial units to offices.
- 6.35 The principal reason why business occupiers are in Kensington and Chelsea is access to customers. These customers are not predominantly local, quite the contrary; the Borough's central location attracts many firms providing high-value-added services to national and international markets. Kensington and Chelsea's business economy is small-scale, but it plays a global role. Other key advantages of the Borough as a business location are its environment and image and, for certain sectors, the 'cluster' benefits of being close to other firms in the same industry or linked industries.
- 6.36 The survey suggests that the origins of most businesses who locate in Kensington and Chelsea, as well as their areas of search for new premises, are mostly in the Borough itself or wider areas Central or West London.
- 6.37 As regards the supply of business space, the evidence from the survey is that the great majority of business occupiers are satisfied with their accommodation. 99% say that their area and premises meets the needs of their business very well or fairly well and 60% experience no problems at all. Those problems that do exist mostly relate to the condition of the general area rather than specific premises; these area-related problems include parking, the Congestion Charge, and – in certain parts of the Borough – poor public transport and high crime. Only two premises-related problems are mentioned by more than 5% of respondents, comprising buildings in poor condition (8%) and high cost (6%). High cost is the only premises-related problem which is reported to have seriously affected any firm's growth or profits, and this only for 5% of survey respondents.
- 6.38 However, when asked about finding suitable premises at acceptable cost in the Borough, one third of firms who recently took up space say that their search difficult and two thirds of those who did not move recently think that it *would* be difficult. For both groups, the main reason is cost.
- 6.39 These responses at first sight seem to conflict with the evidence that most occupiers are happy with their accommodation, and also with each other. But the contradiction may be more apparent than real. The likely explanation is that finding the right premises at the right price in the Borough is indeed difficult for many firms, and many are unsuccessful. But these fruitless searches do not result in firms operating in unsatisfactory premises, because the Borough is not a self-contained property market. Rather, much economic activity is footloose, with areas of search that extend well beyond the Borough as we have seen, and those that do not find what they need in Kensington and Chelsea have the choice of going elsewhere.
- 6.40 This would also explain the difference in opinion between the actual experiences of recent movers and the expectations of other firms. Of those

who have not recently looked for premises, many think, that to do so would be difficult. If these opinions are correct, if and when they do look for new premises many will end up locating outside Kensington and Chelsea. Those that do manage to overcome the difficulties and take up space in the Borough on average will consider the search less difficult than those who go elsewhere.



## 7 FUTURE DEMAND AND PLANNED SUPPLY

- 7.1 Our forecasts of the demand for employment land are based on the GLA's employment forecasts for London. These figures are an updated version of the figures in the London Plan, to which the London Boroughs are required to conform<sup>8</sup>.
- 7.2 The GLA forecasts break down employment into economic sectors (industries and services). To map these sectors into land uses, or types of space (offices, factories/workshops and warehouses), we use a range of economic sectors based on the Standard Industrial Classification, which is set out at Appendix 1. Briefly, we assume that industrial space is occupied by Manufacturing industries plus certain parts of the Construction industry, Motor Repairs/Maintenance and Sewage and Refuse Disposal. Warehousing is occupied by a variety of transport and distribution activities which are widely spread across the Standard Industrial Classification. Our definition of office sectors follows that of the ODPM.
- 7.3 The correspondence between sectors and types of space is not perfect, and hence our definitions of office and industrial/warehousing jobs are no more than approximations. But they are the best possible approximations, which we have developed through a series of employment space studies, most recently the Industrial and Warehousing Land Demand study we produced for the Greater London Authority and various studies in Hertfordshire.
- 7.4 The resulting forecasts of B-space jobs for the planning period 2001-21 are shown below.

**Table 7.1 Forecast Employment Change, Kensington and Chelsea, 2001-21**

<b>Jobs</b>	<b>2001</b>	<b>2021</b>	<b>Change</b>	<b>% Change</b>
Office	37,940	44,288	6,348	17%
Industrial/warehousing	9,530	7,185	-2,345	-25%
Total B jobs	47,470	51,473	4,003	8%

Source: GLA, RTP

- 7.5 Following long-established trends, office employment grows, gaining some 6,300 (17%) over the period, while industrial/warehousing employment falls, losing 2,300 jobs (25%). Total B-space jobs increase by 4,000 (8%).
- 7.6 The next step is to translate these figures into demand for space, using the standard employment densities of 18 sq m per worker for offices and 31 sq m per worker for industry and warehousing.

<sup>8</sup> Employment Forecasts for London, May 2004, Volterra Consulting Ltd. .

**Table 7.2 Demand for Employment Land, Kensington and Chelsea, 2001-21**

Square metres	Office	Ind & Whsg	Total B Space
Floorspace Stock	565,000	169,000	734,000
Forecast Demand (change in stock)	114,264	-72,695	41,569

Source: RTP

- 7.7 In the office sector, forecast demand is for 114,000 sq m of additional space. Conversely, for industry and warehousing, the market requirement falls by 73,000 sq m. Yet again, this is a continuation of established trends. In Kensington and Chelsea, because there is so little industrial/warehousing floorspace left, the forecast growth in offices outweighs the forecast decline in industrials, producing total B space growth of some 42,000 sq m – a modest 6% of the 2001 stock.
- 7.8 However, these figures are open to doubt due to the particular nature of employment uses in Kensington and Chelsea. As discussed in previous chapters, much of the activity which in official statistics and in forecasts is classified to industrial and warehousing sectors in fact may comprise administration and marketing activities ancillary to these sectors, whose premises consist entirely or largely of office space. This suggests that the figures above would overstate amounts of industrial/warehouse space and understate the amount of office space.
- 7.9 We do not know how the blurring between office and industrial space impacts on employment densities. But we *can* calculate that at the limit, if all B-space employment in the Borough was in offices, the negative demand from ‘industrial’ uses would be some 42,000 sq m instead of the 73,000 sq m forecast earlier, and the net positive requirement for B space would rise to 72,000 sq m from the 42,000 sq m estimated earlier.
- 7.10 The table below shows the corresponding planned supply at the 2001 base date. Planned supply is the land identified by the planning system to accommodate net change in employment floorspace. It is the sum of:
- Changes in stock between the 2001 base date and the present (2005)
  - The planning commitments (permissions and allocations) outstanding at 2005.
- 7.11 All figures relate to net floorspace change, which is the difference between space gained and space lost to employment uses.
- 7.12 Ideally, we would also include in the supply total an adjustment to take account of the current availability of floorspace. Unfortunately, this would require comprehensive data on availability (vacancy), which are not available. Without this adjustment, our calculations estimate the balance of demand and supply with regard to future change, but in effect they assume that the market was in balance at the base date.
- 7.13 The Borough Council’s supply data is classified by Use Class, not splitting the B1 Use Class between light industry (B1c) and offices (B1a). Below, we group Use Classes into two categories that approximate the demand-side

distinction as closely as possible. These two categories are B1, broadly equivalent to offices although it also includes light industrial uses, and B2/B8/sui generis, broadly equivalent to industry and warehousing, except that it excludes these light industrial uses.

**Table 7.3 Planned Supply, 2001**

Square metres	B1			B2, B8 and sui generis		
	Gains	Losses	Net Change	Gains	Losses	Net Change
Started and completed 2001-05	22,298	-8,408	13,890	24,513	-22,874	1,639
Outstanding commitments	89,555	-10,990	78,565	4,250	-17,631	-13,381
Total supply	111,853	-19,398	92,455	28,763	-40,505	-11,742

Source: Borough Council, RTP

7.14 For B1 space, net supply is positive – showing that space gained in new development and change of use exceeds employment space lost to other uses. For B2/B8/sui generis, it is negative. The largest component of supply is outstanding planning commitments, which in turn comprise two elements, permissions and allocations.

7.15 Outstanding planning permissions are detailed below.

**Table 7.4 Outstanding Planning Permissions, Kensington and Chelsea, 2005**

Address	Square metres				
	B1 gains	B1 losses	B8 gains	B8 losses	Sui generis losses
Art School Of Christie's, 63A Old Brompton Rd	1,240				
167-185 Freston Rd	10,200			-3,000	
Site Adjacent To 338 Ladbrooke Grove	1,000				
Duke Of York's Headquarters, King's Rd	3,082				-2,702
91-121 and 125-139 Freston Rd	27,451	-3,038			
40-46 Bard Rd	7,875	-1,000	550		
130-136 Barlby Rd		-2,862		-4,126	
The Telephone Exchange, 2 Sedding St	4,412				-3,878
Barkers Arcade, 63-97 Kensington High St	2,351				
308-312 Kensal Rd		-1,243			
Portobello Dock, Kensal Rd	987	-2,847			
Plots 5 & 6 Acklam Rd	957				-1,400
16 Kensington Palace Gdns					-1,400
1C Addison Crescent					-1,125
167-185 Freston Rd			3,700		
Total	59,555	-10,990	4,250	-7,126	-10,505

Source: Borough Council

There are no outstanding planning commitments involving either gains or losses of B2 space and no commitments involving gains of sui generis space.

7.16 There also remain a number of outstanding UDP planning allocations for employment use, which are described below.

- Kensal Green Gas Works - 4.8 ha: Outline planning permission was granted in 2002 for a mixed use scheme including 16,000 sq m of B1 space which is now time expired although the applicants are seeking to extend the life of the permission. Subsequent applications may vary the amount of employment space.

- Lots Road Power Station - 1.72 ha: Planning permission for a mixed use development was won on appeal in January 2006 following the base date of table 7.4. The proposal includes 4,900 sq m of B1.
- TA Centre, Warwick Road - 0.83 ha: No application has been received for this site. Any development is likely to be mixed use and potentially include some B1.
- Kensington South Underground Station - 0.79 ha: This site had planning permission for mixed use redevelopment but this lapsed in 2004. Subsequently the building was listed and now has only very limited potential.
- Clearings I and II, Draycott Avenue and the Council Recycling Centre, Denyer Street - 0.5 ha: Site is currently in use with no application for redevelopment.
- 49-93 Pelham Street - 0.4 ha: Suitable for a mixed use redevelopment but no proposals to date.
- Kingsgate House, Kings Road 0.25 ha: This site is a vacant office building. Planning permission has previously been sought for residential but refused due to insufficient affordable housing. If it is redeveloped it will comprise a loss of employment land as some space, if not all will be residential.

7.17 It is difficult to quantify the development potential of these remaining allocations, given that they are all suitable for mixed use development and not all are guaranteed to come forward for development. Even if they all come forward, some of them, such as Kingsgate House, are redevelopment of existing B space and so unlikely to contribute much net additional floorspace. Based on existing permissions, Kensal Green Gasworks and Lots Road Power Station together would produce 21,000 sq m of B1 space. We estimate that a maximum of 9,000 sq m of net additional B1 space could be provided at the other outstanding allocated sites, making a total potential net addition of 30,000 sq m.

7.18 Finally, Table 7.5 compares forecast demand and planned supply over the 20-year planning period.

**Table 7.5 Market Balance, Kensington and Chelsea, 2001-21**

<b>Square metres</b>	<b>Offices/B1</b>	<b>Ind &amp; Whsg/ B2/B8/S Generis</b>	<b>All Employment Space</b>
Planned Supply	92,455	-11,742	80,713
Forecast Demand	114,264	-72,695	41,569
Over (under)supply	-21,809	60,953	39,144

Source: RTP

7.19 The table shows an oversupply of B2/B8/sui generis space and an undersupply of B1 space.

7.20 The estimated oversupply of industrial space is as much as 36% of the Borough's tiny 2001 stock.

- 7.21 The estimated undersupply B1 space is small, comprising just 4% of the 2001 office stock. But we must bear in mind that it is very much a minimum estimate, since it does not include a frictional margin, it does not take account of any market imbalance at the base date, and it assumes that office development at both Kensal Green Gas Works and Lot Road Power Station comes forward as proposed. Bearing in mind the large uncertainties involved, it suggests that future forecast demand and planned supply are broadly in balance, but only assuming that none of the Borough's existing B1 space is lost over and above current planning commitments. If market balance is to be maintained, the Council would have to release land to replaces such losses, over and above the net requirement we have estimated.
- 7.22 Adding together the two land use categories, the final column of Table 7.5 shows a small planned oversupply of 39,000 sq m of employment space, representing just 5% of the 2001 floorspace stock. For the reasons set out in the last paragraph, we consider that this oversupply is not significantly different from zero. It follows that, if the estimated requirement is to be met, the Borough should not permit any significant losses of employment space over and above the current planning commitments set out earlier. Any redundant industrial/warehousing sites that are lost to other uses should be redeveloped for, or replaced by, employment developments – which generally will be in the B1 class, because this is where the growing demand is – providing equivalent floorspace.

## 8 CONCLUSIONS

### Objectives of Employment Land Policy

- 8.1 Our analysis of the local economy identified many positive features, but three apparent deficiencies:
- i) There is a concentration of socio-economic disadvantage in the North Kensington wards.
  - ii) Jobs located in Kensington and Chelsea on average are relatively low-paid; it seems that high-skilled, high-earning residents typically commute to work out of the Borough, largely to office jobs, while low-skilled workers commute into the Borough, largely to jobs in consumer services such as retail and catering.
  - iii) While the Borough has a positive labour market balance – it provides more jobs than it has working residents - this balance has probably been deteriorating, due to the resident population growing faster than workplace employment.
- 8.2 The current UDP already addresses the first deficiency, through the objective to maintain and widen employment opportunities especially for less-skilled and unemployed people, and through policies that support small business units and employment units in North Kensington.
- 8.3 In the new LDF, the Council may choose to say that it aims to correct the second deficiency, by encouraging higher-paid, higher-skilled jobs also to locate and remain in the Borough. If low-skilled and high-skilled jobs were competing for the same sites, the two objectives would be contradictory. But they do not compete in this way, because so far as the B land uses are concerned jobs for less skilled and unemployed people will be created mostly in North Kensington, for those that provide higher earnings will typically locate in standard offices in Kensington High Street and to the south.
- 8.4 With regard to labour market balance, the Borough Council's scope for action is limited, because the employment figures provided by the GLA – which form the basis of our space demand forecasts – set out how many jobs the Borough should accommodate in future. But, while the Council is expected to follow this strategic guidance as regards total numbers of jobs (and dwellings), it can use planning policy to influence the mix and location of jobs to reduce out-commuting, provide opportunities for disadvantaged people, raise earnings and encourage local enterprise.
- 8.5 Kensington and Chelsea is home to specialist clusters in publishing and media and creative industries. The Council might consider an objective of supporting and encouraging these clusters through its planning policies.

## The Quantity of Employment Land

- 8.6 The first key decision that the Council needs to take is how much employment space it should plan for in the LDF period. Based on strategic guidance on employment change from the GLA, we have estimated a minimum requirement of 114,000 sq m of office/B1 space between 2001-21<sup>9</sup> and a maximum loss of 73,000 sq m of industrial/warehousing space over the same period.
- 8.7 These figures are highly approximate, for technical reasons set out earlier, especially the difficulty of distinguishing between industrial and office space in small business units. Nevertheless, in our view they should be set out in the LDF as broad targets, subject to periodic review. Without any quantitative target relating to the overall balance of the market, it is very difficult to plan effectively for employment land.

## Managing the Existing Stock

- 8.8 Since there is no new development land in Kensington and Chelsea, and little or no land is likely to be transferred to employment land for other uses, the management of the existing stock is the main issue for the LDF.
- 8.9 Our comparison of these forecast requirements with current planned supply – the land currently identified by the planning system to accommodate change in B-class employment – suggests that, if the requirements are to be met, the Borough should not permit any significant losses of employment space over and above the current planning commitments set out in the last chapter. It follows that:
- If any of the committed developments we have listed do not deliver the assumed employment space, they should be replaced with others that deliver equivalent floorspace.
  - Beyond existing planning commitments, any redundant industrial/warehousing sites that are lost to other uses should be redeveloped for, or replaced by, employment developments – which generally will be in the B1 class, because this is where the growing demand is – providing equivalent floorspace.
- 8.10 With regard to the safeguarding of existing employment sites, our analysis supports the principle of giving special protection to the Employment Zones, South Kensington and small units – which, based on the Census travel-to-work analysis, should be defined as those of 300 sq m and less.
- 8.11 In our opinion, no part of the UDP policy areas is so unattractive for business that it should be re-allocated to other uses. But several areas are badly in need of improvement. The occupier survey, the stakeholder consultation and our qualitative audit together make a powerful case for

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<sup>9</sup> If the base year for the LDF is later than 2001, these figures can easily be recalculated to match.

public investment in improved security, access, environments, parking and amenities in the worst parts of these priority areas.

- 8.12 If the estimate space requirements are to be met, the Council in our view should consider extending the safeguarding of employment sites to the south of the Borough, outside the UDP policy areas, which at present enjoy no protection at all unless they are very small. The Council should also reconsider the policies which discourage new office development in these areas unless it is in very small units. We question if this overriding priority for housing over employment in most of the Borough is compatible with the London Plan and we suspect that it is incompatible with the quantitative requirements we have set out. Qualitatively, the policy to encourage housing at the expense of employment in the South of the Borough risks discouraging high-value activities providing high-skilled, high-paid jobs.
- 8.13 It is likely that the changes we have suggested could be accomplished without unacceptable impacts on traffic congestion and hence residential amenity, because the southern wards enjoy the best public transport access in the borough.

### New Development

- 8.14 Since there are no greenfield sites in Kensington and Chelsea, all employment development is likely to be redevelopment, mostly of existing employment sites. Much of this development is likely to be in mixed-use schemes. Through appropriate planning conditions and agreements, supported by effective monitoring, the Council should ensure that these mixed uses deliver employment space in line with the forecast requirements, replacing any employment land lost with equivalent floorspace.
- 8.15 The Council may also wish to review in detail the detailed SPG guidelines that aim to ensure that small business units remain capable of light industrial use, prescribing width of doors and passageways, goods lifts, clear internal heights, floor loadings, power supply and so forth. To consider these standards in detail would be beyond our remit, but we note that stakeholder consultations were critical of them, the trend in demand is increasingly towards office or quasi-office activities, and it may be that these design restrictions are no longer in line with occupier requirements.

### Monitoring and Policy Review

- 8.16 As is well known, forecasts are uncertain and often wrong. Nevertheless, we must use them, because they are the only tools available to help you plan for the long term – which you are required to do by national and regional guidance. The best way to deal with uncertainty of course is to Plan, Monitor and Manage. In this approach, analysis and forecasting and the resulting policies are periodically reviewed and rolled forward. Policy is always based on the best knowledge available at the time, and



the end of the planning period is never reached or even approached closely.

8.17 In this spirit, the Council should consider the following approach to monitoring and review of employment land polices:

- Review employment forecasts and the resulting land demand forecasts at 3-5 year intervals and when there are major step changes in the economy or strategic guidance.
- Continuously monitor the planned land supply, covering:
  - Actual development (completions) and commitments (the planning pipeline);
  - Both gains and losses of both floorspace and land;
  - Vacant floorspace;
  - And if possible splitting the B1 class into offices and light industrial sites.
- Based on these data, continuous monitoring of the demand-supply balance.

8.18 This information on the balance of demand and supply, as it changes over time, should provide a robust evidence base for individual planning decisions.

## **APPENDIX 1**

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### **Definition of Business Space Sectors**

<b>Industrial Sectors</b>	<b>SIC (1992)</b>	<b>Activities</b>
Manufacturing	15.11-37.20 (ex publishing, 22.11-22.15)	<ul style="list-style-type: none"> <li>▪ Includes all manufacturing, including recycling, but excludes publishing)</li> </ul>
Some Construction	45.3-45.4	<ul style="list-style-type: none"> <li>▪ Electricians</li> <li>▪ Plumbing</li> <li>▪ Other building installation</li> <li>▪ Plastering</li> <li>▪ Joinery installation</li> <li>▪ Floor and wall covering</li> <li>▪ Painting and glazing</li> <li>▪ Other building completion</li> </ul>
Motor Vehicle Activities	50.20, 50.40	<ul style="list-style-type: none"> <li>▪ Maintenance and repair of motor vehicles</li> <li>▪ Sale, maintenance and repair of motor cycles and related parts and</li> </ul>
Sewage and Refuse Disposal	90.00	<ul style="list-style-type: none"> <li>▪ Sewage and refuse disposal,</li> <li>▪ Sanitation and similar activities.</li> </ul>
<b>Warehousing Sectors</b>	<b>SIC (1992)</b>	<b>Activities</b>
Wholesale	51.11-51.70	<ul style="list-style-type: none"> <li>▪ Wholesale on a fee contract basis</li> <li>▪ Wholesale of goods</li> </ul>
Freight Transport by Road	60.24	
Cargo Handling	63.11	
Storage and Warehousing	63.12	
Other Supporting Land Transport Activities	63.21	
Post and Courier Activities	64.11-64.12	
Packaging Activities	74.82	<ul style="list-style-type: none"> <li>▪ Packaging activities</li> </ul>
<b>Office Sectors (including R&amp;D)</b>	<b>SIC (1992)</b>	<b>Activities</b>
Some Other Business Activities	74.60, 74.83, 74.84, 74.1, 74.2, 74.3, 74.4	<ul style="list-style-type: none"> <li>▪ Investigation and security activities</li> <li>▪ Secretarial and translation activities</li> <li>▪ Other business activities nec</li> <li>▪ Accounting/bookkeeping activities etc</li> <li>▪ Architectural/engineering activities etc</li> <li>▪ Technical testing and analysis</li> <li>▪ Advertising</li> </ul>
<b>Office Sectors (continued)</b>	91.11, 91.12, 91.20,	<ul style="list-style-type: none"> <li>▪ Activities: business/employers orgs</li> </ul>
Some Social and Personal	91.32, 91.33, 92.11,	<ul style="list-style-type: none"> <li>▪ Activities of professional orgs</li> </ul>
Service Activities	92.12, 91.20, 91.32, 91.33, 92.11, 92.12, 92.20, 92.40	<ul style="list-style-type: none"> <li>▪ Activities of trade unions</li> <li>▪ Activities of political orgs</li> <li>▪ Activities other membership orgs</li> <li>▪ Motion picture and video production</li> <li>▪ Motion picture and video distribution</li> <li>▪ Radio and television activities</li> <li>▪ News agency activities</li> </ul>

Administration of the State	75.1, 75.3	<ul style="list-style-type: none"> <li>▪ Administration of the State and the economic and social policy of the community</li> <li>▪ Compulsory social services activities</li> </ul>
Publishing	22.1	
Financial intermediation	65, 66, 67	<ul style="list-style-type: none"> <li>▪ Financial intermediation, except insurance and pension funding</li> <li>▪ Insurance and pension funding, except compulsory social security</li> <li>▪ Activities auxiliary to financial intermediation</li> </ul>
Real Estate and Business activities	70, 72, 73	<ul style="list-style-type: none"> <li>▪ Real estate activities</li> <li>▪ Computer and related activities</li> <li>▪ Research and development</li> </ul>

## APPENDIX 2

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### The Occupier Survey



## SURVEY SAMPLING

Population units in 'B space sectors' in K&C	Number of units		
	all business Kensington High St	Rest of K&C	Total K&C
<b>Unit size (number employed)</b>			
1-10	143	2,289	2,432
11-24	8	250	258
25+	20	233	253
Total	171	2,772	2,943
Survey sample	Number of units		
	Kensington High St	Rest of K&C	Total K&C
<b>Unit size (number employed)</b>			
1-10	20	37	57
11-24	2	22	24
25+	3	16	19
Total	25	75	100
Sampling fraction	%		
	Kensington High St	Rest of K&C	Total K&C
<b>Unit size (number employed)</b>			
1-10	14%	2%	2%
11-24	25%	9%	9%
25+	15%	7%	8%
Total	15%	3%	3%