The South Molton Triangle

June 2020

Economic Statement

GROSVENOR

Volterra Partners

Volterra

CONSTRUCTION PHASE

The construction phase will support **1,630 job years** onsite over a 3.5 year period

465 jobs generated each year at the Proposed Development equate to a 3% uplift in Westminster's construction workforce

Construction workers are expected to support **a total of £2.6m** of spending in the local area

OPERATIONAL PHASE

1,720

Gross direct jobs upon completion. This is equivalent to 1,550 FTEs.

705 additional jobs

on-site, when compared to what could be supported on existing site

The Proposed Development will **support 960 net additional jobs** once displacement, multiplier impacts, and induced employment are accounted for.

£1.1m

additional worker expenditure in the local area each year

£5m

total visitor expenditure outside of the hotel each year

£72m

in additional GVA supported by the new workforce each year

NEED FOR OFFICE SPACE

OFFICE EMPLOYMENT GROWTH (2009 TO 2018)

OFFICE EMPLOYMENT (2016)

45% Office employment in Westminster accounts for a large proportion of the workforce

DEMAND FOR COMMERCIAL SPACE

Westminster saw the third largest decline in office space between 2000 and 2015. This has put pressure on vacancy rates - 5.8% in 2019 across the West End - and the resultant high rents deter businesses.

The scheme delivers c. 9,400 sqm of net additional (GIA) office space. This is 24% of the annual space required to reach Westminster's target for office space growth.

NEED FOR HOTEL ROOMS

London is a **world leading** global city. In 2018, 31 **million people visited the capital, spending £15.3bn.**

Business travel represents 19% of all international trips to London and contributed **£2.5bn in spending** within the capital

77K
increased demand for hotel rooms by 2041 (GLA)

58M
Additional visitor nights in London by 2041

14%
Contribution of the Proposed Development to net annual requirement for hotel rooms in Westminster

1 Executive Summary

1.1 Volterra Partners has been commissioned by Grosvenor Properties ('the Applicant') to provide an Economic Statement in support of their planning application to redevelop the South Molton Triangle site in the Oxford Street District ('OSD'), located in The City of Westminster ('CoW'). The Proposed Development would significantly increase the supply of B1 office floorspace in this prime location within the Central Activities Zone (CAZ) of Central London, as well as providing a luxury boutique hotel in a sought after visitor location, complementary retail and food & beverage uses and an uplift in the number of private market and affordable residential homes.

1.2 Specifically, the planning application is for the following development:

"Part demolition, new buildings and alterations to existing buildings comprising: redevelopment of 60 Brook Street; redevelopment behind retained façade at 48, 50, 56 and 58 Brook Street; redevelopment behind retained and partially reconstructed façade at 52-54 Brook Street; refurbishment with alterations and addition of turret and gables at 40-46 Brook Street and 40 South Molton Lane; redevelopment behind retained street elevations and front roof at 1-8 Davies Mews and 28-30 South Molton Lane; refurbishment and alterations at 50 Davies Street; refurbishment with alterations and partial demolition and redevelopment of upper floors at 52-54 Davies Street; redevelopment behind reconstructed and extended facade at 56 Davies Street and Brookfield House (44-48 Davies Street and 62 and 64 Brook Street); part demolition of ground floor and refurbishment at 10 South Molton Street; refurbishment and alterations at 15 – 25, 27 and 42 South Molton Street; to provide a development of up to 9 storeys including Class B1, Class A1 and A3, Class A4, and Class A4 with sui generis, Class C3, Class D1 and Class C1 uses, improvements to public realm and pedestrian routes, servicing, ancillary plant and storage, cycle parking and other associated works."

Core economic impacts

1.3 The core economic impacts provided in this report are based on a number of central assumptions, which are summarised below:

- Commercial floorspace located on the existing site is conservatively assumed to be fully occupied, in order to estimate the uplift relative to what could be supported currently, rather than against an existing setting that is a snapshot estimate.
- Estimates of operational employment supported at the Proposed Development are based on standard employment densities provided in the Employment Density Guide.[1]
- It is assumed that the uses currently located on the existing site remain the same until the year that construction of the Proposed Development commences.
- Complexities surrounding potential land use swaps with nearby sites, as well as the impact on operational employment estimates resulting from higher potential employment densities, are addressed later on in this summary, in the section '**Alternative employment scenarios**'.

[1] Homes & Communities Agency, 2015. Employment density guide – third edition.

Construction is expected to generate 1,630 construction job years, equivalent to 465 workers on-site per year on average. These workers are expected to spend a total of £2.6m in the local area during the construction phase.

1.4 The Proposed Development would provide an uplift in economic activity during the construction phase. The 1,630 job years, or 465 jobs delivered on-site across the 3.5-year construction period is equivalent to approximately 165 construction full time equivalent (FTE) jobs.

1.5 Construction workers are expected to support spending of £2.6m in the local area over the duration of the construction period, equivalent to £745,000 per year.

A total of 1,720 workers (1,550 FTEs) are expected to be employed directly on site once the Proposed Development is operational. Compared to what could be supported on the existing site, this amounts to an uplift of 705 jobs (645 FTEs). Additional jobs created on site are equivalent to 64%-92% of the OSD's annual targets for employment growth.

1.6 Based on standard employment densities per worker within the different planning use classes of floorspace, it is estimated that the Proposed Development would support an uplift of 705 workers (645 FTEs) relative to the current uses on site. At CoW level, this is equivalent to 19% of the annual growth in borough-wide employment forecast by GLA Economics over the period 2016-2041. This also displays the ambitious level of employment growth forecast for CoW, as a major development such as South Molton Triangle contributes approximately one fifth of the annual target, highlighting the need for continued significant commercial development within CoW.

1.7 It should be noted that the employment uplift provided in this report is considered conservative, as in reality the site is not currently fully occupied. Based on tenancy schedules previously provided by the Applicant, which are naturally only point-in-time pieces of information, estimates of existing employment on site are overstated, therefore likely understating the additional economic benefits arising as a result of the Proposed Development. The uplifts presented in this report should therefore be considered a 'worst-case' or 'minimum' scenario.

Workers at the Proposed Development are expected to spend an estimated £2.5m in the local area each year, of which £1.1m will be additional to the worker expenditure that could be supported by existing workers on site.

1.8 The additional worker expenditure generated by economic activity on site once operational will provide further stimulus to the local economy.

The 24 additional residential households[2] will generate an estimated uplift of £0.5m in local expenditure each year.

[2] The Proposed Development will deliver 33 residential units, an uplift of 24 net additions to the housing supply when compared to the nine existing residential units on site. An alternative future baseline scenario is also assessed in this report (see paragraphs 2.5-2.7 for explanation of this) where only 2 residential units exist on site at the time that construction commences, resulting in an uplift of 31 residential units on site.

1.9 The ONS's Household Expenditure Survey shows that residential households spend approximately £320 per week in London on items likely to be purchased within the city. Adjusting this figure to account for the higher earnings of CoW residents, residents in the 24 additional residential households could spend a total of £0.5m in the local area each year.

The visitors staying at the Proposed Development's 31-bedroom luxury boutique hotel will spend an estimated £5m outside of the hotel across London each year.

1.10 Based on expected hotel occupancy data and the spending patterns of visitors, the hotel element of the Proposed Development will bring a total of £5m in visitor spending to London.

The Proposed Development would support an estimated 960 net additional jobs across London, equivalent to 875 FTEs, once displacement, indirect multiplier, and induced expenditure effects are taken into account. Of this net additional employment, 565 FTEs (615 jobs) are anticipated to be created within CoW.

1.11 Any assessment of the net impact of a development must consider displacement (the proportion of new jobs that would have occurred elsewhere without the Proposed Development) and multiplier impacts (further indirect benefits linked to worker expenditure and supply chain activity). Furthermore, induced impacts through resident and visitor expenditure must also be considered. Taking all of these effects into account, the Proposed Development will deliver 785 net additional FTEs across London, equivalent to 960 jobs. This uplift in jobs is equivalent to 2% of the 49,000 jobs growth per annum forecast across London by GLA Economics over the period 2016-2041, a substantial contribution for a single scheme.

The Proposed Development would support an uplift of £72m in annual Gross Value Added (GVA). It is expected to result in additional tax revenues of up to £29m.

1.12 Overall, the Proposed Development is estimated to account for £177m of total economic activity, providing an uplift of £72m in GVA terms when compared to economic activity that could be supported by the existing site.

Alternative employment scenarios

1.13 In addition to the core economic impacts presented above, two alternative employment scenarios were considered in this report's assessment. Both of these scenarios are summarised below:

- **Future evolution of South Molton Triangle ('future baseline')**: There are currently four outstanding planning applications related to land use swaps between the South Molton Triangle site and the nearby Claridge House. If approved, these swaps would lead to a higher provision of office floorspace at the existing South Molton Triangle site, and lower provision of residential units. Estimates are provided for how this would change the economic impacts, in terms of a lower uplift in overall employment on site.

- **Denser office space occupation**: There is increasing evidence that the average floorspace per worker is declining over time. A scenario is considered where office floorspace is occupied at a density of 8m^2 rather than the standard assumed density of 12m^2 per FTE worker.

Under the future baseline scenario where the existing site possesses a larger amount of office floorspace, the uplift in employment directly supported on site at the Proposed Development would fall by 9% to 585 FTEs, equivalent to 645 jobs.

1.14 Again, it is conservatively assumed that all commercial floorspace on the existing site would be fully occupied. As a result of 7 residential units being swapped for office floorspace on the existing site, the estimated uplift in direct employment would fall. As a knock-on impact of this, the uplift in worker expenditure would fall to £1.0m and the uplift in GVA supported on site would fall to £64m. In percentage terms, the uplift when compared to the future existing site in terms direct employment (60%), worker expenditure (65%) and GVA (57%) would still be a substantial uplift in economic activity supported by the site.

There is increasing evidence that offices are occupied at higher rates than the standard assessment densities. If the office floorspace provided at the Proposed Development supported FTE workers at a density of one per 8m^2 NIA, then the uplift in total direct employment would rise to 1,035 jobs, of which 890 would be office-based. This would lead to the Proposed Development providing 29% of the annual additional jobs forecast in CoW over the period 2016-2041.

1.15 The greater numbers of office jobs supported at the Proposed Development would also lead to uplifts in other economic impacts. For example, additional worker expenditure would rise to £1.6m each year, whilst additional GVA supported annually would rise to £108m.

Need for commercial space

Employment growth in CoW has been slower than across London between 2009 and 2018. In particular, office employment growth has suffered, growing by 17% in CoW compared to 33% in London over this time period. A shortfall of office floorspace across the City is one of the major contributors to slow office employment growth.

1.16 Total employment in CoW has grown by 14% over the period 2009 and 2018, slower than in London as a whole (24%). Employment in office-based sectors has grown by 33% in London, but has risen considerably less, by 17% in CoW, putting it in the bottom third of all London boroughs.

1.17 While CoW had the highest amount of office floorspace, with 5.4m sqm, of all London boroughs, between 2000 and 2015 it has witnessed the third largest decline of office floorspace in absolute terms.

Employment projections for London forecast strong growth in the office sector, which will translate into additional demand for office floorspace. CoW – the UK's most economically important local authority - will need to accommodate some of this demand, but on current trends is expected to see its office stock decline further.

1.18 Strong employment growth in London is expected in the 25 years to 2041, seeing the addition of 619,300 new jobs over the entire period, equivalent to an increase of approximately 49,000 jobs each year. Additional demand for office floorspace could reach between 4.7m and 6.1m($m^{2)}$) GIA by 2041.

1.19 The London Office Policy Review (LOPR) 2017 forecasts that CoW would need an additional 213,000m^2 GIA of office space, but on current trends is forecast to see a decline of 141,700m^2 GIA instead. This is notwithstanding the current Westminster City Plan's more ambitious target of 774,000m^2 net additional office space between 2016/17 and 2036/37.

The Proposed Development would deliver 9,391m^2 GIA of net additional office floorspace. The delivery of this office floorspace is equivalent to 1.2% of the current Westminster City Plan's 20-year target, or 24% of the annual target for office floorspace delivery in the borough.

1.20 When compared to LOPR targets, the Proposed Development would deliver over one year's supply of additional office floorspace, or equivalent to 4% of the total required over the period 2016-2041. This represents a substantial contribution towards the delivery of the City Council's office floorspace and employment objectives within one strategic scheme in the heart of the CAZ and West End.

1.21 It should be noted that when considering the net delivery of office floorspace against the alternative future baseline scenario, whereby a larger amount of existing office floorspace is present on site before the arrival of the Proposed Development, net office space delivery would fall to 1.1% of the Westminster City Plan's 20-year target (22% on an annual basis). Even in the context of this scenario, the office floorspace delivered by the Proposed Development would amount to a substantial contribution for a single scheme.

High demand for visitor accommodation necessitates supply growth in visitor accommodation stock in London.

1.22 As of December 2015, the supply of London's serviced accommodation[3] stock amounted to 146,000 rooms. To meet rising demand, it is forecast that London will require a net additional 58,000 rooms over the period 2016-2041, or 77,000 rooms once anticipated closures are considered.

1.23 In 2015, CoW housed over a quarter (26%) of the total London serviced accommodation stock, or 38,480 rooms. Based on demand projections, CoW will require a net addition of 5,559 rooms to 2041, or 7,365 once anticipated closures are taken into account.

[3] Defined as hotels, hostels, guest houses and B&Bs by the GLA.

The Proposed Development would contribute 31 additional boutique hotel rooms to CoW, accounting for 14% of the net annual increase (222 rooms) required in the borough over the period to 2041.

1.24 The Proposed Development's contribution to the London Luxury Quarter will also help meet rapidly rising demand from the most affluent visitors to London. The historic area of Mayfair, St James's and Piccadilly is now promoted as London's Luxury Quarter and is anchored around New and Old Bond Street. It is an area synonymous with world-class luxury and leisure providing generations of exceptional service, hundreds of years of heritage and exclusive luxury experiences. It is a rapidly growing area, with Oxford Street, Bond Street and Regent street having witnessed a 90% increase in turnover in ten years, from £4.7bn in 2005 to £8.8bn in 2014.

Housing contribution

1.25 The median house price to earnings ratio in CoW is over 22, almost double the ratio recorded across London as a whole. Renting is no more affordable: the average single-bedroom dwelling in the borough would consume 59% of the median earner's pre-tax income.

The Proposed Development will deliver 33 residential units, an uplift of 24 net additions to the housing supply when compared to existing residential units on site. These net additional dwellings are equivalent to 2.2% of the annual requirement for CoW provided in the current London Plan, or 2.4% of the annual requirement stated in the forthcoming Intend to Publish London Plan.

1.26 Under the alternative future baseline scenario where only 2 residential units exist on South Molton Triangle at the time that construction commences, an uplift of 31 residential units would be achieved on site. Under this scenario, the Proposed Development would deliver net additional residential dwellings equivalent to 2.9% of the current London Plan's annual requirement for CoW (3.1% of the Intend to Publish London Plan).

1.27 It will also facilitate the delivery of much needed affordable housing within central CoW and the West End. The 11 affordable units provided at the Proposed Development will meet the 35% policy requirement by both area and habitable rooms.

Other impacts

CoW's Code of Construction Practice will ensure that locals have access to jobs associated with the construction phase of the development. During the operational phase an estimated 90 jobs will go to CoW residents.

1.28 CoW's Code of Construction Practice requires that 10% of the total construction workforce be from the local area (either CoW or Central London depending on the role) and requires the provision of one apprenticeship start or trainee position for every £2m in contract value. This amounts to a significant investment into local skills and opportunities.

1.29 Based on commuting data from the 2011 Census, an estimated 90 jobs will go to CoW residents during the operational phase of the Proposed Development, an uplift of 35 when compared to estimates of existing CoW residents employed on site.

The public realm improvements provided as part of the Proposed Development will help the area to cope with increased passenger flows expected with the opening of Bond Street Crossrail station. The benefits of these public realm quality improvements are valued at £577,000, in 20-year Net Present Value (NPV) terms.

1.30 Bond Street Station is already the 15th busiest of London's 417 stations and records an estimated 41 million entries and exits each year. In order to handle the increased traveller numbers associated with Crossrail's arrival (rising to 100m by 2026), pedestrian accessibility improvements will be necessary amongst other improvements to the quality of the urban realm.

1.31 Apart from increased pedestrian permeability, a higher-quality public realm can increase land values, retail footfall and create a space where people linger, and not merely pass through. The benefits of the Proposed Development's public realm proposals – improved wayfinding and signage, events and seating zones, planting, improved frontages, paving and lighting – are valued at £577,000 in NPV terms.

The 2020 Coronavirus pandemic

1.32 The economic context analysis undertaken for this report was carried out before the emergence of the global Covid-19 ('Coronavirus') pandemic. It is possible that, in the short-term at least, the economic context that this report compares the estimated contribution of the Proposed Development to has been affected by the Coronavirus pandemic.

1.33 The emerging literature, however, suggests that the pandemic will cause a short temporary shock to the UK economy. The Bank of England recently announced that they expect the UK economy to recede by 14% over the course of 2020, the largest reduction in the size of the economy in over 300 years. Their forecasts expect the UK economy's GDP to bounce back by 15% in 2021, highlighting that they only expect the shock to last a year. As the Proposed Development is not due to commence construction until 2022, and become operational in 2026, Volterra does not consider it to be appropriate to adjust the economic context presented in this report. This is because the economic impact of the Coronavirus pandemic, whilst uncertain at this early stage of recovery, should have mainly passed by these dates and we consider the robust underlying economic need for the Proposed Development (as set out in this report) is likely to withstand the changing economic conditions.

2 Introduction

The Proposed Development

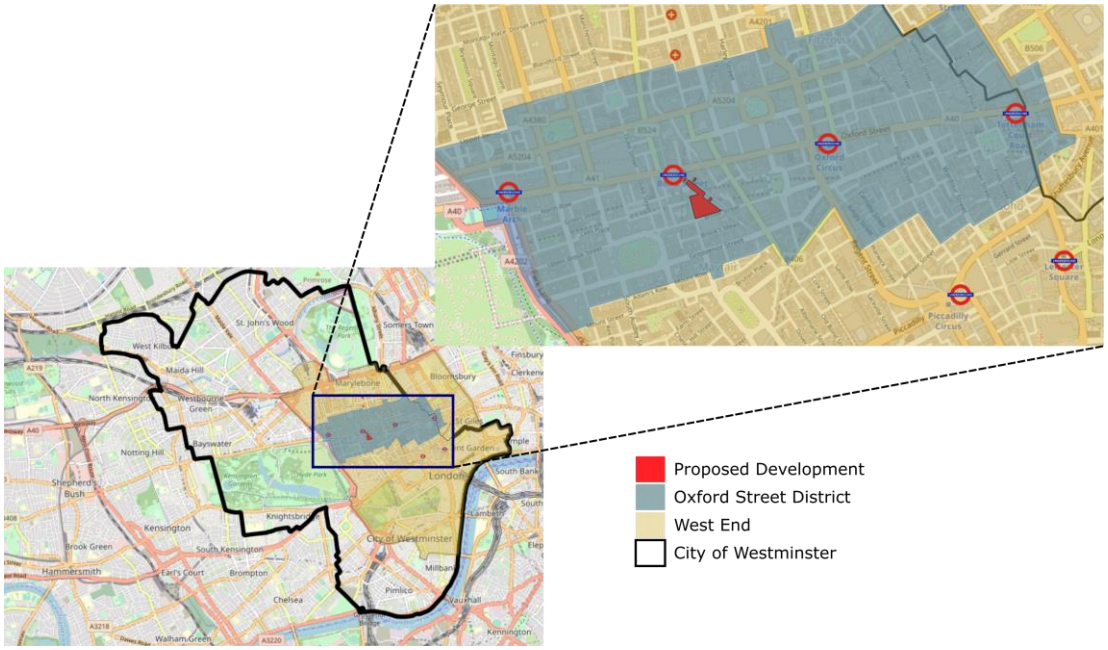
2.1 This report provides an assessment of the socio-economic impacts of Grosvenor Properties ('the Applicant') office-led proposal to redevelop a site known as South Molton Triangle, within The City of Westminster ('CoW'). The scheme will be an office-led development, comprising of high-quality commercial office space in the North and South blocks, a new 31-room luxury boutique hotel on Brook Street, and complementary retail and food & beverage uses at the ground floor levels. In addition to this, 33 residential units will be provided as part of the Proposed Development, of which 11 units will be affordable. The total Gross Internal Area (GIA) of the Proposed Development will amount to 33,273m^2, of which 18,947m^2 will be B1-office floorspace. More specifically, the application is for the following development:

"Part demolition, new buildings and alterations to existing buildings comprising: redevelopment of 60 Brook Street; redevelopment behind retained façade at 48, 50, 56 and 58 Brook Street; redevelopment behind retained and partially reconstructed façade at 52-54 Brook Street; refurbishment with alterations and addition of turret and gables at 40-46 Brook Street and 40 South Molton Lane; redevelopment behind retained street elevations and front roof at 1-8 Davies Mews and 28-30 South Molton Lane; refurbishment and alterations at 50 Davies Street; refurbishment with alterations and partial demolition and redevelopment of upper floors at 52-54 Davies Street; redevelopment behind reconstructed and extended facade at 56 Davies Street and Brookfield House (44-48 Davies Street and 62 and 64 Brook Street); part demolition of ground floor and refurbishment at 10 South Molton Street; refurbishment and alterations at 15 – 25, 27 and 42 South Molton Street; to provide a development of up to 9 storeys including Class B1, Class A1 and A3, Class A4, and Class A4 with sui generis, Class C3, Class D1 and Class C1 uses, improvements to public realm and pedestrian routes, servicing, ancillary plant and storage, cycle parking and other associated works."

Geographical definitions

2.2 The site of the Proposed Development covers 0.96 hectares, and excludes 58 Davies Street, which sits within the South Molton Triangle but sits outside of the Proposed Development's red line boundary. The Proposed Development is broadly divided into four parts, namely (i) the North Block; (ii) the South Block; (iii) 40-46 Brook Street; and (iv) the South Molton Street properties. The site of the Proposed Development, shown in **Figure 1**, is bounded by South Molton Street, Davies Street and Brook Street. The site is very close to Bond Street station, and hence the area in which the Proposed Development is located has been assigned the highest rating of public transport accessibility level (PTAL) – 6b – by Transport for London. In this context, the site offers an ideal location for a mixed-use development, given its excellent public transport links allowing easy accessibility for prospective workers and access to a wider range of amenities in the local area.

Figure 1: Site context for the Proposed Development



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2.3 **Figure 1** shows the different geographical areas that will be referred to in this report. The site of the Proposed Development is located within the Oxford Street District (OSD), situated in London's West End[4].

2.4 The existing site primarily consists of office and retail space, although other uses include a public house (which will be retained), residential units, an army training centre, and a hairdressing school. The commercial occupier of the existing hairdressing school has in fact already relocated to an alternative premise within the borough. The existing public realm is considered to be of poor quality, with narrow pavements on Davies Street unable to suitably accommodate the high footfall and poor-quality frontages on South Molton Lane making it an unappealing link for pedestrians to travel down.

Interdependency with Claridge House

2.5 The site of the Proposed Development is currently intrinsically linked to another nearby building called Claridge House on Davies Street. Prior to the submission of the South Molton Triangle planning application, a package of land use swap applications was submitted relating to 58 Brook Street, 60 Brook Street, 1-8 Davies Mews and Claridge House (at 32 Davies Street). If these are granted consent, it is proposed that a number of changes of use would occur before construction of the Proposed Development commences. In summary, these four applications consist of:

1. **Claridge House:** Part of the first and the second floor of Claridge House to change from B1 use to C3 use.

[4] Note that in this report the 'West End' refers to the entire West End area as defined by Westminster City Council, rather than only the West End census ward.

2. **Proposed Development site:** Part first and second floors of 1-8 Davies Mews to change from C3 use to B1 use.
3. **Proposed Development site:** Fourth floor of 58 Brook Street to change from C3-use to B1 use.
4. **Proposed Development site:** Second and third floor of 60 Brook Street to change from C3 use to B1 use.

2.6 These planning applications will be formally linked by a unilateral undertaking requiring the C3 units to be provided at Claridge House before the office use on South Molton Triangle can be occupied. The C3 use parts of the Proposed Development's site which would be linked via this land swap currently contain 7 residential units (833m^2 GIA). The B1 use to C3 use swap on the Claridge House would see 8 residential units (867m^2 GIA) be delivered at Claridge House, amounting to a net increase of housing supply in the local area comprising 1 additional unit or 33m^2 additional GIA of residential floorspace.

2.7 As these applications have yet to be approved, the numbers presented in the core assessment throughout this report, when assessing 'additional' or 'uplift' impacts, are based on the scenario where the site of the Proposed Development is as it is currently, i.e. with more residential units (9 in total) and less existing B1 office space. Where appropriate throughout the report, however, an **alternative 'future baseline' scenario** will be presented, whereby it is assumed that these land use swaps have been approved. The additional economic impacts are then assessed against what the future existing site would look like. In summary, this scenario will lead to a greater uplift in the overall supply of housing provided on the site of the Proposed Development, but a lower uplift in office floorspace (and hence employment).

Structure of the report

2.8 This assessment focusses on the context of the Proposed Development within the surrounding local area and provides an estimate of the socio-economic impacts that will occur as a result of the scheme. The report also demonstrates the need for commercial floorspace to be delivered in this part of CoW and the contribution towards this that the scheme will make. The report is split into the following sections:

- **Local area context**: this section provides an overview of both the current policy picture and the economic indicators in the areas relevant to the Proposed Development.
- **Economic impacts**: estimates the additional economic impacts that will occur during both the construction and the operational phase of the Proposed Development, against a baseline of economic activity that is currently occurring on site. This section uses standard accepted methodology, drawing on data from the Office of National Statistics (ONS) and utilising the Homes and Communities Agency (HCA) Employment Density guidance.[5]
- **The need for commercial floorspace**: assesses the need for different types of commercial floorspace within both the OSD and CoW, with the focus placed predominantly on the need for office space and hotel rooms in particular. The

[5] HCA, 2015. Employment Density Guide: third edition.

section shows how the Proposed Development will contribute to commercial floorspace targets sets for CoW.

- **Housing contribution**: this section focusses on the contribution that the Proposed Development will make to the need for housing in CoW, both private and affordable residential units.
- **Other impacts**: finally, this section summarises the wider impacts that will occur as a result of the Proposed Development, including local employment and skills benefits, public realm improvements, and utilising the increased accessibility arising from the arrival of the Elizabeth Line.

3 Local Area Context

Planning policy

Intend to Publish (Draft) London Plan

3.1 The Intend to Publish London Plan takes projections for office floorspace in London from the London Office Policy Review (LOPR)[6], which states that there will be demand for a net additional 3.5m(m^2) of gross internal area (GIA) office floorspace in the Central Activities Zone (CAZ) and Northern Isle of Dogs (NIOD) over the period 2016-2041, an area in which the Proposed Development is located.

3.2 **Chapter 6** of the Intend to Publish London Plan[7] covers all draft policy related to London's economy. **Policy E1** relates specifically to offices and states that *"improvements to the quality, flexibility and adaptability of office space of different sizes (for micro, small, medium-sized and larger enterprises) should be supported by new office provision, refurbishment and mixed-use development"*.

3.3 This policy in the plan also acknowledges that the central London office market supports unique agglomerations and dynamic clusters of world city businesses, and as such should be developed and promoted.

3.4 The Intend to Publish London Plan also identifies a need for an additional 66,000 homes to be delivered each year in London over a ten-year period. This is a substantial target, with the Greater London Authority (GLA) recognising the fact that for this target to be met, not only must more residential applications be approved, but there should be a step-change in how homes are delivered across London, with innovative new ways of delivering residential units encouraged.

3.5 For CoW, the Intend to Publish London Plan establishes a ten-year housing target of 9,850 net housing completions over the period 2019/20-2028/29.

3.6 There will naturally be variation in the annual delivery of housing in CoW over this period. For CoW to meet its target, it will need to average 985 net housing completions each year.

The London Plan

3.7 The London Plan[8] is the current adopted strategic plan for Greater London across a variety of different topics, including housing (supply and affordable provision) and London's economy, both of which are relevant to this report.

3.8 Within the Plan, the GLA outline the need to increase the supply of housing in London (**Policy 3.3**), and as a result establish a target of 42,389 homes delivered annually over the period 2015-2025, amounting to a total of 423,887 homes over the entire period. Of this target, a CoW-specific target for the delivery of additional housing is set, equivalent to 1,068 dwellings a year, or 10,677 over the ten-year monitoring period. **Policy 3.11** outlines the GLA's target for affordable housing, in which the Mayor will

[6] Ramidus Consulting, 2017. The London Office Policy Review.
[7] GLA (Mayor of London), December 2019. The London Plan – Intend to publish version.
[8] GLA (Mayor of London), 2016. The London Plan.

seek to ensure at least 17,000 additional affordable homes per year in London over the Plan period.

3.9 Chapter Four of the Plan provides detail on the GLA's approach to developing London's economy throughout the Plan period. **Policy 4.2** addresses policy specific to offices in London. This policy generally supports "*mixed use development and redevelopment of office provision to improve London's competitiveness and to address the wider objectives of this Plan, including enhancing its varied attractions for businesses of different types and sizes including small and medium size enterprises"*.

Westminster City Plan

3.10 The current adopted Westminster City Plan[9], in **Policy S18,** states that commercial development will be encouraged and directed towards certain areas, one of which is the core CAZ. In fact, commercial and other non-residential activity will be made a priority by the council within the core CAZ.

3.11 CoW will work to exceed the target of additional floorspace capacity for 77,000 new jobs (1.2m(m^2) of commercial floorspace) during the period 2016/18-2036/37.

3.12 The justification for the focus on commercial development within the core CAZ, in which the site of the Proposed Development is situated, is based on the fact that CoW forms an important part of the UK economy, and particularly the West End area. Therefore, whilst housing does form an important part of the mix in this area, too much residential development can lead to an erosion of potential agglomeration benefits.

3.13 **Policy S19** focusses on ensuring that economic development within CoW also benefits CoW residents, by ensuring that where appropriate, forthcoming developments will provide employment, skills and training benefits to local residents as part of their proposals.

3.14 With respect to office development (**Policy S20**)**,** CoW will work to target the delivery of 58,000 additional B1-office jobs (774,^{000m2} B1 floorspace) over the period 2016/17-2036/37, equivalent to 2,900 jobs per annum.

3.15 With respect to housing delivery, **Policy S14** states that the council will work to achieve the borough housing target provided in the current London Plan. The current London Plan[10] establishes a minimum ten-year housing target of 10,677 dwellings over the period 2015-2025, equivalent to 1,068 dwellings delivered each year on average.

3.16 **Policy S1** focuses on encouraging a healthy mix of uses within Westminster's CAZ, through encouraging development which promotes CoW's functions, and supports its worker, resident and visitor populations.

3.17 The Proposed Development also falls within the West End Special Retail Policy Area (**Policy S7**), which is a policy defined in the Westminster City Plan that focusses on retaining and enhancing the unique status and offer of the West End's retail sector. A summary of the priorities defined through this policy is provided below:

- Improved retail space;

[9] City of Westminster, November 2016. Westminster City Plan.
[10] GLA (Mayor of London), March 2016. The London Plan.

- Appropriate retail growth, including provision of A1 retail along the primary shopping frontages at basement, ground and first floor levels;
- Improved pedestrian environment to manage the significant pedestrian flows;
- Improved public transport provision and access to it, including Crossrail stations; and
- Improved linkages to and from the surrounding retail areas and visitor attractions.

Workers

3.18 The Proposed Development lies within the West End, which is crucial to London's economy. The West End is made up of parts of Westminster and Camden, containing the most employment dense parts of both boroughs. One of the densest concentrations of employment within the West End is within the OSD, an area in which the Proposed Development also sits.

3.19 Within the West End, there were approximately 657,000 people employed across a c. 800-hectare (ha) area in 2018, amounting to an employment density of 820 jobs per ha. The employment density in OSD was even higher in 2018, equivalent to 930 jobs per ha, almost three times the density witnessed across CoW as a whole. In 2018, CoW had the highest level of employment of any London borough (and indeed any local authority), with 735,000 jobs located in the borough, resulting in an employment density of 350 jobs per hectare. In OSD, despite only accounting for 8% of CoW's land area, it accounted for c. 20% of its employment.

Table 1: Employment growth and density

Geography	Area (ha)	2011 employment	2018 employment	Employment growth (2011-18)	Employment density (jobs per ha)
Oxford Street District[11]	162	133,000	150,000	13%	930
West End[12]	800	589,000	657,000	12%	820
Westminster	2,100	645,000	735,000	14%	350
London	157,000	4.5m	5.3m	18%	35

Source: ONS, 2011 & 2018. Business Register and Employment Survey; ONS, 2011. The Census.
Note: Figures are rounded

3.20 Between 2011 and 2018, employment growth across the OSD amounted to 13%, an average of 1.8% each year, and slightly below that witnessed across CoW (14%) and London (18%) over the same time period. Employment growth in OSD has been driven primarily by the accommodation and food (22%) and professional services (14%) sector. Meanwhile, employment in the retail and wholesale sector has been in decline, falling 5% in the OSD over the same time period.

3.21 Across CoW, office employment is the dominant sector, accounting for c. 45% of all employment in the borough (329,000) in 2018. This represents a small decline in total

[11] The estimate of employment in the OSD has been updated based on the latest statistical release for 2018, and the methodology has been changed slightly. As a result, the estimate is not entirely consistent with the previous calculations recorded for the OSD.
[12] West End employment has been estimated using BRES data at the LSOA-level weighted by the proportional overlaps of LSOAs that fall within the West End boundary.

office employment over the past few years, falling from 332,500 in 2015 to 329,000 jobs in 2018.

3.22 CoW is crucial to the London economy, generating an estimated Gross Value Added (GVA) – a measure of economic output – of approximately £61bn each year.[13] This represents c. 15% of London's GVA, which is more than any other London borough, and in fact the highest of any local authority in the UK.

3.23 It is estimated that OSD alone contributes £12.6bn GVA to CoW economy each year, equivalent to 21% of the total across the borough. Approximately two-thirds (65%) of this GVA (£8.2bn) is derived from the office sector, despite the office sector only accounting for 49% of total employment in the area.

3.24 Finally, the amount of floorspace in the OSD area has been estimated using data from the Non-Domestic Rating List Entries dataset published by the Valuation Office Agency (VOA).[14] **Table 2** outlines the estimated floorspace within the OSD and CoW.

Table 2: NIA floorspace (sqm), 2018-19

Category	Unit[15]	OSD	CoW
Professional services	NIA	1,340,000	5,450,000
Retail, restaurants & cafes	NIA	910,000	1,650,000
Industrial	NIA	35,000	130,000
Other	NIA	90,000	865,000
Total[16]	**NIA**	**2,600,000**	**8,100,000**

Source: VOA, 2019, Non-Domestic Rating List Entries. Note Figures may not sum due to rounding.

Residents

3.25 In 2018, the local OSD area accommodated an estimated population of 13,100 residents, having experienced growth of 19% over the period 2011 to 2018. This growth rate is higher than population growth witnessed across CoW (16%) and London (9%) over the same period, but below the West End (23%).

3.26 Despite the relatively high rate of population growth experienced in the OSD, the local area in which the Proposed Development is situated remains a commercial-dominated area. In 2018, there were 12 times as many jobs in the OSD as there were residents, a higher ratio than across the West End (10) and CoW as a whole (3). At the borough level, it is clear that the economy of CoW is a major centre for employment, attracting

[13] ONS, 2018. Gross Value Added (Income Approach). Note that although 2019 estimates are available at a CoW level, 2018 estimates are used for consistencies across different comparators, as 2018 employment estimates are required to calculate GVA for OSD.
[14] VOA (2017): Non-Domestic Rating List Entries
[15] NIA refers to net internal area and is the usable area measured to the internal finish of a development at each floor level. NIAs have been estimated using a GIA:GEA efficiency of 0.95 and NIA:GIA efficiency of 0.8, as per the Employment Densities Guide.
[16] Note that the total cannot be viewed as a true total for all employment generating floorspace across the areas as the VOA dataset excludes some businesses such as hotels, pubs etc. It is also possible for businesses to request removal from the database if they do not wish to have their data publicised.

workers far beyond its boundaries, hence the fact that there are three times as many workers in the borough as there are residents.

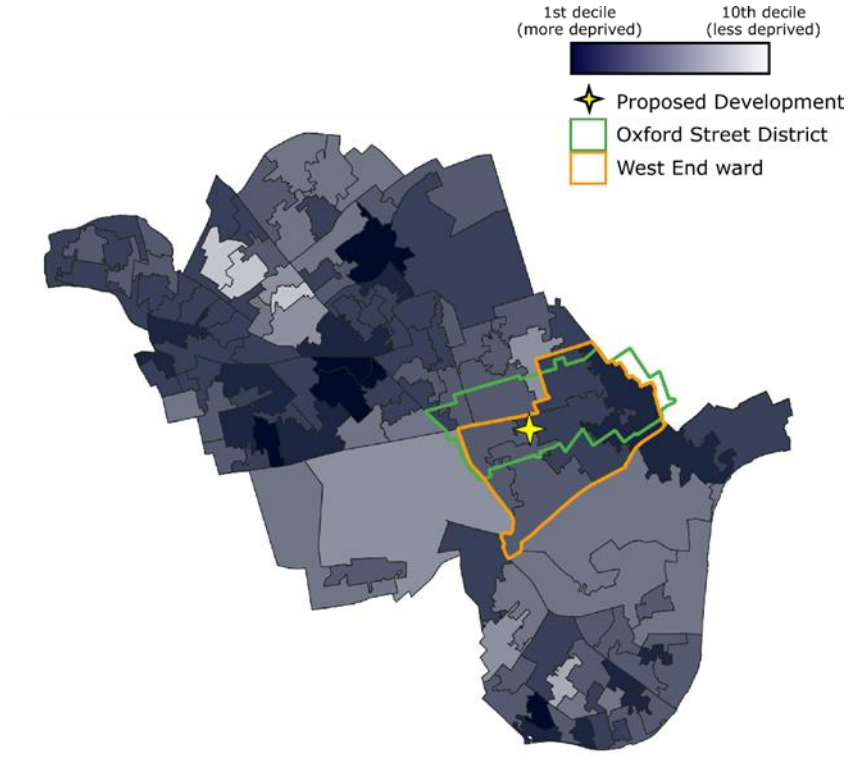
Table 3: Population estimates, 2011-2018

Area	2011 population	2018 population	Population growth (2011-2018)	Population Density 2018 (people per ha)	Employment to population ratio (2018)
OSD	11,000	13,100	19%	81	12
West End	55,000	67,400	23%	82	10
CoW	220,000	255,000	16%	120	3
London	8,200,000	8,900,000	9%	55	0.5

Source: ONS, 2018. Mid-year population estimates by LSOA; ONS, 2011. The Census. Note that figures are rounded.

3.27 The majority of the OSD performed relatively poorly in terms of housing deprivation (**Figure 2**), and especially poorly when considered in terms of living environment deprivation (**Figure 3**). Higher than average levels of overcrowding and homelessness, paired with poor levels of affordability drive the barriers to housing deprivation in the borough. Meanwhile, the poor living environment deprivation scores are driven mainly by low air quality and higher than average levels of road traffic deaths.

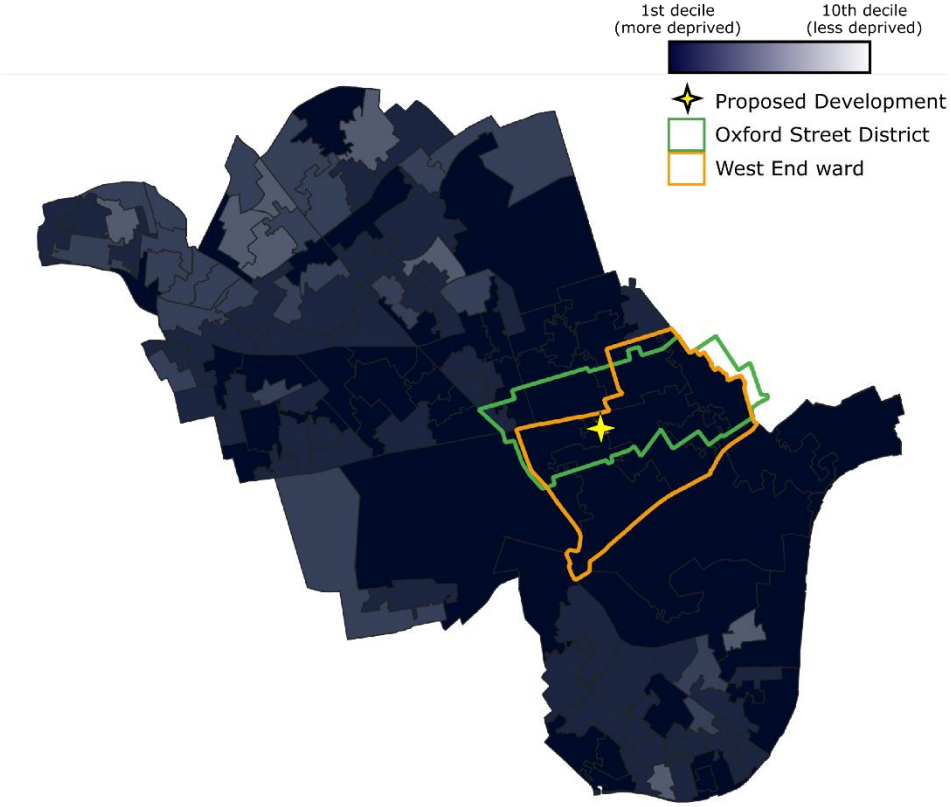
Figure 2: Barriers to housing deprivation by decile



Ministry of Housing, Communities and Local Government (MHCLG), 2019. English indices of deprivation, 2019 – housing deprivation sub-domain.

3.28 As the figure below shows, every Lower Super Output Area (LSOA)[17] within CoW scores below the average (5th decile) for England, highlighting the relatively poor living environment that currently exists in the borough. It should be noted that whilst this metric typically performs poorly in central urban locations, CoW as a whole ranks as the 4th most deprived borough in this sub-domain, of the 317 local authorities in England.

Figure 3: Living environment deprivation by decile



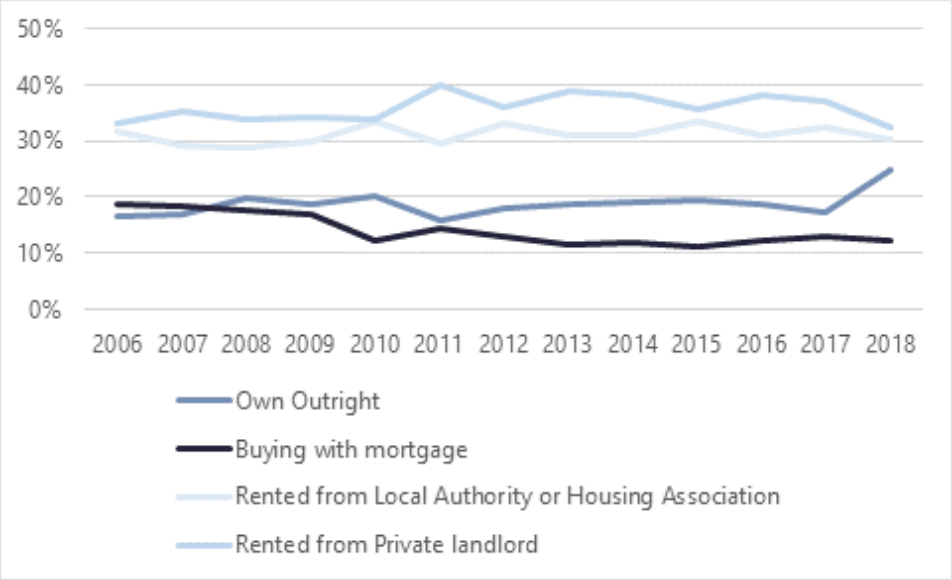
Ministry of Housing, Communities and Local Government (MHCLG), 2019. English indices of deprivation, 2019 – living environment deprivation sub-domain.

Affordability and tenure types

3.29 CoW's residents are primarily housed in rented accommodation, equivalent to 63% of all tenures in 2018. Of this 63%, 33% were people living in the private rented sector (PRS), and the remaining 30% were renting from the local authority or housing associations. The share of tenure types has been virtually unmoved since 2006, when 65% of all dwellings were rented and 35% were either owned outright or bought with a mortgage, as shown in **Figure 4**. This bucks the wider London trend that has occurred in recent years, where for example, the proportion of tenures in the PRS has grown by 4 percentage points over the last decade, from 23% in 2009-10 to 27% in 2018-19.

[17] LSOAs are a geographic hierarchy designed to improve the reporting of small area statistics in England and Wales.

Figure 4: CoW dwellings by tenure, 2006-2018



Source: ONS, 2018. Annual population survey – tenure of households by borough.

3.30 An expanding population coupled with a shortage in the supply of housing has led to excess demand for housing in CoW and caused house prices in the borough to consistently rise over time. In fact, in line with trends seen across both Inner London and London, house prices in CoW grew by 83% over the 10-year period 2009-2019.

3.31 Property prices are now estimated to be more than 22 times higher than the average earnings of the resident population in CoW. This highlights the unaffordability of housing in CoW, and the reason why so many residents choose to reside in the relatively more affordable PRS. The West End, despite starting from a high base, has witnessed house price growth outpacing even CoW or Inner London averages, with median property prices rising from £750,000 in 2009 to £1,700,000 in 2019.[18]

Table 4: Median property prices and housing affordability

Area	Median property price (£)			Median house price to earnings (HPE) ratio	
	2009	2019	10-year growth rate	2009	2019
West End	£750,000	£1,700,000	127%	No data	No data
Westminster	£525,000	£959,000	83%	14.9	22.7
London	£253,000	£470,000	86%	9.0	12.8
England	£163,000	£245,000	50%	7.5	7.8

[18] ONS, 2019. Median house prices for administrative geographies: HPPA dataset 37

Source: ONS, 2019. Median house prices for administrative geographies: HPPA dataset 37. ONS, 2019. Annual survey of hours and earnings - ratio of house price to residence-based earnings, 2002 to 2019.

3.32 Clearly, earnings growth has not kept pace with the rise in house prices, and housing in London has become increasingly unaffordable. The median earnings of Westminster residents have risen from £35,250 to £37,400, or by just 6% in the decade to 2019[19].

Visitors

3.33 London is a global city. The combination of cultural attractions and position as a leading business hub creates a unique global image that is attracting a growing number of both leisure and business visitors from the UK and overseas: there were 31 million trips to the city in 2018, spending an estimated £15.3bn.[20] Whilst only accounting for 62% of total trips to London, international visitors accounted for 80% of visitor expenditure in the city (£12.3bn) in 2018, highlighting their importance to the city.[21]

3.34 There are a number of surveys and indices produced that support the position that London is one of the most important cities globally, some examples of which are listed below:

1. London continued to be ranked first in the 2018 Global Financial Centres Index 23[22]. This does not, however, paint the full picture. It is well established that London is one of the strongest financial centres globally, but the city was found to have grown the least year on year of all the top fifteen ranked cities. This highlights how, amongst other factors, the increasing competition between cities is challenging London's competitive advantage.
2. The Institute for Urban Strategies Global Power City Index 2019 uses a range of indicators which cross political, economic, social and environmental fields and in 2019 ranked London as the world's leading global city for the eighth year in a row, ahead of New York (2nd) and Tokyo (3rd).[23] London extended its lead over competitor cities by:

   "improving its scores for such indicators as GDP Growth Rate and Level of Political, Economic and Business Risk in [the] Economy, and for Attractiveness of Dining Options and Number of Visitors from Abroad in Cultural Interaction".

3.35 At a more local level, Venuescore provides a UK ranking of the country's top 3,000 retail destinations including town centres, malls, retail warehouse parks and factory outlet centres. Oxford Street is ranked the best retail destination in London, and 10th in the UK according to Venuescore.[24] In the luxury sector, Bond Street was ranked the best destination in the UK, ahead of Bicester Village. Finally, Regent Street was ranked the best destination in the UK for international retailers.

3.36 Meanwhile, the Global Retail City Destination index identifies Oxford Street as the 'premier tourist/domestic retail location'. South Molton Triangle is located just off

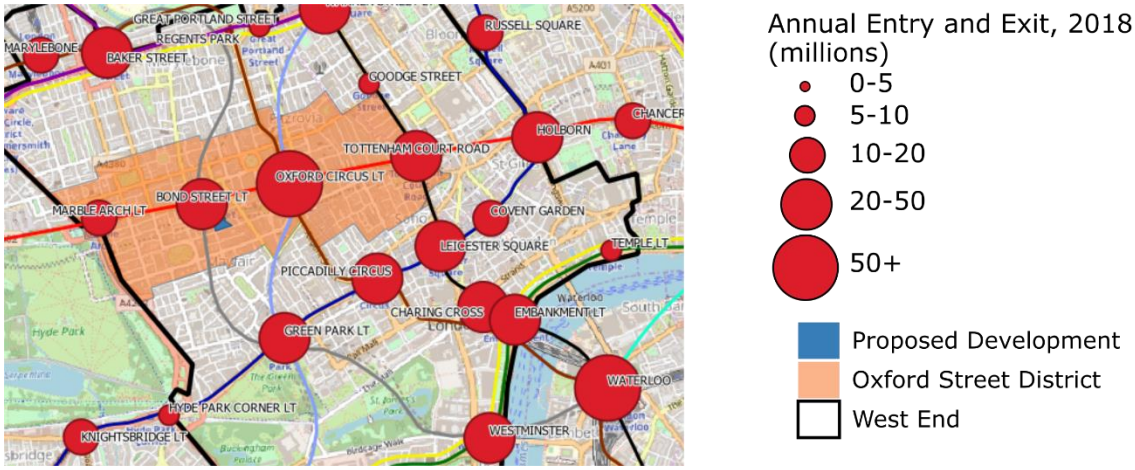
[19] ONS, 2019. Annual survey of hours and earnings.
[20] HM Government, House of Commons Library, September 2019. Tourism: statistics and policy. Briefing paper number 06022.
[21] Ibid.
[22] The Global Financial Index 23, 2018. Financial Centre Futures.
[23] Institute for Urban Strategies, 2019. Global Power City Index.
[24] Venuescore, 2017. UK Shopping Index.

Oxford Street, and the vision of the Proposed Development is to expand the leisure and shopping offer south, through the site.

3.37 Tube station statistics (the number of entries and exits) are a good way of comparing the number of people in an area, acknowledging that there are many other ways to access an area. In 2018, there were an estimated 41m passengers per year entering and exiting Bond Street station. **Figure 5** shows how this compares to other underground station locations: Oxford Circus, also in close proximity to the site, had 83m entries and exits in 2018.

3.38 It should be noted that according to estimates produced by Arup[25], projections suggest that Bond Street could reach 100m passengers per annum by 2026, after the opening of Crossrail, a substantial increase compared to existing figures.

Figure 5: Entry and exit by tube station, 2018



Source: TfL, 2018. Rolling origin and destination survey - passenger counts.

3.39 In terms of visitor expenditure, the central tourism 'core' to London has been identified as comprising of the City of London, CoW, and Kensington and Chelsea, responsible for more than three-quarters of international tourist spending.[26] International visitors contributed £13bn to London's economy in 2017, with an estimated 35% of this attributable to CoW (£4.7bn) according to EY analysis.[27] These expenditure figures include both accommodation costs and expenditure outside of the visitors' accommodation. A Volterra review of this paper suggests, however, that tourism expenditure in CoW is underestimated, due to the relatively expensive price of visitor accommodation in the borough compared to other parts of London. According to Volterra's adjusted estimates, total visitor expenditure in the borough could be up to £4.9bn a year (38% of London's total). This expenditure can be divided into accommodation and non-accommodation (retail, food & beverage, entertainment etc.) purposes; of this total expenditure amount, it is estimated that £2.6bn (52%) is spent on non-accommodation items.

[25] Arup, 2014. The impact of Crossrail on visitor numbers in Central London.
[26] London First, 2019. Tourist information – mapping the local value of international visitors
[27] London First, 2019. Tourist information – mapping the local value of international visitors.

Employment projections

3.40 GLA Economics forecasts that employment in London will grow on average by 49,000 jobs per annum over the period 2016-2041.[28] Whilst sectors such as professional services, information & communication and administrative & support are all anticipated to experience strong growth, retail employment growth is anticipated to remain relatively stagnant.

3.41 Employment is estimated to rise by 3,630 jobs per annum in CoW over the same time period, amounting to an additional 91,000 jobs in the borough over the entire period (2016-2041).

3.42 Economic projections are also available at a more local geographical level than CoW. In November 2018, Volterra produced an Economic Assessment of Oxford Street District (OSD) for Westminster City Council, within which some targets for the area were outlined based on different scenarios for growth. The next section – **Economic Impacts -** links the economic impacts of the Proposed Development to these targets for context.

3.43 Based on the OSD's employment proportions relative to the West End and CoW, forecasts suggest that if the various employment targets of the GLA or West End Partnership (WEP) are to be achieved over the 25-year period from 2016-2041, then the OSD has the potential to accommodate significant employment growth. Under GLA targets, an annual increase of 770 jobs would be achieved if the target was reached.

3.44 Under the WEP target, OSD would achieve annual employment growth of 1,100 jobs if reaching the overall target of 27,000 jobs over the period to 2041.

3.45 In Volterra's previous work for CoW on forecasting employment growth in the OSD, a number of more 'ambitious' scenarios were laid out to explore the potential for employment growth above what the GLA and CoW are currently forecasting. Three more 'ambitious' targets were presented, based on the following:

1. The New West End Company (NWEC) and others' more ambitious OSD vision[29] outlined its vision for the future of the area, targeting the creation of 1,600 – 2,000 new jobs in the OSD each year to 2030;
2. Targets based on intensifying employment density within OSD to bring it in line with the Soho-level; and
3. A target based on historic employment growth between 2009 and 2016 (2.4% per annum).

3.46 The table below summarises all five forecasting scenarios previously discussed, including the public body (GLA and CoW) forecasts, as well as the three more ambitious employment growth scenarios.

[28] GLA Economics, 2017. London labour market projections.
[29] Publica, Gerald Eve, Volterra, 2017, A Future for the Oxford Street District – A report for the NWEC and others

Table 5: Employment growth targets for the OSD

Source of forecast	Location in text	Targeted employment growth	
		Annual	2016-2041
GLA, 2017	Para 3.40	770	19,000
WEP, 2016	Para 3.41	1,100	27,000
NWEC, 2017	Para 3.42, (1)	1,600 – 2,000	40,000 – 50,000
Employment Density	Para 3.42, (2)	2,780	69,500
Historic Growth	Para 3.42, (3)	5,200	130,000

3.47 An aim of the OSD vision (aligned with the 'NWEC, 2017' figures in the above table) was to maintain the existing sectoral split of employment, in order to retain the area's economic diversity. Based on the estimate of the current sectoral split in the OSD, this would imply an office jobs target of 800 – 1,000 jobs each year to 2030.

The 2020 Coronavirus pandemic

3.48 The economic context analysis undertaken for this report was carried out before the emergence of the global Covid-19 ('Coronavirus') pandemic. It is possible that, in the short-term at least, the economic context that this report compares the estimated contribution of the Proposed Development to has been affected by the Coronavirus pandemic.

3.49 The emerging literature, however, suggests that the pandemic will cause a short temporary shock to the UK economy. The Bank of England recently announced that they expect the UK economy to recede by 14% over the course of 2020, the largest reduction in the size of the economy in over 300 years. Their forecasts expect the UK economy's GDP to bounce back by 15% in 2021, highlighting that they only expect the shock to last a year. As the Proposed Development is not due to commence construction until 2022, and become operational in 2026, Volterra does not consider it to be appropriate to adjust the economic context presented in this report. This is because the economic impact of the Coronavirus pandemic, whilst uncertain at this early stage of recovery, should have mainly passed by these dates and we consider the robust underlying economic need for the Proposed Development (as set out in this report) is likely to withstand the changing economic conditions.

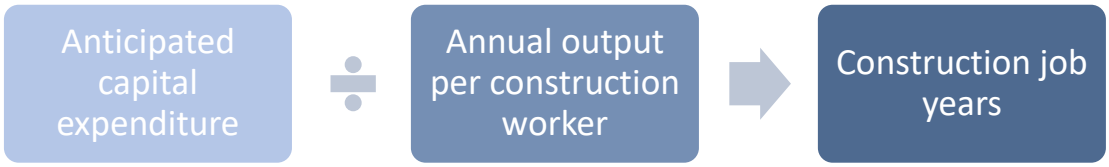
4 Economic Impacts

Construction phase

Employment

4.1 Construction works associated with the Proposed Development generate economic activity through the employment created. Volterra's standard method of estimating the number of construction workers on-site during the construction phase of the development is to divide the capital costs of the development by the average annual output (in GVA terms) of construction workers in the area. The GVA per construction worker in CoW is estimated to be £98,000 in 2018[30], the latest year for which data is available.

Figure 6: Methodology for estimating construction jobs



4.2 Through this method, it is estimated that over the course the 42-month (3.5-year) construction phase, the Proposed Development will generate a total of 1,630 gross construction job years on-site. This corresponds to an average of approximately 465 construction jobs onsite over the 3.5-year construction phase. To put this into context, the additional construction jobs generated by the Proposed Development each year (465) would represent a 3% uplift compared to CoW's total construction workforce, when compared to the 2018 figure of 16,000.[31]

4.3 Alternatively, it is standard to present construction employment figures as full time equivalents (FTEs), on the assumption that 10 construction job years are equivalent to 1 construction FTE job. The construction phase of the Proposed Development is expected to support 165 FTEs.

Construction worker expenditure

4.4 Typically, construction workers are one of the most mobile sectors of the workforce, travelling to where the work is. As a result, construction benefits are not generally viewed as having large local impacts. Whilst the employment effects from construction activity do not normally tend to be particularly local, their expenditure does have a local impact.

4.5 A 2005 YouGov study estimated that workers spend on average £6 per day around their place of work during lunch or after hours. Uplifting this figure by wage growth since 2005 and by the higher earnings differential of Londoners and construction workers in particular it is estimated that construction workers spend £12.15 per day around their place of work.

[30] ONS, 2018. Regional gross value added (balanced) by industry; ONS, 2018. Business register and employment survey.
[31] ONS, 2019. Business Register and Employment Survey, 2018 (safeguarded access).

4.6 It is estimated that across the entire construction phase, workers will spend a total of £2.6m in the local area, which translates to an annual construction expenditure figure of approximately £745,000.[32]

Operational phase

Existing site employment

4.7 The existing site amounts to approximately 14,385m^2 of net internal area (NIA) commercial floorspace and consists of a variety of uses, including 4,379m^2 of NIA retail (A1) floorspace, 6,914m^2 of NIA office (B1) floorspace (9,556m^2 GIA) and a 1,736m^2 NIA army training centre (SG).

4.8 The employment that is currently supported on site is estimated using the (HCA) Employment Density Guide[33], which provides a range of job creation metrics based on the type of employment floorspace provided. Where an employment density is not provided in the HCA guide, a different report by CAG consultants is used. This report estimates that D1 uses support employment at 1 FTE per 45m^2 GIA and Sui Generis uses support employment at 1 FTE per 60m^2 NIA.[34]

4.9 Dividing the floorspace by employment density gives the number of existing FTEs by floorspace use class. Based on this methodology, it is estimated that the existing employment floorspace could support a maximum of 905 FTEs, equivalent to 1,015 jobs once part-time employment patterns are considered.

4.10 Finally, it should be noted that although some of the buildings of the existing site are currently vacant, the existing site is conservatively assessed as if it were fully occupied, in order to enable a conservative comparison with employment that will be supported at the Proposed Development. Based on tenancy schedules previously provided by the Applicant, which are naturally point-in-time pieces of information, estimates of existing employment onsite are overstated, therefore potentially understating the additional economic benefits arising as a result of the Proposed Development. The uplifts presented in this report should therefore be considered a 'worst-case' or 'minimum' scenario.

Table 6: Existing employment at the site

Use class	Floorspace (m^2)	Density	FTEs	Jobs
A1 – Retail	4,379 (NIA)	17.5m^2 NIA per FTE	250	305
A4 – Public house	341 (NIA)	Assumed same as above.	20	25
B1 – Office	6,914 (NIA)	12m^2 NIA per FTE	575	620
D1 – Hairdressing training school	1,205 (GIA)	45m^2 GIA per FTE	25	30
Sui Generis – Army training centre	1,736 (NIA)	60m^2 NIA per FTE	30	35
Sui Generis – Waxing salon	109 (NIA)	60m^2 NIA per FTE	<5	<5
Total	-	-	**940**	**1,050**

[32] It is assumed that only 60% of workers spend this amount, for 220 days per year.
[33] HCA, 2015. Employment density guide – third edition.
[34] CAG Consultants, 2016. London employment site database (final report) Table 3.3.

Source: Volterra calculations, 2020. Note employment figures are rounded to the nearest five.

Direct employment

4.11 The Proposed Development will provide over 22,508m^2 of NIA commercial floorspace, in addition to the 33 residential units. A large proportion (60%) of this commercial floorspace will be B1-office space (13,517m^2 NIA). In addition to the office floorspace, there will be retail, food & beverage (including a bar in 15 & 16 South Molton Street), public house, hotel and space for an education or training centre all provided at the Proposed Development. The table below provides estimates of the direct employment that will be supported on site during the operational phase. Employment is again estimated using standard employment densities provided in the HCA guide, and densities provided in the CAG Consultants report where a density is not available for that given use in the HCA guide.[35]

4.12 Using this methodology, it is estimated that once operational, the Proposed Development will support 1,550 FTEs directly on site, equivalent to 1,720 jobs. This represents an uplift of 645 FTEs (705 jobs) compared to existing employment levels that could be supported on site.

Table 7: Direct employment on site

Type	Floorspace (m^2)	Employment density	FTEs	Jobs
Retail (A1)	3,664 (NIA)	17.5m^2 per FTE	210	255
Food & beverage (A3)	1,143 (NIA)	17.5m^2 per FTE	65	80
Public House (A4)	386 (NIA)	Same as existing	20	25
Office (B1)	13,517 (NIA)	12m^2 per FTE	1,125	1,215
Hotel (C1)	2,608 (NIA) (31 rooms)	Provided by the Applicant[36]	95	115
Education or training centre (D1)	1,208 (GIA)	45m^2 (GIA) per FTE[37]	25	30
Sui Generis	120	60m^2 NIA per FTE[38]	<5	<5
Total	**-**	**-**	**1,550**	**1,720**
Gross additional	-	**-**	**645**	**705**

Source: Volterra Calculations, 2020; HCA Employment Density Guide, 2015. Note figures are rounded to the nearest five.

4.13 As detailed in the previous section, CoW and the GLA have various employment targets for both CoW and the OSD area. GLA Economics[39] estimates that over the period 2016 to 2041, employment in London will rise at an annual average rate of 0.78%, equivalent to 49,000 additional jobs every year. Of this 49,000, 3,630 are anticipated to be in CoW, amounting to additional employment growth of 91,000 in the borough over the entire

[35] HCA, 2015. Employment density guide – third edition.
[36] The hotel is luxury and boutique in its nature, and hence the high level of employment required is unlikely to be captured appropriately by the Employment Density Guide. Hamilton hotel partners have provided employment estimates for the hotel on behalf of the Applicant.
[37] The employment density for D1 space is taken from: CAG Consultants, 2016. London Employment Sites Database (Final Report) Table 3.3., as no density for D1 exists in the 2015 HCA Employment Density Guide.
[38] Ibid.
[39] GLA Economics, August 2017. London labour market projections 2017.

period. The Proposed Development will support 705 gross additional jobs on site, equivalent to approximately 19% worth of forecast employment growth in CoW, a substantial contribution for a single scheme.

4.14 Volterra's own analysis suggests that in order to meet the various employment targets set for CoW over the period 2016-2041, the OSD will have to accommodate an additional approximately 770-1,100 jobs per year to meet its proportion of the overall target set (paras 3.41 and 3.42). The creation of 705 additional jobs on site at the Proposed Development is equivalent to 64%-92% of the annual target for the OSD that form part of CoW targets established by public bodies.

4.15 As described in para 3.44, the NWEC's more ambitious employment target implies an office employment growth target of 800-1,000 jobs a year. The Proposed Development will also make a significant contribution to the specific office employment target, with the 590 additional office jobs would amount to 54%-74% of this target.

Worker expenditure

4.16 Expenditure generated by the Proposed Development's commercial activity will come through three independents streams: worker, visitor and resident expenditure. Estimates for all of these different types of expenditure are provided in this report, and this spending will all support additional economic activity (in terms of employment).

4.17 With a total uplift of 645 FTEs onsite at the Proposed Development, these additional workers will bring greater expenditure to the local area. As discussed above, a 2005 YouGov survey found that employees spent an average of £6 in the area around their workplace each day. Accounting for wage growth in 2005-2019, the earnings differential of London and within various sectors, the local spending of workers at the Proposed Development can be estimated.

4.18 Based on these estimates of daily worker expenditure, it is estimated that employees at the Proposed Development will spend approximately £2.5m each year in the local area surrounding the site. This worker expenditure represents an uplift of £1.1m per year when compared against the worker expenditure supported by current employees at the existing site.

Table 8: Worker expenditure

Industry	Daily expenditure per worker	Existing	Proposed Development	Uplift
Retail	£7.05	£233,000	£195,000	£38,000
Accommodation & Food	£6.10	£16,000	£148,000	£132,000
Office	£14.25	£1,085,000	£2,122,000	£1,036,000
Hairdressing training school	£9.55	£34,000	-	-£34,000
Education or training centre	£9.55	-	£34,000	£34,000
Sui Generis	Varied	£38,000	£2,000	-£36,000
Total	-	**£1,405,000**	**£2,500,000**	**£1,094,000**

Source: Volterra calculations, 2020. Figures may not sum due to rounding.

Visitor expenditure

4.19 The Proposed Development will include a luxury boutique hotel onsite, comprising 31 rooms. The prime location of this hotel, close to the UK's best luxury shopping street (Bond Street), will likely appeal to visitors who are willing to spend significant sums of money in the London economy on their visit to the city.

4.20 Destination UK, a 2017 report by Barclays[40] focused on the UK tourism sector, provides a breakdown of the type of spending by international and domestic visitors on trips in the UK in 2017. The report concludes that international visitors spend an average of 46% of their total budget on accommodation, whilst domestic visitors spend 47%, with the remainder of these visitors' budgets being spent on other activities and/or items, mainly outside of their hotel. Visitor expenditure can therefore be estimated using the expected average daily rate (ADR) of a hotel room at the Proposed Development and anticipated levels of occupancy.

4.21 A 2019 Government briefing paper[41] found that in 2018, 62% of visitors to London came from overseas, with the remainder being accounted for by domestic tourists. This proportion is assumed when estimating the breakdown of visitors to the hotel, as well as an average occupancy rate of 82%[42] across the year.

4.22 Combining all this together, it is estimated that visitors staying at the 31-bedroom luxury hotel will spend an approximately £5m outside of the hotel annually. This is equivalent to 0.2% of the annual total visitor expenditure on non-accommodation items in CoW economy (£2.6bn), as estimated by Volterra.[43]

Residential expenditure

4.23 Residents at the Proposed Development will naturally contribute to the level of economic activity in the local area and the wider borough through their expenditure. The Proposed Development will provide 33 residential dwellings on site, an uplift of 24 units compared to the 9 that are currently situated on site.

4.24 Data based on the UK Household Expenditure Survey indicates that the average London household spends £685 per week.[44] However, not all of this spending is local; excluding household spending on items such as fuel and housing and international holidays, it is estimated that the average London household spends £318.80 per week. Accounting for the higher average (median) earnings of CoW residents, it is expected that each household living at the 33 residential units of the Proposed Development will spend £20,000 each year in the local economy.

4.25 Residents at the Proposed Development will spend an estimated £660,000 in the local area each year, equivalent to an uplift of £480,000 compared to the 9 existing residential units on site.

[40] Barclays, 2017. Destination UK: Driving growth in the UK hospitality and leisure sector.
[41] HM Government, House of Commons Library, September 2019. Tourism: statistics and policy. Briefing paper number 06022.
[42] PwC, 2018. European cities hotel forecast 2018 & 2019.
[43] London First, 2019. Tourist Information: Mapping the local value of international visitors. Adjusted by Volterra calculations.
[44] ONS, 2020. Family spending in the UK: April 2018 to March 2019

Table 9: Residential spending

	Gross	Uplift
Household spending	£318.80	£318.80
Westminster resident median wage uplift	1.2	1.2
no. of units	33	24
Residential spending per year	£660,000	£480,000
per unit yearly residential spending	£20,000	£20,000

Source: ONS, 2020., Family spending in the UK: April 2018 to March 2019

Net additional employment

4.26 The employment estimates thus far have only considered direct employment effects, i.e. the gross additional uplift in employment that will occur on the site itself. To arrive at an estimate of net additional employment, displacement impacts (the potential of the Proposed Development to displace existing employment at other locations) and multiplier impacts (indirect employment supported through the supply chain, and employment induced by increased worker expenditure) need to be considered. The HCA's Additionality Guide[45] provides guidance on the estimation of these effects.

NET ADDITIONALITY

The HCA Additionality Guide provides a framework for estimating the net additional impacts of a development, considering displacement and multiplier impacts.

- **Displacement**: the proportion of jobs which would have occurred elsewhere without the Proposed Development. The Proposed Development would contribute to supply in a growing industry with significant excess demand (see Sections 4 and 5). Given there is considerable excess demand for office space across both CoW and London, **a low displacement rate of 25% is applied**. Even if occupiers are relocating from elsewhere in the study area, this space will most likely be re-let due to excess demand.
- **The multiplier**: is the further jobs associated with additional local income, local supplier purchases and longer-term development effects. Because of the very strong supply chain links within CoW, the guidance's **high composite multiplier of 1.7 is used for employment effects at a regional level and 1.15 at the borough level**.

4.27 Additionally, the employment supported by residential and visitor expenditure is estimated through the division of total spending by the average annual output of London's workers in the distribution, transport, accommodation and food sectors, where the overwhelming majority of this spending takes place.[46]

[45] HCA, 2014. Additionality Guide: Fourth Edition

[46] A leakage of 38% is applied for induced employment created through visitor expenditure in CoW, as this is the proportion of total international visitor expenditure in London spent within CoW. For residential expenditure, a 50% leakage is applied in line with the average residential expenditure borough retention rate recorded across London boroughs.

4.28 The table below provides a summary of the net additional jobs that will be supported as a result of the Proposed Development, taking displacement and multiplier factors into account as per the HCA Additionality Guide.[47]

4.29 Taking all of these impacts into account, it is estimated that the Proposed Development would deliver 875 FTEs to the London workforce, equivalent to 960 jobs. This uplift in jobs is equivalent to 2% of the 49,000 jobs per annum forecast by GLA Economics over the period 2016-2041, a substantial contribution for a single development.

4.30 At CoW level, it is estimated that the Proposed Development will create 565 net additional FTEs within the borough, equivalent to 615 jobs. Compared against the GLA Economics target of 3,630 additional jobs per annum over the period 2016-2041, this Proposed Development would deliver 17% of the annual target for employment in CoW.

Table 10: Net additional employment

Employment type	London		City of Westminster	
	FTEs	Jobs	FTEs	Jobs
Gross additional employment on site	645	705	645	705
Displacement	0.25	0.25	0.25	0.25
Net direct employment on site (displacement)	485	530	485	530
Multiplier	1.7	1.7	1.15	1.15
Net indirect employment (multiplier)	340	370	75	80
Induced employment (visitor)	45	55	5	5
Induced employment (resident)	5	5	5	5
Total net additional employment (workers)	**875**	**960**	**565**	**615**

Note: Figures may not sum due to rounding.

GVA

4.31 GVA is a measure of sub-national economic output. Based on the average GVA per worker in various CoW employment sectors, and applying these per worker estimates to direct employment figures, the Proposed Development would support an uplift of £72m in annual Gross Value Added (GVA). This is equivalent to an increase of 0.6% on OSD's existing yearly GVA (£12.6bn).

Table 11: GVA at the Proposed Development (£m)

Sector	Existing	Proposed Development	Uplift
Retail	£24,757,000	£20,714,000	-£4,042,000
Food & beverage	-	£2,674,000	£2,674,000
Public house	£798,000	£903,000	£105,000

[47] Homes & Communities Agency, 2014, Additional Guide – fourth edition.

Sector	Existing	Proposed Development	Uplift
Office	£74,751,000	£146,139,000	£71,389,000
Hotel	-	£3,962,000	£3,962,000
Hairdressing training school	£2,254,000	-	-£2,254,000
Education or training centre	-	£2,251,000	£2,251,000
Sui Generis	£2,434,000	£83,000	£83,000
Total	**£104,994,000**	**£176,728,000**	**£71,734,000**

Source: ONS, 2019. Regional GVA by industry (balanced). Note figures may not sum due to rounding.

4.32 The table above provides estimates of GVA that will be supported in each sector as a result of the Proposed Development. As is clear in the table, by far the largest amount of GVA will be created in the office sector, which will account for essentially the entire uplift compared to existing GVA that is supported on site. The additional £71m in office sector GVA that will occur as a result of the Proposed Development is equivalent to an uplift of approximately 0.9% on OSD's 2018 office-sector GVA.

Tax revenues

4.33 By comparing national statistics on GVA in the years 1997 to 2017[48] with public sector receipts in each year,[49] it can be seen that 30% to 40% of economic output accrues to HM Treasury in taxation.

4.34 Based on this assumption, it is estimated that the Proposed Development will contribute £53m-£71m in tax revenues each year, of which £22m-£29m can be considered additional compared to the existing tax contribution.

Table 12: Tax contribution of the Proposed Development

	Existing use	Proposed Development	Uplift
Taxes (low) - 30%	£31,000,000	£53,000,000	£22,000,000
Taxes (high) - 40%	£42,000,000	£71,000,000	£29,000,000

Source: Volterra calculations

Business rates and council tax

4.35 A proportion of the total tax contribution will be made in the form of business rates paid by business occupying floorspace at the Proposed Development. It is estimated that commercial activity at the Proposed Development will result in £12m in business rates being paid each year.

4.36 The people residing in the residential units at the Proposed Development will also be required to pay council tax, which is then apportioned between CoW and the GLA. For the purposes of this assessment, it is assumed that the residential units will be placed within the median CoW council tax band, which is considered conservative given the

[48] ONS, 2019. Gross Value Added (Balanced Approach).
[49] ONS, 2019. Public Sector Finances.

valuable location of the properties within CoW. Applying the median council tax rate to the total number of properties, it is estimated that £29,000 in council tax will be paid each year, of which WCC will retain £16,000.

Alternative employment scenarios

4.37 In addition to the core economic impacts presented above, two alternative employment scenarios are considered in this report's assessment of economic impacts occurring as a result of the Proposed Development. These two scenarios are:

- **Future evolution of South Molton Triangle ('Future baseline')**: As discussed in the Introduction of this report, there are currently four outstanding planning applications related to land use swaps between the South Molton Triangle site and the nearby Claridge House. If approved, these swaps would lead to a higher provision of office floorspace at the existing South Molton Triangle site, and lower provision of residential units. Estimates are provided for how this would change the economic impacts, in terms of a lower uplift in overall employment on site.
- **Denser office space occupation**: There is increasing evidence that the average floorspace per worker is declining over time. A scenario is considered where office floorspace is occupied at a density of 8m^2 rather than the standard assumed density of 12m^2 per FTE worker.

Future evolution of South Molton Triangle ('future baseline')

4.38 If the land use swaps between South Molton Triangle and Claridge House are granted consent, in the future baseline scenario an additional 833m^2 of office space will exist on site prior to construction of the Proposed Development commencing. The uplift in office floorspace provided at the Proposed Development would therefore fall to 8,558m^2 GIA, a decrease of 9%. As a result, it is estimated that the uplift in employment directly supported on site would fall to 585 FTEs, equivalent to 645 jobs.

4.39 As a knock-on impact of this, the uplift in worker expenditure would fall to £1.0m and the uplift in GVA supported on site would fall to £64m. In percentage terms, the uplift when compared to the future existing site in terms direct employment (60%), worker expenditure (65%) and GVA (57%) would still be a substantial uplift in economic activity supported by the site.

Denser office space occupation

4.40 A more ambitious employment scenario at the Proposed Development is also possible. In this sub-section an estimate of direct employment, as well as associated worker expenditure and GVA, is presented, which considers the possibility of employment density of office floorspace declining from the 12m^2 per worker used in the previous assessments to 8m^2 per worker.

4.41 There is increasing evidence that the average amount of floorspace per worker is declining over time as businesses and authorities seek employment growth through intensification of existing uses. For example, in 1997 there was an average of 16.6m^2 per office worker, which reduced to 11.8m^2 by 2008 and 10.9m^2 by 2013 in the UK.[50] The London average was, however, slightly higher at 11.3m^2 in 2013, due to meeting

[50] British Council for Offices, 2013. Occupier Density Study.

space and breakout areas. This is partly due to the fact that modern work practices, such as working from home or hot-desking, allow people to work flexibly and in different ways. For example, changing work practices suggest that there are now 1.2 workers per desk in London.[51] Whilst there will inevitably be a limit to how much the average floorspace per worker can decrease, as there will continue to be demand for some form of physical office space in which people can meet and work, current patterns do suggest that the average floorspace per office worker could be as low as $8m^2$. The latest HCA guidance states that although it is 'potentially possible' for firms to accommodate workers at a higher density than $8m^2$ per worker, it may be 'uneconomic' to do so.

4.42 It should be noted that this trend may be impacted by altered working patterns arising as a result of the current Coronavirus pandemic, although it is too early for the data to determine how this trend may change. Furthermore, due to the greater uncertainty surrounding how the utilisation of other commercial floorspace will evolve, to what extent online shopping will displace traditional retail, only densification of B1 office space is here considered.

4.43 If the office employment density declines from $12m^2$ to $8m^2$ per worker, the Proposed Development could support a total of 2,330 jobs (2,110 FTEs), up 35% from 1,720 jobs (1,550 FTEs) in the core assessment. In additional terms, this would lead to an uplift of 1,035 jobs, of which 890 would be office-based. This uplift in office jobs is equivalent to 89%-111% of the annual NWEC target for office employment growth in the OSD.

4.44 The greater number of office jobs supported at the Proposed Development under this scenario would naturally lead to an uplift in the other economic impacts. For example, additional worker expenditure would rise to £1.6m each year, whilst additional GVA supported annually would rise to £108m.

[51] GLA, 2014. 'London Floor Space Projections'.

5 The Need for Commercial Floorspace

The need for offices

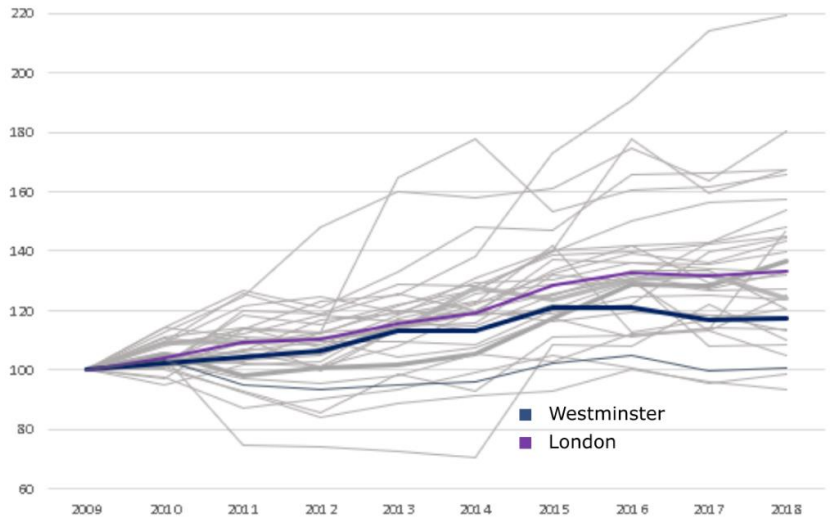
5.1 London is a world leading global city, ranking 4th out of all OECD metropolitan areas in terms of total output.[52] London as a whole supported approximately 5.3m jobs in 2018.[53] The five fastest-growing sectors over the period 2009-2018 (discounting electricity, gas, steam and air conditioning supply's 217% growth, from a very low base), were accommodation and food services (47%), real estate activities (40%), information and communication (40%) and administrative and support services (39%), professional, scientific and technical activities (35%).[54] Total London employment over the same period has grown 24%.

5.2 CoW is crucial to London's economy. As shown in **Section 3,** in 2018 CoW supported 735,000 jobs and produced £61bn in GVA. CoW's employment levels and corresponding GVA are the highest of any London borough, or indeed any local authority in the UK.

5.3 As outlined in **Figure 7**, over the period 2009-2018, employment in CoW has grown at a slower rate (14%) than London as a whole (24%). Evidence of slow employment growth is also found when analysing trends in the office sector. This is an issue that needs to be addressed, as sustaining an appropriate level of employment growth in CoW is crucial to ensuring that London maintains its position as a world-leading city, with CoW at the heart of its economy.

5.4 Over the period 2009 to 2018, office employment has grown by 17% in CoW, which is approximately half of the growth rate experienced across London as a whole (33%). In fact, office employment has declined for the past three consecutive years in CoW.

Figure 7: Index of office employment by borough (2009 = 100)

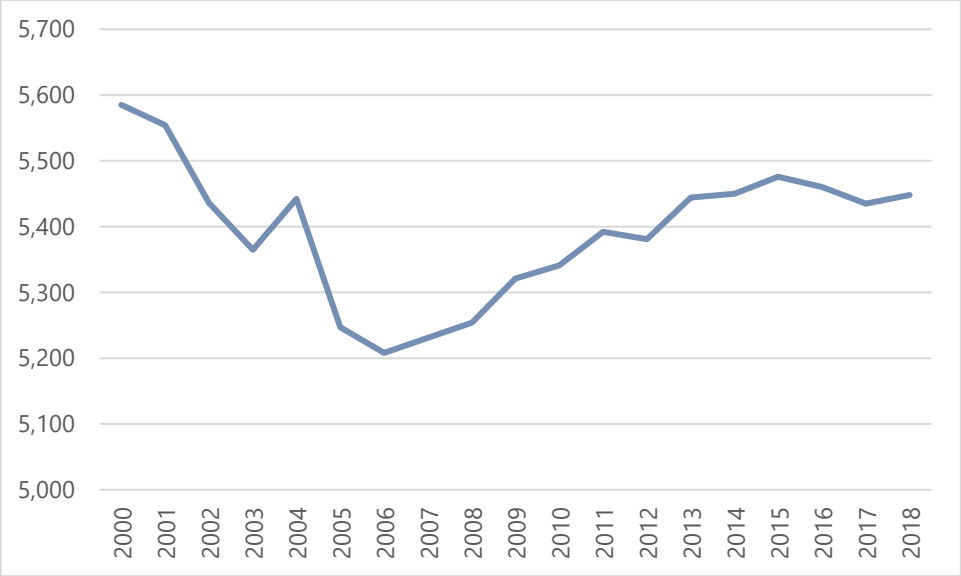


Source: ONS, 2019. Business Register and Employment Survey (Safeguarded Access).

[52] OECD, 2019. OECD.Stat, Metropolitan Economies
[53] ONS, 2019. Business Register and Employment Survey 2018
[54] ONS, 2019, Business Register and Employment Surveys 2009-2018

5.5 One of the most common arguments for the constrained growth in office employment in CoW is that there is a deficiency of office stock in the borough. Whilst CoW had 5.48m(m^2) of office floorspace in 2015, the highest of any London borough, it also witnessed the third largest decline in office floorspace (-109,000 sqm) between 2000 and 2015, after Croydon and Harrow.[55] A further, albeit smaller, decline (-28,000 sqm) has been registered since 2015.[56] Office-to-residential conversion pressures are strong and continued drops in the stock of office floorspace no doubt contributed to CoW's fall in office-related employment between 2015 and 2018. The figure below shows the evolution of CoW's office floorspace between 2000 and 2018.

Figure 8: CoW's office floorspace, 2000-2018 (000 sqm)



Source: Valuation Office Agency, 2019, NDR Business Floorspace tables 2019

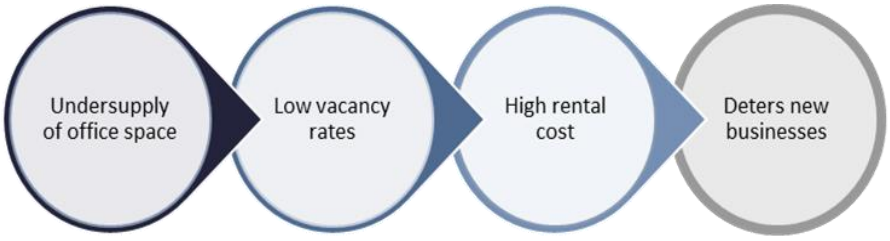
5.6 This lack of office stock has inevitably resulted in low vacancy rates in the borough. The low availability rate for office space currently experienced across the West End could deter businesses and the employment they support from locating in the borough. Knight Frank's Central London Quarterly – Offices for Q1 of 2019 found that the West End had office vacancy rates of just 5.8%, half a percentage point below the 10-year average.[57] This figure is below the availability rate considered optimal by the Mayor's London Office Policy Review (2017) of 8% – a level that is considered to provide adequate choice in the market and enough vacancy to allow for frictionless moves to alternative premises by businesses.[58]

> A *"shortage of new supply in the [West End] core markets (Mayfair and St James') has driven rents upward and encouraged occupiers to relocate away from the West End."*
>
> *The London Office Policy Review, 2017.*

[55] Ramidus Consulting, 2017. The London Office Policy Review.
[56] Valuation Office Agency, 2019, NDR Business Floorspace tables 2019
[57] Knight Frank, 2019. Central London Quarterly – Office Q1
[58] Ramidus Consulting, 2017. The London Office Policy Review.

5.7 This mismatch between supply and demand has had the knock-on impact of increasing rental values, meaning that businesses are forced to locate elsewhere in London. This situation is a concern for CoW as it risks losing its competitiveness as an employment location, which will ultimately restrict future economic growth.

Figure 9: Problems with supply constraints on office floorspace



Need for larger, prime office space

5.8 In addition to the overall quantum of office space available, the availability of specific types of office space matters too. While employment itself had grown only 17% between 2009 and 2018 in CoW, over the slightly different period between 2010 and 2019 the number of businesses in the borough had risen much faster, at 33%.[59] Enterprises in office-related sectors have seen their numbers rise by 38%. This, however, is still markedly slower growth than for London as a whole, which had 58% more enterprises in 2019 than in 2010, and 72% more in office-related sectors.

5.9 In CoW there has been a marked growth of micro (< 10 employees) and small (10-49 employees) enterprises, but a much slower growth rate of larger firms, as detailed in the table below. Despite the relatively stronger growth in micro and small sized businesses, growth in businesses of all sizes has been considerably below the London wide level.

Table 13: Enterprise count growth, 2010-2019

	Westminster enterprise count growth, 2010-2019		London enterprise count growth, 2010-2019		UK enterprise count growth, 2010-2019	
	All sectors	Office	All sectors	Office	All sectors	Office
Micro (<10 employees)	33%	39%	60%	75%	31%	50%
Small (10-49 employees)	34%	33%	40%	43%	19%	29%
Medium (50-249 employees)	28%	28%	40%	41%	25%	26%
Large (250+ employees)	15%	18%	23%	23%	21%	23%
All company sizes	33%	38%	58%	72%	29%	48%

Source: ONS, 2020, UK Business Counts – enterprise by industry and employment size band

5.10 Although London has seen a similar trend to CoW, with micro and small companies increasing their share of all businesses, the trend is not clearly mirrored across the UK, suggesting that constraints facing larger companies operational specifically in central London play a role. Increased demand combined with limited supply growth or even

[59] ONS, 2020, UK Business Counts – enterprise by industry and employment size band

falls in commercial floorspace has often led to the subdivision of larger office spaces to accommodate more enterprises. As a result, larger companies are finding it increasingly difficult to meet their office needs in CoW office market. The Proposed Development's offer of large floorplate, grade A, high quality office space will provide large companies with the space they need for their headquarters or other similarly large presence.

Future need

5.11 GLA Economics employment projections[60] for London indicate that between 2016 and 2041 by far the strongest growth is expected in professional, real estate, scientific and technical activities (16,820 jobs growth per year), followed by information and communication (4,550 jobs per year) and administrative and support service activities (6,040 jobs per year). Employment across all sectors is expected to grow by 49,000 jobs per year.

5.12 Over the period 2016-2041, the London Office Policy Review[61] (LOPR) projections estimate that London's office employment will experience an increase of 619,300 jobs, equivalent to an increase of 31% compared to existing levels of office employment. This employment growth could translate into demand for between 4.7m and 6.1m m^2 of gross internal area (GIA) office floorspace over this period. The provision of this additional office floorspace will be crucial in accommodating the forecast employment growth, particularly in London's identified growth sectors, thus allowing London to remain a global business leader and facilitate continued economic growth in the city.

5.13 The LOPR calculates that CoW alone will require net growth in office floorspace of 213,000m^2 GIA over the period 2016-2041, in order to successfully meet its employment targets. Based on current trends, however, CoW would see its current stock decline even further, by an estimated 141,700m^2, highlighting the large disparity between need and delivery that currently exists in the borough.

5.14 Meanwhile, the current Westminster City Plan[62] sets a much higher target for the delivery of office floorspace, equivalent to 774,000m^2 of additional B1 floorspace over the period 2016/17 to 2036/37.

The Proposed Development's contribution

5.15 The Proposed Development would deliver 9,391m^2 of net additional office (GIA) floorspace. This delivery of office floorspace is equivalent to 1.2% of the 20-year WCC target, or 24% of the annual required target for CoW. When compared to LOPR targets, the Proposed Development would account for over one year's supply of additional office floorspace, or equivalent to 4% of the total required over the period 2016-2041.

5.16 It should be noted that under the alternative future baseline scenario where the uplift in office floorspace amounts to 8,558m^2 GIA, delivery would be equivalent to 1.1% of the 20-year Westminster City Plan target, or 22% on an annual basis.

5.17 Under either scenario, this still highlights the substantial amount of office-led development that is required in CoW if targets for commercial floorspace are going to

[60] GLA Economics, 2017, London labour market projections 2017
[61] Ibid.
[62] City of Westminster, 2016. Westminster City Plan.

be achieved. To put this into context, despite the sizeable nature of the Proposed Development, its office floorspace delivery accounts for approximately only a quarter of the annual target; three similar-sized major schemes would need to be delivered each year to meet this annual target, highlighting the scale of the challenge, underpinned by the historic mismatch between demand and supply.

The need for hotels

5.18 London is a world leading destination, attracting 31 million visitors in 2018, spending an estimated £15.3bn.[63] Tourism contributes significantly towards the national economy, with the sector accounting for 11% of UK GDP and employing 4.2 million people in 2018. [64] London receives a considerable share of the UK tourism demand, with 33% of total tourist spending and 54% of international visitor spending.

Table 14: Overseas and domestic overnight tourist spend by trip purpose, 2018

Trip Purpose		Overseas		Domestic		Total	
London	Holiday	£6.3bn	51.2%	£1.1bn	37.9%	£7.4bn	48.6%
	VFR	£2.3bn	18.9%	£0.6bn	19.2%	£2.9bn	18.9%
	Business	£2.5bn	20.1%	£1.2bn	38.9%	£3.6bn	23.8%
	Other	£1.2bn	9.8%	£0.1bn	3.9%	£1.3bn	8.7%
	Total	£12.3bn	100.0%	£3.0bn	100.0%	£15.3bn	100.0%
GB	Total	£22.8bn		£24.0bn		£46.8bn	
London % of GB		**54.1%**		**12.5%**		**32.7%**	

Source: Visit Britain, 2019, Inbound nation, region & country data

5.19 High visitor demand, coupled with constraints on the supply of accommodation, has resulted in London having the highest hotel occupancy rates in the EU (82%).[65] The average daily rate (ADR) of hotel rooms is also the third highest in Europe, the Middle East and Africa in 2019.[66] London's hotel market is currently experiencing excess demand from visitors to the city and the GLA forecasts that demand for serviced accommodation will significantly increase in the period to 2041, with London requiring a further 58,000 net additional rooms.[67]

5.20 As of December 2015, the total stock of hotel bedrooms in London stood at c. 146,000 units, of which 77% of bedrooms were located in the Inner London boroughs. Due to the excess demand currently being experienced in London, the GLA forecasts that London will require a further 58,000 additional rooms in the period to 2041. Once anticipated closures are considered, this requirement rises to 77,000.

[63] HM Government, House of Commons Library, September 2019. Tourism: statistics and policy. Briefing paper number 06022.
[64] World Travel & Tourism Council, 2019, Economic Impact UK 2018.
[65] PwC, 2018. European Cities Hotel Forecast for 2018 and 2019.
[66] EMEA, 2020, Hotels Monitor
[67] GLA Economics, 2017. Projections of demand and supply for visitor accommodation in London to 2050.

Hotel market in CoW

5.21 There were 38,480 serviced accommodation rooms[68] in CoW in 2015, equivalent to 26% of the total stock across London. In the period to 2041, CoW will require an additional 5,559 serviced accommodation rooms to meet demand. Once anticipated closures are considered, this rises to a gross requirement of 7,365 rooms.[69]

5.22 Although forecast demand for additional hotel provision is larger in CoW than any other London borough, in recent years hotel supply growth in the borough has fallen behind that of other London boroughs. Five other London boroughs achieved higher rates of net hotel room completions over the period 2011-2015.

5.23 The Proposed Development would contribute 31 additional hotel rooms to CoW, accounting for 14% of the annual net increase required in the borough over the period to 2041.

5.24 A simple comparison of the Proposed Development's contribution to the overall hotel room supply does not, however, consider the fact that the proposals for this scheme are to provide a luxury, boutique hotel that complements the local area's current offering. By this, it is meant the luxury retail offering on Bond Street and Mount Street, as well as the UK's best street for international retailers in the form of Regent Street.

The luxury tourism market

5.25 The luxury segment of the hotel market is estimated to have a higher average occupancy rate (84.3%) than the hotel market as a whole, highlighting the need for further luxury hotel rooms to be provided in London.[70]

5.26 Visits to London by the most affluent visitors have grown the fastest in recent years. Visitor nights by citizens of the countries in the top 10 ranked by spend per night increased by 17% over the period 2013-2018, double the growth seen in total visitor numbers. As the table below shows, the largest increases in visitor nights were for visitors from: Bahrain (295%), Indonesia (214%) and Iceland (160%). OSD is a prime retail area of international significance and is especially well-placed to capitalise on the strong growth of luxury tourism, infrastructure permitting.

5.27 Luxury hotel revenues per available room (RevPAR) increased by almost 8% in the first six months of 2019 despite the recent additions to supply.[71] To avoid the risk of demand outstripping supply and displacing business to competitor cities, London requires more hotels which accommodate the most affluent visitors specifically.

Table 15: Expenditure data and change in demand of top 10 spenders by country of origin

Country	Rank (spend per night)	Spend per Night (2018)	% increase in nights 2013-2018
Bahrain	1	£295	295%

[68] Serviced accommodation rooms includes hotels, hostels, B&Bs and guest houses.
[69] GLA Economics, 2017. Projections of demand and supply for visitor accommodation in London to 2050.
[70] IBDO, 2019. Report: Hotel Britain – A check in hotel growth.
[71] https://www.pwc.co.uk/hospitality-leisure/assets/pwc-uk-hotels-forecast-2019-2020.pdf

Country	Rank (spend per night)	Spend per Night (2018)	% increase in nights 2013-2018
United Arab Emirates	2	£255	-21%
Saudi Arabia	3	£250	-3%
Kuwait	4	£225	23%
Other Middle East	5	£215	-2%
Qatar	6	£200	-17%
Iceland	7	£200	161%
Japan	8	£185	4%
Taiwan	9	£175	35%
Indonesia	10	£170	214%

Source: Visit Britain, 2018. Note spend per night figures are rounded to the nearest five.

The London Luxury Quarter (LLQ)

5.28 The historic area of Mayfair, St James's and Piccadilly is now promoted as London's Luxury Quarter and is anchored around New and Old Bond Street. It is an area synonymous with world-class luxury and leisure providing generations of exceptional service, hundreds of years of heritage and exclusive luxury experiences.

5.29 A recent publication by NWEC[72] provides some indication as to the importance of Bond Street, Oxford Street, and Regent Street to London and the UK economy:

- 90% increase in turnover in ten years, growing from £4.7bn in 2005 to £8.8bn in 2014;
- Average of £24m turnover per day;
- 600 stores including 244 flagships and 218 international brands;
- Average international sales value 35% higher than elsewhere in the UK;
- 640,0000 daily visitors enter the West End through its six underground stations; and
- 150,000 workers employed in the West End alone, 3.3% of London's total workforce (at the time of publishing).

5.30 Outside of interacting with London's rich cultural heritage, high net-worth individuals (HNWIs) have a strong appetite for some of London's other offers, such as its fashion and retail experiences. Overall, 80% of Chinese and 67% of Middle Eastern HNWIs would say that shopping is one of the two foremost important components of a luxury holiday.[73] The comparable figure for the USA is lower at 41%. Interestingly, 85% of Chinese and 62% of Middle Eastern visitors think Britain can meet their shopping needs well.

5.31 London's West End retail district offer, centred on Bond Street, Oxford Street, and Regent Street, therefore plays an important role in attracting international tourism to Britain and its capital. In 2016, Savills, in partnership with The Retail Group, developed the Global Retail City Destination Index which assesses both 'physical' quantitative metrics (e.g., retail sales, tourist flows, property costs, and retail mix) and more

[72] New West End Company, 2016. West End Retail 2020
[73] Kantar Millward Brown, 2018. Luxury Travel Research: USA, China, and Gulf

'perception' qualitative features (e.g., quality of shopper services, facilities, public realm, perceived issues, and marketing initiatives). Overall, London's West End placed second in this index, beaten only by New York's comparator retail location.[74]

5.32 London's West End also placed second in terms of its 'Retail Offer,' which considers the proportion of units occupied by retail brands, brand variety, brand profile, and presence of flagships.

5.33 The West End's Bond Street, however, placed first in the luxury street ranking of the Global Cities, outperforming streets like Avenue Montaigne in Paris and purpose-built malls such as Shoppes at Marina Bay Sands Singapore. This score is driven by the fact that nine of the top ten 'Luxury Brands' by value, as identified in Millward Brown's Brandz list[75], have a presence in Bond Street. Moreover, retail accounts for 96.5 percent of ground floor use on Bond Street, suggesting a more focused retail experience than its competitors.[76]

5.34 The retail district of the West End makes London one of the most attractive cities for international tourism, and is part of the reason that London is the second most visited city in the world. However, with stiff competition from the East Asian and Middle Eastern cities that are innovating and expanding their tourism sectors, it is important that London's offer too is continuously evolving. The provision of a new luxury hotel within the luxury core of London's West End will allow for more international tourists to be accommodated in the area, helping to drive its growth in the future and ensuring that the area retains its competitive advantage compared to other cities.

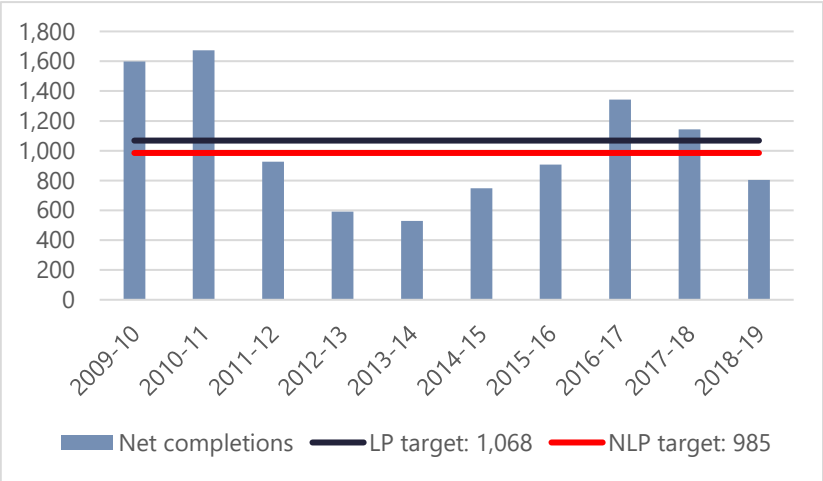
[74] Savills, 2016. Global Retail Destination Index 2016
[75] Kantar Millward Brown, 2017. Brandz
[76] Savills, 2016. Global Retail Destination Index 2016

6 Housing Contribution

Meeting the housing need

6.1 In 2018-2019, net additional delivery of housing units in CoW amounted to 803 dwellings[77], which is slightly below CoW's annual monitoring target identified in the current London Plan[78] (1,068) and the Intend to Publish (New) London plan (985).[79] CoW has, however, generally been able to meet the ten-year targets, having delivered 10,265 units between 2009/10 and 2018/19, equivalent to 1,025 dwellings a year. A comparison of CoW's annual delivery against the London Plan targets is provided in **Figure 10**.

Figure 10: CoW housing delivery against London Plan targets



Source: MHCLG, 2019. Live tables on net supply of housing.

6.2 The 24 net additional residential dwellings delivered by the Proposed Development is equivalent to 2.2% of the annual requirement stated in the current London Plan, or 2.4% of the annual requirement given in the Intend to Publish London Plan.

6.3 The alternative future baseline scenario where only 2 residential units exist on South Molton Triangle at the time that construction of the Proposed Development commences, and hence an uplift of 31 units on site is achieved, also needs to be considered here. Under this scenario, the Proposed Development would deliver net additional residential dwellings equivalent to 2.9% of the current London Plan's annual requirement (3.1% of the Intend to Publish London Plan).

Addressing affordability

6.4 WCC has set itself a target of 35% affordable units for new completions in terms of area[80] and the Intend to Publish London Plan policy is 35% affordable provision by habitable room. In terms of area and habitable rooms, the Proposed Development delivers this 35% target for affordable housing. Therefore, the delivery of affordable

[77] MHCLG, 2018. Net additional dwellings by local authority.
[78] GLA (Mayor of London), 2016. The London Plan.
[79] GLA (Mayor of London), December 2019. The London Plan – Intend to Publish Version.
[80] WCC, 2019. City Plan 2019-2040.

units at the Proposed Development performs very well compared to both past delivery and the target for the borough.

6.5 **Table 4:** in **Section 3** of this report highlighted that house prices in CoW are more than double the average seen across London as a whole, and over 22 times median earnings in the borough, even after accounting for the relative affluence of CoW residents. Based on this measure of housing affordability – the house price to earnings ratio – it is clear that the borough has an affordability problem that needs to be addressed in the future.

6.6 To put this into context, given that mortgages equivalent to four times annual earnings are the maximum that banks are typically willing to consider, a two-person household earning median wages would need a deposit of c. £660,000 to be able to buy the average priced residential unit in CoW.

6.7 High house prices and house price growth are driven at the root by supply scarcity. It is recognised that there is only a limited amount of land available within CoW for residential development, yet at the same time there is high demand for housing driven by population growth. The Proposed Development's potential to deliver 33 homes to CoW residents is a notable advantage of the scheme given the high scarcity identified above.

6.8 This note also analyses the relative affordability of CoW's rental market. Publicly available rental data is only possible to obtain at a borough-level, as opposed to smaller geographical areas such as the OSD. According to the GLA, average monthly rents in CoW have been steady at c. £2,300 per calendar month (pcm) since Q1 of 2017. Converting this into an annual rental value, this translates to £27,300 per annum.

6.9 In order to carry out a fair comparison of affordability between median earnings and average rental values, however, it is necessary to compare the median earnings of a resident to a single bedroom property in the relevant geographical areas. **Table 16** provides a summary of the median annual rent for a single bedroom property in CoW, Inner London and London, against median earnings for individual residents in these respective areas.

6.10 As the table shows, an individual renting a single bedroom property in CoW and earning a median salary would spend 59% of their pre-tax income on rent, higher than both Inner London (52%) and London (49%).

Table 16: Rent affordability of single bedroom

Area	Median annual earnings	Median annual rents of single bedroom	Rent as a % of earnings
CoW	£37,400	£22,100	59%
Inner London	£33,700	£17,400	52%
London	£31,100	£15,300	49%

Source: London Datastore & ONS, 2019. Annual survey of hours and earnings.

6.11 In the latest annual monitoring report[81], the GLA state that for rental values to be considered affordable, they must be equivalent to no more than 40% of a household's

[81] GLA, October 2019. London Plan Annual Monitoring Report 15 2017/18.

net income. The report also provides a rule of thumb for converting gross household income to net income – net household income being 70% of gross household income on average. Whilst data on household income is not available at CoW level, across London equivalised gross household income was equal to £42,300 in 2017/18.[82] Converting this to net income would imply an average of £29,610 across London. The median rent in London (£17,940) would be equivalent to 60% of this net income, suggesting rental prices across the city are 50% higher than what is considered affordable by the GLA.

6.12 At CoW level, analysis can be provided using the assumption that an individual's earnings are broadly equivalent to a single-person household's income. Using these median annual earnings, and converting based on the 70% GLA rule, CoW residents have an estimated median annual net income of £26,200, higher than the London average of £21,800.

6.13 Renting a single bedroom property in CoW (£22,100) would therefore require 84% of a CoW resident's net earnings, approximately double what the GLA considers to be affordable. The Proposed Development's delivery of 11 affordable units (35% by habitable room and floor area) will help to address this outstanding affordability issue in CoW.

[82] ONS, 2019. The effects of taxes and benefits on household income, 2017/18.

7 Other Impacts

Employment and skills

7.1 The construction phase of the Proposed Development provides an opportunity to put initiatives in place that will maximise the local benefits of construction activity. Construction workers are, however, typically one of the most mobile sectors of the workforce and so construction employment does not generally result in large local impacts. The Applicant will therefore need to make a concerted effort to maximise the number of jobs and apprenticeships going to local residents.

7.2 CoW's Code of Construction Practice (CoCP)[83] provides guidance on the employment and skills obligations that a developer should adhere to during the construction phase of developments. These obligations include the following:

- 10% of the total workforce are from the local area, which is made up of either CoW or Central London as a whole depending on the nature of the role;
- Every vacancy on site, is to be notified to the council and other local jobs providers and employment vehicles.
- A minimum of one apprenticeship start or trainee position must be provided for every £2 million in contract value.

7.3 Based on these obligations, if met, the Proposed Development would deliver 165 employment opportunities to local people over the course of the construction phase, as well as c. 80 apprenticeships.

7.4 It is possible to estimate the proportion of operational employment opportunities that will go to local CoW residents using data provided by the 2011 Census.[84] This data suggests that 5% of all workers in CoW are also residents, whilst 6% in the retail, hospitality and leisure sectors are also CoW residents. Based on these proportions, it is estimated that during the operational phase a total of 90 direct jobs on site will go to CoW residents, of which 60 will be in the office sector and 30 will be in the retail and hospitality sectors. This is estimated to result in an uplift of jobs to CoW residents on site of 35 positions.

7.5 As of December 2019, there were 665 residents in CoW on the Claimant Count and hence actively seeking employment.[85] In the scenario where all 90 of the local jobs, as estimated above, go to unemployed CoW residents, this would result in a maximum of 14% of CoW's unemployed residents on the Claimant Count find an employment opportunity at the Proposed Development.

Public realm

7.6 People desire attractive localities to shop and spend time in. High-quality design and investments in the public realm contribute to the attractiveness of an area and attract visitors and businesses to an area. The quality of the public realm can additionally serve as a signal and a poor-quality public realm can start a negative feedback loop, where

[83] City of Westminster, July 2016. Code of Construction Practice.
[84] ONS, 2011. The Census – Location of usual residence and place of work by industry (safeguarded data). ONS VML agrees that the figures and descriptions of results in the attached document may be published. This does not imply ONS' acceptance of the validity of methods used to obtain these figures, or of any of the analysis of the results.
[85] ONS, 2019. Jobseeker's allowance by occupation, age and duration.

the perceived lack of maintenance discourages further investment, reducing the quality of the public realm even further. A lack of maintenance and poor design can contribute to an environment which fosters anti-social behaviour and petty crime. A high-quality public realm, on the contrary, boosts perceptions of an area and encourages respect for the environment.

7.7 The socio-economic benefits of public realm improvements are being increasingly recognised. Increased pedestrian permeability has been linked to increases in pedestrian footfall and retail engagement, while a more pleasant public realm has been shown to lead to growth in property prices, land values, tourism and worker productivity, attracting visitors and investment and enhancing the image of an area.[86]

7.8 Alongside a growing literature highlighting how public realm improvements can result in an uplift of land values, there are a number of other benefits that can arise as a result of public realm improvements, which ECOTEC summarise as the following:[87]

- Attracting investment: CABE found that 85% of businesses they interviewed identified the quality of the pedestrian environment as important for attracting customers or tenants. CABE and studies from the US also find that public realm investment can both help attract and retain businesses;
- Attracting visitors: the Scottish Executive "highlights the role of a high-quality public realm in attracting visitors and increasing retail and leisure spend". CABE state that in Coventry urban design improvements (streetscape, signage and a square) have increased footfall by a quarter on Saturdays;
- Increasing tourism: research from the Central London Partnership notes that the "quality of streetscape is critical in attracting visitors to London". A similar point is discussed by The Pool of London Partnership who state that high quality open space is critical for tourist development;
- Improving worker productivity: ECOTEC cite CABE work stating that "better designed environments beneficially impacted on the productivity and the health and satisfaction of the workforce"; and
- Enhancing image: "CABE suggest that there is recognition that a high-quality public realm can help businesses build a good image and reputation which will provide a basis for growth."

7.9 The Pedestrian Environment Review System (PERS) was used to quantify the current public realm quality for the area. PERS is an audit tool that is used to assess different elements and characteristics of the pedestrian environment (such as quality of environment, personal security and permeability) on a scale across red (significant cause for concern), amber (average provisions) and green bands (good or very good provision). PERS can be applied to different types of pedestrian environment including links (any footway or street, or section of these), crossings (designated or undesignated) and public spaces (areas for the public to informally rest and enjoy).

[86] Living Streets, 2018, The Pedestrian Pound: The Business Case for Better Streets and Places.
[87] ECOTEC, 2007, Economic Impact of the Public Realm: A Final Report to the East Midlands Development Agency.

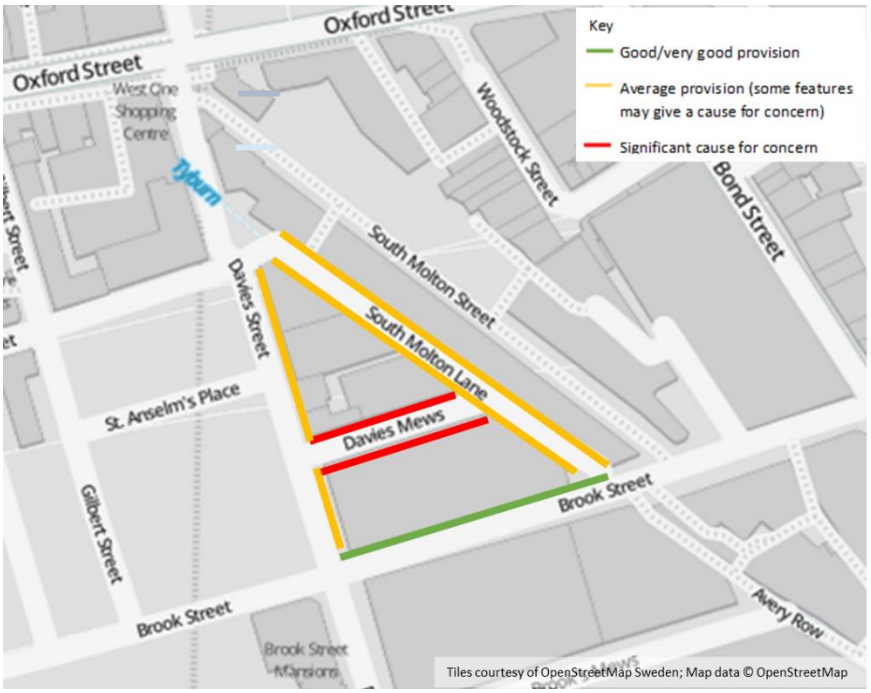
In a PERS audit, characteristics (such as quality of environment, personal security and permeability) are measured on a scale from -3 to +3. Reviewers have a series of prompts for each characteristic and a scoring guide to assist with this.

The PERS review was conducted on 24th May 2018 by three assessors. The average score across all links in the survey area was -0.5, this denotes average or sufficient performance overall, although there may be some features of public realm which give cause for concern. Across the study area there was a marked difference in performance, with scores achieved by individual links ranging from -1.3 to +1.1.

To help visualise the performance of links across the area, PERS scores can be converted into RAG (Red/Amber/Green) bands, which helps to visualise the quality of the public realm.

7.10 Across the study area the assessment identified a marked difference in the performance of different links (as shown in **Figure 11**). Brook Street was found to have very good provision. However, Davies Mews was deemed to be a significant cause for concern, largely due to a lack of pavements and obstructions to pedestrian flow. The remainder of links were deemed to have average provision of public realm, although South Molton Lane performed on the poorer side of average.

Figure 11: PERS study area – quality of links



7.11 The detailed nature of PERS allows identification of strengths and weaknesses across different components of public realm. The area scores well in terms of personal security and achieves generally average scores for other factors. Among the lowest scoring elements of public realm, two groups of related elements are evident:

- **Restrictive to mobility or visually impaired users:** The three parameters with the lowest scores across the area are dropped kerbs, tactile information and colour contrast. The general lack of consideration for mobility or visually impaired users is concerning as it may restrict or deter these users from using the area or pose a risk to their safety.
- **Inadequate provision for pedestrian flows:** User conflict, obstructions and effective width also scored relatively poorly, indicating inadequate provision for pedestrians to walk safely along a route without experiencing conflict with other users or being impeded by physical barriers. In some areas, there was no pavement provision, while in other areas pavement widths are inadequate to cope with pedestrian flows at peak times.

Public realm improvements

7.12 Public realm improvements as part of the Proposed Development are necessary to integrate the application site area into the wider environment and ensure the area can safely accommodate an increase in footfall when the Elizabeth Line arrives. Bond Street station is already the 15th busiest of all 417 London underground stops, and records an estimated 41 million entries and exits each year.[88] In order to handle the increased traveller numbers, which Arup estimate will rise to 100m passengers a year entering and exiting by 2026[89], pedestrian accessibility improvements will be necessary amongst other changes to the quality of the urban realm.

7.13 The vision of the Proposed Development is to improve all streets to have a 'best in class' provision of public realm. As part of this, the Proposed Development will make significant improvements to public realm, including but not limited to:

- **Rediscovering the river:** Acknowledging the presence of the Tyburn Brook in the design of the public realm at the Proposed Development;
- **Enhancing cultural activities:** Using cultural activites to animate the area and increase dwell time, reflecting and celebrating the unique character of the local area;
- **Pedestrian friendly:** Creating a high-quality pedestrian environment, through improved legibility, widened footways and the minimisation of obstructions;
- **Improving frontages:** Sensitive greening of frontages and facades, with a strong relationship between inside and out;
- **Minimising vehicle conflict:** Reducing traffic through material selection, adjustment to carriageway widths and positioning of landscaping; and
- **Lighting:** Utilising lighting to enhance local amenity and create a distinctive and memorable 'night-time' experience, whilst also reducing the fear of crime.

7.14 Street-specific public realm improvements are summarised in **Table 17**. Please refer to the **Design and Access Statement** for more detail on proposed public realm improvements.

[88] TfL, 2019. Rolling Origin and Destination Survey. Volterra calculations.
[89] Arup, 2014. The impact of Crossrail on visitor numbers in Central London.

Table 17: Summary of street-specific public realm improvements

Street name	Proposed public realm improvements
Davies Street	• Widened pavements, to accommodate increase in footfall arising as a result of Crossrail. • Rationalised parking, high quality materials and new trees will create an inviting public realm, drawing people down from Oxford Street
Davies Mews	• Carefully positioned trees, associated public seating and a new drinking fountain will frame and enliven this space. • Planting, sensitive greening and outdoor seating will enhance retail frontages, creating an attractive gateway to the mews.
South Molton Lane	• Improvements to facades through greening and seating • Introduction of high-quality contemporary materials with curated planting, seating and streetscape features.
Brook Street	• Widened pavements, rationalised parking and high-quality frontages. • Introduction of street trees to animate retail frontages.

Valuing the public realm uplift

7.15 The tool for valuing public realm assets in terms of their benefits to pedestrians – i.e. social benefits to users, rather than the landowner – was developed by Colin Buchanan (CB) for Transport for London (TfL). The valuation methodology is underpinned by the results of Stated Preference surveys conducted by CB for TfL[90], alongside the PERS assessment results. The stated preference surveys establish users' willingness to pay for improved public realm on a PERS link or public space. The key finding of the research was that each public realm characteristic is of varying importance to users; for example, when assessing pedestrian 'links', the most valued characteristics were quality of environment, permeability, personal security and user conflict. The CB study[91] presents individual values in pence per minute by individual link characteristics for different scores across the PERS scale (-3 to 3). From this, it is possible to place a value of public realm to users according to the PERS score given to each characteristic.

7.16 Total user benefits are then estimated according to:

- Average time spent by users on the link;
- Multiplied by the benefit per pedestrian minute for each PERS characteristic;
- Scaled up by the estimated yearly users of the link to annualise the benefit; and
- Finally, a Present Value (PV) is taken for the estimated useful life (assumed to be 20 years on average[92]) of the asset to arrive at the total public realm value.

7.17 Based on this methodology, the proposed public realm improvements could result in benefits equivalent to £33,000 per annum. This is equivalent to a 20-year PV in public realm benefits of £575,000. **Table 18** splits out these benefits by area of public realm around the application site. The table shows that the biggest benefits would arise from

[90] Colin Buchanan and Accent, 2006. Valuing urban realm – business cases for public spaces.
[91] Colin Buchanan and Accent, 2006. Valuing urban realm – business cases for public spaces.
[92] P. Gruenwald, 2003. Estimated useful lives for capital assets infrastructure. Useful life depends on materials but for 'sidewalks' is between 25-50 years, whilst for softer public realm improvements it can be anything from 10 years upwards. Hence a 20-year useful life across the whole asset is assumed.

improving South Molton Lane and thereby encouraging users to utilise it more as a pedestrian link.

Table 18: Public realm uplift on individual areas around the site

Area of public realm	Year 1 uplift	20-year PV benefits[93]
Davies Street	£10,400	£180,000
Davies Mews	£720	£12,500
Brook Street	£7,400	£129,000
South Molton Lane	£14,900	£257,000
Total	**£33,000**	**£575,000**

Source: Volterra Calculations, 2018-2020. NB figures may not sum due to rounding.

Other potential public realm benefits

7.18 Volterra considers the methodology undertaken during this assessment of public realm benefits to users to be conservative. There are a number of factors that may occur as a result of the scheme and would lead to higher public benefits, including but not limited to:

- Improvements to the links around the site encourages additional users to utilise the area as a through-route;
- The arrival of Crossrail leads to a substantially higher number of pedestrians passing through the site each day; and
- Davies Mews will become a high quality pedestrianised space, after the servicing finishes at midday every day, attracting additional 'dwellers' into the area[94].

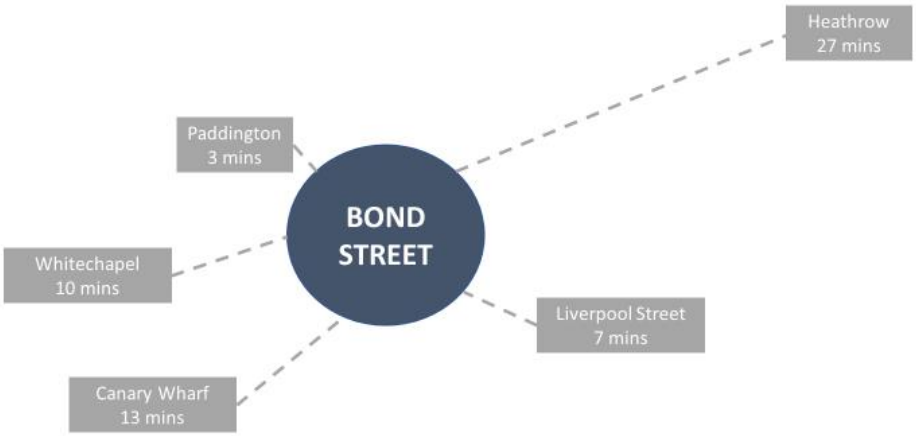
7.19 Furthermore, the valuation of public realm in this report focusses solely on social benefits to users. In contrast, the majority of the related literature focusses on the impact of public realm improvements on property values. The evidence shows that improvements to the quality of the built environment can result in an increase in property prices, for both commercial and residential properties. For example, a 2007 study found that a one-point increase in an area's PERS score resulted in a 4.9% uplift in retail rents and a 5.2% increase in residential prices.[95] Simply put, people place a premium on living and working in nice locations. Any uplifts in land values that may occur as a result of the Proposed Development's public realm improvements can be considered additional to the social benefits to users estimated and outlined in this report.

Utilising increased accessibility from the Elizabeth Line

7.20 The Elizabeth line ('Crossrail') is due to open in 2021; this will increase the accessibility of the site by public transport from the new station at Bond Street. Journey times from Bond Street to key employment hubs and transport interchanges will be reduced.

[93] Discounted at a rate of 3.5%.
[94] It is important to note that a quantitative assessment of the new public space could not be reliably carried out, as it is too difficult to accurately estimate how many dwellers the area may attract and how long these people may dwell in the space for.
[95] CABE, 2007. Paved with gold: the real value of good street design.

Figure 12: Journey times to key locations on the Elizabeth Line



Source: Bond Street Station.

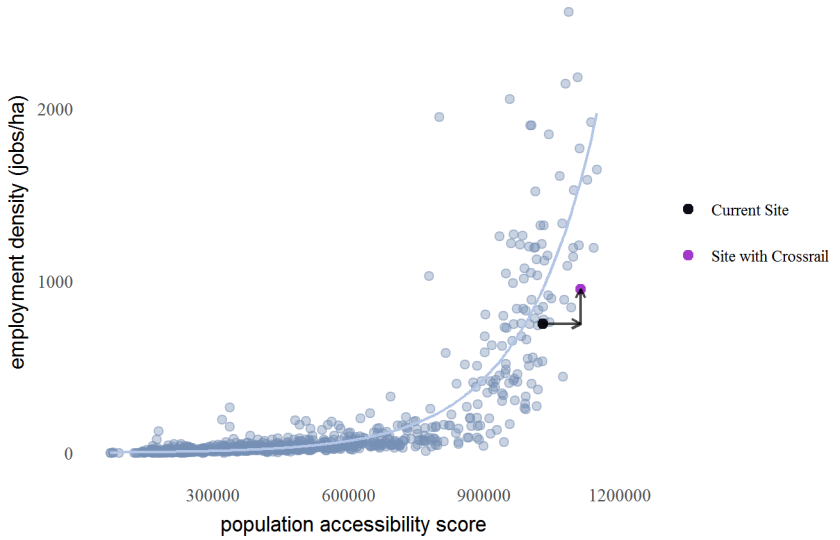
7.21 Transport accessibility is a key determinant of development density as businesses want to be in locations where staff and clients can readily reach them. The example of Canary Wharf shows how large-scale improvements in transport links can transform an area. Transport accessibility enables higher job densities, which is also important as reducing distances between jobs can translate into economic benefits. There is evidence that doubling the number of people in a city is related to a 6% increase in average productivity.[96] Cities therefore derive advantages from scale.

7.22 The blue line in **Figure 13** illustrates the relationship between accessibility and employment density for London, with the densest development occurring in the most accessible locations. It shows that up to a certain point, the accessibility of an area does not enable it to support higher rates of employment density, but if an area's accessibility increases beyond this tipping point, the employment density that the area can support rises in line with the accessibility. It is at this point that very high employment densities can suddenly become possible. The black dot highlights the site's current location on the graph, which lies beyond this tipping point at a level where significant further density can be supported as accessibility increases.

7.23 When Crossrail opens at Bond Street the accessibility will increase (see purple dot) and the local area will be able to support higher levels of employment density.

[96] London School of Economics (2012), Links Between Planning and Economic Performance: Evidence Note for LSE Growth Commission, LSE Growth Commission

Figure 13: The relationship between accessibility and employment density



Source: Volterra Calculations, 2020.

7.24 The economic case for the Elizabeth line was built around enabling London to continue to grow by delivering accessibility improvements so that it remains attractive to businesses and investors. The accessibility increase at Bond Street will enable the area to support a significant level of economic growth. Schemes like the Proposed Development offer the physical space within which this employment growth can occur, ensuring more widely that London's economy continues to grow.

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