

London: A New Business Geography

Contents

- 1.0 Victorian grandeur
- 2.0 Something happened
- 3.0 London: 21st century world city
- 4.0 The shifting sands of business
- 5.0 A new business geography
 - 5.1 Outer London
 - 5.2 Central London, 1985-2010
 - 5.3 Central London, post-2010
- 6.0 Conclusions



London: A New Business Geography

1.0 Victorian grandeur

London has evolved over many centuries not only through countless, barely perceptible changes adding up a generalised picture of change; but also through relatively brief pulses of profound change. One such pulse occurred towards the end of the nineteenth century.

The scale of growth in London during the later decades of nineteenth century London was vast: a city being remade at the heart of a vast and productive Empire: “*the public spaces, the railway termini, the hotels, the great docks, the new thoroughfares, the rebuilt markets, all were the visible expression of a city of unrivalled strength and immensity*”.¹ Nearly half of the world’s shipping was controlled from London; it had become “*the centre of international finance and the engine of Imperial power; it teemed with life and expectancy*”.² The City had become “*the progenitor of commerce, and the vehicle of credit, throughout the world; the City maintained England, just as the riches of the Empire rejuvenated the City*”.³

By 1875, Britain was supplying not only between one-third and one-half of the world’s trade in manufactures, but also the facilities that made possible most of the rest of trade and investment.”⁴ The London Stock Exchange was the centre of the world’s capital market, and City banks advanced large sums of short-term credit to importers and exporters and arranged the finance of long-term investments overseas. By 1890, some 30% of the capital stock of American railways, and an even larger percentage of the Argentine and Indian railways, were held in Britain.

The public transport infrastructure that struggles to cope with London’s daily tidal wave of commuters today is constrained by this heritage of unplanned Victorian expansion. There was no strategic plan and virtually no public planning: the development of London was entirely the result of private capital and private enterprise, mostly in an *ad hoc* manner, but with some local “planning” by landed estates.

London’s first directly elected government, the London County Council, was not to appear until 1889. Even then, although the Council presided over the whole urban area, except for the City of London, it lacked the strategic powers to have any great impact on the *laissez faire* development of the city. It had no strategic planning powers; it had no social welfare responsibilities, and its housing responsibilities were limited to slum clearance.⁵

In the absence of any formal planning framework, the powerful forces of international trade were, in the latter part of the nineteenth century, driving the physical growth of the city. London responded to the growing volume of trade in products and commodities with increasingly complex trading arrangements and it began to provide a sophisticated infrastructure for trade. This was the advent of the office economy, including financial, insurance, accountancy, legal and other professional services.⁶

Professional, clerical and administrative activities expanded rapidly in the City to support the growing diversity of markets and trades in manufactures and services. Nationally, in 1841, there were fewer than 50,000 clerical workers in England and Wales (this



London: A New Business Geography

figure refers to commercial clerks only and excludes clerks working in industrial establishments). By 1871, this number had risen to over 90,000; and by the turn of the century to over 360,000. The remarkable increase was coincident with the introduction of office automation in the form of typewriters, telegraphy and telephony.

The structure and distribution of office activity in central London today is largely the result of the city's expansion and evolving role during this period.

The period of change in the later nineteenth century exemplifies the many pulses of expansion and intensification that have characterised the growth of London over several millennia. Periods of economic, social or political change brought with them the need to reshape the physical fabric of the city and often very intense periods of urban change occurred. In this sense, it would be wrong to perceive the overall pattern of London's expansion as a gradual, creeping process, spreading imperceptibly outwards like a tree adding its distinctive rings over successive seasons. Rather, the process of change is characterised by relatively brief, intense phases of reshaping.

In the context of this historical perspective, the period between the mid-1980s and early-2000s might be viewed as the latest pulse of London's evolution.

2.0 Something happened

In the mid-1980s London was, in many respects, a successful city. It was a major centre of finance and insurance and an economic powerhouse; its political influence across the globe reflected its imperial past, and its cultural heritage attracted great numbers of visitors. London was already a World City.⁷ Arguably it was the first, having wrapped its political, cultural and commercial tentacles around the globe in the latter part of the nineteenth century. It grew throughout the twentieth century, pulsing with the economic cycle, but forever broadening and deepening its international relationships.



However, mid-1980s London was a very different place to the city we know today.

The City of London was a much smaller, more insular place. Its most exciting building was the newly-completed Nat West Tower, and the skyline was dominated by the 1970s rent slabs along London Wall. It was a world of fixed commissions, of jobbers and brokers, and of "Bank Walks". Bowler hats remained in vogue, and there were very few shops or hotels. The 1984 *City of London Draft Local Plan* designated much of the City a Conservation Area.

In the West End, today's prestigious shopping areas of Bond Street, Knightsbridge and Oxford Street were all successful, but around them the picture was rather different. Midtown was a ghost town; much of the South Bank was badly neglected (remember "cardboard city"?), and Victoria was populated by mandarins and the petro-chem industry.

Outside of the central area, the effects of 1970s economic decline were obvious. In the east, London's docks were closed, having succumbed to the technology of containerisation; and

London: A New Business Geography

large parts of Outer London had taken a most severe economic battering. London's population had been in decline for 30 years, mirrored by a fall in the number of jobs. Not only had London shared in the wider collapse of manufacturing, but the government had been actively encouraging companies to *leave* London.

In the mid-1980s, the fax machine and golf ball typewriter were leading edge technologies. Personal computers were not widely available, and we were yet to experience the internet, email, mobile phones, social media, and digital media technology. The time pre-dated Canary Wharf, the Channel Tunnel, the Jubilee Line, the M25 and Terminal Five; and Big Bang was a cosmological theory, not a seminal economic event. London cuisine was, at best, mediocre; and coffee culture was a quaint French custom.

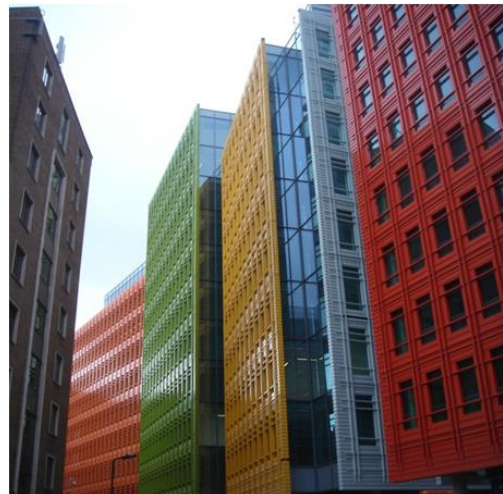
Then, something happened. Over the following three decades, London was transformed, and its business geography reshaped.

3.0 London: 21st century world city

Today, London sits at the epicentre of world finance and business services, acting as a magnet for capital and talented people from around the world.

Two of the most comprehensive indices measuring the comparative performance of cities around the world illustrate London's global position.

International management consultant AT Kearney prepares a Global Cities Index⁸ that ranks 65 cities according to 25 measures across "*five dimensions of globalisation*", namely: Business Activity, Human Capital, Information Exchange, Cultural Experience and Political Engagement. The 2010 Index ranks London overall second, behind New York. On the Cultural Experience dimension, the report reiterates Samuel Johnson's famous "*If a man is tired of London, he is tired of life*" comment and then states that "*London leaves other cities in the dust on the cultural experience dimension ...*"



Research group Zyen produces a Global Financial Centres Index, based on 96 factors, grouped into "*five key areas of competitiveness*", namely: People, Business Environment, Market Access, Infrastructure and General Competitiveness. In 2009 it argued that London and New York "*remain the only truly global financial centres*". The report alluded to one of London's enduring qualities in referring to "*a genuine flight to safety*".⁹ The 2013 edition ranks London first overall, together with top place in all five areas of competitiveness.¹⁰

London hosts the largest money market in the world; its interbank market is the largest in the world, and its foreign exchange market is the largest in the world. Some of the detail behind these facts is illustrated in a recent report outlining London's performance in key financial and professional services sectors.¹¹

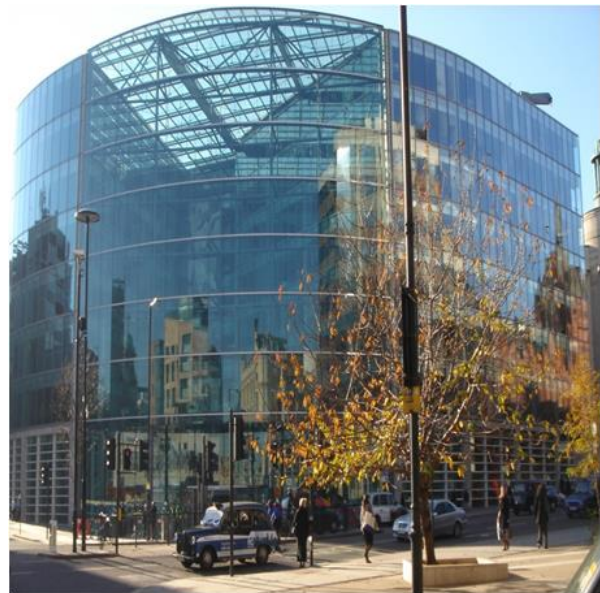
- **International banking** There were 251 branches and subsidiaries of foreign banks in the UK (mostly in the City) in March 2011, more than in any other country worldwide; and around half of European investment banking activity is conducted here.

London: A New Business Geography

- **Insurance** London is the world's largest international insurance market, with gross premium income of £41.7bn in 2011. It is also the main centre for world reinsurance, and the global leader in marine insurance with a 21% market share in 2011.
- **Hedge funds** Hedge funds in the UK manage around \$340bn at end-2011, the largest in Europe, accounting for over 85% of European-based hedge funds' assets.
- **Derivatives** London is the biggest market in the world for interest rate derivatives traded over the counter with 46% of global turnover in April 2010.
- **Securities markets** The London Stock Exchange is one of the leading centres for foreign-listed companies and for foreign equity trading. It is also one of the leading locations for raising capital with 10% of IPOs worldwide in 2011.
- **Maritime** London is the leading centre in the supply of professional and business services to the global maritime community. Shipbrokers in London account for 50% of the tanker and 30-40% of the dry bulk chartering business; and are involved in the sale and purchase of over half the world's new and second hand tonnage.

Many measures of London's global role focus on financial services, but London is much more than that. It is an economic agglomeration of enormous depth. Business services, creative and media services, life sciences, medicine and technology are all part of the city's extraordinarily rich tapestry of economic strengths.

To illustrate this point, London's contribution to global technology and creative industries is enormous. London boasts a global cluster of designers, advertisers, film production specialists, games programmers and animators, artists, musicians and writers. As a result, London's creative industry is the city's second largest sector, worth \$32bn annually, and generating 16% of the city's annual gross value added. Almost 400,000 people work in London's creative industries, of which 77,000 are directly employed in film, video and broadcasting.¹²



And of course London is much more than a place of commerce. Its cultural backdrop, including the entertainment industry, its heritage, and its open and cosmopolitan outlook make London an international magnet.

- The population has risen dramatically, by one million since 1990, and is forecast to grow by another two million over the next two decades, reaching ten million people.
- London is a hugely cosmopolitan city, home to over 200 nationalities, speaking over 300 languages.
- London boasts access to some of the best graduate talent in the world, with more top world ranking universities than any other city.
- The architecture is among the best in the world: since the mid-1980s the number of iconic buildings and structures has mushroomed.
- Foreign workers arrive in great numbers: 40% of the workforce was born overseas; and London now rates as France's sixth largest city.

London: A New Business Geography

- Theatre land continues to flourish: the West End took record box office sales in 2012 of almost £530m – a ninth consecutive year of growth.¹³
- Residential prices defy economic gravity, as overseas buyers snap up luxurious developments.

The success of London as a World City since the mid-1980s is tangible and, as we have seen, measurable. The past three decades have seen many changes, akin to the scale of change in the later nineteenth century. One of the more important changes has been the change to the physical structure of the city, expressed in a new business geography.

4.0 The shifting sands of business

London's business geography has been constantly evolving for hundreds of years. Taking office-based activity alone, the superficial constancy of the central business district in fact hides a rich, changing mosaic of business clusters that have been emerging, evolving and sometimes disappearing in response to broader economic change.

Of course, one of the most enduring clusters has been the City of London, but even this has comprised a number of concentrations of distinctive business activities, including banking, stock broking and jobbing, insurance, shipping, fur trades, publishing and commodities. Such clusters were often associated with the historic centres of markets such as the Bank of England; Lloyd's insurance market; the wharfs of the fur trade or the Commodity Exchange. To this day, the insurance sector remains tightly packed into the EC3 postal district in the south east corner of the City.

The City was also home to the advertising industry until it decamped to the West End. Figure 1 shows its shift from east to west. For example, highlighted in red, the number of agencies in W1 rose from 24 in 1918 to 151 in 1966; while those in EC4 fell markedly.

Figure 1 Distribution of advertising agencies, central London, 1918-1966

Post code	1918		1938		1951		1966	
	No	%	No	%	No	%	No	%
W1	24	6.7	48	10.1	97	40.9	151	38.0
SW1	11	2.8	40	8.4	38	8.1	30	7.6
WC1	33	9.2	63	13.2	47	14.6	54	13.6
WC2	110	30.8	153	32.1	83	19.2	71	17.9
EC1	15	4.2	17	3.6	10	3.8	14	3.5
EC2	30	8.4	29	6.1	18	4.1	15	3.8
EC3	20	5.6	11	2.3	6	0.5	2	0.5
EC4	110	30.8	111	23.0	67	15.7	58	14.6
SE1	4	1.1	5	1.0	3	0.5	2	0.5
Total	357	100.0	477	100.0	369	100.0	397	100.0

Source: Goddard¹⁴

Away from the City, there were many other sub-markets (Figure 2). In the West End, government-related activities grouped around Whitehall and Victoria, and the civil engineering practices clustered close by to facilitate lobbying when Acts of Parliament, for example, had to be passed before constructing canals and railways. Similarly, large oil companies were clustered in the Victoria area; while private banks and small headquarters were predominantly in Mayfair and St James's – handy for the 'gentlemen's clubs'.

London: A New Business Geography

Figure 2 Historic business clusters in central London

Area	Business cluster
Bethnal Green	Clothing
Clerkenwell	Jewellery
Fleet Street	Printing
Harley Street & Wimpole Street	Medicine
Inns of Court	Law
Mayfair	Private banks and property companies
North of Oxford Street	Clothing
Shoreditch	Furniture and printing
Victoria	Government, oil and engineering

Some of these clusters have are in decline, just as others are emerging. Cluster deaths often occur as the pressures on space and the progress of technology marginalise businesses, and as industries themselves undergo structural decline. One of the most dramatic phases of change in recent times was the mass exodus of the publishing industry from the street that was once synonymous with its name – Fleet Street. Another example is the furniture industry in Shoreditch that suffered the combined impact of a City creeping northwards and structural changes in its market.

One of the more interesting modern cluster originations occurred in the early-2000s. This was the emergence of the hedge fund cluster in the West End. Estimates suggest that between around 2000 and 2003 alone, some 250 hedge funds established offices in the neighbourhood.¹⁵ However, the most dramatic cluster formation in recent times has been the emergence of the technology-based cluster in east London, centred on Old Street roundabout.

A recent report from the Centre for London¹⁶ illustrated the sheer weight of tech company formation in east London. Their analysis distinguished the general area of Inner East London (Bishopsgate, Bunhill, Clerkenwell, Cripplegate, Haggerston, Hoxton, Portsoken, Spitalfields, St Peter's and Whitechapel) and the three "Core Wards" (Clerkenwell, Haggerston and Hoxton); plotting the growth in the number of companies between 1997 and 2010 (Figure 3).



As the table shows, the number of firms in the three sub-sectors more or less doubled over the period, from 1,591 to 3,289 in Inner East London, and from 826 to 1,599 in the Core Wards.

Clusters continue to emerge, and one of the more interesting potential clusters is on the Euston Road. Here, a world class cancer research facility is currently being built – the Francis Crick Institute. This could serve to reinforce the presence of University College

London: A New Business Geography

Hospital (with its associated research facilities) and the Wellcome Foundation on the opposite side of the road, helping to form the nucleus of a medical cluster.

Figure 3 Inner East London's digital economy firm count, 1997-2010

Year	Inner East London			Core wards		
	Digital Economy	ICT	Digital Content	Digital Economy	ICT	Digital Content
1997	1,591	348	1,243	826	126	700
1998	1,802	508	1,294	885	184	701
1999	1,980	674	1,306	960	220	740
2000	2,096	731	1,365	1,024	255	769
2001	2,203	790	1,413	1,067	275	792
2002	2,207	758	1,449	1,045	262	783
2003	2,600	698	1,902	1,164	262	902
2004	2,539	658	1,881	1,176	245	931
2005	2,499	597	1,902	1,148	230	918
2006	2,680	597	2,083	1,159	228	931
2007	2,786	572	2,214	1,196	223	973
2008	3,246	812	2,434	1,440	269	1,171
2009	3,288	688	2,600	1,611	291	1,320
2010	3,289	668	2,621	1,599	267	1,332

Source: Nathan et al¹⁷

London's business geography is in a constant state of flux; clusters of business activity have emerged, evolved and expired. Indeed this process has been a feature of the past three decades as London has morphed into its modern global role. However, one of the defining features of the past three decades and, it is suggested, a key enabler of the global role, has been the change that has occurred to London's building stock. There has been a profound change in the physical structure of the city which has had an equally profound impact on its business geography.

5.0 A new business geography

Until the mid-1980s, the geography of London's office economy was really quite simple. There was the City with its financial services focus and associated businesses. In the West End, there were corporate headquarters, media businesses, the property industry and professional services. In Victoria there was, largely, government. Midtown, as we know it today, was the heart of the legal profession, and little else. Outer London hosted many back offices of City firms. And that was it; all tightly defined. Since this time, London's business geography has changed dramatically.

5.1 Outer London

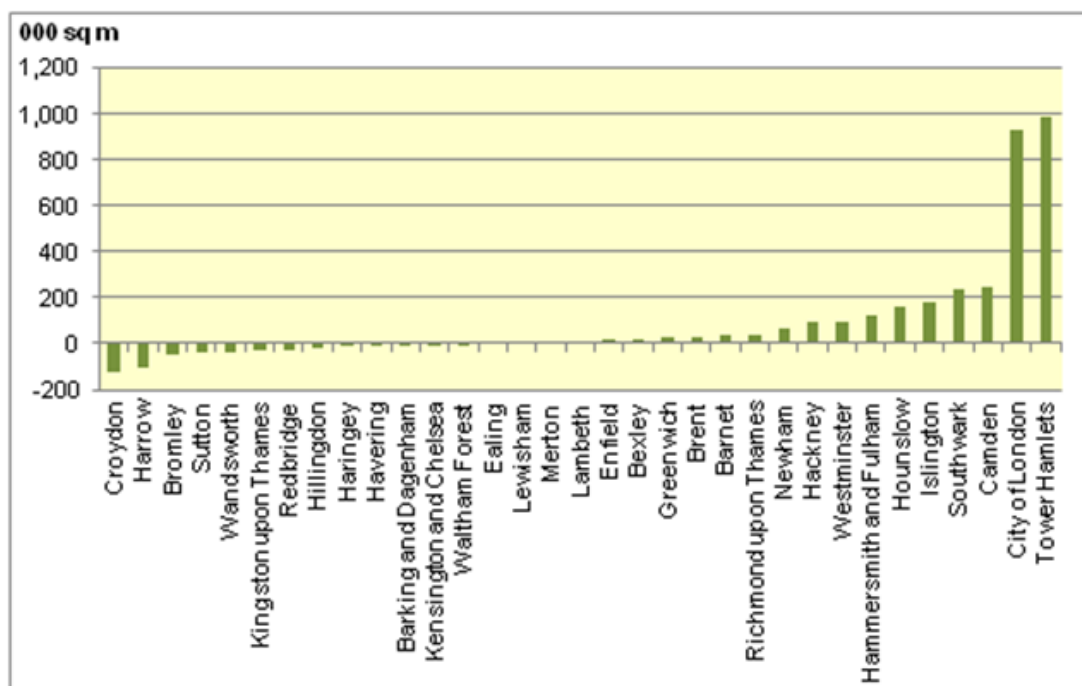
Much of the changing business geography of London is focused on Central London¹⁸, where the highest concentration of activity exists. However, before looking at this in more detail, it is instructive to look at what has happened in Outer London. Nearly two million people work in Outer London: this is 42% of the total London workforce, and more than are employed in the whole of Greater Manchester.

London: A New Business Geography

While it is difficult to pinpoint exactly when things started to change for Outer London, it is clear now that the region's role in the office economy has changed profoundly, and permanently.

Figure 4 shows the change in office stock across the 33 London boroughs, between 2000 and 2012. The concentration of growth in Tower Hamlets (Canary Wharf) and the City is clear, and of little surprise. The central area fringe boroughs of Camden, Southwark and Islington all increased stock by around 200,000 sq m; while Hammersmith & Fulham and Hounslow on the A4 Corridor also grew. Again there is little surprise here. Westminster, notably, saw relatively little growth.

Figure 4 Office stock in London boroughs, 2000-2012



Source: VOA¹⁹

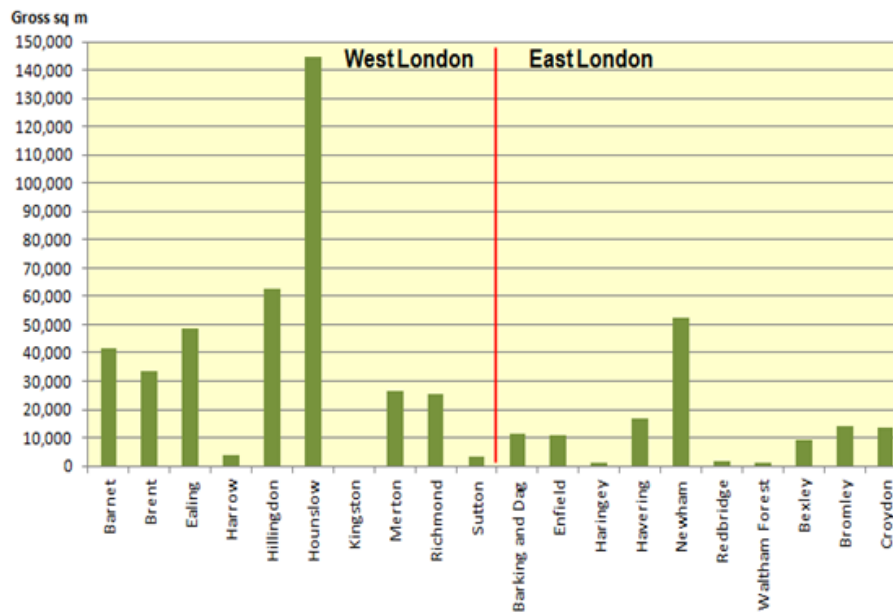
What is notable is the very low growth (and in some cases shrinkage), in many of the Outer London boroughs. With the exception of Hounslow (due to its position on the A4 Corridor), Outer London's demise in terms of office stock is clear. Croydon and Harrow each experienced a loss of over 100,000 sq m. Bromley, Sutton, Kingston, Redbridge, Hillingdon, Havering, Barking and Waltham Forest all experienced shrinkage.

To add a further level of detail, within the overall picture of decline for Outer London, there has also been a noticeable east-west imbalance. Figure 5 shows office *completions* (rather than total stock), just for Outer London, between 2000 and 2008. The contrast between east and west is stark.

With the exception of Newham (which has specific circumstances due to its proximity to Canary Wharf), growth in eastern Outer London noticeably lags the western Outer London.

London: A New Business Geography

Figure 5 Office floorspace completions in Outer London, 2000-2008



Source: Ramidus Consulting²⁰

Beyond the confines of the office economy, Outer London has suffered a wider economic malaise – certainly compared to the central area. Between 1989 and 2008, for example, total employment in Outer London grew at less than a quarter of the rate of other parts of London and the Greater South East, and much slower even than the rest of Great Britain (Figure 6). Within the office economy specifically, between 1989 and 2007, Central London office employment grew by 37%, while Outer London office jobs showed more sluggish growth of 25%.²¹

Figure 6 Total employment change, 1989-2008

Region	Employment change, 1989-2008	
	000s	%
Inner London	394	19.9
Outer London	62	4.1
Outer Metropolitan Area	449	20.3
Rest of Greater South East	561	20.7
Rest of Great Britain	1,897	13.7

Source: London School of Economics²²

It is clear that Outer London's role in the business geography of London as a whole has changed. With respect to the office economy, the reasons are multiple and complex; but it is possible to highlight a number of key factors.

- The Central London **salary weighting** has all but disappeared, negating one of Outer London's strategic advantages.

London: A New Business Geography

- **Off-shoring** has become commonplace, with back office functions now as likely to be located in Glasgow or Bangalore as Outer London.
- **Technology and changing business processes** have greatly reduced demand for a staple of the suburban office market: large, clerical, back office functions.
- The emergence of **campus-style schemes** around the periphery of Central London has provided a cost competitive, higher quality alternative.
- Central and local government have both been key occupiers of suburban offices, but **retrenchment** and rationalisation is releasing substantial tracts of office space.
- The quality of the **physical environment** in some locations is tired and poorly maintained, with much office accommodation obsolete for modern business needs.

Thames Valley office market Figure 5 above shows comparatively high levels of completions in Hillingdon and Hounslow. This reflects the position of these boroughs around Heathrow and within the Thames Valley office market, which stretches out to Reading and beyond. During the 1980s and 1990s, this region attracted large numbers of technology-based companies.

Within Outer London, and mainly clustered along the A4, new “B1” buildings and developments proliferated, attracting growing companies, often related to the rapidly expanding and changing computer industry. Stockley Park in Hillingdon is a 200,000 sq m business park. Begun in 1984, this park responded quickly to demand signals and came to symbolise the market in this area.

Today, however, vacancy rates in outer west London have risen and there are signals, though no real evidence yet, that changes within the TMT sector are leading to changing locational preferences. Companies that might previously have been expected to locate in the area are in fact opting instead for a Central London address (see “Moving to the centre” below). If the signals do in fact become a verifiable trend, then a key cluster in London’s business geography for the past three decades might begin to weaken.

We now turn to the changing business geography of the central area.



5.2 Central London, 1985-2010

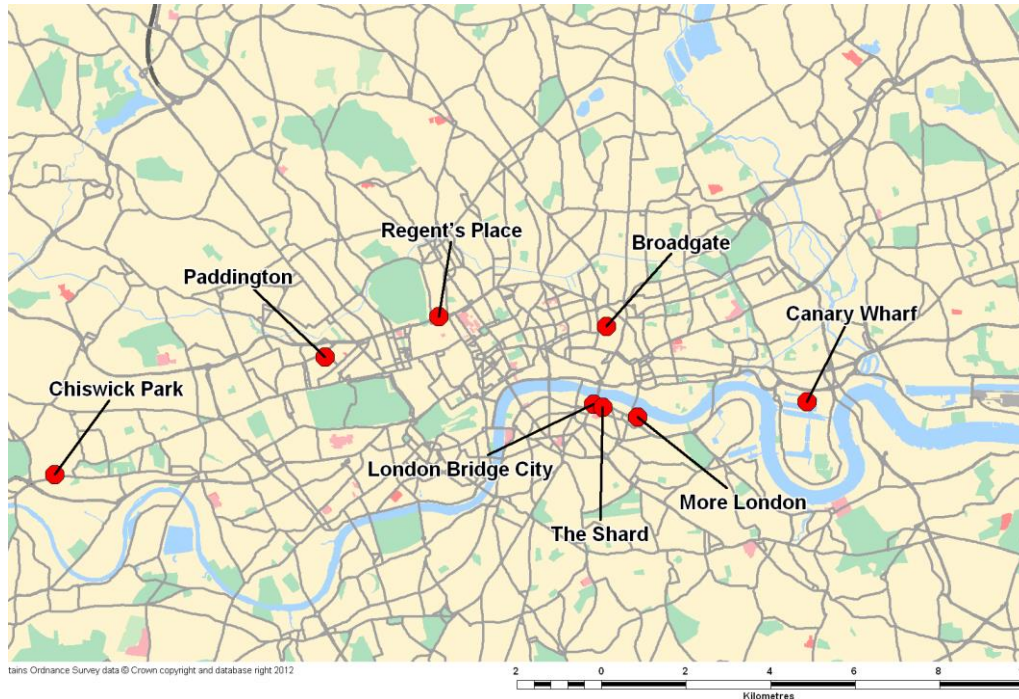
Starting during the latter part of the 1980s, and picking up pace thereafter, Central London’s economic geography began to change. The Square Mile spread north and east, exemplified by Broadgate around Liverpool Street Station. The South Bank began its remarkable revival with London Bridge City, which then led to More London in the 1990s and most recently and dramatically, to the Shard. Canary Wharf rose from the wreckage of London’s Docklands in the late-1980s; balanced in the west by Chiswick Park. The area around Paddington Station began to emerge as an office location, as did Regent’s Place on Euston Road.

Mega schemes These developments began to form a necklace of new business nodes around the edge of London’s central business district (Figure 7), focused primarily, but not

London: A New Business Geography

exclusively on major rail and underground hubs. They have been called mega schemes: large, consolidated ownership regeneration projects containing in excess of 100,000 sq m of commercial office space, and including a large element of public realm, and a high retail and leisure content.²³

Figure 7 Mega schemes delivered 1985-2010



Together the seven new central area nodes described above delivered around 2.5 million square metres of new office space, enough space to accommodate over 200,000 workers, at the rate of nearly 100,000 sq m per year. To put the nodes into a physical context, official data show that the stock of offices in Central London in 1985 amounted to around 12 million square metres.²⁴

But apart from adding greatly to the stock of London's office space, the mega schemes began to alter the distribution of business activity in London. Most notably, Canary Wharf attracted large swathes of the investment banking sector, including: Bank of America, Barclays, Citibank, CSFB, HSBC, JP Morgan and Morgan Stanley. Indeed, it was reported in 2012 that Canary Wharf had overtaken the City in terms of the number of people employed in banking. The *Financial Times* revealed that, following the imminent arrival of JP Morgan, Canary Wharf would house 44,500 bankers compared to the City's 43,300.²⁵

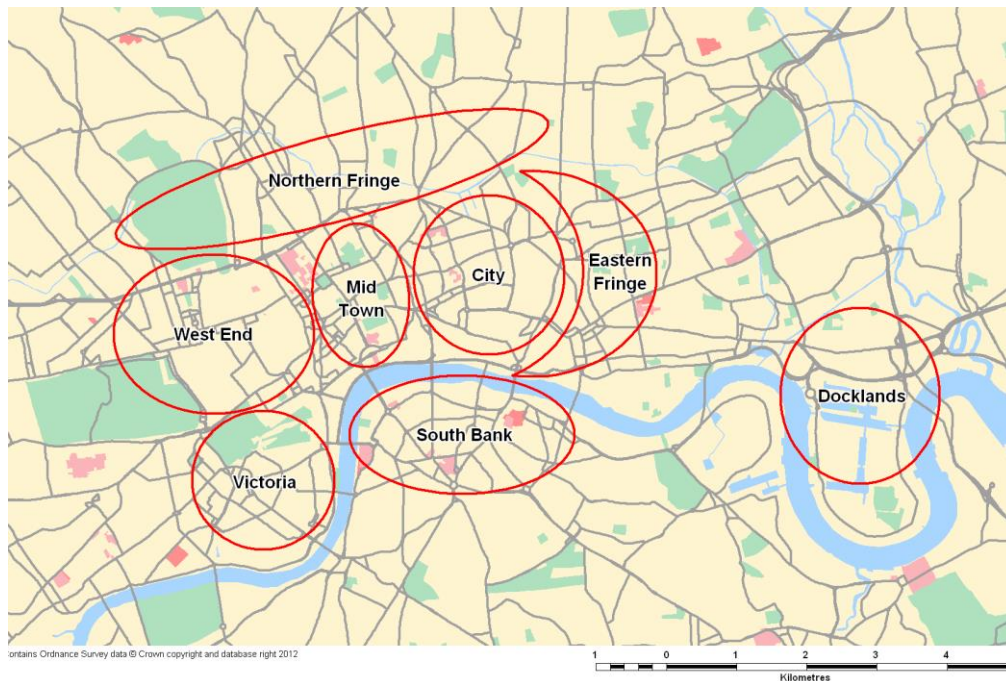
More London on the South Bank became a business services cluster, with large lettings to accountants Ernst & Young, Lawrence Graham, Norton Rose and PricewaterhouseCoopers. Similarly, Paddington attracted a large number of corporate occupiers, including Kingfisher, Marks & Spencer, Misys, Nokia, Orange, Prudential, Statoil, Visa and Vodafone; while Regent's Place attracted ATOS Origin, Gazprom, Lend Lease and Santander.

The mega schemes established the pattern of "off-centre" developments. When Broadgate was mooted in 1983, half a mile from the Bank of England and tipping into the neighbouring Islington, it was revolutionary. Today, building in Waterloo, King's Cross or Paddington is

London: A New Business Geography

considered mainstream. In short, the old market model – City and West End – has yielded to a new market model (shown simplistically in Figure 8), which comprises a more complex mosaic of business activity.

Figure 8 The polycentric Central London office market



The mega schemes diverted existing activity away from established market areas, as well as attracting new growth that might otherwise have located elsewhere. More London is an exemplar: the large number of professional services firms now based there would traditionally have located more centrally. They have achieved this in large measure by providing suitable premises, designed and built to modern, exacting standards, in campus style, with public realm and traffic-free environments, with plentiful support activity in the form of retail and leisure activity.

The experience of the mega schemes also suggests that infrastructure can be a crucial ingredient of "critical mass". The success of Canary Wharf can be traced to the construction of the Jubilee Line Extension. Paddington received a huge boost when Heathrow Express opened in 1998. Similarly, while the idea of redeveloping the railway lands at King's Cross had been around for at least 20 years, it was the huge investment associated with Eurotunnel that gave the project credibility. However, such connectivity is not essential, as demonstrated by More London and Regent's Place.

The mega schemes have clearly had an impact on London's business geography, but there are also other things happening. Two are highlighted here: the possible start of a trend for businesses to relocate from Outer or outside London to the centre, and the large scale relocation of corporate activity from Mayfair.

Moving to the centre While it is difficult to quantify, it is apparent that in recent times Central London has been attracting businesses from Outer London and from beyond Greater London. This runs counter to the established pattern of businesses relocating from Central

London: A New Business Geography

London to less expensive locations. Some of the more recent examples of such moves include the following.

- Vodafone chose to relocate its HQ from Newbury to Paddington.
- Nokia announced its relocation from Farnborough, also into Paddington.
- Publisher Macmillan recently took space at the Regent Quarter development in King's Cross, to consolidate staff from Oxford and Basingstoke.
- PepsiCo announced plans to move from Richmond to the West End.
- Gazprom moved from Hampton to Regent's Place.

The examples of Vodafone and Nokia add to lettings in the TMT sector that might previously have been expected to locate in the Thames Valley or M4 Corridor, but are instead choosing to locate in Central London. Google has recently acquired a 100,000 sq m development site at King's Cross for its new European HQ; while other lettings have been made to Amazon, IBM, LinkedIn, Skype, Sony and Telefonica Digital. During the 1990s, such firms would more likely have headed to the M4 Corridor, stretching from Hammersmith through the Thames Valley.



There is precious little evidence to explain why this might be happening. Informed conjecture suggests that it is being encouraged by the pool of skilled workers available in central London, and their desire to be part of the social and cultural experience available there, rather than that which is on offer in the more typical suburban centres.

The Mayfair exodus Mayfair has, at least during the 1980s and 1990s, been home to a wide variety of corporate headquarters, the property industry, advertising firms and other organisations willing and able to pay its comparatively high rents. However, in more recent times, Mayfair has lost many businesses and large employers.

One of the early leavers was insurer Royal & Sun Alliance which left Mayfair in 2003 when rents passed £70. Property companies then followed suit (e.g. Hammerson), followed by their advisors, including CBRE, Cluttons, Cushman & Wakefield, Donaldsons, DTZ, King Sturge and Knight Frank. Corporate businesses fleeing the Mayfair area in recent times include high profile companies such as Akzo Nobel, Astra Zeneca, Cadbury Schweppes, General Electric, Rio Tinto and Statoil.

The scale of this exodus would be ameliorated if other businesses were moving in to replace them. However, this appears not to be the case. The hedge fund cluster (mentioned above) has been successful, but firms in this sector are typically very small, often occupying around 500-700 sq m and rarely over 1,000 sq m. It takes a large number of such occupiers to make up for one 7,000-8,000 sq m leaving occupier. There has been a dearth of larger occupiers moving into Mayfair.

London: A New Business Geography

A dearth of large new buildings in recent years, the ready availability of large, high specification buildings in neighbouring areas (e.g. Victoria and Paddington), sharply rising occupancy costs and Westminster City Council's mixed use policy have all conspired to both encourage businesses to leave, and deter others from moving in.

5.3 Central London, post-2010

The credit crunch in 2007 brought with it a virtual cessation of development activity in Central London. But since this time, and with better-than-expected resilience in the London economy during the prolonged recession, London's modern evolution has restarted. While the mega schemes referred to above continue to evolve (Canary Wharf, for example, has further development capacity), others are getting underway (Figure 8). Some of these have been long in planning (such as King's Cross), while others began before the recession but had not become full campus schemes (such as Greenwich Peninsula). But collectively they demonstrate where large amounts of new business space might be created.

What is immediately apparent from Figure 9 is that the post-2010 schemes are reinforcing the trend of establishing off-centre nodes of development. The schemes are described individually below, but there is one linking theme that should be highlighted. The fragile condition of the economy and the anticipated medium-term slow-down in the growth rate of office employment, coupled with an apparently insatiable demand for residential property, are causing developers to consider the commercial/residential balance in their plans. For example, plans for Earl's Court at one time proposed 300,000 sq m of office space, but there might only be one third of this in reality.

Figure 9 Mega schemes planned and delivered post-2010



Core area There are five key schemes planned in the core area, mostly around transport interchanges: Euston, King's Cross, Victoria, VNEB and Waterloo. The Euston development has become embroiled in the HS2 discussion. The new rail line is planned to terminate at Euston, but opposition to the scheme along its route, together with entrenched opposition by

London: A New Business Geography

LB Camden, are causing uncertainty in terms of office development. However, there are plans to create in the region of 300,000 sq m of office space at Euston. This would sit between Regent's Place and King's Cross, creating a ribbon of commercial development along the northern side of Euston Road.

King's Cross is the largest core area scheme in progress – potentially in the region of 350,000 sq m. Many years in the planning, the scheme is now underway, with significant pre-lets to Google and BNP Paribas. Google has, in fact, bought its development site and is in the process of developing an 80,000 sq m European headquarters. The potential cluster impact of Google is significant, with its ability to attract other TMT companies.

In Victoria, developer Land Securities Victoria is in the process of reinventing the area from a home of government to a home of commerce. While not a single mega scheme, it is included here as a series of schemes under the common ownership of a single developer, and which is contributing to the changing business geography of Central London. Cardinal Place (56,000 sq m) set a tone for the area's renaissance with innovative architecture, followed by the recently completed 62 Buckingham Gate. In the development pipeline are the Zig Zag building (almost 20,000 sq m) and Nova (60,000 sq m).



South of the river there are two large development nodes. First, there is the collection of projects known as VNEB – Vauxhall, Nine Elms & Battersea. The commercial content of the area is unknown, although 16,000 new homes are planned as well as an extension to the Northern Line. The area is untested in office market terms, and will find itself in a highly competitive market. The area will be home to the new US embassy, which is due to open in 2017.

The second project south of the river is Waterloo. There are two projects here, under separate ownership, with the potential critical mass to become a major office node. The two projects are the redevelopment of Elizabeth House on York Road and the Shell Centre. Together they could deliver close to 200,000 sq m.

West central Moving to the western side of Central London, there are four large schemes to highlight. Northernmost is Brent Cross/Cricklewood. Proposals here have included around 400,000 sq m of offices, although it seems unlikely that this will be delivered. At the time of writing, the scheme's website was non-committal on the planned office content.

As already noted, plans for office space at Earl's Court/Olympia have been scaled back, although they still include around 100,000 sq m of offices. This scheme could reinforce the traditional strength of the west London office market and in this sense is more likely to be delivered than some others in less established areas.

White City is perhaps the most advanced, in planning terms, of the west central schemes. In April 2013, the BBC and developer Stanhope announced plans to transform Television Centre, in White City, into a mixed use development. The plans include office and studio space for the BBC, entertainment and leisure facilities, public open space, offices, housing

London: A New Business Geography

and a hotel. The office content seeks to capitalise on the site's heritage and build a cluster for creative companies. Stanhope bought the site in July 2012 for £200m. Stanhope and the BBC have established a joint venture company, TVC Developments Ltd, to deliver the project and to integrate the proposals into the wider White City Opportunity Area.

Imperial College London has submitted plans for a campus on the former BBC site, to be known as Imperial West. The application comprises nearly one million square feet, including a facility for health and bio-medical research, offices, homes and a hotel. The scheme could reinforce the commercial plans and act as an attractor.

East central One of the key issues for the East London office market is the question of where new office growth will be most highly concentrated. Apart from the myriad sites and schemes involving one or two buildings that are scattered throughout the area, there are four mega schemes lined up to deliver large amounts of office space. These include Greenwich Peninsula, Royal Docks, Stratford International Quarter and Wood Wharf. As elsewhere, the precise scale of office development at each location is fluid and will respond to market signals. However, these four East London schemes could, together, deliver around 1.7 million sq m of office space, the equivalent of nearly 17 HSBC towers.

If east London – beyond Canary Wharf – is to become a more corporate office location, then it will have achieved one of the greatest modern changes to London's business geography. To date there has been very little such activity in the area despite the growing infrastructure. In a recent move, BT agreed to become an anchor tenant of the former International Broadcast Centre at the Queen Elizabeth Olympic Park, now part of iCITY. The scheme will include TV studios, a control centre, 20 edit suites and an audience holding area. But, to date, there has been little office activity.



Perhaps more interesting, and relevant to London's global role, is the announcement in May 2013 of a major new investment in the Royal Docks. Chinese Developers Advanced Business Parks China Holding Group announced a £1bn deal to regenerate 14 ha of land on the north side of the Royal Albert Docks. The project is planned to attract Asian companies seeking to establish European headquarters facilities, with the potential to create up to 350,000 sq m of commercial space and up to 20,000 jobs.

In March 2012 a consortium led by developer Chelsfield, and including First Base and Imagination Europe, won a competitive battle to create a new district within a 20 ha site in the Royal Docks. The proposal involves a £1.2bn scheme at Silvertown Quays that will generate 9,000 new jobs in c230,000 sq m of commercial and retail space, along with around 4,000 homes. The unusual aspect to this scheme is the plan to build a complex of "branded pavilions" which will showcase and exhibit products from leading global brands.

London: A New Business Geography

The Chinese scheme and the Chelsfield scheme could provide critical mass in the area and help to attract corporate office activity. And Crossrail could have a major reinforcing effect. However, the emergence of a major office cluster is likely to take many years to mature.

6.0 Conclusions

London has consolidated its role as a world city over the past three decades. Undoubtedly it will face growing competition in the years ahead, particularly from the Far East, and possibly also South America. But it looks set to maintain a place in the “premier league” of world cities. Moreover, its role as a world city has involved rapid evolution in the structure and nature of business conducted in the city. If trends continue, manufacturing will be virtually extinct in London within ten years. The economy will be dominated by knowledge-based services (financial, professional, creative, technical), supported by myriad businesses “servicing the services”, providing everything from cables to cleaning, from partitions to printers; and from sandwiches to software.

Today’s business landscape has been accompanied by an equally profound change in the physical landscape. London’s business landscape and its physical landscape are intricately linked. This paper has focused on the spatial aspects of change, but equally importantly the nature of buildings has changed. Over the period reviewed here, London’s built stock has undergone a step change in quality. The rent slabs of the 1960s and 1970s – built cheaply and for the pre-technology and pre-global business environment – have yielded to a proliferation of world class buildings. They are larger, built to a high specification, and designed to cope with highly fluid occupiers who require flexible space to enable changes in their business processes.

In order to be able to provide the kinds of buildings required by the global organisations of the modern era, it was necessary to find land on which to build them. There was not enough of this available in the core area, due largely to the capital’s medieval street pattern and disparate ownership. Instead, land was found on the periphery – in disused docks (Canary Wharf); on railway lands (Broadgate, Paddington, King’s Cross), and on off-pitch, derelict land (More London).

It was by taking advantage of such opportunities that London was able to respond to the economic change and evolve, as it has done in the past, to a new era. While much criticised for the poor quality of space erected during the 1960s and 1970s, the capital’s property and development industry should be lauded for its rapid and innovative response to the changing business landscape.

The spatial pattern of development has been described in detail here, showing how London’s business geography has changed over the past three decades. The new, polycentric business geography, with large concentrations in mega schemes reflects a far more dynamic property market. But what of the future?

First, contrary to historic trends, London’s business geography is likely to see further physical concentration in the years ahead, both on the mega schemes described here, and in other parts of the central area where land can be released, or where developers build high. This will have implications for Outer London’s office markets.

Secondly, London’s population is undergoing rapid growth and is expected to grow by two million, to more than ten million, over the next twenty years. The demand for new housing

London: A New Business Geography

will be acute, which will place pressure on commercial land. This will have the effect of marginalising economic activity in certain areas – a process already underway.

Thirdly, the ingenuity of the development industry will be further tested as occupier organisations continue to evolve. Changing business processes and changing work styles are leading to different demands on buildings and, to some degree, to the need for different built forms.

Fourthly, there is the question of investment in transport infrastructure. For example, Crossrail is likely to reinforce the attractiveness of certain areas. But the greatest potential changer of London's economic landscape is the resolution to the hub airport discussion. If, and it is a very large if, the decision is taken to move London's hub airport to the east, the impact on the great concentration of businesses in west London and the Thames Valley could be profound. Amidst the great concern over expansion of flights into Heathrow, very little attention has been paid to the alternative – a wholesale relocation of economic activity from the west to the east of London.

However London's business geography evolves in the future, the recent past has shown the city's ability to respond and adapt to changing circumstances. Private sector investment and development, and public sector spatial planning policy will need to work in harness to anticipate change and respond quickly. London's world city status must be nurtured and this will mean understanding what businesses need and providing appropriate places and spaces in a rapidly changing environment.

London: A New Business Geography

References

- 1 Ackroyd P (2000) *London: The Biography* Vintage, London p717
- 2 *Ibid*
- 3 *Ibid*
- 4 Dunning J H & Morgan E V (1971) *An Economic Study of the City of London*
Economists Advisory Group George Allen & Unwin, London p33
- 5 Harris R (2003) *The Office Economy* Reed Business International pp20-21
- 6 Harris, *op cit*, p21
- 7 See Friedman J and Wolff G (1982) World City Formation: an Agenda for Research and
Action International *Jnl of Urban & Regional Research*, 6 pp309-344
- 8 A T Kearney (2010) *The Urban Elite: The AT Kearney Global Cities Index 2010*
- 9 Zyen (2009) *The Global Financial Centres Index 5* Corporation of London p6
- 10 Zyen (2013) *The Global Financial Centres Index 13* Qatar Financial Centre
- 11 The City UK (2013) *Key Facts About UK Financial and Professional Services*
- 12 London & Partners (2011) *London Creative Industries*
- 13 Figures from Society of London Theatre, *Press Release* 29th January 2013
- 14 Goddard J B (1967) Changing Office Location Patterns within Central London *Urban
Studies* Vol 4 pp276-285
- 15 Marsh G, Chippendale D & Sadek F (2003) *London Office Policy Review* London
Property Research, London p52
- 16 Nathan M; Vandore E & Whitehead R (2012) *A Tale of Tech City: the Future of Inner
East London's Digital Economy* Centre for London p56
- 17 Nathan et al, *op cit*, p57
- 18 Central London is defined as the boroughs of Camden, City of London, Greenwich,
Hackney, Hammersmith & Fulham, Islington, Kensington & Chelsea, Lambeth,
Lewisham, Newham, Southwark, Tower Hamlets, Wandsworth and Westminster. The
remaining 19 boroughs are defined as Outer London.
- 19 Valuation Office Agency (2012) *Business Floorspace Statistics* Dept for Communities &
Local Government
- 20 Ramidus Consulting Limited (2009) *London Office Policy Review 2009* GLA, London
- 21 Outer London Commission (2010) *The Mayor's Outer London Commission: Pre-
publication Report*
- 22 London School of Economics (2009) *London's Place in the UK Economy 2009-10*
- 23 Ramidus Consulting Limited (2009) *London Office Policy Review 2009* GLA, London
pp56-66
- 24 Dept of the Environment (1985) *Commercial and Industrial Floorspace Statistics* HMSO,
London
- 25 Jenkins P & Hammond E (2013) Canary Wharf Claims High Ground on City *Financial
Times* 13th May 2013