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Sadiq Khan (Mayor of London)
New London Plan
GLA City Hall
London Plan Team
Post Point 18
London, SE1 2AA

02 March 2018

Dear Sadiq Khan,

DRAFT LONDON PLAN – REPRESENTATIONS ON BEHALF OF AVIVA INVESTORS

CBRE Limited is instructed by our client, Aviva Investors, to submit representations in response to the Draft London Plan, which was published in December 2017.

Introduction

Aviva Investors is a global asset manager whose breadth of expertise spans across numerous markets, including real estate. As of September 2017, Aviva Investors manages over £352 billion of assets for its customers, this includes vast real estate portfolios and significant land holdings across London.

Aviva Investors recognises the importance of the Draft London Plan for guiding development across the city, and welcomes the opportunity to provide comments on its content. Whilst the observations and recommendations made within these representations are of a general nature, Aviva Investors is currently exploring opportunities for industrial land within the portfolio, and the preparation of these representations focus on the key draft policies affecting this type of development.

Executive Summary

The key policy matters which Aviva Investors believes require further consideration by the Mayor in the preparation of the new London Plan are summarised as follows:

- Aviva Investors strongly supports the fundamental principle of the proposed approach to industrial capacity management, which encourages development proposals to intensify industrial uses in order to consolidate designated industrial land, and facilitate other forms of development - including housing.
- Aviva Investors wishes to stress the importance of the residential development as part of the consolidation process, as industrial intensification is an expensive, high risk and complex form of development which would typically not be delivered without enabling residential development.
- Considering the above, Aviva Investors has significant concerns regarding the 50% affordable housing threshold to be applied to industrial sites, as the potential value to be generated from new housing unlocks the viabilityto intensify and consolidate designated industrial land Industrial land consolidation, and the associated land efficiency/housing delivery benefits associated with it, will not be achievable with the 50% threshold in place.

- In the context of proposals for industrial intensification, Aviva Investors objects to policies requiring the provision of flexible workspace, affordable workspace, and small workspaces, as these requirements have the potential to compromise the viability and therefore deliverability of proposals for industrial consolidation and intensification.

Commentary on Proposed Policies

Policy E7 (Intensification, co-location and substitution of land for industry, logistics and services to support London's economic function)

A core element of Policy E7 is the promotion of SIL intensification as a means of facilitating the industrial consolidation to support the delivery of residential and other uses.

Aviva Investors supports the intensification of business uses in classes B1c (Light Industry), B2 (General Industry) and B8 (Storage and Distribution) where such intensification is accompanied by the release of industrial land for housing development as part of a process of industrial land consolidation. Such a process has the opportunity, in the right circumstances, to maintain industrial capacity whilst also supporting the delivery of much needed housing.

There are examples within Aviva Investors' portfolios where designated industrial land accommodates a range of very successful business functions, which may also have the potential to be developed more intensively. Simultaneously, there are also examples of designated industrial sites which do not work so well for occupiers/ neighbouring uses, or both. The potential therefore to better manage industrial capacity by offsetting the loss of sub-optimal industrial capacity through the increased provision on other existing industrial land is supported by Aviva Investors.

Policy E7 states that intensification can be achieved through the development of mezzanines; introduction of small units; development of multi-storey schemes; addition of basements; more efficient use of land; and higher plot ratios. Whilst these forms of intensification can provide additional industrial floorspace in terms of quantum, in most circumstances they are at odds with the needs of modern industrial/logistics occupiers, who are often looking for single storey, medium/large sized units with generous service yard space which is not shared with other occupiers. Multi-storey development, which technically has the greatest scope to create additional floorspace of all the intensification methods listed, is particularly high risk, expensive and complex. As an innovative, and therefore uncommon form of industrial space, it will take both investors and occupiers time to invest in this kind of space. The occupation of this space will also be limited to businesses which do not require a private yard and facilities, which significantly reduces the range of potential occupiers and reduces the desirability of the space.

For the reasons set out above, any new development delivered using the intensification principles listed in Policy E7 are likely to be compromised in terms of value, and will also typically come at a higher cost and risk to the developer. It is important for the preparation and implementation of this policy, and other relevant policies which will be applied to development proposals alongside Policy E7, that the Mayor fully understands this context.

Policy H6 (Threshold Approach to Applications)

Policy H6 sets out the threshold approach to affordable housing for new housing and mixed-use development. This indicates that on industrial sites which are deemed appropriate for other uses, the threshold approach for fast tracked applications is set at 50% affordable housing.

Given the strength of current industrial values and the significant investor interest in industrial land and premises, feasibility work undertaken by CBRE on a number sites across London has indicated that mid-rise, high density residential development is generally highly unviable at 50% affordable housing.

This affordable housing requirement is crucially important to the process of industrial consolidation. As we have set out in relation to Policy E7, industrial intensification is highly complex, expensive and risky, and so will not typically be delivered by the market. For this reason, the associated release of industrial land and its redevelopment for housing is necessary to enable the intensification to take place. With a 50% affordable housing requirement applied, residential development will not be delivered given current industrial values. It will therefore be even less likely to come forward where accompanied by unviable industrial intensification.

Aviva Investors objects the 50% threshold applied to industrial sites, as opportunities for intensification and consolidation of SIL sites will be undeliverable, and so any potential for improving the efficiency of land and providing new housing (and new affordable housing) will be missed.

Policy E2 (Low-cost Business Space)

Policy E2 protects existing low cost B1 space, and specifies that on new B1 developments greater than 2,500sqm (GEA), consideration should be given to the scope of providing flexible workspace suitable for micro, small and medium-sized enterprises. This includes serviced offices and co-working spaces.

The current reference to B1 space incorporates light industrial (B1c), which is typically a core element of new industrial developments. Whilst Policy E2 appears to be focussed on offices and studio spaces, it would technically also be applicable to industrial development as currently worded.

We have already set out above the various issues relating to industrial intensification, and additional policy requirements such as that set out in E2 will only reduce the viability of these types of development further. The inclusion of the type of spaces (serviced offices, co-working spaces, design studios) sought in Policy E2 within new industrial developments will not only compromise delivery for viability reasons, it also has the potential to damage and erode the function of land and premises for intense industrial purposes.

Overall, from an industrial development perspective, Aviva Investors objects to the application of Policy E2 to light industrial development, and recommends that the scope of Policy E2 is amended so that does not compromise industrial development.

Policy E3 (Affordable Workspace)

Policy E3 Draft promoted the provision of affordable workspace for occupiers such as charities or social enterprises; artists' and designer-makers; disadvantaged groups; or start-up businesses.

The application of such a policy to industrial development would affect viability, which is particularly damaging to proposals for industrial intensification which are already challenging to deliver.

Aviva Investors objects to Policy E3 and recommends that it is removed from the London Plan, and that any requirements for affordable workspace are formulated at the local level where there is a clear need and policy objective for their inclusion, and where the viability impacts and other effects have been fully tested.

Policy E4 (Land for Industry, Logistics and Services to Support London's Economic Function)

Aviva Investors supports Part E of Policy E4 which indicates that release of industrial land should be focused in locations which are well connected by public transport, walking and cycling.

Aviva Investors objects to Part H of this policy which indicates large scale developments (defined as 2,500 sq./m GIA) should provide smaller industrial units suitable to SME's. Firstly, the scale identified in the policy is not sufficiently large to be able to accommodate much design flexibility in the context of industrial development. Secondly, the application of this requirement will inevitably damage development viability where it is not the type of the space that the market demands, and will therefore compromise the viability of intensified and consolidated SIL proposals.

Summary of Recommendations

In summary, Aviva Investors proposes the following amendments to the Draft London Plan:

- The 50% affordable housing threshold for development on industrial land should be omitted;
- Light industrial space should be removed from the scope of Policy E3;
- Policy E3 should be omitted;
- Part H of Policy E4 should be omitted.

We trust that these representations are clear and will be fully considered by the Mayor, and we would welcome confirmation that they have been received. Aviva Investors would also welcome further engagement with the Mayor and GLA as the draft Plan progresses to help shape future policy.

Yours faithfully,

LAURA ELIAS
CBRE LTD

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