

Planning Policy
Policy, Performance and Communications
6th Floor
5 The Strand
London
WC2N 5HR

3 April 2018

Dear Sir or Madam,

Article 4 Direction - removal of permitted development rights on office to residential change of use

I am writing on behalf of Heart of London Business Alliance in support of Westminster City Council's intention to introduce an Article 4 Direction for the Westminster Central Activities Zone (CAZ) to continue the current removal of permitted development rights.

By way of background, Heart of London Business Alliance serves as the voice for 500 businesses and 100 property owners in the Piccadilly & St James's and Leicester Square areas. Our purpose is to support the commercial wellbeing of the businesses and organisations we represent, and ensure our areas remain integral to London's West End offer as a place for people to visit, live, trade and work.

The six hectares of the West End generates £51 billion GVA annually, more than the £43.9 billion of the City and as much as the whole of Wales. It accommodates over 650,000 jobs and is expected to generate at least 77,000 new jobs by 2036¹. It draws in unparalleled international investment in retail, entertainment, hospitality, healthcare and the creative industries. The hyper-connectivity and exceptional levels of productivity of the West End plays a crucial role in London's economic success.

The loss of office space has become a real problem in Westminster and the West End in particular. The 2017 London Office Policy Review (LOPR) states that, of all London boroughs, "only Westminster stands out for suffering large scale, residential driven loss of floorspace."² The introduction of an Article 4 direction once existing protections for office to residential conversion lapse is vital. It will enable Westminster City Council (WCC) to continue to use its planning powers to secure an appropriate balance of uses in the CAZ, and encourage economic growth.

¹ West End Partnership (WEP) Vision and Delivery Plan, 2015-2030

² GLA London Office Policy Review (2017), p. 126

There is no evidence that the type of residential space that would be brought forward in these extremely high value areas would provide any benefit to Londoners or meet any housing need without severely compromising viability. Indeed, the Council agrees that “units of housing being delivered tend to be large...and it is questionable whether this represents optimisation of the number of residential units on development sites as required by policy S14 of the Westminster City Plan.”³

The Council’s own figures show that over 300,000 square metres of office space has been redeveloped or converted to residential properties in Westminster’s CAZ since 2010. This has resulted in a demand for commercial space in the area that far outstrips supply, which, in turn, has resulted in dramatic rent increases. Between 1990 and 2015, prime commercial rents in the West End have increased by 600%, compared to just 180% in the City of London and 350% across London⁴.

Currently, when taking into account newly completed developments, those in construction and those with planning permission, the West End only has 3.6 years’ supply of commercial space. This is extremely low compared to the City of London’s 8.9 year supply, and the 9.5 year supply in Central London as a whole⁵. There is a real risk that increased rents and limited availability of commercial space will result in the West End no longer being viewed as a desirable place to do business. The market is already extremely competitive, with disruptive challenges to much of the retail and leisure sectors. Furthermore, ever higher levels of tax and regulatory burdens are being piled onto businesses including the unprecedented hike in business rates last year.

The West End generates £17 billion per annum, including 8% of all National Non-Domestic Rates. Furthermore, The West End is primarily responsible for London’s status as the world’s most popular international visitor destination, attracting 18.7 million visitors in 2014, spending £11.8 billion and supporting 300,000 jobs⁶.

Permitted development right for office to residential conversion in the West End would undermine this globally important economy, and conflict with the requirements of the London Plan that the strategic function of the CAZ should be “promoted and enhanced”.

The Elizabeth Line, the transformation of Oxford Street, Crossrail 2 and many other significant transport and public realm schemes will see the West End become better connected and, as a result, demand for commercial space will increase even further. The draft London Plan has employment projections of 619,300 jobs across Greater London by 2041 with an estimated need for 3.5 million sq. m. of office space in the CAZ and Northern Isle of Dogs.

In 2016, reports were commissioned by New West End Company and Westminster Property Association to determine what level of additional commercial space would be required to accommodate the

³ Making of Westminster’s Article 4 Direction for changes of use from B1(a) (offices) to C3 (dwelling houses), City of Westminster, 26 January 2018, para. 4.13

⁴ GLA London Office Policy Review (2017), p. 62

⁵ GLA London Office Policy Review (2017), p.100

⁶ WEP Vision and Delivery Plan, 2015-2030

proposed jobs growth target for the West End. The first concluded that to house the full 77,000 additional jobs a total of 1.9 million sqm of new commercial accommodation would be required. The second showed that to accommodate 30,000 jobs in the Oxford Street district (around 40% of the total) 750,000 sqm of net new commercial space would be required⁷.

While building new housing is absolutely vital for our city and the City of Westminster, the unique circumstances of London's CAZ and the West End require a more planned approach to development that permitted development rights allow. Furthermore, unlike many town and city centres with surplus office and commercial space "the West End remains the market, alongside Midtown, where demand most strongly outstrips supply."⁸ Therefore, Heart of London fully supports the introduction of an Article 4 direction, to remove permitted development rights for changes of use from B1(a) (offices) to C3 (dwellinghouses) in the Westminster Central Activities Zone.

We do believe, however, that the introduction of an Article 4 direction is just the start, and that there is a need for a proactive policy to be developed, to plan for an increase of commercial space in the West End. It is important that a pragmatic approach is taken to core West End commercial development, with flexibility around the need to provide new residential space, and use off-site or in-lieu contributions in order to sustain the strategically important commercial activities of the CAZ.

As Westminster develops its new City Plan, we look forward to working with the Council to ensure that the economic competitiveness of the West End is appropriately balanced with the need for new homes.

Yours sincerely,



Ros Morgan

Chief Executive, Heart of London Business Alliance

⁷ Volterra: Note on Westminster employment and floorspace (NWEC), WEP Vision and Delivery Plan, 2015-2030, West End Vision 2030, The Case for the West End (Aug 2016)

⁸ GLA London Office Policy Review (2017), p. 89