Office Property and Supply Trends

New London Architecture

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RAMIDUS CONSULTING LIMITED

Office property and supply trends

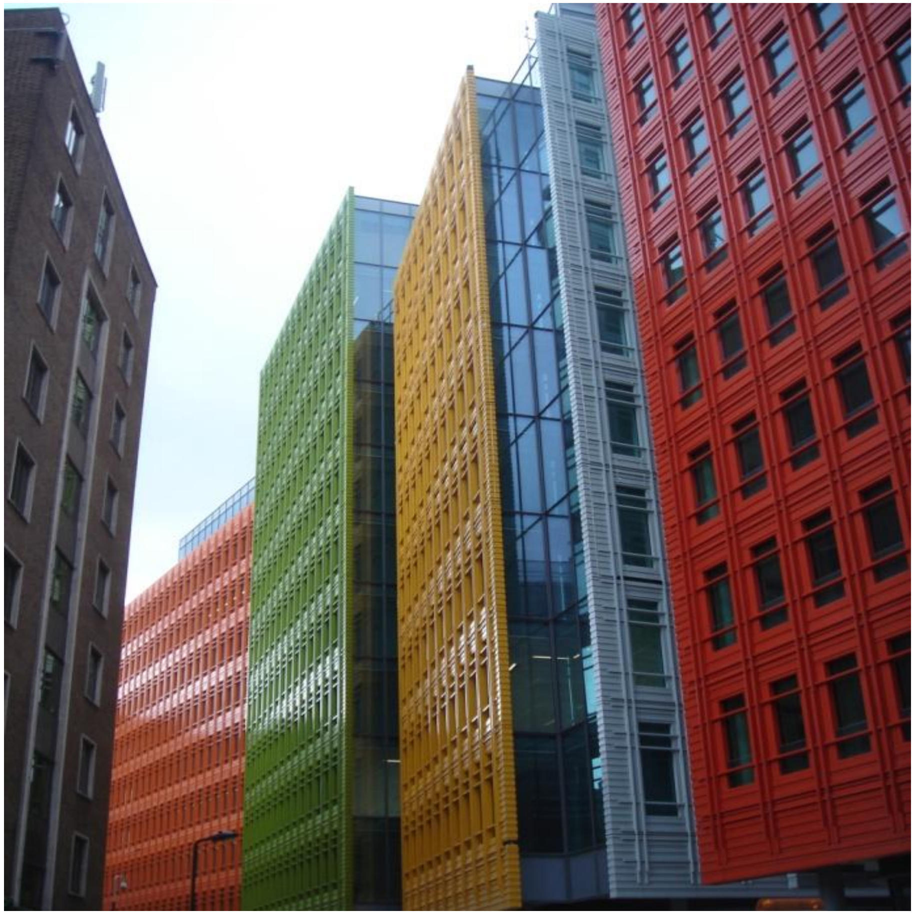
(1) How much do we need?

(2) Where do we need it?

(3) What’s driving it?

(4) What should it look like?

(1) How much do we need?



Office employment forecasts, 2011-2031

Area	2011	2031	2011-31	%
CAZ	961,729	1,191,002	229,273	23.8
Inner	275,038	342,024	66,986	24.4
Outer	361,241	442,537	81,296	22.5
London	**1,598,008**	**1,975,564**	**377,555**	**23.6**

Source: Ramidus *LOPR 2012*

Office employment and floorspace forecasts, 2011-2031

Area	Forecast 2011-31	
	Jobs	**Sq m NIA**
CAZ	229,273	2,476,151
Inner	66,986	723,446
Outer	81,296	878,002
London	**377,555**	**4,077,599**

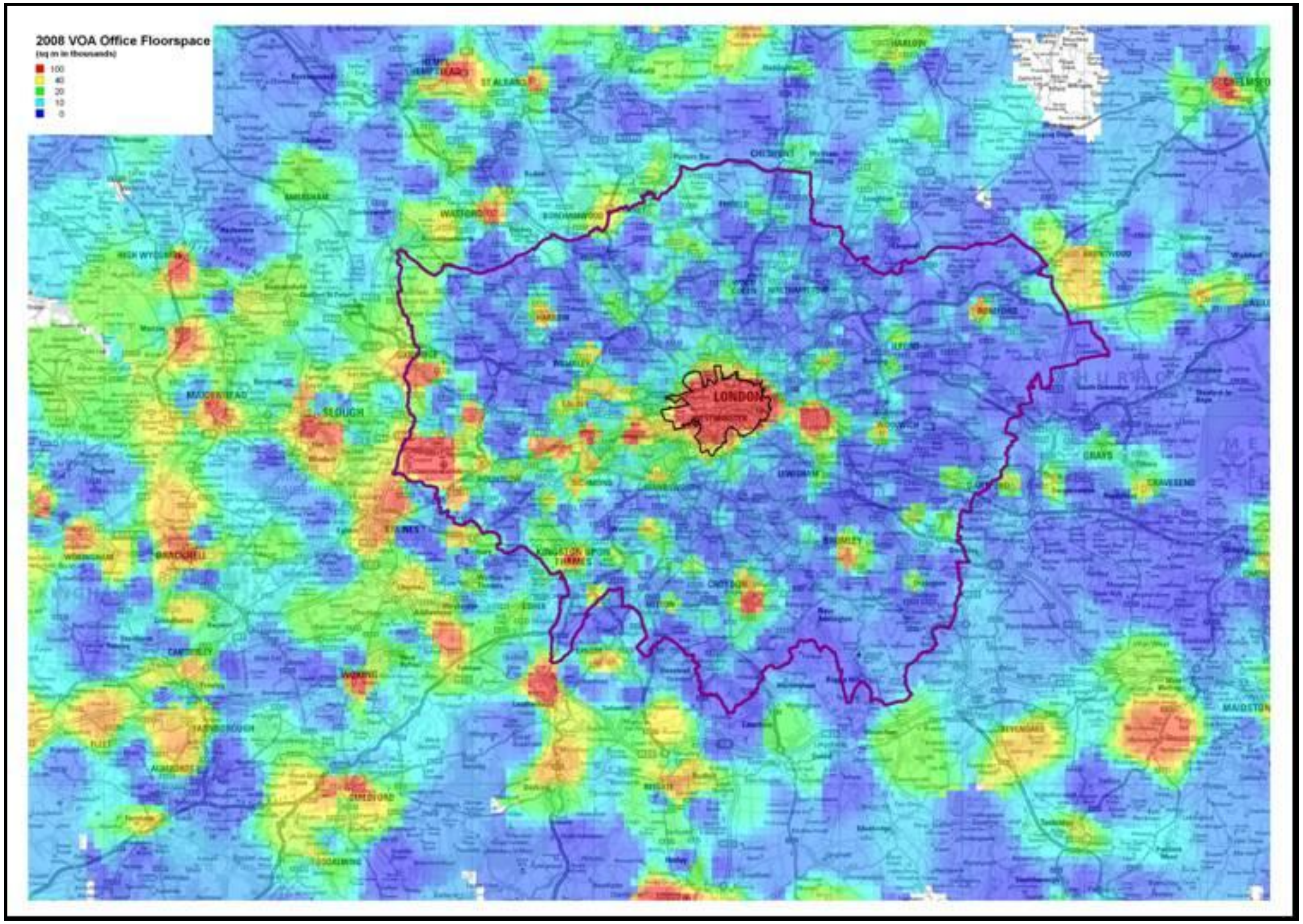
Source: Ramidus *LOPR 2012*

Borough	Forecast 2011-31 Sq m NIA
Camden	460,435
City	624,256
Hackney	92,731
Islington	274,208
Southwark	272,175
Tower Hamlets	346,958
Westminster	516,443
London	**4,077,599**

Source: Ramidus *LOPR 2012*

(2) Where do we need it?

(2) Office density in London



Inner and Outer London: a tale of two cities

Outer London office employment, 2001-2008, fell in 11 boroughs.

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: LSE (2009) *London's Place in the UK Economy 2009-10*

Peak-to-peak, comparing 1989 with 2008, all 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.

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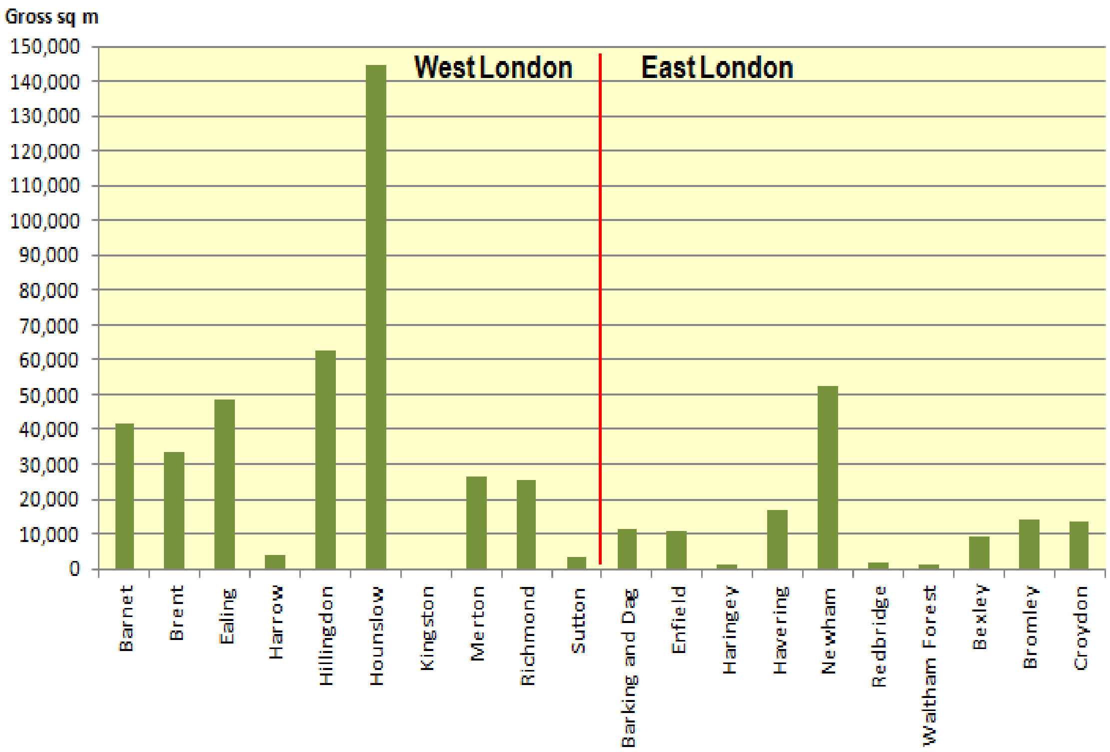
Inner and Outer London: a tale of two cities

Prior to the credit crunch, Outer London's office market performed dismally.

- For example, in 2008, no new office buildings were built in nine of the 20 Outer London boroughs.
- In any of the five years leading up to 2008, 10-13 Outer London boroughs delivered no new office construction.

Office floorspace completions in Outer London, 2000-2008

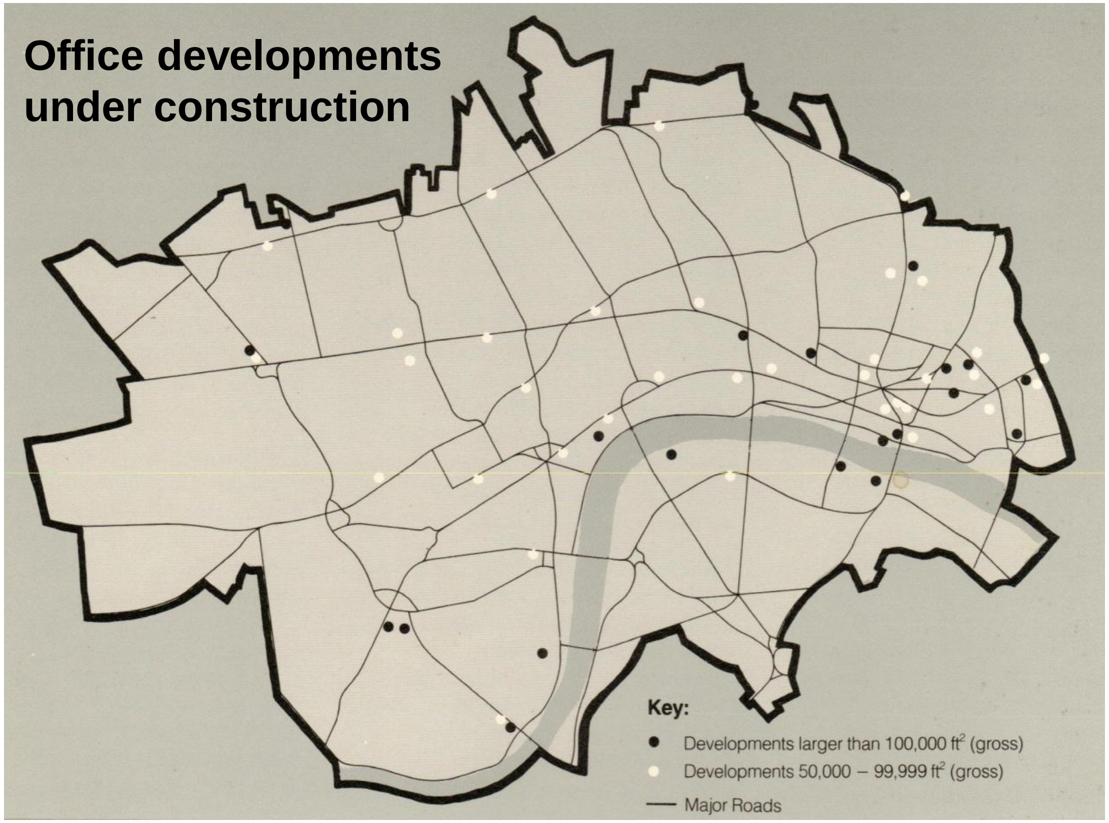


Source: Ramidus Consulting

"Monocentric" London: the old market

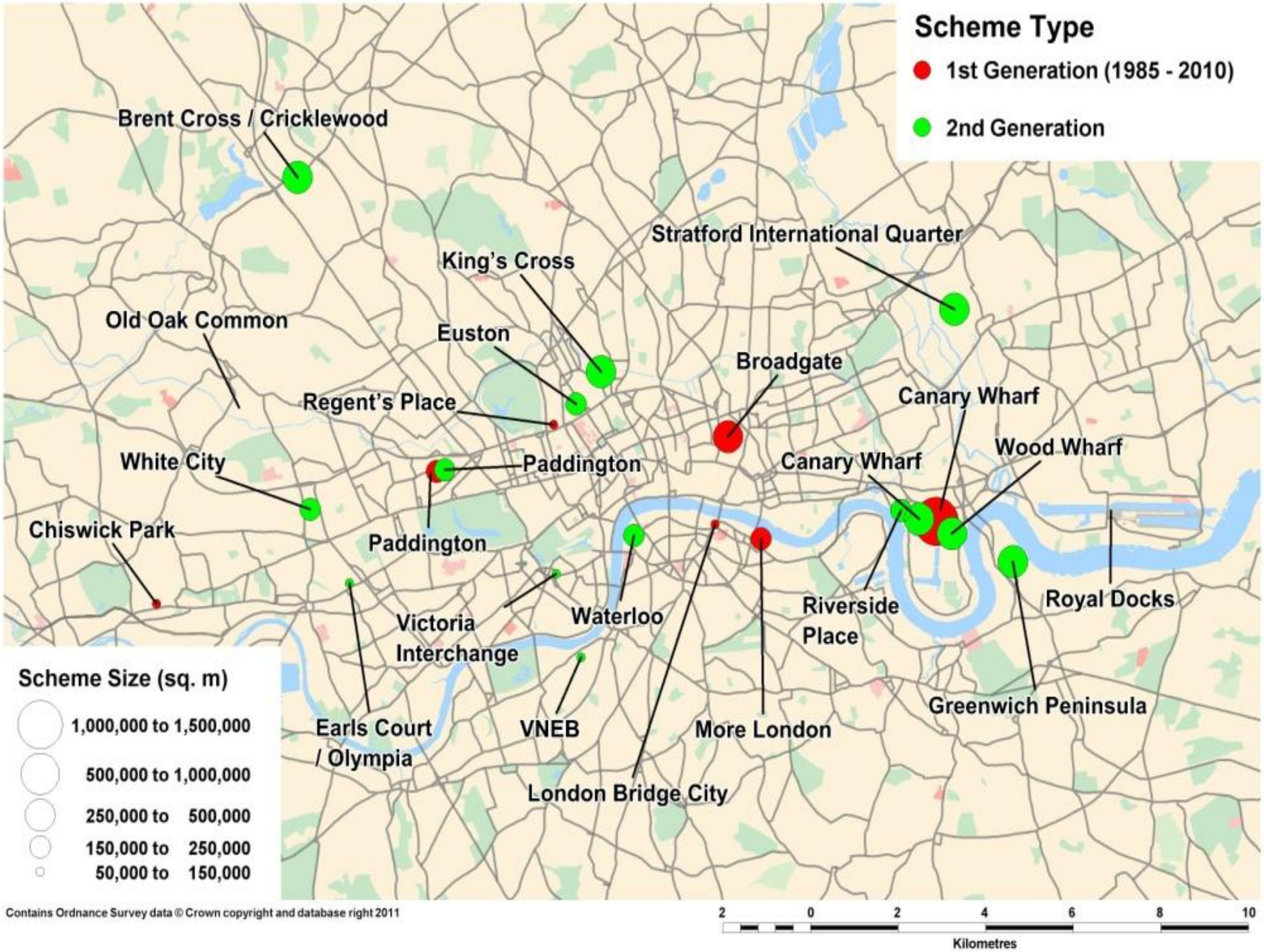
Thirty years ago the central London office market was very simple ...

City and West End



Source: Jones Lang Wootton *Central London Offices Research* December 1983

Polycentric London: the new market



Source: Ramidus *LOPR 2012*

(3) What are the drivers?

Cyclical and structural drivers

Cyclical	Cyclical or structural	Structural
Recessionary pressure	Financial supervision?	Polycentric London
Confidence	London's reputation?	Transport infrastructure
Rent & yield adjustment	UK tax regime?	Business processes
Output-related demand fall	Demand profile?	Changing work styles
Development downturn	Office economy – forecasts?	Public sector demand
Bank lending	East versus west?	Outer London decline

Some current travails will pass ...
Others might stick around for a while ...
But some changes are more fundamental ....

Changes to business, and consequences for work styles, are changing the way buildings (and cities) need to function.

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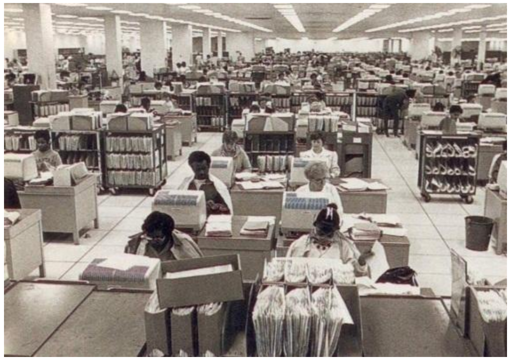
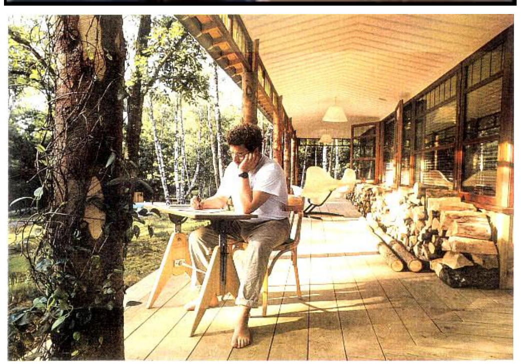
Business process, workstyles and buildings



Business will continue to evolve.
Workstyles will also evolve.

Ergo, building stock must evolve.
White collar factories into creative hubs

A new product?
Form: lower rise; lower spec; smaller floors; sub-divisible
Plan: open; permeable
Use: configuration; multi-let; smaller unit sizes; quasi office
Contract: short/long-term; hotel space
Management: service provision



Spaceless growth
No longer “one bum = 150 sq ft”
Now “more than one bum per desk”

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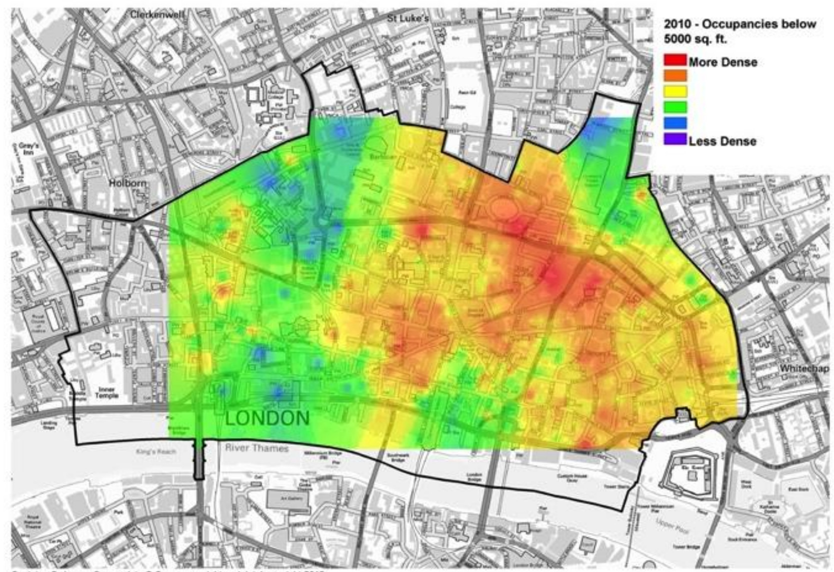
Catering for diversity: SMEs and SMOs

The City needs an office stock with the scale and range to meet the needs of a diverse and changeable occupier base.

City has 85 occupations over 100,000 sq ft. And 1,878 of <5,000 sq ft.

Occupations <5,000 sq ft



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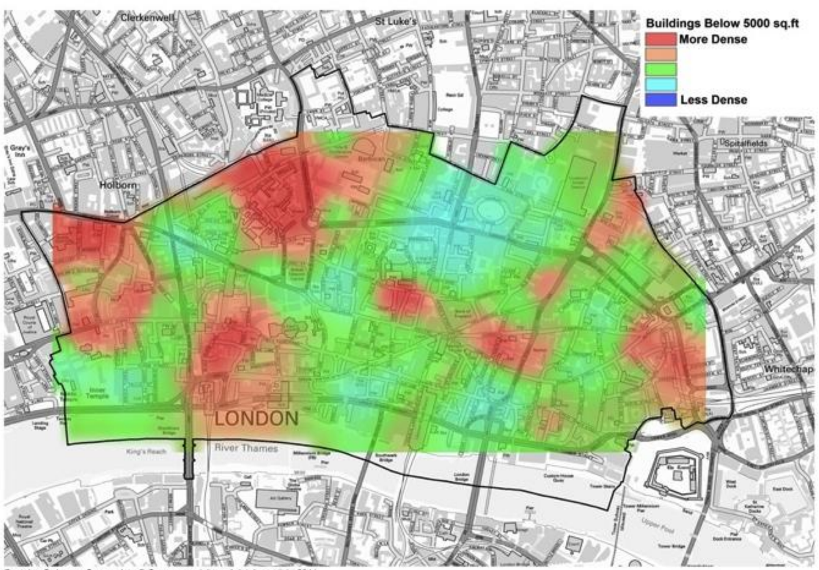
All grades, <5,000 sq ft



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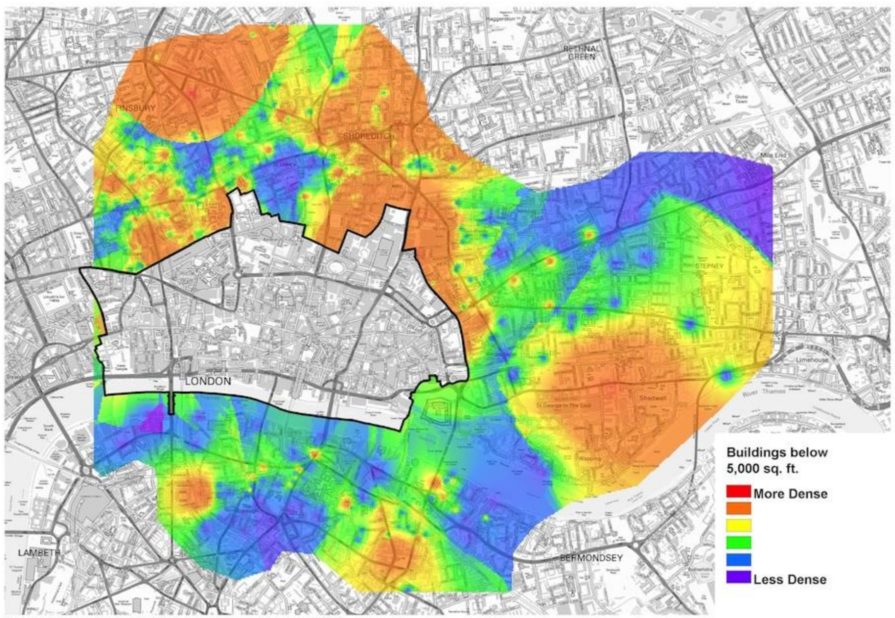
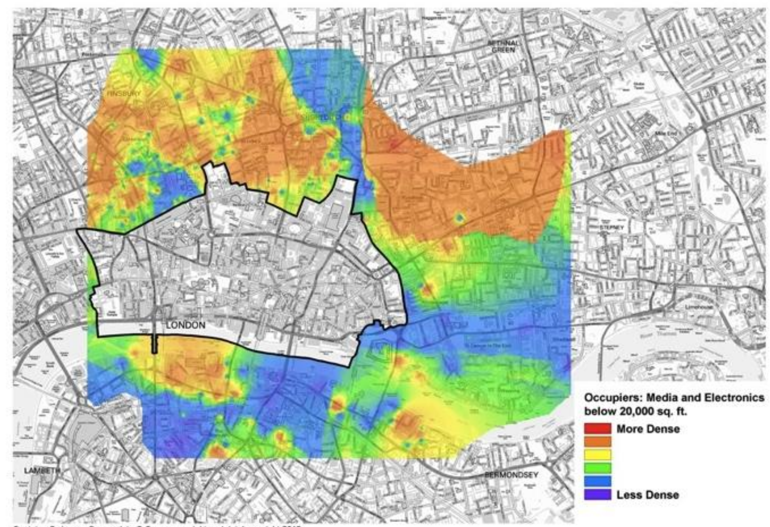
SMEs and SMOs

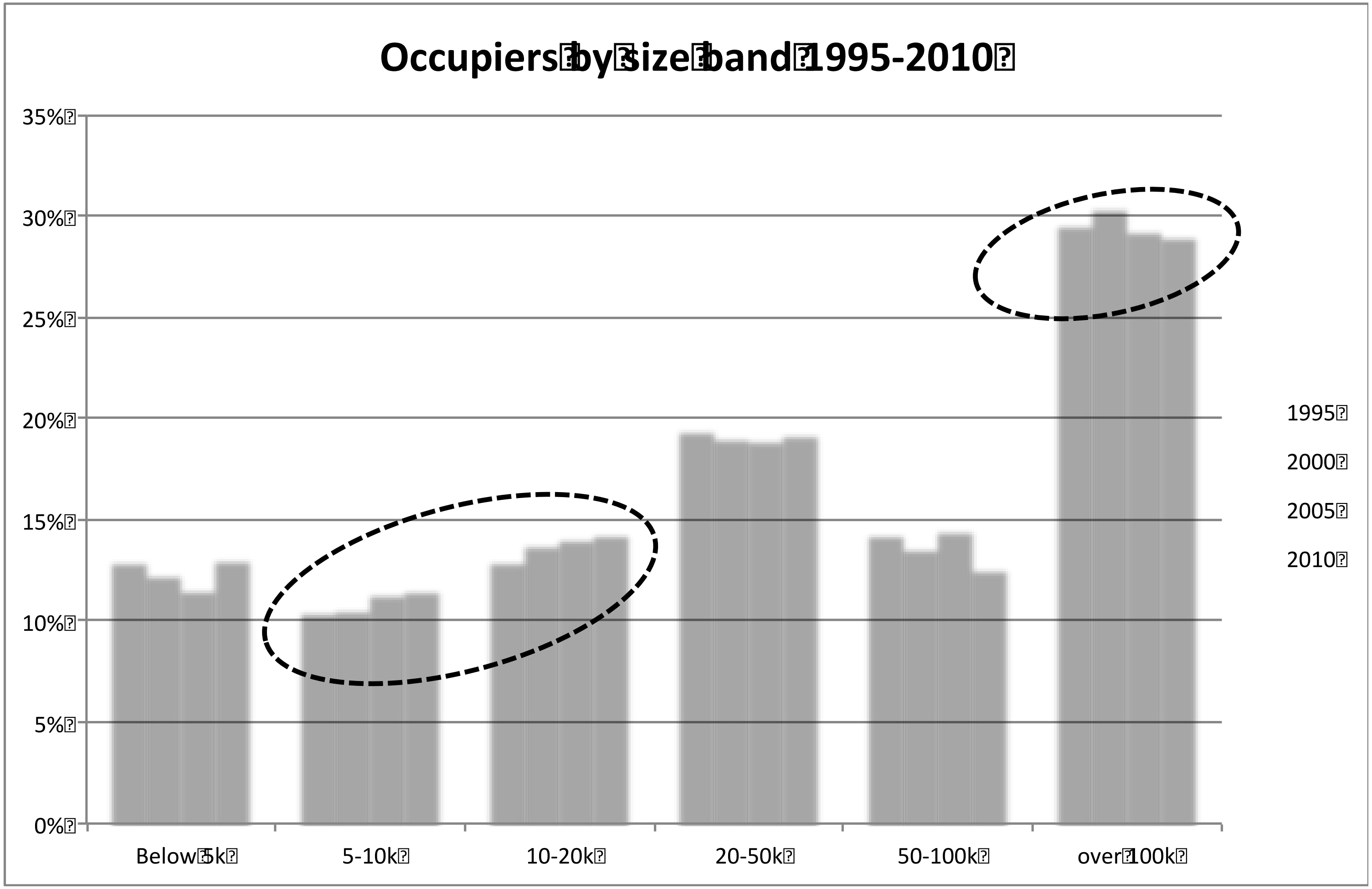
Buildings below 5,000 sq ft, all grades



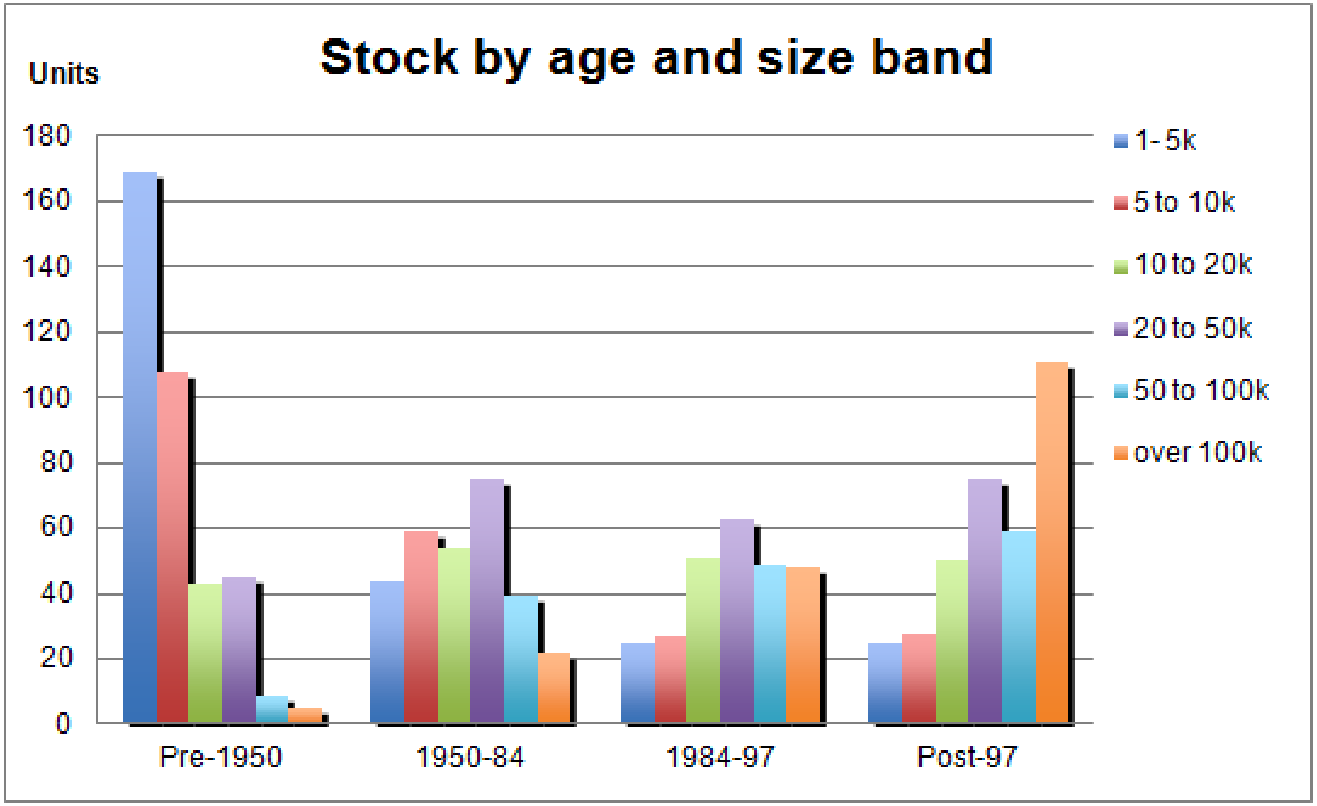
Media and Electronics <20,000 sq ft



A shift to smaller occupiers



The shift to larger buildings



At the same time as buildings are getting larger, the average unit of occupation is shrinking ....

Planning policy: Office to residential

LondonB1 losses 2009-12.

Critical for CAZ ...
... Less so for outer London

Stage	Number of sites	B1 floorspace losses (sq m)	Residential units
Completed	767	-505,800	11,400
Started	379	-515,100	13,200
Not started	1,019	-654,700	14,400
Total	**2,165**	**-1,675,600**	**39,000**

Borough	B1 floorspace losses			Total (sq m)
	Completed	Started	Not started	
Westminster	31%	19%	16%	-361,500
Tower Hamlets	7%	5%	12%	-138,200
Croydon	8%	8%	4%	-104,600
City	2%	2%	9%	-82,700
Lambeth	4%	8%	3%	-77,700
Kensington & Chelsea	2%	11%	2%	-77,200
Camden	5%	5%	4%	-76,600
Islington	3%	4%	6%	-73,000
Southwark	2%	3%	7%	-69,500
Hammersmith & Fulham	3%	1%	6%	-62,500

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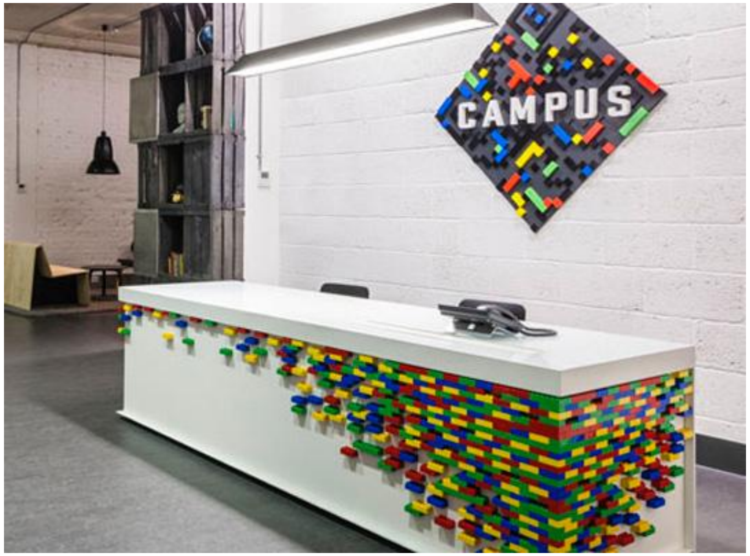
(4) What should it look like?

Traditional approaches not adequate

New approaches are called for …



Co-working space in East London's Tech City.
Seven floors of flexible work space for start-ups.
Free high-speed internet and support, including mentoring programmes and networking events.

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New approaches are called for ...

Purpose
Contribute to the development of
'creative and productive knowledge workers'

Creative and productive knowledge workers' thrive when they are energised; have social interaction; can control and influence the world around them, and when they receive support to achieve their work and life goals.

Energise
A vibrant physical environment and service to stimulate enthusiasm and motivation.

Social interaction
Settings to encourage creativity and knowledge exchange through interaction with others.

Personal control
Able to 'flex' working and living environments as boundaries blur.

Support
A range of services and facilities to support the working day and enhance quality of life.

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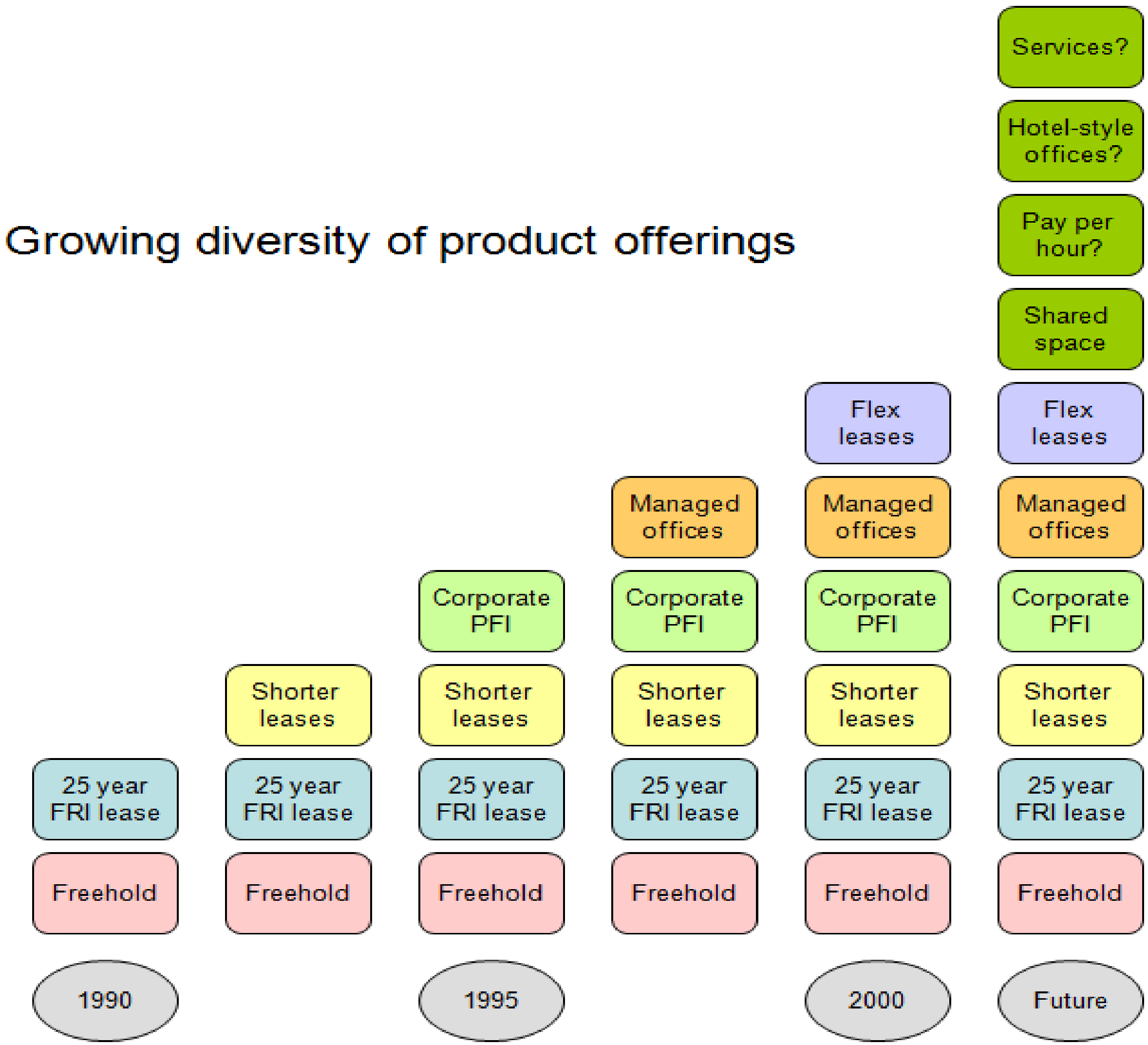
The commoditisation of space



Closing thoughts ....

Closing thoughts ....

Demand	Structural slowdown in office economy = lower demand growth Changes to business process + workstyles = spaceless growth
Business geography	Looser business geography, with shifting and emerging clusters Further concentration of business activity in mega schemes
Property market	Implications of the mega scheme pipeline: plenty of capacity Outer London: 1960s/1970s stock a lost cause? More refurb and less new build?
Planning policy	Capacity is not the issue: issue is more sensitive spatial policy TMT: You can't plan creativity! Can we nurture self-organisation? Office to resi: business must come first
Workplace	Diversity of stock (quality, size, location) for a diverse occupier base New and more varied product (contract) offerings Loose fit buildings: economic, lower spec, flexible space Mixed use space and how to integrate office space

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