

London Industrial Land Supply Study 2020

Executive Summary

Final version – March 2023

Greater London Authority

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Greater London Authority

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The document represents high-level desk-based research reflecting the best information available to AECOM. The Greater London Authority has not independently checked the data and cannot take responsibility for its accuracy. It represents a starting point for local evidence work to inform plan preparation and plan making.

Errata Sheet:

This final version updates the version published in January 2023. The changes are as follows:

Page	Reference	Error Correction
6	Figure 0.1	2010 bar too short
18	Text	<p>Buildings and floorspace around Heathrow Airport are not assigned to any boroughs within the CoStar dataset. This resulted in these not being assigned to Hillingdon and Hounslow and incorrectly not captured within the report (referred to as “CoStar error” below).</p> <p>In terms of floorspace, there is currently about 492-210 million (m) sqft of industrial floorspace across 10,270-10,769 industrial buildings in London, around 40.5% lower than the 10-year average. The largest amounts of floorspace are situated within the East and the West sub-regions. The strongest concentrations of industrial buildings can be found in Ealing (990), followed by Hillingdon (577), Enfield, Brent, Tower Hamlets, Hounslow, and Southwark (around 500 each). At Property Market Area (PMA) level, the Park Royal / A40 / Heathrow and Central Services Circle have the highest concentrations of industrial buildings (2,725-3,222 and 2,575 respectively), with Park Royal accommodating more than twice the floorspace (over 5673m sqft) comparatively.</p>
18	Figure 0.14	CoStar error: Floorspace bar and red buildings points for West sub-region and Park Royal / A40 / Heathrow property market area too short.
18	Figure 0.14	Tower Hamlets data omitted from Central Services Circle property market area floorspace bar, which was therefore too short.
19	Figure 0.15	CoStar error: Floorspace bar and red buildings points for Hillingdon and Hounslow boroughs too short.
19	Figure 0.16	CoStar error: Plot coverage bars for West sub-region and Park Royal / A40 / Heathrow property market area.
19	Figure 0.16	Tower Hamlets data omitted from Central Services Circle property market area plot coverage bars, which were therefore too short.
19	Figure 0.16	Plot ratio calculation for Lea Valley and Thames Gateway property market areas not reflected 50:50 split of floorspace and buildings in Newham between these property market areas, and therefore Lea Valley bars too long and Thames Gateway bars too short.
21	Figure 0.18	CoStar error: Building vacancy rate bar for 50,000-100,000 sqft size band to long, other changes not noticeable.
21	Figure 0.19	CoStar error: Current and 10-year average vacancy rates changed - for Hillingdon (3.8% and 7.4% to 4.0% and 5.8%) and Hounslow (1.4% and 3.2% to 1.2% and 5.0%).

Page	Reference	Error Correction
24	Figure 0.22	CoStar error: Current and 10-year average rental values changed - for Hillingdon (from £16.35 and £12.00 to £15.84 and £12.17) and Hounslow (from £17.14 and £12.47 to £15.89 and £12.66) as well as the London averages from £18.60 and £13.58 to £18.54 and £13.59.
25	Figure 0.23	CoStar error: Average rent bar for 25,000-50,000 sqft in West sub-region slightly too short, other changes not noticeable.
26	Text	CoStar error: Capital Values follow an even steeper trend. The total average of £318-325 p/sqft represents an uplift of about 6264 % on the 10-year average (£196-198 p/sqft) demonstrating strong value growth. [...] Again, there is a downward trend in capital values as unit sizes increase, with values ranging from £875-834 p/sqft to £265-320 p/sqft across London, although with significant geographic variations.
26	Figure 0.24	CoStar error: Current and 10-year capital values changed - for Hillingdon (£312 and £198 to £410 and £226) and Hounslow (£298 and £191 to £424 and £235) as well as the corresponding London averages from £318 and £196 to £325 and £198.
27	Text	CoStar error: 'Service' attracted the highest capital values (£450-464 p/sqft) and 'Distribution' the lowest (£245-267 p/sqft).
28	Text	CoStar error: There are 3,5103,711 industrial buildings within London's SILs with a total floorspace of c. 105m-110m sqft and 3.83.7 % vacancy (2021 data)

London Industrial Land Supply Study 2020

Executive Summary

AECOM Limited (AECOM) with Avison Young and Maccreanor Lavington have been commissioned by the Greater London Authority (GLA) to undertake a comprehensive review and update of the London industrial land supply baseline. The study builds on the London Industrial Land Supply Study 2015 undertaken by AECOM. Appendix A includes details on the quantity of industrial land uses for different London geographies over time. Work was also commissioned alongside to specifically assess the economic function, character and role of Strategic Industrial Locations (SILs) in the capital (Appendix B) and to explore an approach to assess the theoretical intensification potential of ten example SILs (Appendix C). The appendices can be found on the [London Datastore](#) alongside the main report.

This high-level desk-based research reflects the best information available to AECOM, and the land use figures have been subject to verification by the London boroughs. It represents a starting point for further local evidence work to inform plan preparation and plan making.

1 London's industrial land baseline

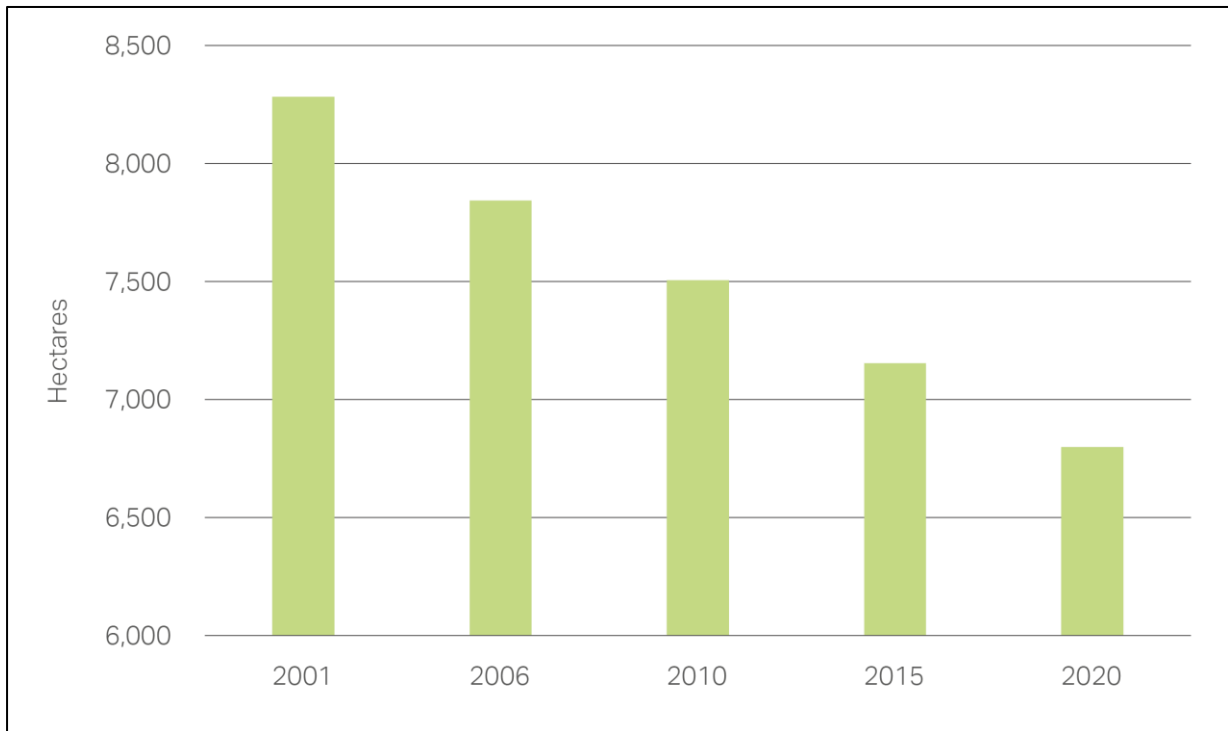
This section of the report provides an update to the 2015 study providing, for 2020, an estimate of land in **industrial and related uses and vacant industrial land**, broken down by borough and London sub-regions.

A **comparison** is provided with previous iterations of the baseline in 2001, 2006, 2010, and particularly 2015, to give a perspective on the degree and nature of change over time, and to highlight any trends or patterns in the supply of industrial land.

Key findings:

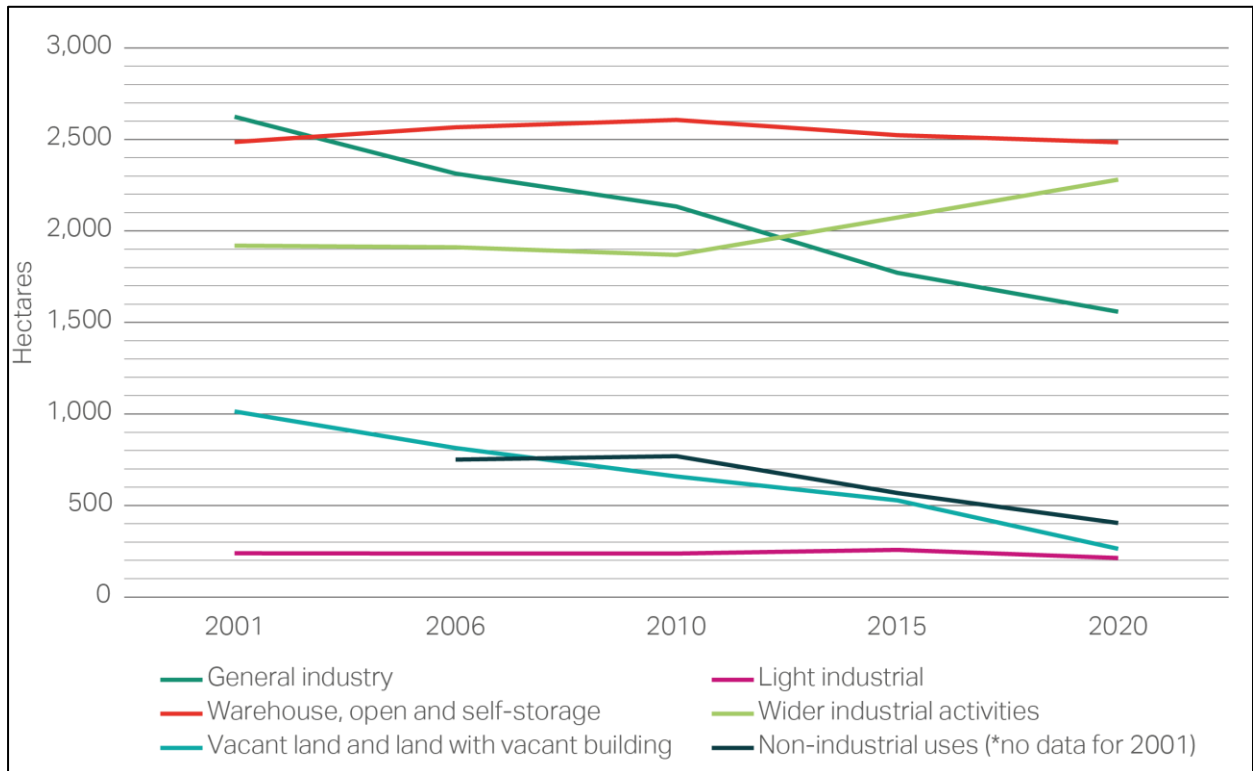
A total of 6.8k ha is in **industrial use** in London in 2020. Since 2001, the total stock has progressively declined by 1.5k ha - an 18% contraction over 19 years (see Figure 0.1). Between 2015 and 2020, the decline has been 355 ha or 5% over 5 years.

Figure 0.1 Land in industrial use in London 2001 to 2020 (ha)



Industrial land across all uses has declined, with the exception of wider industrial land uses¹. The decline has been particularly steep for general industry (over 1,000 ha or 41% over the 20-year period) and vacant land (750 ha or 74%) (see Figure 0.2). [Appendix A](#) provides details on the quantity of industrial land uses for different London geographies over time.

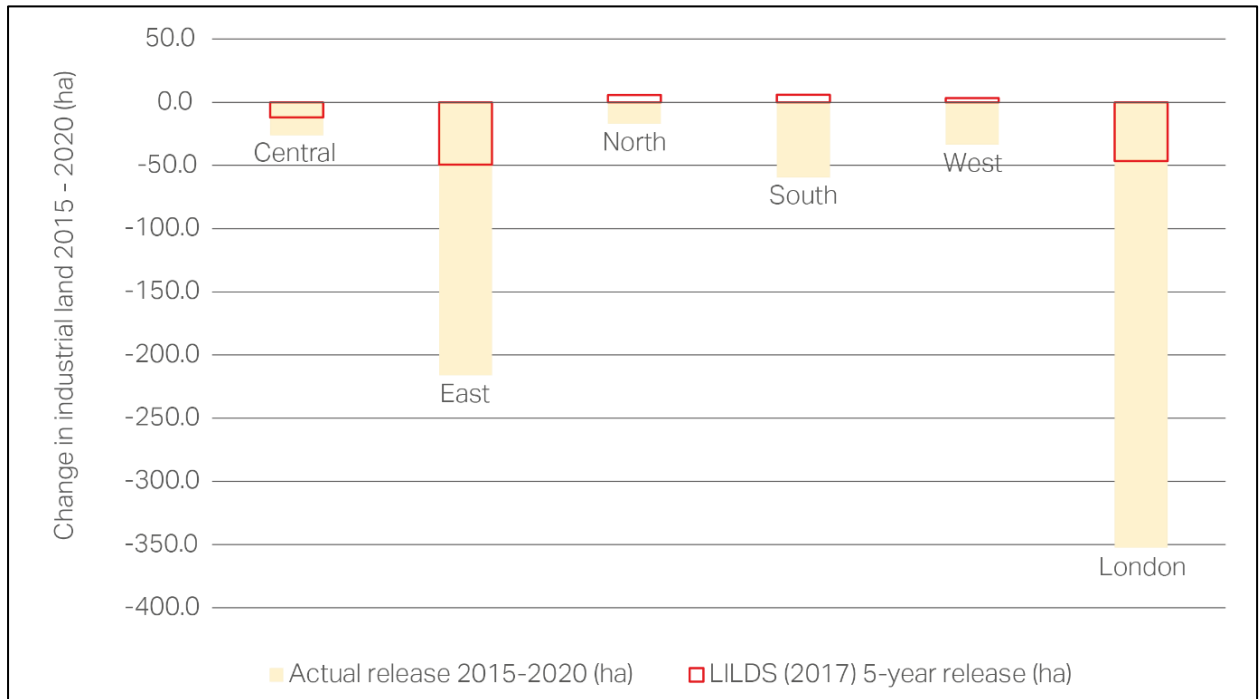
Figure 0.2 Change of broad industrial land use categories in London 2001 to 2020 (ha)



¹ They include wholesale markets, waste management and recycling (including secondary materials and aggregates), utilities, land for rail and buses, airport-related land and freight, docks, mixed-use (including industrial uses), data centres, film and TV studios, industrial-related research and development, dark kitchens, and other industrial uses such as industrial training facilities.

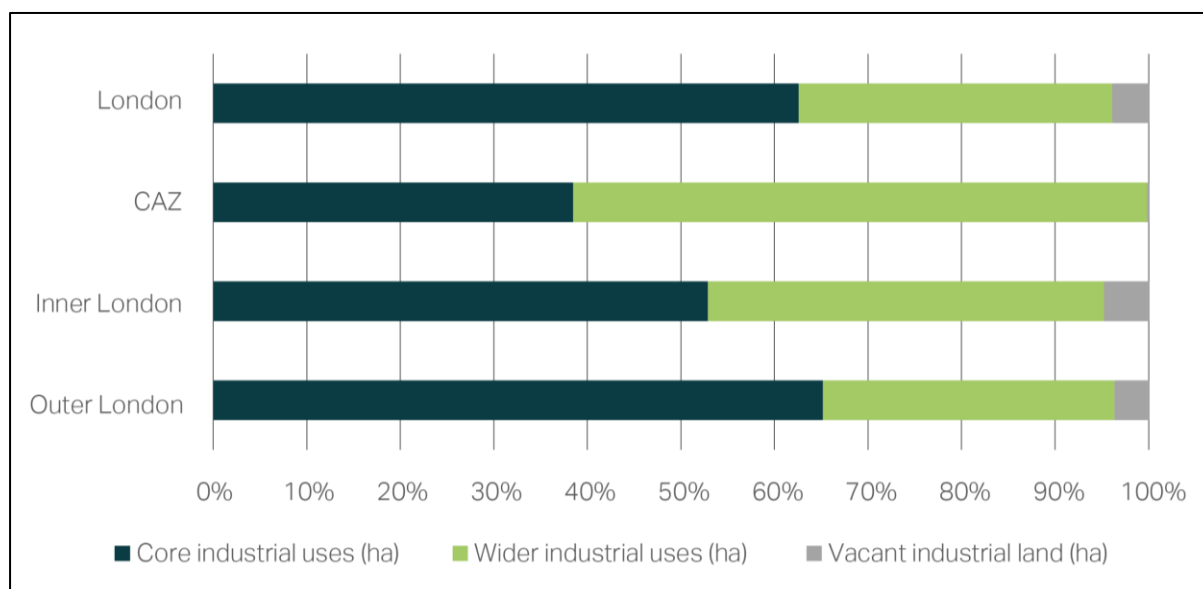
The London Industrial Land Demand Study from 2017 recommended a **benchmark release** of industrial land across London of 232 ha between 2016 and 2041, but in reality, between 2015 and 2020 there has already been a loss of 352 ha. All sub-regions have exceeded the recommended release of industrial land (see Figure 0.3). At the borough level, only Kensington & Chelsea, Islington, Barking & Dagenham, Hackney and Hillingdon have released less than their 5-year benchmark guidance.

Figure 0.3 Change in quantity of industrial land: London Industrial Land Demand Study (2017) industrial benchmark release five-year equivalent vs actual release 2015 to 2020 (ha)



In all, 63% of the industrial stock in 2020 is used for **core industrial** activities², 33% for wider industrial activities and 4% is vacant. The share of core industrial activities in industrial land is greater in Outer London (65%) – in particular within East and West London - than the London average (63%) but lower in Inner London (53%) and even lower in the CAZ (38.5%) (see Figure 0.4).

Figure 0.4 Industrial land in London and sub-regions by use in 2020 (%)



Barking and Dagenham and Bexley are the largest hosts of core industrial uses (416 ha / 321 ha), together representing 18% of London total land in core industrial uses. This is largely driven by general industry and warehousing activities, although Bexley also has a large amount of industrial land occupied by waste management, aggregates and utilities (127 ha).

Hillingdon is characterised by a strong presence of warehousing and transport industrial uses. This is not surprising given the presence of Heathrow Airport.

The **land use vacancy rate** as a proportion of core and wider industrial land together is 4% (see Figure 4), below the reasonable average rate of frictional vacancy of 5% as set out in the Land for Industry and Transport SPG (2012). When considered as a proportion of the core industrial uses, the rate at 6% is slightly above the reasonable average rate.

The land use vacancy rate has been decreasing since 2001 but is most pronounced since 2015 (see Figure 0.5). While there is not a clear trend, the rate is particularly low in some boroughs within the Central, South and West sub-regions (close to 0% in Camden, Barnet, Wandsworth and Harrow). In contrast, several boroughs in East London have higher rates, including Newham (18.3%), Bexley (13.7%), Greenwich (10.2%), Barking and Dagenham and Havering (10.1%) (see Figure 0.6).

² They include general industry, light industry, warehouses, open storage and self-storage.

Figure 0.5 Core industrial land vacancy rate in London - 2001 to 2020 (%)

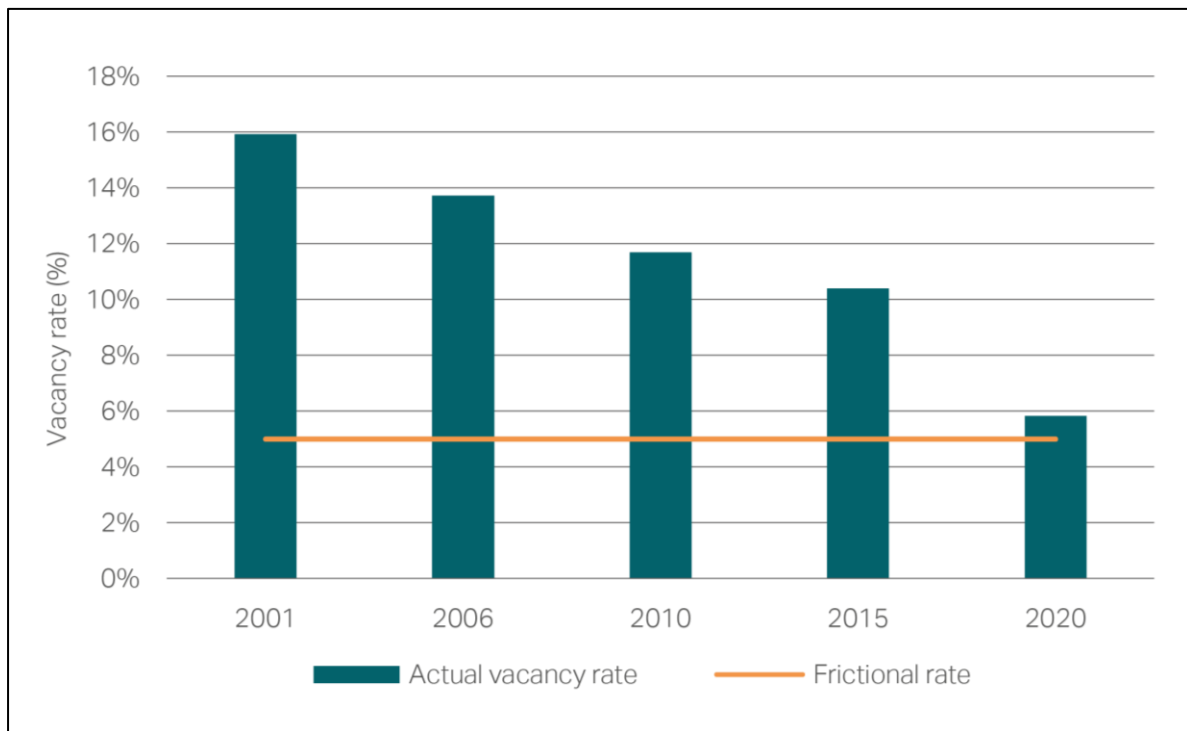
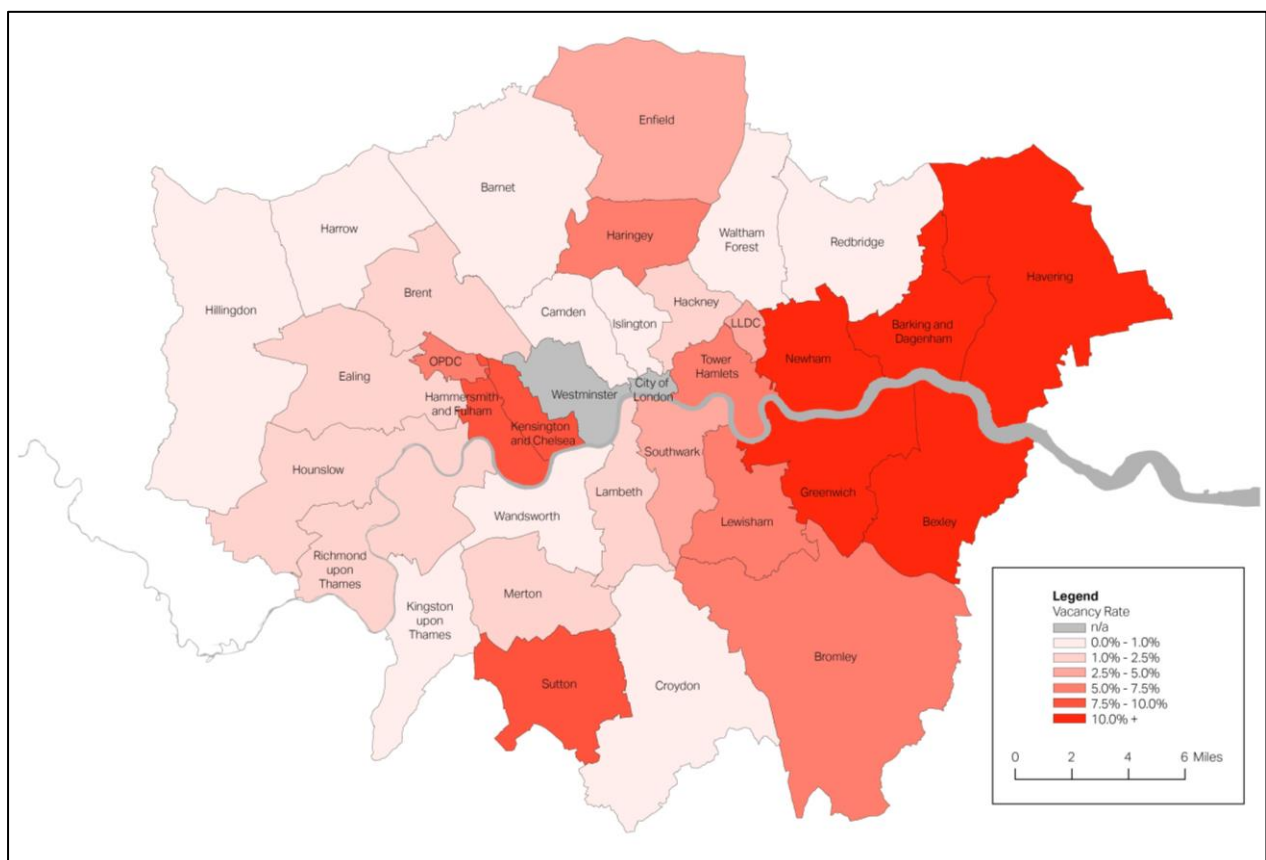
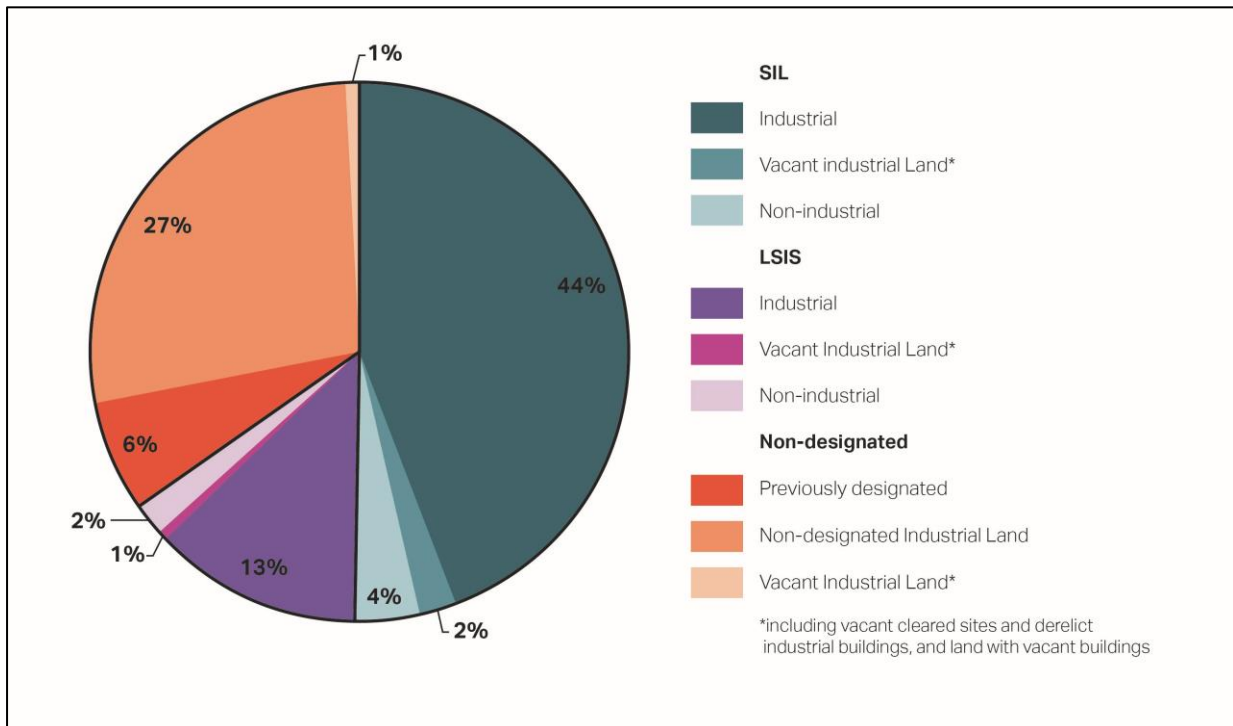


Figure 0.6 Core industrial land vacancy rate by borough in 2020 (%)



In all, ca 65% of London’s industrial capacity is on designated industrial land (50% in SIL, 16% in LSIS) (see Figure 0.7).

Figure 0.7 Share of designated and non-designated industrial land in London - 2020



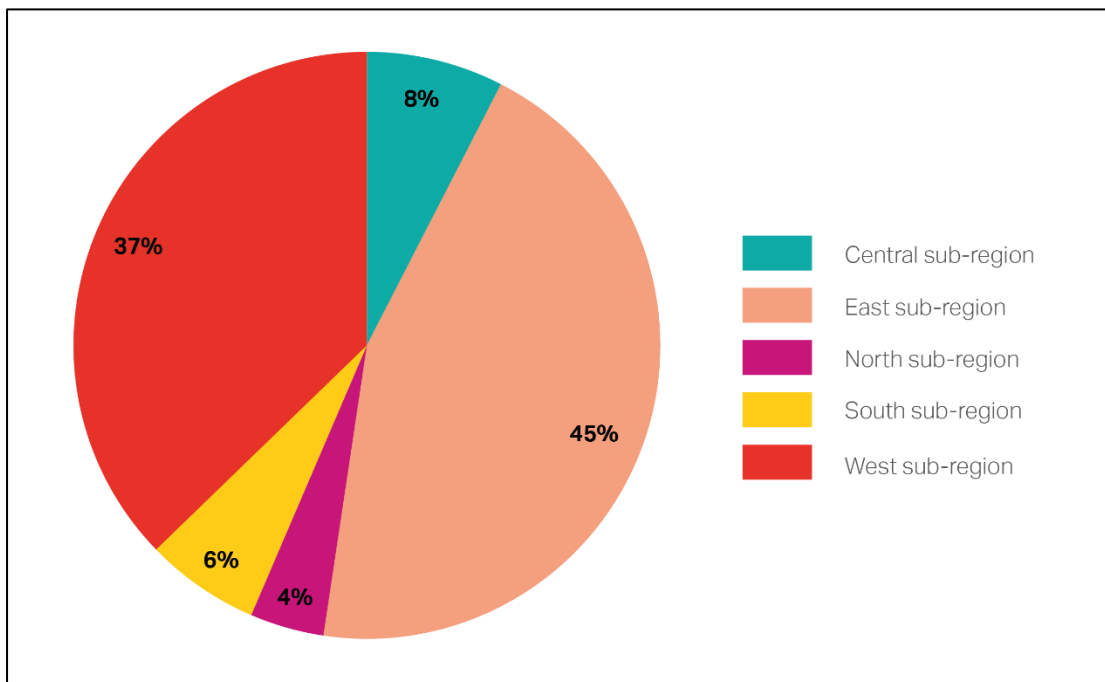
2 Potential future change

This section of the report identifies, in particular, land in industrial and related uses which is within the “planning pipeline” and as such could potentially change to non-industrial uses.

Key findings:

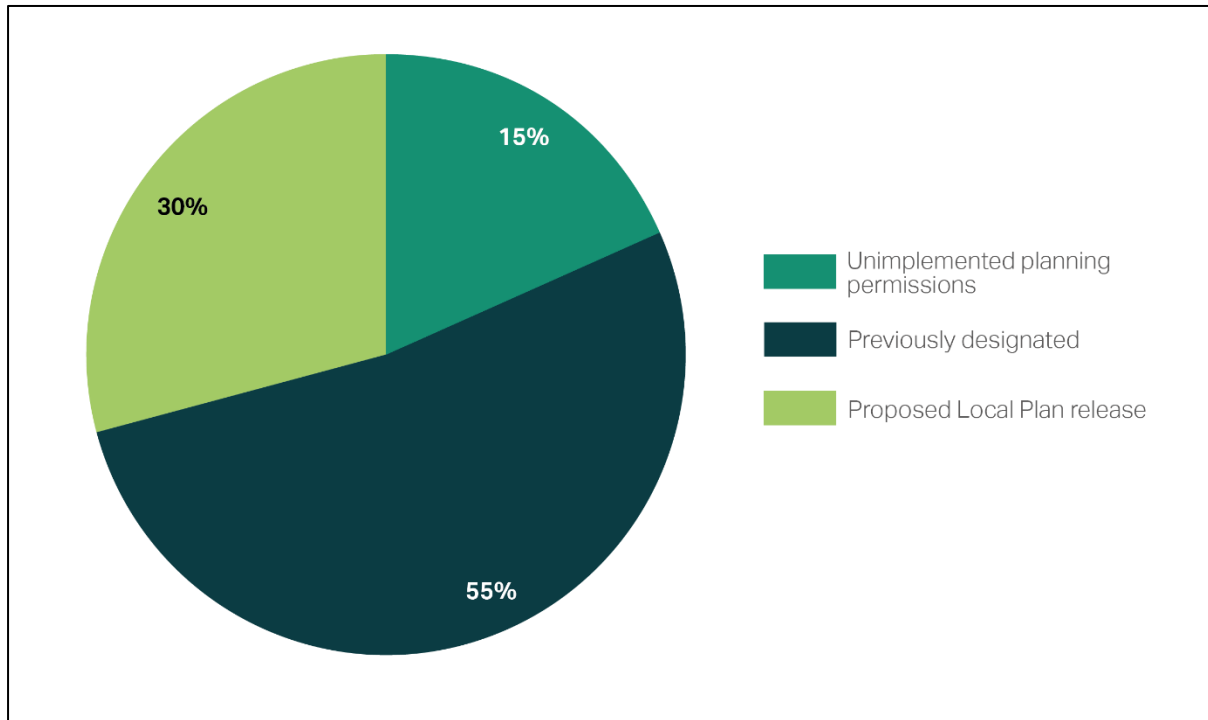
There is an estimated 736 ha of land in industrial and related uses in the planning pipeline that could **potentially change to non-industrial use**, the majority of which is in Inner London (54%) and the East sub-region (45%) (see Figure 0.8).

Figure 0.8 Share of land in industrial and related uses that could potentially change to non-industrial use in 2021



Unimplemented permissions, whilst being the most likely to be realised, make up 15% of the total land that could potentially change to non-industrial use in London. The next most likely one, **previously designated** industrial land³, makes up 55% (see Figure 0.9). **Proposed Local Plan release** accounts for the remaining 30%.

Figure 0.9 Share of industrial land that could potentially change to non-industrial use in 2021 by type of change



Looking at **potential designation gains**, a total of 112 ha of non-designated land in non-industrial use (i.e. genuine industrial gain) is proposed as SIL (two thirds) or LSIS, the majority of which (86%) is found in the West sub-region.

Overall, there could be a potential decrease of land within designated areas of 17 ha. This change to designation is uneven, with a reduction of 110 ha in Inner London compared to a gain of 94 ha in Outer London. It is important to note that there are significant concentrations at the borough level.

³ Land in industrial use within previously designated industrial areas, i.e. former SILs or LSISs recorded in 2010 or 2015.

3 Employment and businesses

The purpose of this chapter of the report is to estimate the total number of jobs and businesses in industrial activities and designated industrial areas. The section also provides an estimate of the average size of industrial business premises in terms of employment and an estimate of employment density across London on industrial land.

Key findings:

Around 7% of all employment (343,200 jobs) in London is in industrial activities, of which 83% is associated with core industrial activities. The majority of **employment in industrial activities** in London is concentrated in Outer London, with only about 18% in Inner London. Figure 0.10 shows the distribution across London's sub-regions.

Employment in industrial activities **in the period 2015 to 2019** has increased by 14% (see Figure 0.11). This continues the up-turn observed between 2010 and 2015, reversing the previous longer-term trend of decline in industrial employment.

Figure 0.10 Share of industrial employment in London in 2019 by sub-area

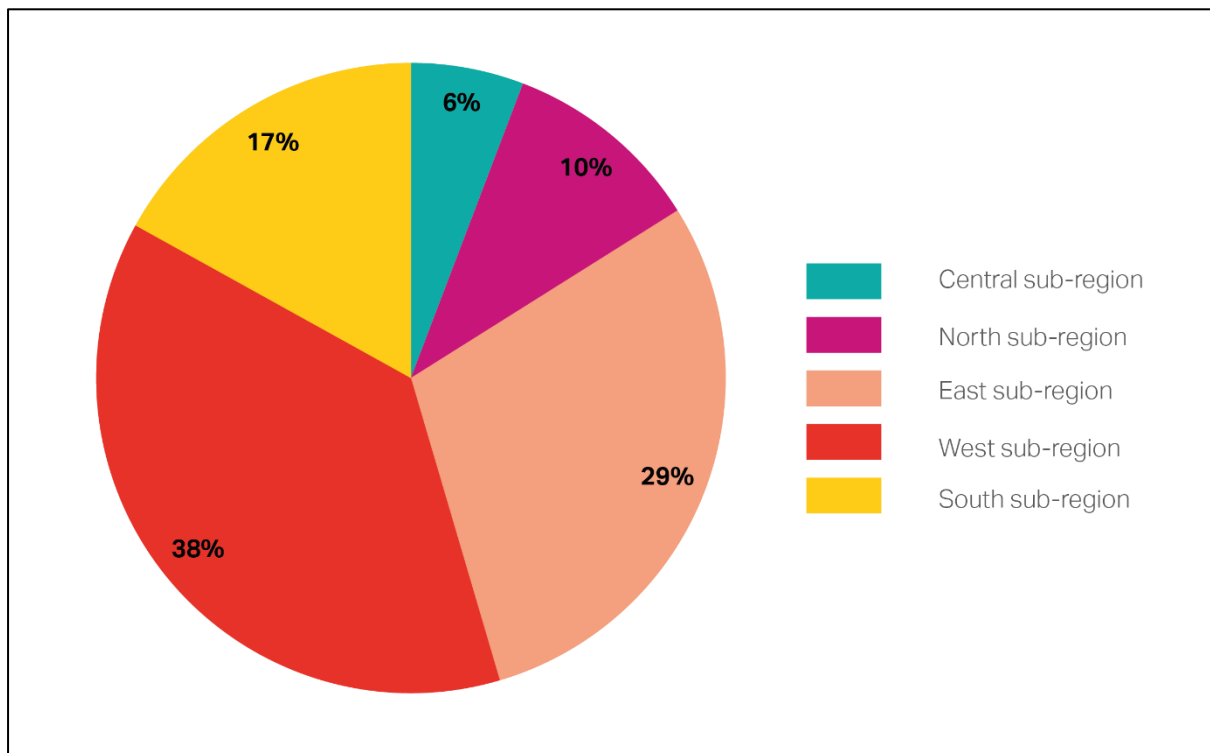
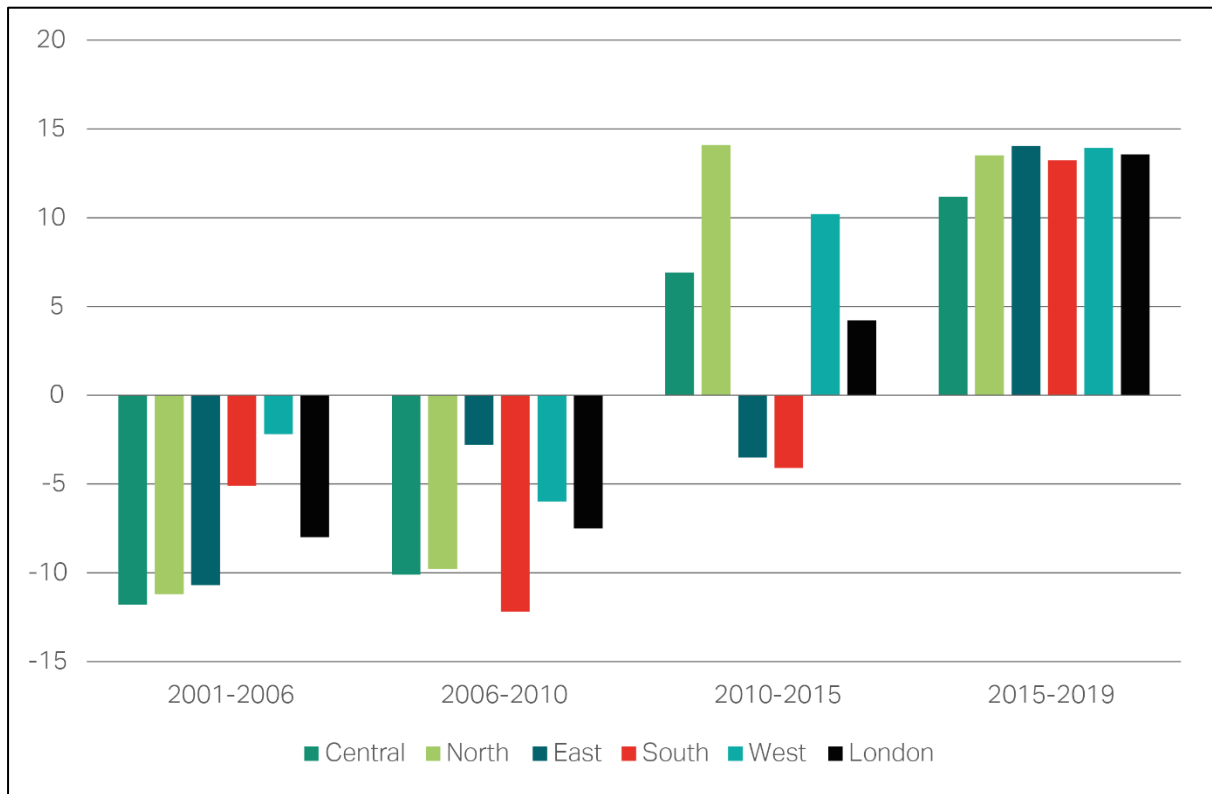


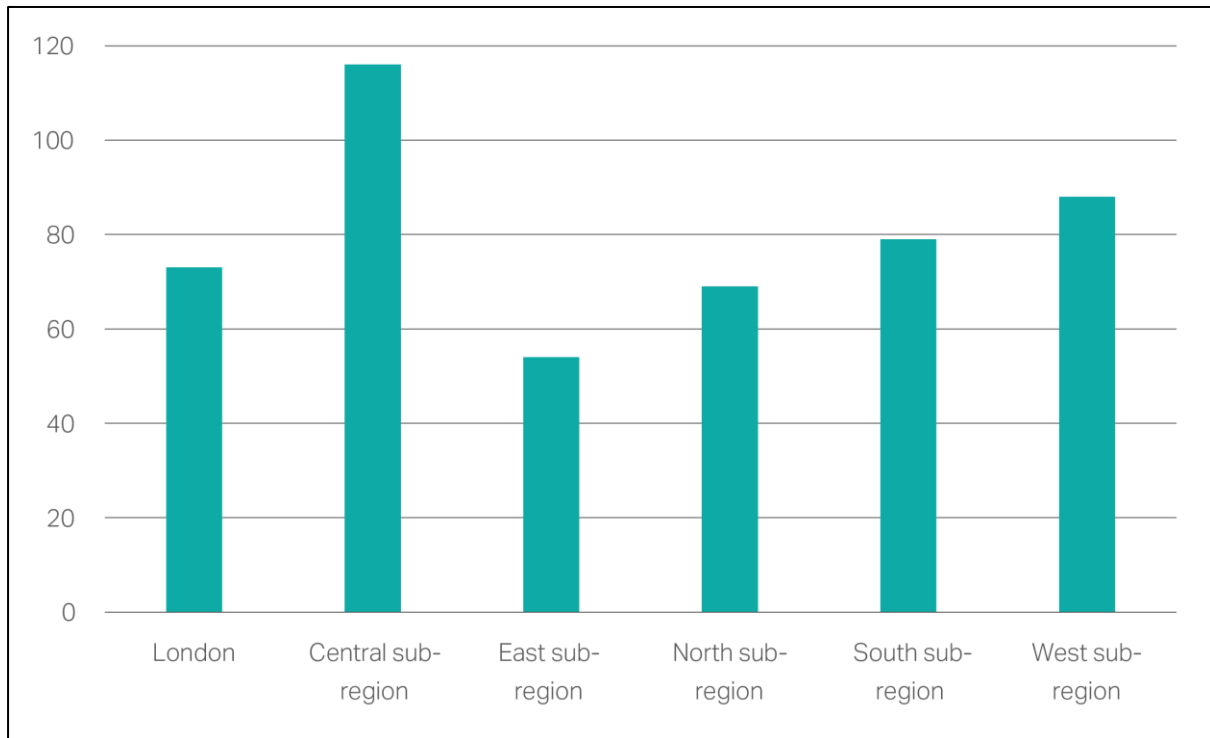
Figure 0.11 Change in industrial employment across London between 2001 and 2019 (%)



Employment density for all jobs on all industrial land (including SIL, LSIS and non-designated but excluding vacant) is at 73 jobs/ha across London.

As shown in Figure 0.12, density varies widely between sub-regions, with the East sub-region having the lowest density (54 jobs/ha) and the Central sub-region the highest (potentially up to 116 jobs/ha).

Figure 0.12 Employment intensity of use in 2019 (ha)



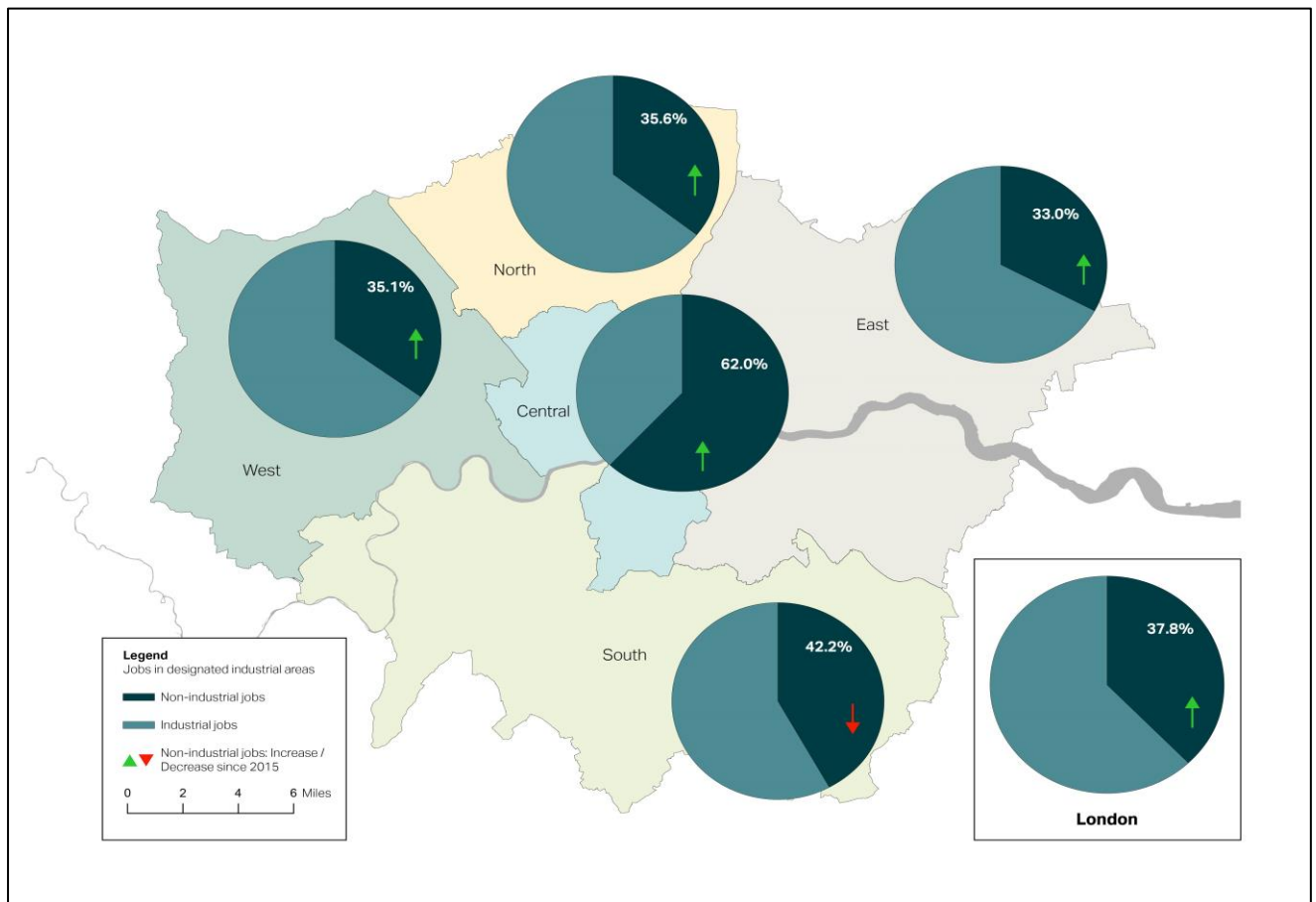
There are estimated to be 56,700 **total industrial business units** in London in 2020, although smaller industrial businesses not registered for either VAT or PAYE are not included. These are 11% of all business units, and 74% of them are in Outer London.

In terms of the **size of industrial businesses**, 91% of them have 0-9 employees. This is similar for all businesses in London.

Within **designated industrial areas**, there are 71% (244,800) of all employment in industrial activities and 36% (20,200) of all industrial businesses.

The Central sub-region has the highest **share of non-industrial jobs in designated industrial areas** with 62%. The East sub-region the lowest share with 33% (see Figure 0.13). Growth of non-industrial employment between 2015 and 2019 in designated industrial areas is particularly significant in some boroughs including Islington (+25%), Barking and Dagenham (+17%), Brent (+14%) and Harrow (+11%).

Figure 0.13 Employment in designated industrial areas in 2019 and trend (%)



4 Floorspace and property indicators

This section of the report aims to provide an understanding of the industrial property market in London in 2021.

Key findings:

In terms of **floorspace**, there is currently about 210 million (m) sqft of industrial floorspace across 10,769 industrial buildings in London, around 0.5% lower than the 10-year average. The largest amounts of floorspace are situated within the East and the West sub-regions. The strongest concentrations of **industrial buildings** can be found in Ealing (990), followed by Hillingdon (577), Enfield, Brent, Tower Hamlets, Hounslow, and Southwark (around 500 each). At Property Market Area (PMA) level, the Park Royal / A40 / Heathrow and Central Services Circle have the highest concentrations of industrial buildings (3,222 and 2,575 respectively), with Park Royal accommodating more than twice the floorspace (over 73m sqft) comparatively. Figure 0.14 and Figure 0.15 below provide an indication of industrial development density through the relationship between buildings and floorspace.

Figure 0.14 Industrial floorspace and buildings by sub-region and Property Market Area in 2021 (sqft and buildings)

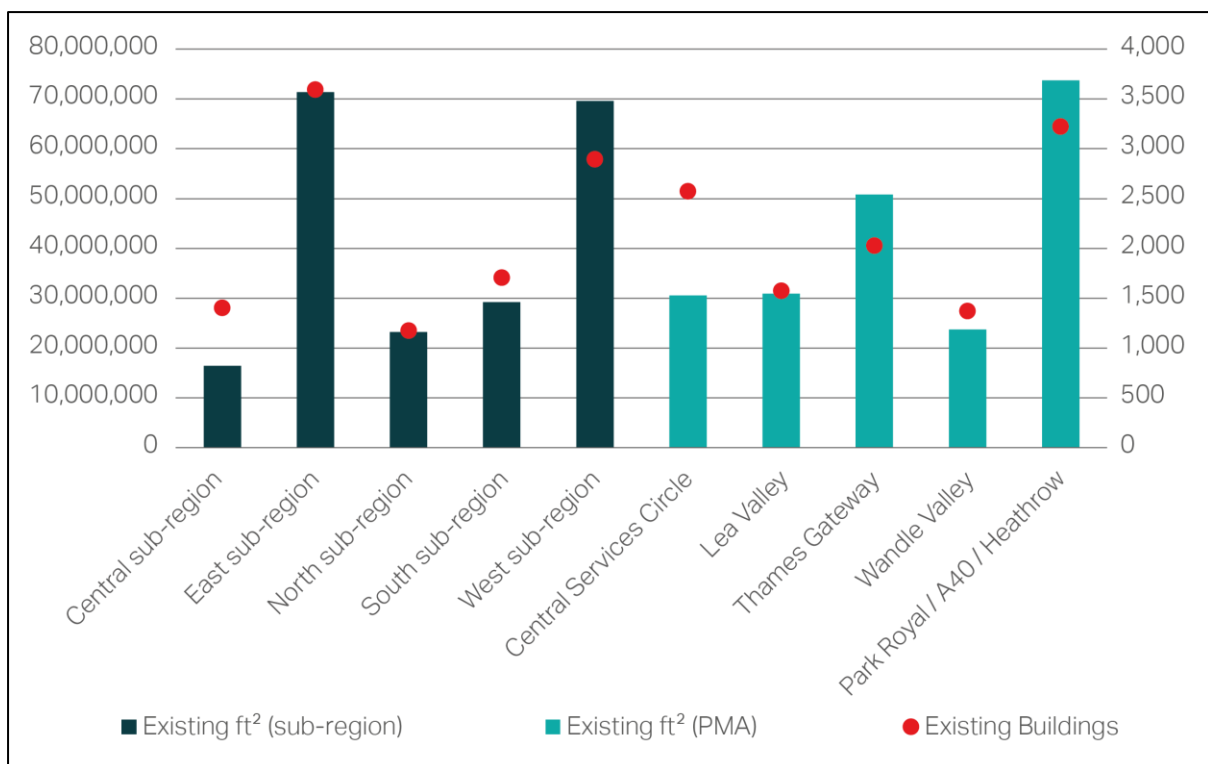
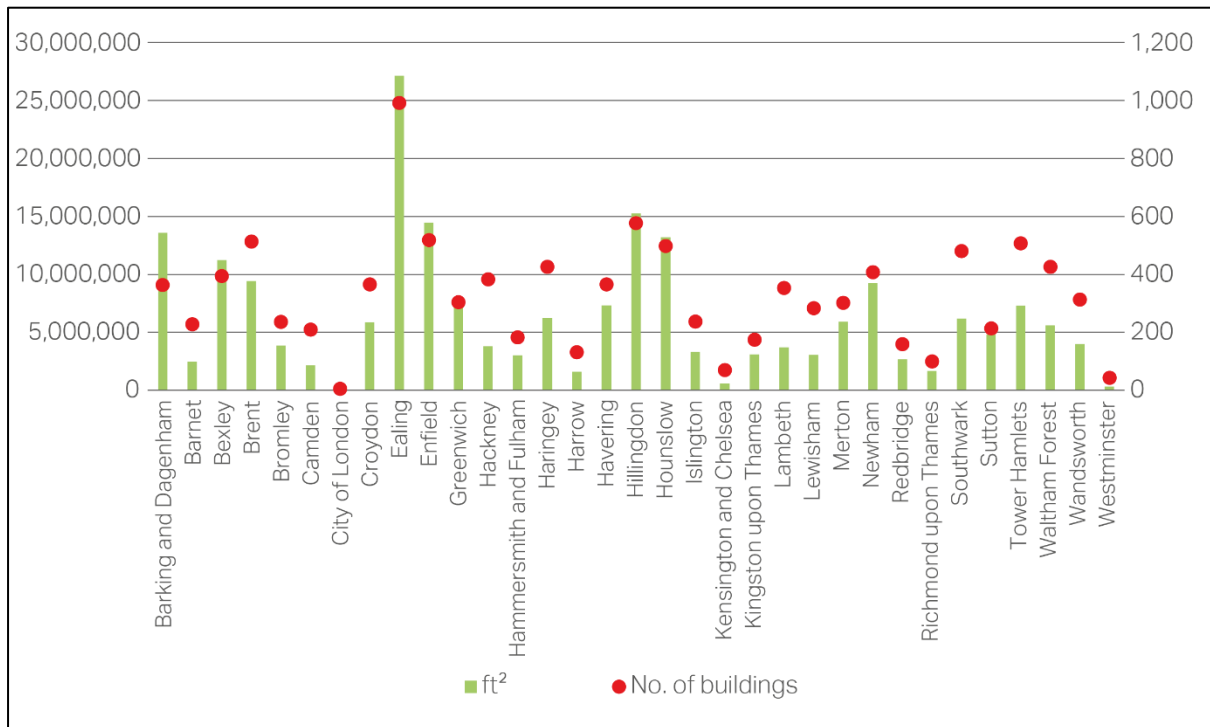
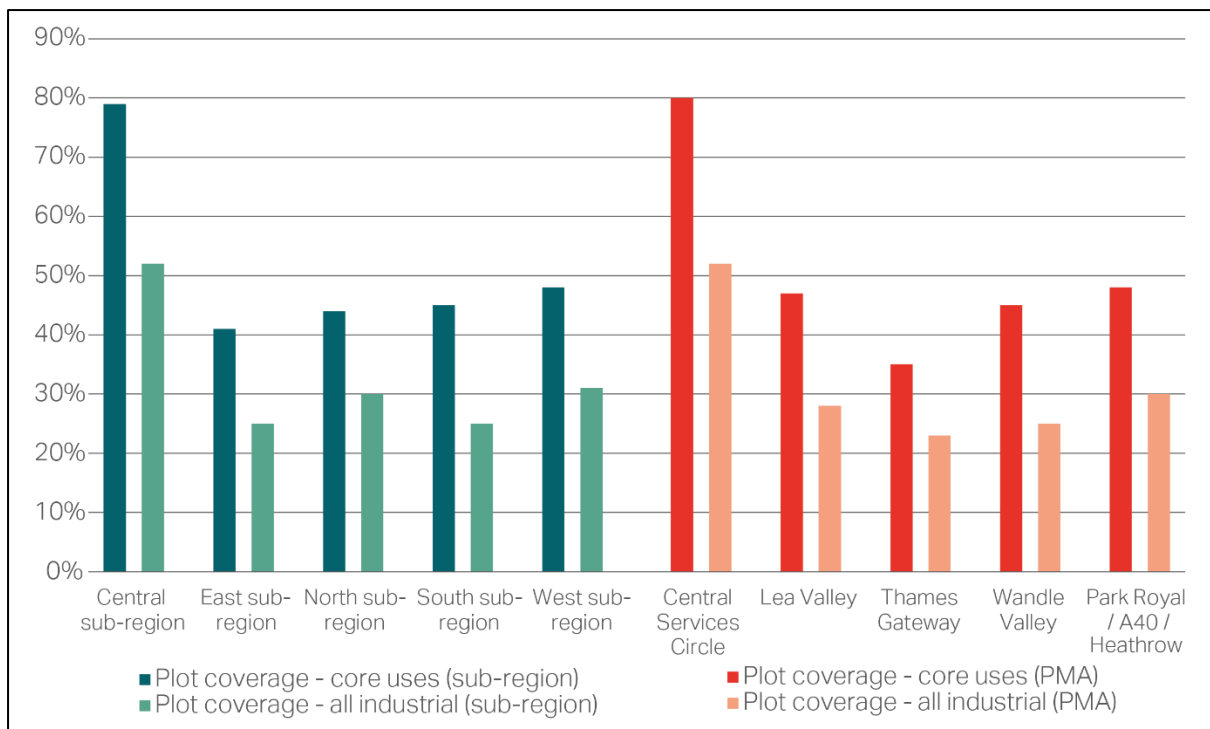


Figure 0.15 Industrial floorspace and buildings by borough in 2021 (sqft and buildings)



Also taking land supply into consideration, the highest **plot coverages** are found in the Central sub-region (52%) when existing floorspace is considered on all industrial land, rising to 79% for land in core uses only (see Figure 0.16).

Figure 0.16 Plot coverage (floorspace/ha) by sub-region and Property Market Area in 2021 (%)



The London **floorspace vacancy rate** (as opposed to the land vacancy rate discussed in section 1 above) for industrial and light industrial buildings is currently 3.2% (in 2021), a 0.2% reduction on the 10-year average (although the Park Royal / A40 / Heathrow PMA experienced a fall of about 1.5% and the West sub-region a fall of about 2.1%) (see Figure 0.17). In contrast, a vacancy rate of 8%, as set out in the Land for Industry and Transport SPG (2012), was then considered to be a reasonable average rate of frictional vacancy in the majority of geographies and size categories. Highest levels of vacancy are seen within the 25-50k sqft category (4.1%), whilst units sized 2.5-5k sqft and 100k+ sqft present the lowest vacancy level (each c.1.7%) (see Figure 0.18). At a borough level, floorspace vacancy rates range from lower than 2% in Hackney, Harrow, Hounslow, Kensington and Chelsea and Richmond to 7% in Bromley and 8% in Sutton (see Figure 0.19).

Figure 0.17 Floorspace vacancy rate 2021 vs 10-year average for London, sub-regions and Property Market Areas (%)

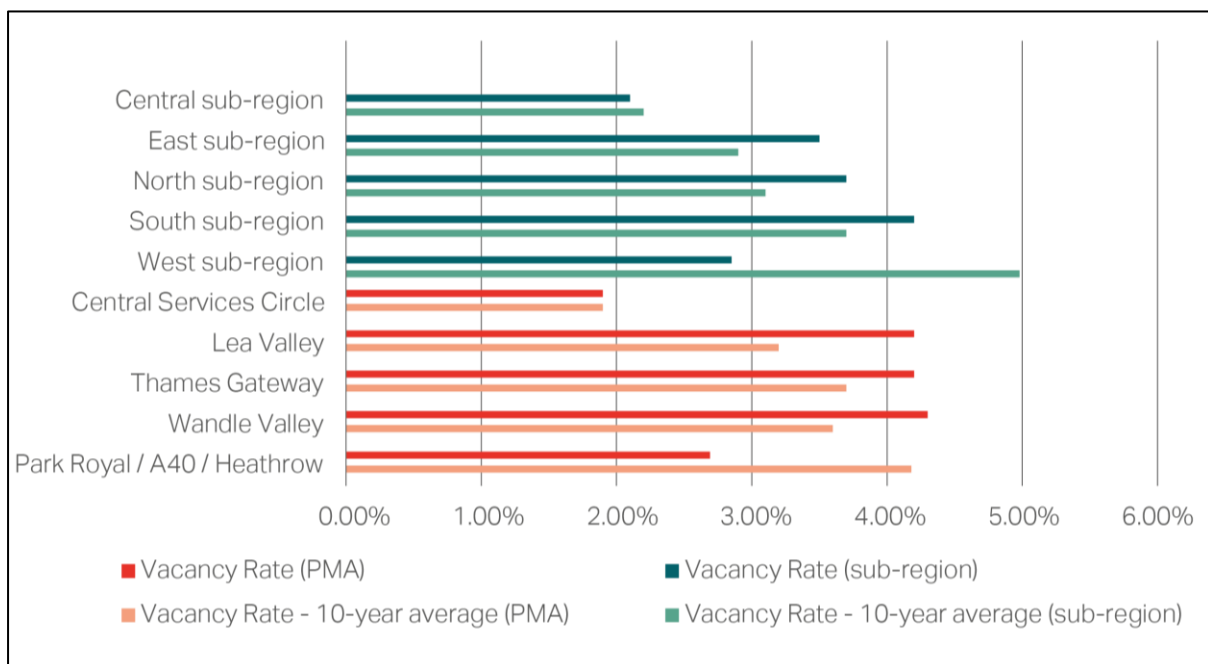


Figure 0.18 Building vacancy rate by size band in 2021 (%)

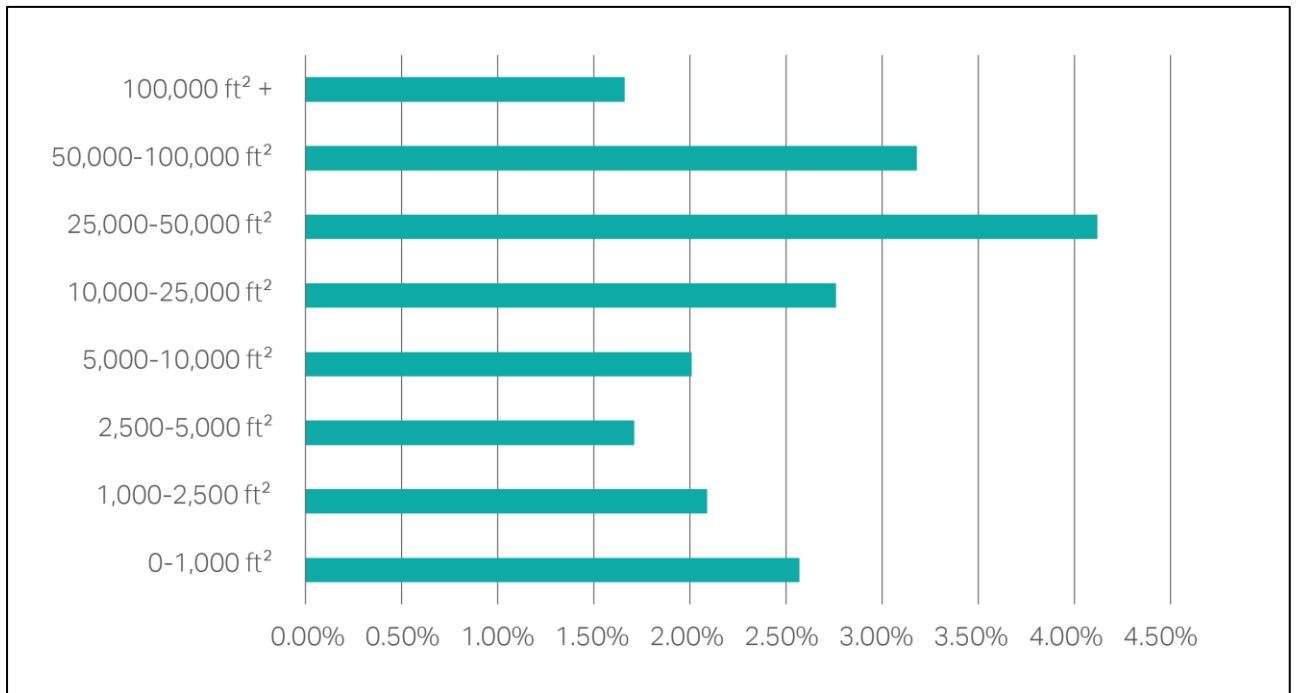
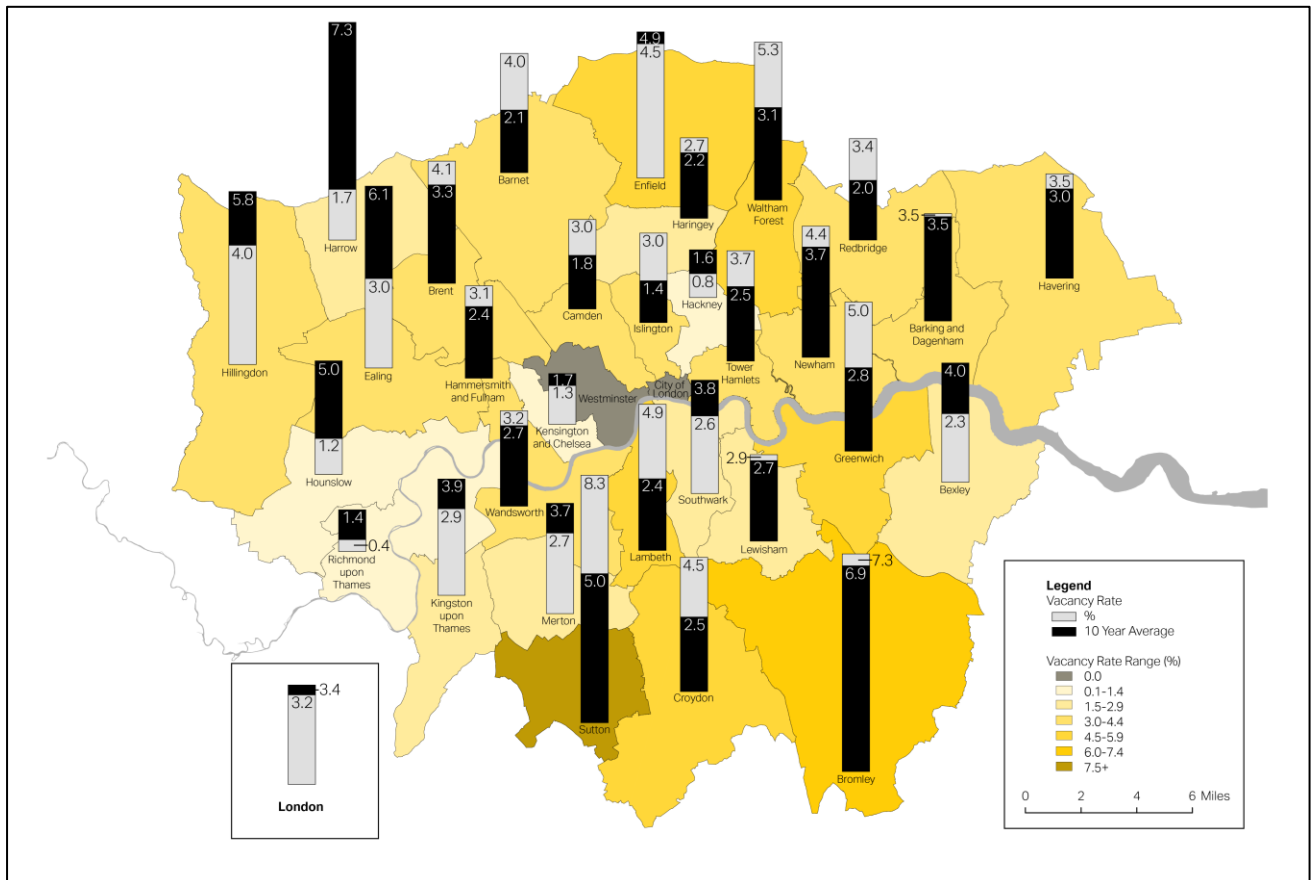
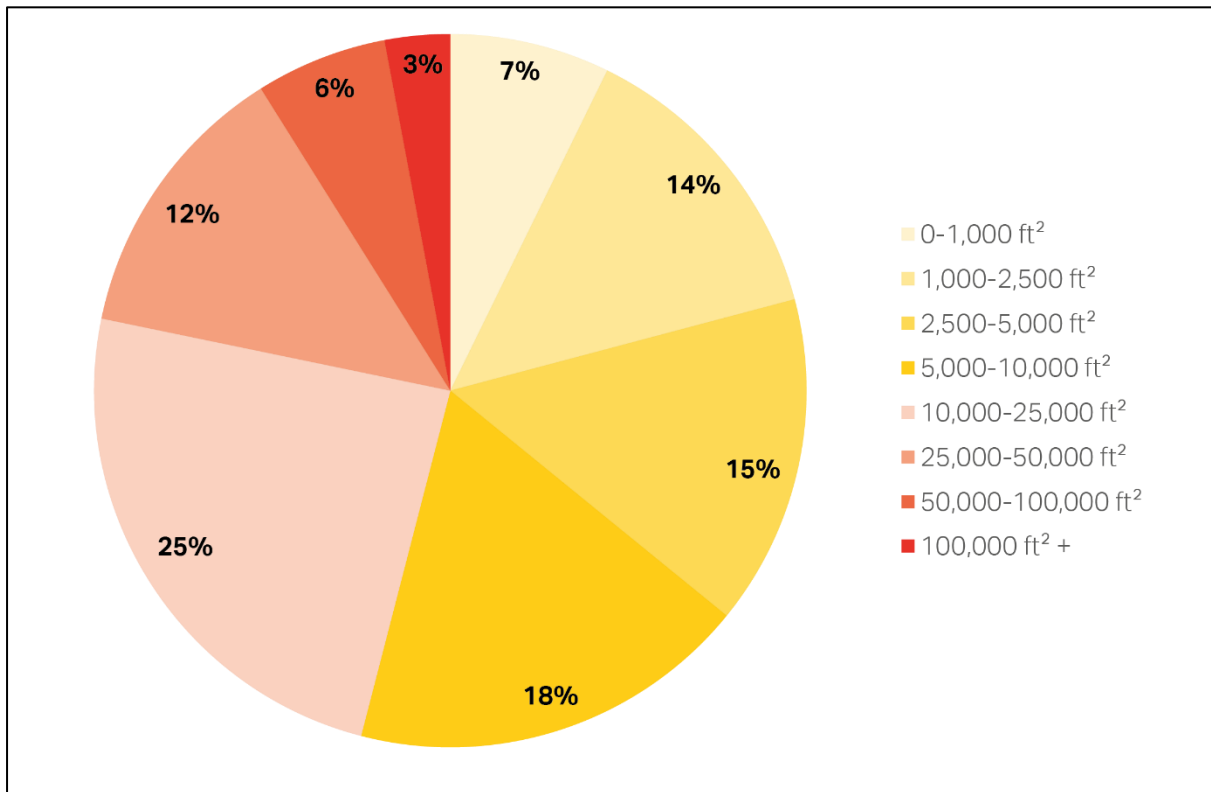


Figure 0.19 Floorspace vacancy rate 2021 vs 10-year average by borough (%)



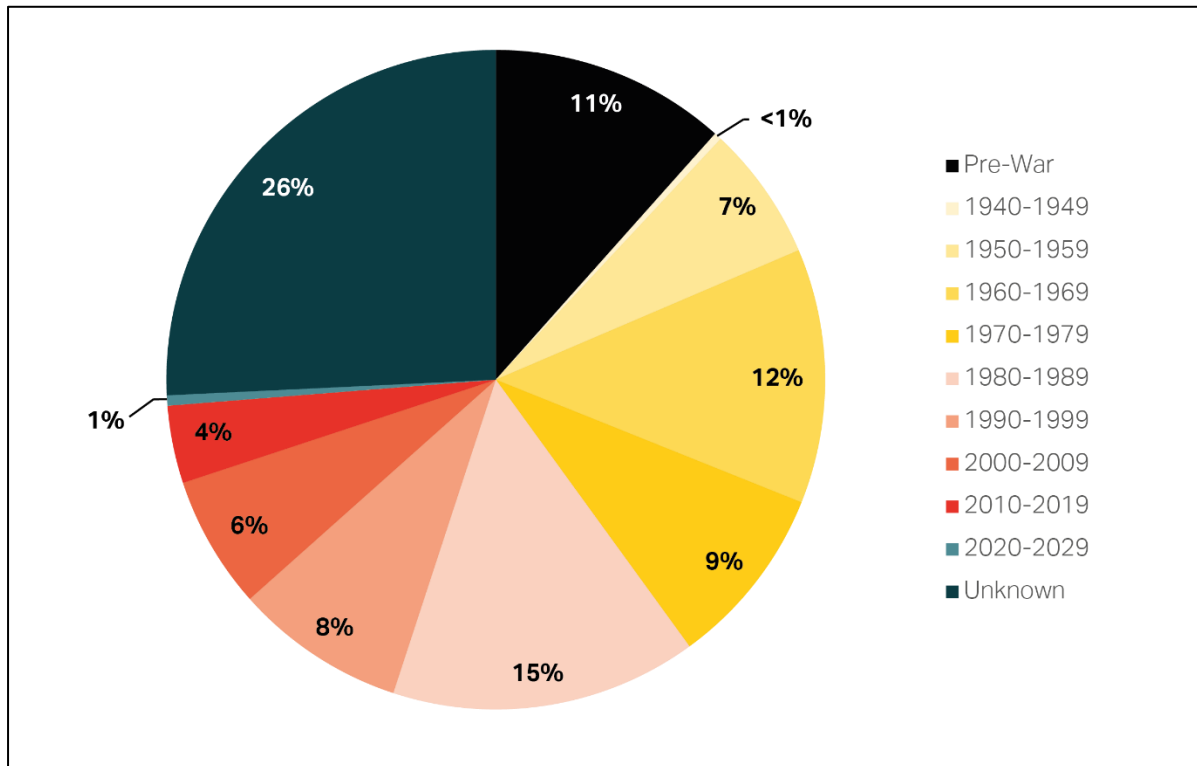
With regards to **stock size**, there is a broad spread across size ranges, with 84% of all buildings being small to medium sized (between 1k and 50k sqft) (see Figure 0.20).

Figure 0.20 Share of buildings by size band in 2021



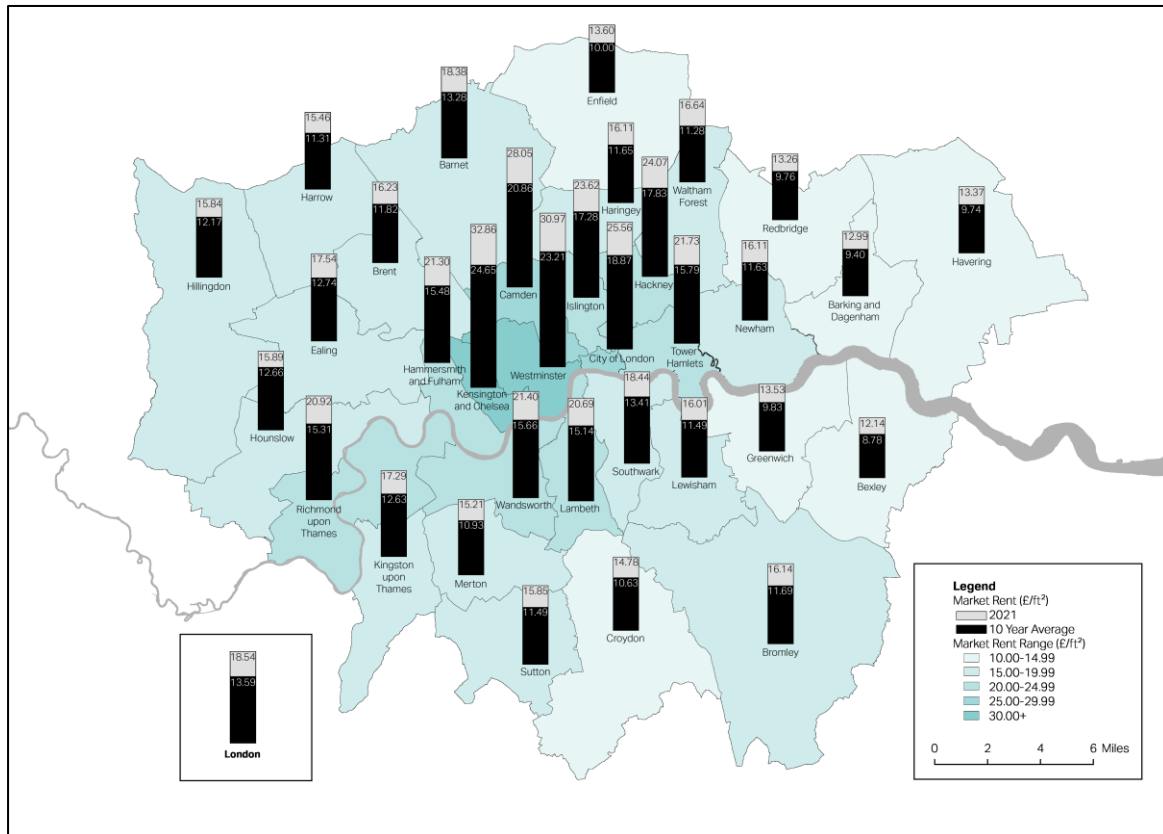
In terms of the **age of industrial stock**, at least 60% of buildings were completed or last renovated prior to 2000. Conversely, just 4% of stock was completed/last renovated post-2010, however, for over 25% the age is unknown (see Figure 0.21). This combined with high levels of occupancy across all size categories would generally indicate the need for new stock. However, compared with the 10-year average, the number of industrial buildings across London has fallen.

Figure 0.21 Share of age of industrial stock in 2021



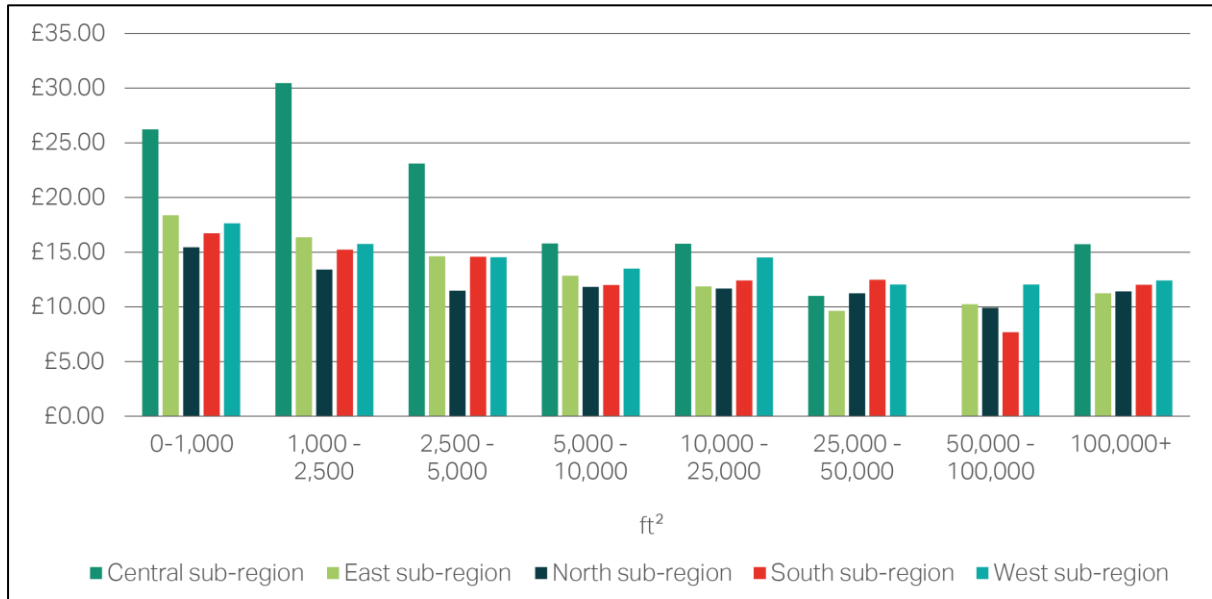
Given falling supply and growing demand, the **headline rent** for industrial and light industrial property in London is £19 p/sqft (quarter to date). This reflects a 36% uplift on the 10-year average at £14 p/sqft. Headline rents are highest in the Central sub-region with Camden recording the highest rent at £28 p/sqft (excluding those Central London boroughs with typically very few transactions) (see Figure 0.22).

Figure 0.22 Headline rental values 2021 vs 10-year average (£/sqft)



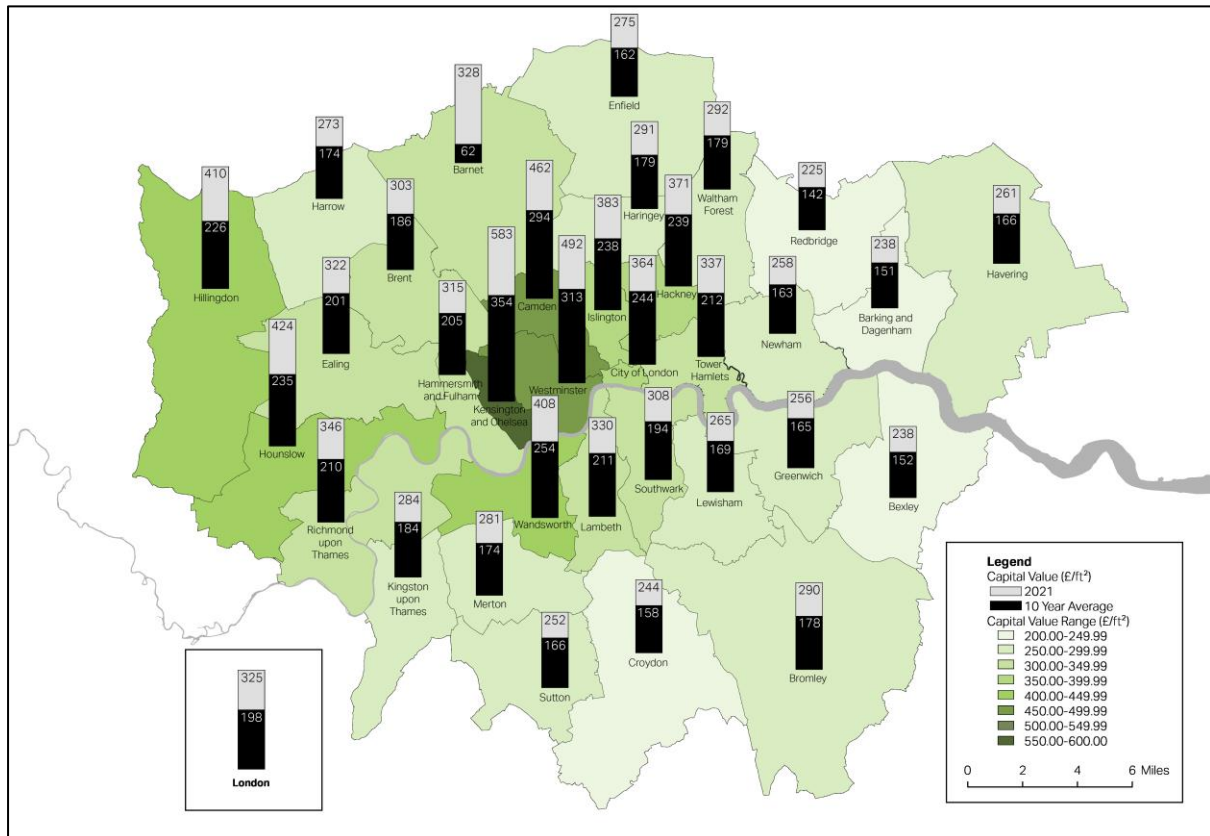
Smaller buildings generally commanded higher rental values on average between 2017-2021, although a premium is being paid for 100k+ sqft buildings, as they often achieve higher rents than the next smaller size bands (see Figure 0.23).

Figure 0.23 Average rent per size band in 2021 by sub-region (£/sqft)



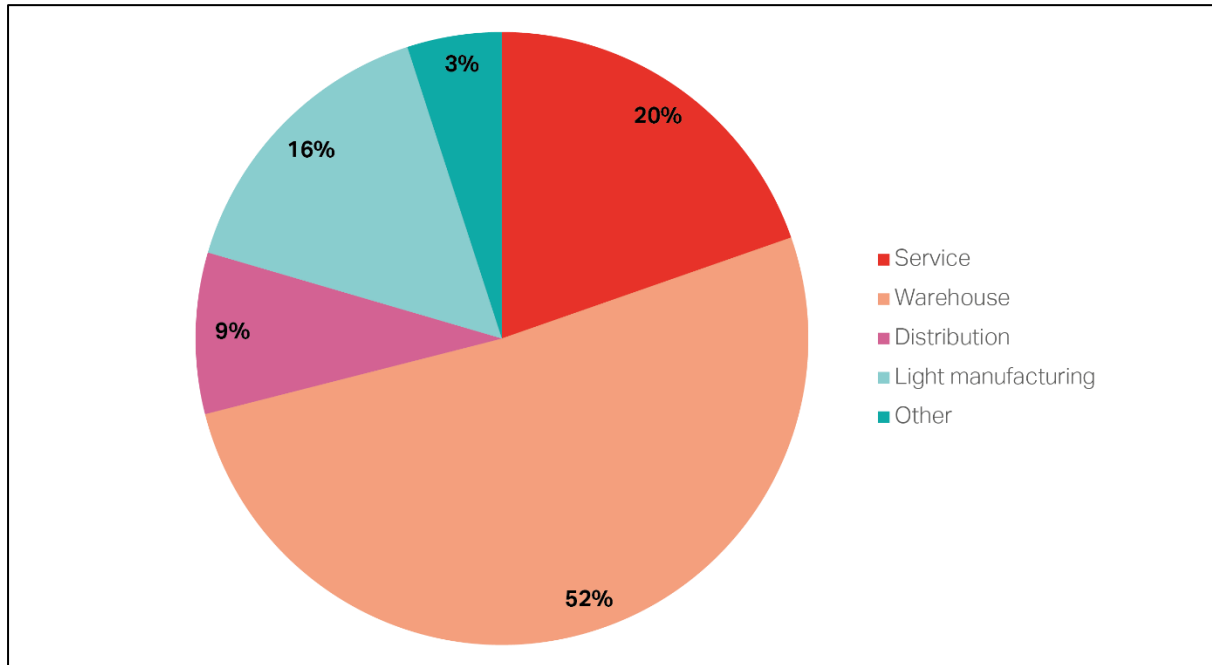
Capital Values follow an even steeper trend. The total average of £325 p/sqft represents an uplift of about 64% on the 10-year average (£198 p/sqft) demonstrating strong value growth. Capital values are highest in the Central sub-region, with Camden recording the highest average value across the borough at £462 p/sqft (excluding other Central London boroughs with typically few transactions) (see Figure 0.24). Again, there is a downward trend in capital values as unit sizes increase, with values ranging from £834 p/sqft to £320 p/sqft across London, although with significant geographic variations.

Figure 0.24 Capital values 2021 vs 10-year average (£/sqft)



In all, 95% of **sales transactions** between 2017 and 2021 were for buildings in the following categories: 'Warehouse' (51.5%), 'Service' (19.7%), Light Manufacturing (15.5%) and 'Distribution' (8.5%) (see Figure 0.25). 'Service' attracted the highest capital values (£464 p/sqft) and 'Distribution' the lowest (£267 p/sqft).

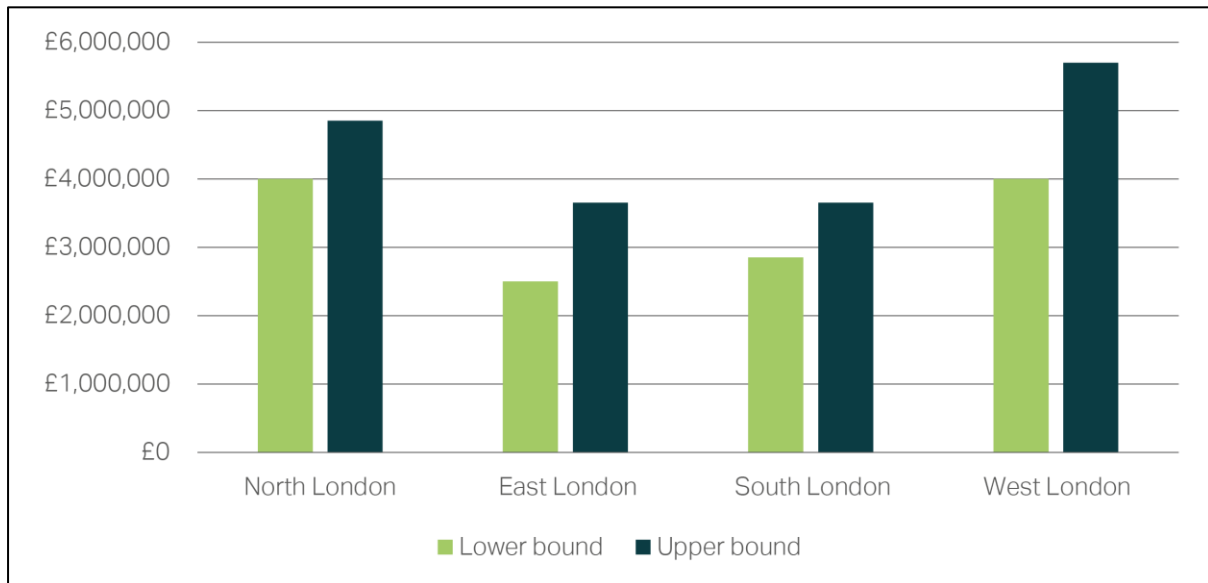
Figure 0.25 Share of sales transactions between 2017 and 2021 by use



Given the concentration of buildings, the most active market has been the East sub-region, with 1,130 **lease transactions** in the last 5 years, reflecting a total floorspace of about 8.8m sqft.

Industrial **land values** range from £2.5m to £5.7m per ha, with the lowest land values in East London and South London, and the highest in North and West London (see Figure 0.26)⁴.

Figure 0.26 Industrial land value ranges in 2022 (£/ha)



The study takes a specific look at **Strategic Industrial Locations (SIL)** given their significant role in accommodating industrial land (see also [Appendix B](#) for more details). There are 3,711 industrial buildings within London’s SILs with a total floorspace of c.110m sqft and 3.7% vacancy (2021 data). The average industrial building size within SILs is c.46k sqft.

In terms of **ownership**, within SILs there are 970 freeholders, with an average freehold size of 3.1 ha, and 2,500 leaseholders (2022 data). The largest freehold ownerships are found in Hackney Wick SIL (34.2 ha – one freeholder), Dagenham Dock/Rainham Employment Area SIL (average 14.3 ha - 20 freeholders), and Barwell Business Park (10.0 ha – one freeholder).

⁴ The Central Sub-region has been omitted, given the infrequency of industrial land trades.

5 Property market trends

The analysis presented in this section of the report, prepared by Avison Young and AECOM, looks at property market trends in London.

Key findings:

There is significant growth in **demand for big box, distribution stock** fuelled by changing consumer habits and the **growth of e-commerce**. This has focused on key locations with good access to the strategic road network including Ealing, Barking and Dagenham and Enfield. The strength in demand for stock of this nature, relative to the existing undersupply has been a significant factor driving increased industrial rents, capital values and land values across London. This is reflected in the premium seen in rental and capital value terms for stock over 100k sqft in these areas suitable for logistics, going against the general trend that larger stock tends to see reduced value on a £/sqft basis. As the strength in demand is set to continue, a growing development pipeline for big box stock and continued upward pressure on rents and values are likely. This demand is expected to be supplemented by a growing market for non-traditional B-class uses including **Film and TV production / post-production** with similar requirements for large floorplate space in Outer-London.

In addition, the changing nature of consumer habits and industrial trends indicate that demand is growing for example for **final mile distribution space** with building typologies different to traditional ones, including smaller floorplates and close proximity to residential areas.

Industrial stock in London is dated, with at least 60% of buildings completed or last renovated prior to 2000. This will be a significant consideration for owners and occupiers, who will have to achieve new **minimum energy efficiency standards (MEES)** by 2030. In response to these legislative changes, significant refurbishment will be required in the coming years. Boroughs, where this is most relevant, are those with a high proportion of stock built before 2000, and they include Brent (82%), Ealing (78%), Harrow, Haringey and Enfield (all 75%).

SIL areas present London's main reservoir of industrial land with the above characteristics comprising approximately 50% of London's total supply. [Appendix B](#) includes a functional and character assessment of all SILs in London. Typically, SILs are located close to the strategic road network, and many also have access to rail and waterways. SIL sites fulfil an essential function in the London economy. They not only need to accommodate the demand for large scale distribution, but also for wider industrial functions including for example large-scale waste management. Their scale, hours of operation, vehicular movements, noise, odour or dust emissions can raise tensions with other land uses, particular residential development. The strength in demand for industrial stock in these locations is indicated by low vacancy rates (3.8% across London).

6 Industrial capacity in the wider South East

This section of the report presents an overview of strategically important capacity for industrial, logistics and related uses in the wider South East (WSE) outside London in 2021, covering the authorities located within the South East and East of England statistical regions.

Key findings:

Over 17k ha of **industrial land** within strategically important clusters in the WSE was identified, with the most significant shares in Thurrock, East Suffolk and Milton Keynes. At 20% growth against 10-year average, Thurrock has also been experiencing the greatest rise in floorspace.

The **average size** of industrial buildings is 2,960 m² / 31,850 sqft compared to 1,624 m² / 17,480 sqft for London.

Like in London, the best represented **size category** is 10,000-25,000 sqft, making up 28% of stock, compared to 24% in London. In the WSE, 11% of stock is over 50,000 sqft, compared to 8% in London. By contrast, London is home to a greater proportion of small-sized stock, with 22% of stock under 2,500 sqft compared to only 13% in the WSE.

Rents vary significantly across the wide geographic spread ranging from £7.50 p/sqft in Thanet to £20 p/sqft in Surrey Heath. **Capital Values** range from £68.00 p/sqft in East Cambridgeshire to £214.00 p/sqft in Runnymede. Rental and capital values, even in close proximity to the capital, are still largely below London average values with rents of £19 p/sqft and capital values of £320 p/sqft.

Value growth in the WSE authorities has still been strong against the **10-year average**, with 30% rental value growth and 53% capital value growth, albeit these are below the growth rates experience in London (37% rental value growth, 62% capital value growth).