

# GREATER LONDON AUTHORITY

## REQUEST FOR DIRECTOR DECISION – DD2018

### Title: London Industrial Land Demand Study

#### Executive Summary:

Approval of expenditure of up to £60,000 is sought to procure and commission a consultancy study to analyse the demand for industrial land and related uses in different parts of London and explore relationships with the wider south east. The study will review the London Plan benchmarks of industrial land release to other uses and roll these forward to 2016-2041 on a consistent, pan London demand/supply basis. The study will also undertake a series of scenarios relative to the baseline benchmarks to explore the potential for further release of industrial land in London and associated impacts. The work will inform a full review of the London Plan, preparation of Local Plans/Opportunity Area Planning Frameworks and support co-ordination of industrial land supply with the wider south east.

#### Decision:

The Executive Director of Development, Enterprise and Environment approves expenditure of up to a total of £60,000 to lead, procure and commission specialist technical services to undertake the London Industrial land Demand Study.

#### AUTHORISING DIRECTOR

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

**Name:** Fiona Fletcher-Smith

**Position:** Executive Director - Development, Enterprise & Environment

**Signature:**



**Date:**

1-7-2016

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 The importance of informing the preparation of development plans with robust assessments of the existing and future demand of land available for economic development is set out in the Government's National Planning Policy Framework (NPPF)<sup>1</sup> and associated practice guidance<sup>2</sup>.
- 1.2 The current London Plan<sup>3</sup> and associated Supplementary Planning Guidance (SPG)<sup>4</sup> underscore the need to ensure a sufficient stock of land and premises to meet future demand for different types of industrial and related uses (such as logistics/ distribution, waste management, utilities and land for transport functions) in different parts of London, including for good quality and affordable space.
- 1.3 The research will analyse the demand for industrial land and related uses in different parts of London and explore relationships with the wider south east. The study will review the London Plan benchmarks of industrial land release to other uses and roll these forward to 2016-2041 on a consistent, pan London demand/supply basis and undertake a series of scenarios relative to the baseline benchmarks to explore the potential for further release of industrial land in London and associated impacts.
- 1.4 This project will assess the different aspects of demand for industrial land in London taking into account the recent *Industrial Land Supply and Economy Study* (See DD1301) published by the GLA in March 2016. The Industrial Land Demand study will be led by the GLA Planning team in the Directorate of Development Environment and Enterprise in collaboration with the Regeneration team, Economic and Business Policy unit and Transport for London.

#### **2. Objectives and expected outcomes**

- 2.1 The London Industrial Land Demand study contains two interrelated parts:
- 2.2 Part A: Industrial land demand analysis – This part will analyse the short, medium and long term demand and supply dynamics for industrial land and related uses in different parts of London and explore relationships with the wider south east.
- 2.3 Part B: Potential demand/supply scenarios and associated industrial land release benchmarks – This part of the study will review the existing London Plan and Supplementary Planning Guidance benchmarks of industrial land release to other uses and roll these forward to 2016-2041 on a consistent, pan London demand/supply basis. It will undertake a series of scenarios relative to the baseline benchmarks to explore the potential for further release of industrial land in London and associated impacts.
- 2.4 The outputs of the study will inform: (a) a full review of the London Plan and its associated Land for Industry and Transport Supplementary Planning Guidance (SPG) – in conjunction with the associated *Industrial Land Supply and Economy Study*; (b) preparation of Local Plans; (c) work on Opportunity Area Planning Frameworks/Area Action Plans and (d) co-ordination with the wider

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<sup>1</sup> Department for Communities and Local Government. National Planning Policy Framework. CLG, 2012, paragraph 161

<sup>2</sup> Department for Communities and Local Government. NPPG. CLG, 2014. ID:2a

<sup>3</sup> Mayor of London. The London Plan. The Spatial Development Strategy for Greater London consolidated with alterations since 2011, GLA, 2016

<sup>4</sup> Mayor of London. Land for Industry and Transport Supplementary Planning Guidance. GLA, 2012

south east of England. The study will also support the work of the GLA in addressing its growth and regeneration agenda.

### **3. Equality comments**

- 3.1 No adverse equalities impacts are identified. The study supports the equalities objectives of the London Plan and will provide evidence to inform policy and guidance to improve London's economic base and sustainability, secure access to a range of employment opportunities and improve transport access. The release of industrial land to other uses will support objectives to deliver housing, social infrastructure and where appropriate, strengthen town centres. The evidence assembled in this study will therefore contribute to wider equalities issues across these subject areas.

### **4. Other considerations**

#### *a) key risks and issues*

- 4.1 The contract will be managed in line with standard GLA risk management procedures.
- 4.2 If the study were not carried out it would:
- undermine the implementation of London Plan policy 4.4 which seeks to ensure rigorous approach to industrial land management to ensure a sufficient stock of land and premises to meet future needs of different types of industrial and related uses
  - undermine the Mayor's evidence base to support examinations into a full review of the London Plan and work with boroughs on Local Plans and Opportunity Area Planning Frameworks as well as co-ordination of industrial land supply with the wider south east
  - risk sub-optimal investment to support London's industrial areas, businesses and wider employment.

#### *b) links to Mayoral strategies and priorities*

- 4.3 The study will inform the implementation and review of the London Plan. It will support London boroughs in the preparation of Local Plans and partnership working by the GLA, boroughs and others on Opportunity Area Planning Frameworks. The study will inform collaboration and co-ordination with wider south east planning authorities and support regeneration and business policy initiatives including those associated with the London Enterprise Panel (LEP).

#### *c) impact assessments and consultations*

- 4.4 Impact assessments are carried out as part of the preparation of reviews and alterations to the London Plan. A separate impact assessment is not required for this research study. Consultation on the project specification has taken place within the GLA and with Transport for London (TfL). Further collaboration with London boroughs will take place during project implementation including sharing draft outputs for verification and presentation of findings.

### **5. Financial comments**

- 5.1 Approval is being sought to procure and commission specialist technical services to undertake the London Industrial Land Demand study.
- 5.2 The estimated total cost of this work is up to £60,000. The costs will be met from the 2016-17 London Plan Programme Budget and will be complete in 2016-17.

## 6. Legal comments

6.1 The proceeding sections of this report indicate that:

- 6.1.1 the decisions requested of the Director (in accordance with the GLA's Contracts and Funding Code) fall within the GLA's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to, the promotion of the economic development and wealth creation;
- 6.1.2 in formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:
- pay due regard to the principle that there should be equality of opportunity for all people (further details on equalities are set out in section 3 above) and to the duty under section 149 of the 2010 Act to have due regard to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not<sup>5</sup>;
  - consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
  - consult with appropriate bodies.

6.2 The services required must be procured by TfL Procurement who will determine the detail of the procurement strategy to be adopted in accordance with the Authority's Contracts and Funding Code.

Officers must liaise with TfL Procurement in this regard and to ensure all necessary contract documentation is put in place and executed between the successful bidder and the GLA before commencement of services.

## 7. Planned delivery approach and next steps

Activity	Timeline
Procurement of contract	July/August 2016
Delivery Start Date	August 2016
Interim Report Date	October 2016
Delivery End Date	December 2016
Final evaluation and Project closure	January 2017

### Appendices and supporting papers:

Appendix 1: Specification

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<sup>5</sup> The protected characteristics and groups are: age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation and marriage/ civil partnership status.

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

**Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

**Part 1 Deferral:****Is the publication of Part 1 of this approval to be deferred? YES**

If YES, for what reason:

This Director Decision includes the overall project budget for appointing consultants to prepare the London Industrial Land Demand study. It is important that this information is not made public until after the consultants are appointed and a price and scope for works have been agreed and contracts exchanged. If a total project budget is made public in advance of this it could lead to consultants providing inflated prices to complete works. This information should not be made public until after the consultants have been appointed.

Until what date: 31 August 2016

**Part 2 Confidentiality:** Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

**Is there a part 2 form – NO**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to confirm the following (✓)

**Drafting officer:**

Gerard Burgess has drafted this report in accordance with GLA procedures and confirms that:

✓

**Assistant Director/Head of Service:**

Stewart Murray has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

**Financial and Legal advice:**

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

*M. D. Belle*

Date

*1.7.16*

## Appendix 1: Specification

### Summary of Study and Objectives

The Greater London Authority (GLA, the client) would like to commission a suitably qualified consultant team to undertake the London Industrial Land Demand Study.

The study will:

- analyse the short, medium and long term demand and supply dynamics for industrial land and related uses in different parts of London and explore relationships with the wider south east
- review the existing London Plan and Supplementary Planning Guidance benchmarks of industrial land retention/release to other uses and roll these forward to 2016-2041 on a consistent, pan London demand/supply basis
- undertake a series of scenarios relative to the baseline benchmarks to explore the potential for further release of industrial land in London and associated impacts.

The study will be framed within the wider policy context of the London Plan and the Government's National Planning Policy Framework. The work will inform a full review of the London Plan; preparation of Local Plans/Opportunity Area Planning Frameworks and support co-ordination of industrial land supply with the wider south east.

## 1. Background and Policy Context

- 1.1 The importance of informing the preparation of development plans with robust assessments of the existing and future demand of land available for economic development is set out in the Government's National Planning Policy Framework (NPPF)<sup>6</sup> and associated practice guidance<sup>7</sup>.
- 1.2 The current London Plan<sup>8</sup> and associated Supplementary Planning Guidance (SPG)<sup>9</sup> underscore the need to ensure a sufficient stock of land and premises to meet future demand for different types of industrial and related uses (such as logistics/ distribution, waste management, utilities and land for transport functions) in different parts of London, including for good quality and affordable business space.
- 1.3 London Plan Policies 2.17 and 4.4 set out a plan-led and evidence based approach to promoting and managing industrial capacity through three types of location:
  - *Strategic Industrial Locations (SILs)* – London's main reservoir of industrial capacity which is subject to periodic review to reconcile demand and supply.
  - *Locally Significant Industrial Sites (LSIS)* - protection of which needs to be reviewed regularly and justified in assessments of supply and demand for industrial land and identified in Local Plans; and
  - *Other smaller industrial sites* that in some circumstances can better meet the London Plan's objectives in new uses, but in others will have a continuing local and strategic role for industry.
- 1.4 The London Plan supports a plan, monitor and manage approach to the release of surplus industrial land so that it can contribute to strategic and local planning objectives and especially those to provide more housing. Alterations to the London Plan in 2015 introduced greater priority for the

<sup>6</sup> Department for Communities and Local Government. National Planning Policy Framework. CLG, 2012, paragraph 161

<sup>7</sup> Department for Communities and Local Government. NPPG. CLG, 2014. ID:2a

<sup>8</sup> Mayor of London. The London Plan. The Spatial Development Strategy for Greater London consolidated with alterations since 2011, GLA, 2016

<sup>9</sup> Mayor of London. Land for Industry and Transport Supplementary Planning Guidance. GLA, 2012

release of surplus industrial land close to public transport nodes and town centres to enable higher density redevelopment, especially for housing.

1.5 There is increasing appreciation that in London's high value land market, 'industrial' land effectively represents 'affordable' business capacity for a wide range of relatively low value added activities, many of which are thought to be essential to the functioning of higher order and/or residential uses. This capacity is only protected as such through operation of the planning system. This project will assess the different aspects of demand for industrial land in London taking into account the recent *Industrial Land Supply study* published by the GLA in March 2016<sup>10</sup>. This demand study will inform what may be a radical review of established policy and implementation. This in turn could have implications for other policy areas eg housing and perhaps the future form of London.

1.6 The London Industrial Land Demand study contains two interrelated parts:

**Part A: Industrial land demand analysis** – This part will analyse the short, medium and long term demand and supply dynamics for industrial land and related uses in different parts of London and explore relationships with the wider south east.

**Part B: Potential demand/supply scenarios and associated industrial land release benchmarks** – This part of the study will review the existing London Plan and Supplementary Planning Guidance benchmarks of industrial land release to other uses and roll these forward to 2016-2041 on a consistent, pan London demand/supply basis and consider whether strategic designations should apply to a greater range of scales of industrial sites. It will undertake a series of scenarios relative to the baseline benchmarks to explore the potential for further release of industrial land in London and associated impacts.

1.7 The outputs of the study will inform: (a) a full review of the London Plan and its associated Land for Industry and Transport Supplementary Planning Guidance (SPG) – in conjunction with the associated *Industrial Land Supply study*; (b) preparation of Local Plans; (c) work on Opportunity Area Planning Frameworks/Area Action Plans and (d) co-ordination with the wider south east of England. The study will also support the work of the GLA and TfL in addressing its growth and regeneration agenda, and strategies related to economic development and transport.

## 2. Project Requirements

### Part A: Industrial land and floorspace demand

**Task A1:** Analyse the short, medium and long term demand and supply dynamics for industrial land and related uses in different parts of London<sup>11</sup> and relationships with the wider south east including logistics, waste and recycling, utilities, transport functions, renewable energy generation and wholesale markets (for definitions see paragraph 3.1 below).

**Task A2:** Draw upon the GLA *Industrial Land Supply study* as the supply side input to the project and update where appropriate using data (supplied by the GLA) from the London Development Database, the London Waste Map<sup>12</sup> and current/emerging Opportunity Area Planning Frameworks.

**Task A3:** Assess and quantify the land demands (in hectares) for industrial and related uses over the period 2016–2041 on a consistent, pan London basis in the light of GLA Economics latest employment projections

<sup>10</sup> AECOM in association with Cushman & Wakefields, WeMadeThat and Maddison Graphics: London Industrial Land Supply and Economy Study 2015. GLA, March 2016.

<sup>11</sup> Including the industrial property market areas (as defined in the *Industrial Land Supply study*), sub-regions, inner/outer London and boroughs.

<sup>12</sup> <https://maps.london.gov.uk/webmaps/waste/>

(to be supplied by the GLA); other non-employment related demands for industrial land such as for logistics, waste and recycling, repair and servicing, maintenance, construction, utilities, land for transport functions, renewable energy generation and wholesale markets; and the scope for the management of industrial land vacancy rates. The consultant should consider the most appropriate methodologies and correlations for forecasting future land requirements (eg employment, GVA, population, trends in floorspace change, vacancy rates etc). The consultant should also consider emerging (sub) sectors and trends over the period to 2041 such as the proliferation of small specialist food and drink production/ distribution, as well as bespoke or short run making, manufacturing, and prototyping, and their links to London's creative, scientific and digital sectors.

**Task A4:** Assess in broad terms the requirement for floorspace in industrial and related uses over the period 2016-2041 in different parts of London having regard to the mix of unit sizes, format of development and occupational needs (of different businesses).

**Task A5:** Building on Tasks A3 and A4, and the LLDC's Employment Space Study<sup>13</sup>, assess and quantify land demand (in hectares) and floorspace requirements for (a) industrial uses that are not suited to vertical stacking or mixing with residential ie typically Use Class B2, larger scale B8 and some waste, utilities and land for transport uses (b) industrial uses that could be physically intensified, for example by vertical stacking in multi-storey units or below ground (c) industrial uses that could be viable and co-located with residential or retail/wholesale without any bad neighbour impacts (either directly on the site, or to the wider industrial area) – ie. Planning Use Classes B1b, B1c, hybrid B1a-c and small scale distribution B8 (where this can be accommodated in design and functional terms and results in viable mixed-use development). Analyse the above by fine grained SIC.

**Task A6:** Assess strategic land demands and property requirements for emerging growth sectors that occupy industrial land such as (a) consolidation centres, (b) non-store internet based retail sales (drawing on a parallel GLA research study on retail floorspace need), and (c) land/premises for small and medium sized enterprises. This task should also consider the extent to which firms (some of which may not necessarily be entirely 'industrial' in nature) find industrial land provides suitable and/or relatively affordable workspace including small specialist food and drink production/distribution, creative, cultural, digital and scientific industries and bespoke or short run making, manufacturing, and prototyping referred to above. This task should draw on evidence of comparative office/industrial rents inside and outside designated industrial areas.

**Task A7:** Assess and broadly quantify (in hectares) the potential for some demand for industrial land in different parts of London to be accommodated in related property market areas in the wider south east having regard to sectoral requirements and flexibility<sup>14</sup>, stock availability, vacancy, rents in industrial property markets inside and outside London and GLA engagement with wider south east planning authorities.

**Task A8:** In light of the above analysis provide advice on strategic and local capacity within London needed to service the London economy, population and other service/ functional requirements, including servicing the CAZ and northern Isle of Dogs, rest of inner London, outer London and in emerging growth areas including the Opportunity Areas. This task should take into account the need for consolidation centres to facilitate the relocations of certain logistics functions outside of London and investigate what employment sectors (typically found on industrial/employment land; especially SIL) need to be located near Central London, those that need to be located within London generally, and those which are more footloose and which could potentially move out of London.

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<sup>13</sup> LLDC Employment Space Study, Aecom, We Made That, Nov 2015 (to be made available to appointed consultants)

<sup>14</sup> See *Industrial Land Supply* study section 6.5 and work by GLA Economics which looks at firms migrating out of London on a sector basis: <https://www.london.gov.uk/business-and-economy-publications/changing-spatial-nature-business-and-employment-london>.



## **Part B: Demand/supply scenarios and associated industrial land retention/release benchmarks**

**Task B1:** Review the current London Plan and Land for Industry and Transport Supplementary Planning Guidance (SPG) indicators and benchmarks of industrial land release to other uses and roll these forward to 2016-2041 on a consistent, pan London demand/supply basis. This task will:

Provide a 'baseline' demand/supply reconciliation, taking into account the demand side analysis in Part A, and the supply side inputs (including vacant land and planned / pipeline release) from the London Industrial Land Supply study, updated as appropriate in Task A2.

Produce output (quantified benchmarks for industrial land release in hectares) at London, sub-regional, industrial property market, outer/inner London and borough level based upon the above analysis. This will provide a baseline for scenario testing in Task B2.

Provide advice on borough level groupings (see para 3.19) for transfer of industrial land to other uses informed by quantified industrial land release guidelines for all boroughs.

**Task B2:** Undertake a series of spatial scenarios relative to the baseline scenario which explore the potential for further release of industrial land in London. These scenarios could include, for example:

- Continuation of current trends in industrial land release and substitution/ relocation of capacity from inner London to outer London, and from London to the inner south east and beyond
- Accelerated release over and above current trends in industrial land release considering the scope for further intensification, co-location/mixed use and greater substitution/relocation of industrial capacity from London to the inner south east and beyond
- Consideration of optimal locations for industrial and logistics functions within and outside London including potential urban consolidation centres and distribution hubs
- Consideration of the range of scales of industrial sites (from large SILs to small undesignated sites), and the range of unit sizes and floorspace, and how this might correspond with demand.

These scenarios should also produce quantified benchmarks for industrial land retention/release (in hectares) at London, sub-regional, industrial property market, outer/inner London and borough level and borough level groupings for transfer of industrial land to other uses. Consideration should be given as to whether the benchmarks should make reference to the relative scale of individual industrial sites. The above spatial scenarios analysis should also include sensitivity testing of key demand/supply variables. This task should also take into consideration emerging work on Opportunity Area Planning Frameworks, planned transport improvements (such as Crossrail 2) and work on Growth Corridors within and outside London.

**Task B3:** Assess the potential impacts of the above scenarios building upon the analysis in the London Industrial Land Supply and Economy Study. This could include:

- Impacts on London's economic function including contribution to London GVA, contribution to London's exports
- Impacts on business-to-business supply chains/logistics and customer deliveries
- Impacts on supply/availability and rents
- Impacts on high value activities, including those associated with the Central Activities Zone and the northern Isle of Dogs
- Impacts to particular activities that could be considered a "need" within 'core industrial uses' for example car servicing garages or inner/outer London logistics consolidation centres
- Impact on labour markets, skills and employment

- Impacts on sustainability including vehicle miles, air quality, congestion, energy and management of waste. This task should take into account parallel research being led by TfL which is investigating the transport implications of re-locating and consolidating industry in London away from areas of good public transport.
- Impact on operation of current and potential future public transport network (notably loss of land for transport functions such as bus garages).

### 3. Project Considerations

**3.1 Definitions of Industrial Land:** ‘Industrial land’ should be taken to include industrial and warehousing/distribution activities classified in the use classes B1c, B2 and B8, and should also take account of other land uses, including sui generis, which are of an industrial nature. Industrial related uses such as logistics, waste management, recycling, utilities and land for transport functions should be taken into account. For consistency with the 2015 baseline the following broad categories of industrial land should be included as a minimum requirement:

Industrial Land Use Categories:

No.	Category	Sub-category
1	Industry	(a) Light industry (b) General industry
2	Storage and warehousing	(a) Warehouses (b) Self-storage (c) Open storage
3	Waste management, re-use and recycling	
4	Utilities	
5	Land for transport functions	(a) Land for rail (including intermodal facilities, and depots for rail, DLR, tram and tube) (b) Land for buses (including bus garages) (c) Airport related land and freight (d) Docks
6	Wholesale markets	
7	Other industrial	
8	Land with vacant building(s) with reasonable prospect of re-use	
9	Vacant industrial land	(a) Vacant cleared sites (b) Vacant sites with derelict buildings

**3.2 Employment Projections and Employment Densities:** GLA Economics latest<sup>15</sup> employment projections will provide a key input for this study. GLA Economics employment sector projections are on the basis of broad brush SICs. These must be refined, using or developing on the finer grained categorisation used in previous pan-London industrial land supply/demand studies to take account of demand generated by the spectrum of activities occupying industrial land. However, consultants are asked to consider using the employment projections as a proxy for industrial land demand only for those industrial sub-sectors/SICs for which land demand is closely correlated to employment. It is anticipated that these may comprise the light and general industrial sub-sectors/SICs. Proposals should set out the methodologies for mapping fine grained SICs to use classes and property types and the conversion of employment to floorspace (via

<sup>15</sup> Anticipated for publication in June/July 2016

employment density) and floorspace to site areas (via plot ratios). Consideration should also be given to the potential for intensification over time (see paragraph 3.13 below). For those industrial related activities for which demand may not be closely correlated with employment, for example logistics/ warehousing, storage, waste management, repair and servicing, maintenance, construction, wholesale markets, utilities, and transport sub sectors as sources of demand for industrial land, consultants are expected to consider other methods and sources of data for estimating land demands for these sub-sectors (see below).

**3.3 Logistics/warehousing/storage:** Previous industrial land demand assessments in London have found that there is a poor correlation between warehousing employment and warehousing floorspace. Consultants for this study are asked to consider and justify an appropriate methodology in projecting warehousing land demand. Account should also be taken of industrial property markets for warehousing and logistics, the potential for consolidation centres, distribution hubs, break-bulk centres, wharf capacity<sup>16</sup> and demand for freight associated with London's network of rivers and canals, airport related logistics and strategic intermodal freight interchanges (including their land-take impacts), and the scope for substitution of capacity to locations outside of London (see paragraph 3.10). Consideration should also be given to other forms of consolidation and distribution such as micro-distribution hubs and pick up/drop off facilities.

**3.4 Waste management and recycling:** The current London Plan seeks to manage as much of London's waste within its boundaries as practicable, and sets out projected waste arisings in London and borough level apportionments to 2036. The GLA Waste Team is updating these projections and the successful consultant will be provided with these as soon as they become available. Consultants should note the methodologies adopted in previous pan-London industrial demand assessments and the Land for Industry and Transport SPG and will work closely with the GLA to refine this for application in this study.

**3.5 Wholesale markets, utilities and transport:** This study will also need to take into account other potential demands for industrial land such as wholesale markets; demand for utilities including energy transmission and distribution (electricity, gas); water supply and wastewater treatment infrastructure; and demands for some transport functions which may take place on industrial land, including for instance inter-modal freight facilities, bus depots and garages. Details of land for transport and rail freight developments will be supplied by TfL.

**3.6 New emerging sectors:** The study will also look ahead to consider the likely potential for new emerging sectors to occupy industrial land (compared to non-industrial land) and how this demand might be quantified taking into account the rents such activities are likely to be able to pay. Examples may include the green and creative industries, renewable energy generation, cleantech/low carbon industries, digital communications infrastructure, film, media and sound recording, data centres, innovation, life sciences, research and development and changes to the "services for the service sector". The study should also consider demands for new niche manufacturing/maker spaces, customised/bespoke short-run production, and prototyping – eg furniture makers, fashion, artisan bakeries, micro-breweries and artistic production. Some of these activities may already be captured in the analysis of the sectors in paragraph 3.2 above. Consultants will be invited to consider the extent to which this is the case and to advise on how new emerging sectors might be accounted for in the analysis of future industrial land and floorspace demand.

**3.7 Non-industrial businesses occupying industrial land:** The *London Industrial Land Supply and Economy Study* estimated that around a half of employment in designated industrial areas is associated with non-industrial activities. Evidence from work on Park Royal and the Old Kent Road indicate that 44% and 40% respectively of businesses within Strategic Industrial Locations are engaged in non-industrial activities. This highlights that the functional role of industrial land extends beyond traditional industrial type uses and provides relatively affordable business space for SMEs. Consultants should investigate whether these activities need to take place on industrial land or whether the land is being used because it offers a cheaper

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<sup>16</sup> The GLA is in the process of updating the long term trade forecasts for river-borne freight on London's waterways, together with associated wharf capacity requirements and distribution. Major construction and infrastructure projects such as the Thames Tideway Tunnel will generate additional demand for wharf capacity and river-borne freight.

alternative to office space. Drawing on evidence, the study should factor in and distinguish land demand from this source.

**3.8 Forecasting future land requirements:** When considering future land demand requirements account should be taken of market intelligence and market signals including levels and changes in rents; differentials between land values in different uses (see *Industrial Land Supply Study*); recent data on take-up of sites and the location/land requirements of particular industrial and related activities.

**3.9 Industrial Property Markets:** Alongside the above quantitative analysis of industrial land demands, the successful consultant will also be expected to undertake an analysis of industrial property markets and the more qualitative factors which influence them. This will include analysis of various indicators including (but not exclusively) trends in development rates, take-up, rents and land values across key market area geographies such as the Thames Gateway, Lea Valley, Park Royal/A40 corridor, Heathrow/M4 corridor, Wandle Valley and around edge of the Central Activities Zone. Some of this work, for example on rents and land values, can be drawn from the recent *Industrial Land Supply and Economy Study*. The analysis will also consider market variations across different sizes of land and property, for small and medium sized enterprises, as well as larger-scale activities. For logistics, the analysis will consider general warehousing as well as space requiring more specialist property requirements such as medium and large scale distribution centres. Account should also be taken of committed or planned transport enhancements which are likely to have a particular impact on freight including rail freight interchanges, capacity and connectivity enhancements (for example improved river crossings – details will be supplied to the successful consultant by TfL). These assessments, along with inter-regional issues (see below) will be used alongside the quantitative analysis of industrial land demands and will inform the final outputs of the demand study including the distribution of the industrial land retention/release benchmarks across London.

**3.10 Inter-regional issues:** In addition to analysing industrial property markets in London, the study will also consider the functional and market interrelationships with the wider south east including the potential for location substitution of demand for industrial land in London (for traditional industrial activities and logistics) to locations outside the capital. For example the study will consider the extent to which logistics outside London is serving/could in the future be serving London, taking into account sustainability principles, the potential role for freight consolidation, break-bulk centres and strategic intermodal freight interchanges along with the need for just-in-time delivery systems. The consultant should also consider the price incentives that may exist for industry and warehousing to be located outside London and impacts on supply chain sustainability.

**3.11 Stock and trends.** Supply side data should be derived from the *Industrial Land Supply* study led by AECOM with its associated GIS mapping. Using a combination of field surveys and desk based research this study estimates London's total stock of land in industrial and related uses to be c.7,000 hectares in 2015. Estimates are provided at borough level and disaggregated across industrial sub-sectors including estimated levels of vacant industrial land (see paragraph 3.12 below) along with trends from 2001-2006-2010-2015. The study also provides a disaggregation of industrial land within SIL, LSIS and in non-designated industrial sites. For the specific purposes of this project, the data will be made available to the successful consultant in the form of Excel spreadsheets and GIS mapping.

**3.12 Vacant land and premises.** Management of vacancy rates for industrial land and premises are key components in the quantitative analysis. Current estimates of vacancy can be drawn from the *Industrial Land Supply* study. The consultant will be asked to review assumptions made in the Land for Industry SPG for frictional vacancy for land and for premises and show how these affect the benchmarks for industrial land release/retention.

**3.13 Intensification.** Consideration should be given to the scope for intensification of industrial uses taking into account the varied land use requirements of the industrial sub-sectors; the potential to make more efficient use of land having regard to local character; opportunities to vertically stack industrial uses;

and the potential for some activities to be co-located with residential development – see Task A5). Drawing upon evidence over the last decade the study will assess whether industrial plot ratios and employment densities are changing over time and whether this has any implications for accommodating increased/changing demand and/or releasing surplus land.

**3.14 Sustainability objectives and servicing the Central Activities Zone.** The London Plan recognises the importance of inner London industrial sites providing capacity to provide sustainable distribution services for the Central Activities Zone and the northern Isle of Dogs. Evidence from the supply side study indicates that release of industrial land in central and inner London has been well in excess of the current benchmarks. This may result in goods and services being delivered from warehousing sites further away from the central area, putting further pressure on the congested road network and potentially also the environment in terms of higher emissions. Consultants should review trends in industrial and warehousing floorspace in inner and outer London and take into account these sustainability objectives as well as the potential costs/benefits associated with different scenarios for industrial land release (see Task B2 and B3).

**3.15 Relationship with the Strategic Housing Land Availability Assessment.** The NPPF and NPPG indicate that where possible, any reviews of land available for economic development should be undertaken at the same time as, or combined with, strategic housing land availability assessments. Consultants should therefore have regard to concurrent work on the London Strategic Housing Land Availability Assessment.

**3.16 Industrial land release proposals/aspirations.** The strategic supply side study includes a schedule of industrial land release proposals in planning permissions not yet implemented and potential further release of land indicated in Opportunity Area Planning Frameworks (current and emerging), Housing Zones and Local Plans or associated with major potential and proposed transport schemes. This analysis will be made available to the successful consultant and will be a factor to be taken into consideration in the study. Consultants may also wish to draw upon their knowledge of Local Employment Land Reviews to supplement this work.

**3.17 Future trends:** The review should not only consider the availability but the quality of facilities and their suitability for a range of uses noting that some industrial units will have only a limited range of future applications without investment from the occupier. The impact of technological advances should also be considered, for example the effect of digital technology, telematics, last mile delivery, efficient vehicle and supply chain technology upon distance from end consumers (e.g. shops, businesses and private individuals) and improvements to warehouse/storage technology making better use of space and enabling taller buildings with greater storage capacity and the spatial land demand implications of the growth in e-commerce, click-and-collect e-tailing.

**3.18 Geography:** Quantified outputs will be provided on the basis of the sub-regions, Outer/Inner/CAZ structure as set out in the current London Plan, and at borough level. The analysis of industrial property markets will focus on key market area geographies such as the Thames Gateway, Lea Valley, Park Royal/A40 corridor, Heathrow/M4 corridor, Wandle Valley and the Central Service Circle around edge of the Central Activities Zone (see the supply study for proxy definitions), and their market and functional interrelationships with the wider south east and beyond.

**3.19 Refinements to the borough level groupings:** The London Plan and the Land for Industry and Transport SPG illustrate borough level groupings for the transfer of industrial capacity for other uses. These groupings reflect the sub-regional balance between industrial land demand and supply suggested by market experience as well as broader economic indicators. This study will update the borough level groupings taking into account a range of factors (set out below). Consultants will need to consider whether these indicators require updating or refining for the purposes of this study.

- Overall stock of industrial land relative to the wider property market area
- Current levels of vacancy, both land and buildings

- Current industrial rental values/land values
- Proportion of both built-on and vacant industrial sites within SILs
- Demand for warehousing land
- Demand for general industrial premises
- Apportionment of waste facilities
- Other demands on industrial land, such as transport functions, wholesale markets, renewable energy generation and new emerging industries
- Industrial land demand projections in relation to the market area
- Short-term and long-term phasing of the industrial land release benchmarks.

The categorisations in the London Plan and the Land for Industry and Transport SPG will be tested in the light of the results of the study and guidance provided on their refinement. This should be done primarily on the basis of consistent pan London data including quantitative output (% and absolutes) at borough level, with refinements to the guidance informed by the property market assessments and evidence in local industrial demand studies where these are available. The study will include a brief commentary on the findings for each borough.

## 4. Project Outputs

- 4.1 **An interim presentation** to the project steering group of the draft findings (Parts A and B)
- 4.2 **A final report** that includes the final results of the study fulfilling the requirements of this specification (Parts A and B) including an Executive Summary and all tabulated outputs and report maps.
- 4.3 **An electronic database** of all tables in the report. This can be in the form of Excel spreadsheet(s).
- 4.4 **Presentations** at two seminars (including one with borough planning officers).