

# OFFICE RETENTION

Date: 28 July 2015

# CONTENTS

- 1: Aim of the document
- 2: Background Information
- 3: Current Context
- 4: Commercial Provision in Croydon
- 5: Demand
- 6: Permitted Development Rights
- 7: Future

## 1. AIMS OF THE DOCUMENT

The purpose of this document is to:

- (a) Provide a robust evidence base document upon which to formulate policy;
- (b) Provide evidence to support decision-making on planning applications, justifying the emergent policy (Policy SP3.13) which protects office floorspace in the East Croydon and New Town Croydon Opportunity Area character areas as an Office Retention Area.

## 2. BACKGROUND INFORMATION

The London Plan identifies central Croydon as an Opportunity Area (COA), Metropolitan Centre, Strategic Outer London Development Centre and one of the capital's two outer London Strategic Office locations. This demonstrates that the London Plan and the Mayor continues to see Croydon having a strong role to play in London's office supply and office development being concentrated in strategic locations for growth. The COA contains the majority of the borough's B1(a) office floorspace and has a presence of large public sector employers as well as financial and business services, engineering and construction occupiers.

The Croydon Opportunity Area Planning Framework (COAPF)(2013) identifies New Town and East Croydon as areas within which development of new commercial space will be focussed. The Croydon Local Plan:

Strategic Policies (2013) and OAPF has earmarked this area for 95,000sqm of new office floorspace and the refurbishment of 150,000sqm of existing outdated office space. This approach, together with consolidation through the conversion and redevelopment of surplus office space will support the development of residential development, new hotel space and encourage new cultural and creative industries within the COA.

Furthermore, the Council has adopted The Croydon Promise: Growth for All (2014) which supports the creation of 16,000 jobs, increased employment, improved development opportunities and investment and to reinstate Croydon's position as a premier office location. The retention of office floorspace in New Town and East Croydon is based on a solid economic and business case; to retain employment and to realise aspirations of growth in the context of a Strategic Office Location.

The East Croydon Masterplan outlines the aspirations for the Ruskin Square site adjacent to East Croydon Station which will realise approximately 100,000sqm of office floorspace in accordance with the OAPF and the Croydon Local Plan: Strategic Policies. Besides the development at Ruskin Square, there has been very little recent development of office floorspace and the current stock of office space is outdated.

An Office, Industrial and Warehousing Land/Premises Market Assessment carried out in 2010  
(<https://www.croydon.gov.uk/sites/default/files/articles/do>)

[wnloads/industrial-warehouse.pdf](#)) found, that in order to attract occupiers from competing centres, the quality of office floorspace in the Croydon Metropolitan Centre will need to be improved requiring significant speculative development to achieve higher rents. Furthermore, it states that the success of the Croydon Metropolitan Centre is dependent on the ability of the borough to attract future employment growth through the development of new build office floorspace, and the refurbishment of existing office floorspace which is considered highly site-specific.

### 3. CURRENT CONTEXT

An office retention policy, specific to an area within the Croydon Metropolitan Centre would help to consolidate office floorspace and to attract inward investment into the centre by offering prospective developers some certainty with regards to office development and/or redevelopment within the area.

Demand for Grade A office space is high, however availability of office space around East Croydon Station is a barrier to retaining existing businesses and attracting inward investment to create new jobs in the area. This type of office space is essential to accommodate growing sectors such as Tech Industries and SME's. Presence of Grade A office space in the East Croydon area is important for its designation as a strategic office location adjacent to the Station, its location on the Brighton to London Mainline and its proximity to Gatwick Airport. The area around East

Croydon is the most attractive for potential employers due to its proximity to the station and the clustering effects that can be achieved.

Retention and refurbishment of office floorspace in the Croydon Metropolitan Centre and in particular in East Croydon and New Town will have other benefits beyond creating jobs, which include an increase in daytime footfall and spend in the COA, increased business retention and in attracting other businesses to the area.

### 4. COMMERCIAL PROVISION IN CROYDON

Recent research carried out by Sinclair Clark suggests that Croydon has approximately 7 million sqft of commercial floorspace of which 4.73 million sqft is available for prospective occupiers. This figure reduces further when buildings not receiving tenants are removed to 3.65 million sqft. Buildings not receiving tenants are those which are in need of repair, and considered unable to accept tenants and those which are subject to potential permitted development.

There is approximately 1.38 million sqft vacant commercial floorspace in Croydon. Once those buildings which are not accepting tenants are removed, this figure decreases to 793,000sqft which is considered an overestimate and 680,000 sqft is more likely to reflect the current picture.

Occupied commercial floorspace, amounting to 740,240 sqft is subject to redevelopment with the

remainder, 53,685 sqft available for occupation by companies looking to locate in Croydon. This inhibits Croydon's ambitions to attract further investment and employment opportunities into the area.

The following buildings have been identified as being unable to accept tenants in their current condition:

- Segas House
- Ellis House
- Katharine House
- Surrey House
- Norwich Union House

- Green Park House

There are proposed/ potential redevelopment opportunities identified regarding the following buildings:

- Meridian House
- Allianz House
- Cambridge House
- National Westminster House

Table 1.1

Croydon Commercial Office Stock and Availability									
Period	Total space (sq.ft.)		Total Occupied (sq.ft.)		Occupancy level		Total Available (sq.ft.)		
	CROYDON www.croydon.gov.uk	STILES HAROLD WILLIAMS www.shw.co.uk	CROYDON www.croydon.gov.uk	STILES HAROLD WILLIAMS www.shw.co.uk	CROYDON www.croydon.gov.uk	STILES HAROLD WILLIAMS www.shw.co.uk	CROYDON www.croydon.gov.uk	STILES HAROLD WILLIAMS www.shw.co.uk	SC
2012 Q4	6,961,832	7,499,281	2,605,674	-	37%	-	4,458,826	1,762,331	-
2013 Q1	-	-	-	-	-	-	-	1,765,440	-
2013 Q2	-	-	-	-	-	-	-	1,804,860	-
2013 Q3	-	-	-	-	-	-	-	1,353,303	901,000
2013 Q4	6,467,700*	-	3,110,395	-	46%	-	3,357,305	1,326,435	-
2014 Q1	-	6,500,000	-	-	-	-	-	1,315,014	-
2014 Q1 Adjusted	4,786,953	3,577,953	3,392,705	2,380,898	71%	67%	1,394,248	1,011,807	814,000
2014 Less not receiving	3,767,290	3,027,948	2,982,257	2,333,297	79%	77%	785,033	694,651	-
2015 Q1	6,964,566	6,166,666	3,397,862	-	52%	88%	3,366,704	740,000	-
2015 Q1 Adjusted	4,732,500	-	3,350,927	-	71%	-	1,381,573		-
2015 Less not receiving	3,651,547	-	2,857,618	-	78%	-	793,929		-

**Notes:**

\* This figure excluded Bernard Weatherill House (240,000), Interchange (178,000) and Renaissance (100,000) which we all completed around this time and are included in later calculations.

- Information not available.

**CROYDON**

www.croydon.gov.uk - London Borough of Croydon (not Croydon figures refer to Gross Internal Area).



- Stiles Harold Williams

SC -Sinclair Clark

2014 Q1 Adjusted figures:

London Borough of Croydon- These figures have been adjusted to remove those buildings that were included in the Planning department report that are being converted into residential or other uses, including Westfield (listed above). These figures include the addition of Bernard Weatherill House , Interchange and Renaissance.

Stiles Harold Williams - These figures are taken from a meeting between SHW agents and LBC Inward Investment team where building sizes and availability of marketed buildings in Central Croydon were confirmed removing those buildings that had been confirmed as being converted to other uses.

2014 Less not receiving: Removes those buildings the LBC Inward investment team consider to be unable to receive tenants in their current state, or are projected to be removed from supply as office due to Permitted Development in the future, thus making them unable to accept tenants for leases at present (listed above)

## 5. DEMAND

As a consequence of the permitted development right allowing the conversion of office to residential floorspace, existing companies have been forced to relocate elsewhere within the town centre. The largest letting of refurbished space has been at Citylink, adjacent to East Croydon Station where 24,300 sqft has been taken up by BPP Holdings Ltd relocating from Carolyn House also adjacent to East Croydon Station and subject to a proposal for permitted development. Lettings of new commercial floorspace have also been taken up by extant companies within the East Croydon and New Town area; Mott MacDonald, Paribas Law and PPF, showing the displacement and relocation of existing companies often as a result of the permitted development right.

The Council introduced an Article 4 Direction on 10 September 2015 removing the permitted development rights within the Croydon Opportunity Area which allow office to residential conversion. As a result, a planning application is required should the conversion of office space to residential development be sought. Prior approvals granted prior to this date have a period of three years from the date of prior approval within which to complete the change of use.

Prospective developments were forecast to deliver 2.8 million sqft of commercial floorspace, however they are now likely to yield significantly less than that with 1,277,000 sqft coming forward. Ruskin Square, adjacent

to East Croydon Station is on site and due to deliver 180,000 sqft of commercial floorspace in 2016.

## 6. PERMITTED DEVELOPMENT RIGHTS

Stiles Harold Williams (SHW) have reported that the permitted development right has resulted in a loss of 1,000,000sqft of commercial floorspace in the Croydon area since January 2013 and has displaced some occupiers and 16 commercial buildings have been sold with the intention to convert them into residential use. This equates to approximately 1,100,000 sqft with a further two buildings proposed for sale, and three others are likely to undergo development which could see the loss of an additional 870,000sqft of commercial space. In all, this amounts to 1.97 million sqft that has been lost since 2013 (Sinclair Clark, 2015).

The COA has been referred to as the sixth largest business and commercial centre in the UK and has historically been the largest central business district outside of Central London and Canary Wharf, but has since dropped to fourth being surpassed by Hammersmith and Fulham, Hillingdon and Hounslow.

The following is a list of buildings comprising office floorspace in the COA which have been identified as potential/expected to be converted to residential use through the permitted development right, or are part of the Westfield and Hammerson Compulsory Purchase Order.

- Galaxy House (being demolished)
- Whitgift Block (Westfield and Hammerson development)
- At. Anne's House (being converted)
- Amy Johnson House (demolished)
- Quest House (being demolished)
- Canterbury House (being converted)
- Delta Point (being converted)
- St. George's Tower (being converted)
- Taberner House (demolished)
- MetLife House (converted to hotel)
- Focus House (Westfield and Hammerson development)
- Link House (Westfield and Hammerson development)
- Cygnet House (being converted)
- Jessop House (being converted)
- Canius House (being converted)
- Carolyn House
- 5 Bedford Park
- Emerald House
- 3 Church Road
- 306 High Street
- Wrencote House
- Green Dragon House
- Nat West House (5 Sydenham Road)
- Token House
- Leon House
- Exchange Court

- Impact House
- Stoneham House

## 7. FUTURE

The Council has formulated office retention policy in order to protect and enhance office floorspace in the retention area, and to enable the conversion or redevelopment of dis-used or unsuitable office space in areas that are less well connected and unattractive for office development. A robust approach to the loss of office space will be taken and a detailed assessment of proposals for the loss of office floorspace will need to be justified fully against the whole planning policy landscape. It will need to be demonstrated that there is no reasonable prospect of office retention, upgrade of office led redevelopment of the site, or mixed use development including office floorspace.

Retention of office floorspace in East Croydon and New Town is of particular importance in light of the permitted development right which allows for the conversion of office floorspace to residential use. Strategically important office floorspace has been lost to residential use which in turn undermines the overall office floorspace availability and market activity. Furthermore, the permitted development right has undermined the objectives of the OAPF to consolidate office floorspace in the East Croydon and New Town areas. Many of the schemes that have come forward as a result of the permitted development right have yet to be



implemented, which in itself causes stagnation and further uncertainty in the market.

This policy aims to provide clarity to communities, businesses, investors and developers regarding the Council's position on proposals for office space, and its position regarding the permitted development right which allows the conversion of office floorspace to residential use.