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# **Independence House, 84 Lower Mortlake Road, Richmond**

## **Employment Evidence**

**Draft Report**

William Grant & Sons Ltd

09 June 2023

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# Contents

<b>1.0</b>	<b>Introduction</b>	<b>2</b>
	Site Policy Context	2
	Purpose	3
	Structure of the Report	4
<b>2.0</b>	<b>Review of employment evidence</b>	<b>5</b>
	Employment Land and Premises Needs Assessment 2021	5
	Employment Land and Premises Needs Assessment 2023 Update	6
	Summary	8
<b>3.0</b>	<b>Review of office supply</b>	<b>10</b>
	Office Supply Review and the Independence House Designation	10
	Future Office Supply	11
	Demand/Supply Balance	15
	Office Availability/Vacancy	16
	Summary	16
<b>4.0</b>	<b>Role and contribution of Independence House</b>	<b>18</b>
	Summary	20
<b>5.0</b>	<b>Conclusions</b>	<b>22</b>

## 1.0 Introduction

- 1.1 William Grant & Sons Ltd commissioned Lichfields to prepare evidence to accompany representations to the London Borough of Richmond ('LB Richmond') Publication Draft Local Plan (Regulation 19) Consultation, in relation to seeking the exclusion of Independence House, 84 Lower Mortlake Road, Richmond TW9 2HS ('the site') from a proposed Key Business Area.

## Site Policy Context

### Adopted Local Plan

- 1.2 The site currently comprises a vacant 4-storey office building totalling c.1,400 sq.m. It is located within the '72-84 Lower Mortlake Road, Richmond' Key Office Area (Policy LP 41, Adopted Local Plan 2018), alongside the adjacent Avalon House and Eminence House, although the latter is converted to a residential building. The site is also subject to an Article 4 Direction (with reference 'Site 37') which also covers Avalon House and which came into force in July 2022.
- 1.3 The policy position in the Adopted Local Plan<sup>1</sup> is that in Key Office Areas the quantum of existing office space will be either retained or enhanced. It is stated in the justification of Policy LP 41 that:

*"The Council will not permit loss of office space in these areas and development of new office space is encouraged. Proposals for redevelopment of employment sites or mixed-use schemes will be required to contribute to a net increase in office floorspace"*.

### Publication Draft Local Plan

- 1.4 The emerging policy as set out in the Publication Draft Local Plan carries forward the restriction of no loss of office space. In particular, 'Policy 23 Offices' states under point A 'Retention of Offices' that:
- "There is a presumption against the loss of office floorspace in all parts of the borough. Proposals which result in a net loss of office floorspace will be refused..."*
- 1.5 Of note, the same policy also renames the 'Key Office Areas' to 'Key Business Areas'.
- 1.6 Justification paragraph 19.19 states that proposals that involve a change of use not supported by Policy 23 will require satisfactory marketing evidence. Planning application submissions should set out the reasons why the site is not suitable for continued commercial, business or service uses.
- 1.7 Paragraph 19.24 states that it is the Council's intention to continue to enforce the existing Article 4 Direction to require the application route for change of use involving loss of office within specific areas, including '72-84 Lower Mortlake Road, Richmond' (i.e. covering the site, paragraph 19.32).

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<sup>1</sup> London Borough of Richmond upon Thames Local Plan, adopted July 2018  
([https://www.richmond.gov.uk/media/15935/adopted\\_local\\_plan\\_interim.pdf](https://www.richmond.gov.uk/media/15935/adopted_local_plan_interim.pdf))

- 1.8 This proposed policy position is also set out in ‘Policy 21 Protecting the Local Economy’ (Strategic Policy) and in particular within point A1 that states new developments will be supported where they protect existing office space with a no net loss approach, and point A2 which directs major employment development within the designated Key Business Areas.
- 1.9 Paragraph 19.4 discusses the changes in working styles and their impacts on employment floorspace and states that this trend “*may reduce the extent to which new jobs need additional dedicated office floorspace* [emphasis added], *however the long-term impacts remain uncertain and there is a need to plan for economic recovery*”.
- 1.10 Finally, Appendix 2 paragraph 27.9 sets out the marketing requirements that should accompany any proposals that relate to loss of office space. These include:
- Evidence that the site has been marketed for the existing office use and other types of office-based uses such as flexible, start-up or co-working space (for a proposed period of 2 years based on Table 27.2);
  - Offices should be marketed at a price commensurate with their existing quality or condition;
  - The lease term should not be unduly restrictive; and
  - Alternatively, the potential of upgrading the building or adapting the building to meet modern workspace requirements should be explored.

1.11 [TBC once Publication Draft Local Plan (Regulation 19) is officially published]

## Purpose

- 1.12 In view of the Local Plan Consultation and forthcoming Local Plan submission, this report reviews the Council’s employment land evidence presented within the [2021 Employment Land and Premises Needs Assessment](#) (‘2021 ELPNA’) and the [2023 Update](#), and adds to this by providing an updated position in relation to office demand and requirements based on an analysis of the latest market signals (at May/June 2023).
- 1.13 In addition, the report considers the findings of the [2015 Assessment of Office Stock in Richmond upon Thames](#) that informed the initial Article 4 Direction following the introduction of permitted development rights in 2013 and comprises the Council’s latest available audit of the Borough’s stock of office accommodation.
- 1.14 The evidence presented herein also reviews the supply analysis presented in the [2013 Richmond Employment Sites and Premises Study](#) as this constitutes the latest ‘complete’ employment evidence (i.e. covering both demand and supply), which all of the subsequent studies (including the 2021 ELPNA and 2023 Update) effectively seek to update elements of.
- 1.15 The analysis is then drawn together to present the latest office demand/supply balance position to justify that the exclusion of Independence House from being designated as a Key Office Area/Key Business Area, and associated loss of office floorspace, would have no material impact on the balance for office space across the Borough in both quantitative and qualitative terms.

## Structure of the Report

1.16

The remainder of this report is structured as follows:

- **Employment evidence review (Section 2.0):** provides a critique of the latest employment land needs assessment in relation to future office requirements in the Borough.
- **Review of office supply (Section 3.0):** reviews all of the Council's employment land evidence in relation to the supply of office stock to understand the quantum and quality of the future supply as well as to review the rationale for designating the site as a Key Office Area, and if this is still valid. Following this, an updated office demand and supply balance is presented demonstrating that sufficient supply is available to accommodate future office requirements across the Local Plan period.
- **Role and contribution of Independence House (Section 4.0):** summarises key findings from the accompanying Marketing Report regarding the role and contribution that Independence House plays in the local office market.
- Overall **conclusions** are presented in **Section 5.0**.

## 2.0 Review of employment evidence

2.1 This section reviews the Council's latest evidence on office needs and requirements as presented within the [2021 Employment Land and Premises Needs Assessment](#) ('2021 ELPNA') and the [2023 Update](#). In particular, it considers the robustness and soundness of the approach undertaken by the Council's evidence, alongside the suitability of the data that informs it. It also considers the interpretation of the evidence including both the modelling findings and the market signals insofar as these have informed the ELPNA's conclusions and recommendations in relation to office needs.

### Employment Land and Premises Needs Assessment 2021

2.2 The 2021 ELPNA considered different approaches to quantifying employment land needs over the 2019 to 2039 Local Plan period. In overall terms the approach was aligned with the National Planning Policy framework (NPPF) and Planning Practice Guidance (PPG) in relation to assessing economic needs, however it lacked consideration of more qualitative factors and drivers of demand, and in particular longer term implications of the economic climate that was evolving during the Covid-19 pandemic.

2.3 The key findings from the 2021 assessment are summarised as follows:

- 1 The past trends scenario was "very negative" resulting in a negative requirement of -136,140 sq.m when assessing the 11-year monitoring data (2010/11 to 2020/21) and -73,240 sq.m when considering a 4-year period of 2015/16 to 2018/19. It is not clear why the 4-year period was considered, but in any case, the outcomes of this approach were considered contrary to market sentiment, which was showing signs of positivity, and for that reason this scenario was set aside from further consideration.
- 2 The evidence presented two labour demand scenarios, of which the first was based on Experian (April 2021 release) and the second on the former GLA projections dated 2017. Based on Experian, there was office job growth of 130 jobs per annum (pa) for the 2019-39 period. By utilising a density of 12 sq.m NIA per job and adding an 8.1% vacancy rate, that growth was translated to 46,370 sq.m GIA office requirement (net). This was then increased to 92,300 sq.m to factor in anticipated future employment losses for the same plan period (totalling 45,940 sq.m). Against the identified supply of 19,590 sq.m of office space, ***the remaining shortfall of 72,720 sq.m was proposed as the minimum office requirement.***
- 3 The GLA projections for the period 2016-41 projected 545 additional office jobs pa, and by adopting the same approach as in the previous labour demand scenario, it generated a requirement for 199,400 sq.m of office floorspace to 2039. It should be noted that apart from being dated, that GLA projection covered a different time period.

2.4 The 2021 ELPNA recommended as a minimum, a residual need figure of 72,720 sq.m, and suggested that if sites/supply were to become available, the Council should seek to accommodate the GLA's higher need figure of 199,400 sq.m. However, following that recommendation, the evidence states in para 7.23:

*"Even the low Experian number will be challenging in the current climate. Pre-Covid the office market struggled to deliver significant volumes of new space. It is unclear whether space lost to PDR will ever be replaced or has now been lost permanently to*

*homeworking* [emphasis added]. *But it is still important that the Borough plans positively and with a tight occupier market any increase in demand has little supply side response without the new plan proactively seeking new capacity. Also, as noted in the market review, new office products may emerge over the plan period as workers change their behaviour. This may drive a demand for new flexible offices close to where workers live and as an alternative to homeworking.*”

- 2.5 Whilst this approach was broadly aligned with the guidelines of PPG in estimating economic needs, ***the study recommendations do not appear to properly reflect the market activity/signals evidence available at the time of preparation, in particular the performance of the economy since the pandemic.***
- 2.6 For instance, although the evidence acknowledged that the minimum recommended office requirement represented a 20% increase on existing office stock (as at 2021), and while it was prepared during the pandemic, it still recommended that the Council should consider planning for an even higher requirement (if sites were to become available) which given the wider economic climate as well as data on past completions, was unsound and not justified by evidence. Indeed, the study acknowledged at paragraph 4.97 that *“Obviously, any office assessment has an unusually high level of uncertainty at the moment... Even pre-Covid the Borough struggled to deliver net additional office space and currently struggles for viability”* [emphasis added].

## Employment Land and Premises Needs Assessment 2023 Update

- 2.7 Since the 2021 ELPNA was prepared and published, there has been significant macro-economic change and resulting shifts in employment policy to reflect the aftermath of the Covid-19 pandemic, the cost-of-living crisis, the new Use Class Order and its impact on town centres and the local economy. Economic forecasts utilised in the 2021 evidence would be considered out-of-date by the time of Local Plan Examination, and the Council introduced a Class E Article 4 Direction in July 2022 aiming to resist losses of office space.
- 2.8 In this context, the 2023 ELPNA Update (published in April 2023) provides new estimates of office and industrial requirements for LB Richmond based on a December 2022 Experian forecast, and these are also compared with the latest GLA employment projections published in October 2022. This comparison indicates that the future projections are broadly aligned, but with Experian anticipating a more positive growth trajectory with a difference of +4,000 workforce jobs to 2041 (c +4%). Given that the GLA’s forecast does not provide a sectoral breakdown of job growth at a local/borough level, it has not been considered in any detail by the 2023 Update.
- 2.9 The Experian forecast expects office jobs to grow by an average of 199 per annum for the 2019-39 period, driven by anticipated growth in professional services sectors. A density ratio of 12 sq.m per job is utilised as well as a vacancy rate of 8.1%, which is broadly consistent with the 2021 ELPNA.
- 2.10 However, the approach to translating ‘net’ employment requirements to ‘gross’ planning requirements in the 2023 Update has been amended significantly compared with the approach taken by the 2021 ELPNA, and now appears to better reflect the nature of office market activity across the Borough and outer London more broadly.



- 2.11 Most notably, an **additional ‘stock vacancy adjustment’** is introduced in the 2023 Update, which essentially considers the relatively high levels of office space vacancy in Richmond and how this should be factored into calculations of future need with the aim of supporting a commercially functional market. The evidence reported an office vacancy rate of 16.7%<sup>2</sup> which reflected an increase of 11.7% since the 2021 ELPNA was undertaken. This vacant office stock is deducted from the initial office requirement up to a level to reach the optimum vacancy rate of 7.5% (equivalent to a total of 20,882 sq.m vacant office stock being deducted). This approach results in a **net office requirement of 36,140 sq.m**. The principle of this stock vacancy adjustment appears reasonable in light of the high office vacancy that currently exists across the Borough’s office market.
- 2.12 The second key change in the approach is that there is **no further allowance for replacing future losses of employment floorspace**. This is a correction to the 2021 ELPNA which factored in losses at Teddington Studios that were lost some years before the evidence was prepared. Monitoring data suggests that future losses could total 11,843 sq.m.
- 2.13 Overall, the updated method results in an office floorspace need figure of 36,140 sq.m over the study period to 2041. When compared against an identified supply of 13,280 sq.m office space (which is discussed in further detail in the following section), the evidence concludes that the Local Plan should accommodate a **residual office space requirement of 22,860 sq.m**. The scale of this requirement is **68.5% lower than recommended by the 2021 ELPNA** and appears to reflect the more limited growth prospects for office-based activity in the Borough over the coming years.
- 2.14 It also aligns with past trend analysis included within the 2023 evidence which shows that the Borough has continued to lose office floorspace over recent years, and which indicates that the adopted Policy LP 41 has been ineffective at preventing this. More than 136,000 sq.m office floorspace has been lost between 2010/11 and 2021/22 according to the 2023 Update 2023 (Appendix A).
- 2.15 The 2023 Update notes that office space vacancy has increased significantly over the last few years and since 2020 in particular, and notes at paragraph 3.96 that there is currently more vacant office stock than is required for an efficiently operating property market. The report suggests that a key reason for this could relate to the demographics of the Borough which are particularly favourable to home-working; *“high resident wages may also facilitate homeworking more readily, coupled with high cost of office space in the Borough making it less attractive to hold office space compared to home working”*. It also suggests that the Borough’s remaining office stock is likely to prove harder to convert to residential via PDR or planning due to the changes in building standards that have increased development costs.
- 2.16 The evidence concludes in paragraphs 3.84 and 3.85 that: *“this set of circumstances present a new policy dilemma for the Council and requires a change in approach for the employment land evidence. The 2021 ELPNA treated the spike in availability with care, and did not treat it as a robust indicator of the market that we would use to develop planning policy. There was a hope that the ‘new normal’ would include a return to offices – albeit maybe not to the same extent as before. So, for example, we looked to replace all recent office floorspace losses on the grounds that they had not been lost through any*

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<sup>2</sup> Based on CoStar (2023)

*economic rationale, but through PDR or very short-term market signals*". This explains the updated approach that has been taken in the 2023 Update.

2.17 Paragraph 3.97 goes on to highlight that, "*With 21,000 sq m of 'surplus' office floorspace (ie the quantum above the 7.5% market optimum), which at recent office floorspace development rates (around 4,000 sq.m per annum) would take the market around five years to absorb. **Thus, in the short-term the efficient operation of the office market in the Borough would not be affected if some of that floorspace was lost*** [emphasis added]."

2.18 In reality, net rates of office development have been negative in recent years, so it could be argued that it would take the local market much longer than five years to absorb this high level of vacant space.

2.19 At paragraph 3.98, the 2023 Update suggests that until the vacancy rate falls below 10%, "**losses can essentially be allowed and after that equilibrium is reached then the development management approach would need to be more restrictive**".

2.20 It is also stated in para 3.99 that "**with so much short-term availability, it would not be pragmatic to refuse Change of Use or redevelopment for comprehensive proposals where available space can be re-provided**" [emphasis added].

2.21 Finally, with regards to policy recommendations the evidence suggests that in terms of new provision going forward across the plan period, the majority of demand is for small scale subdivided office units, and on this basis, major mixed-use developments provide the most realistic opportunity to provide for this type of space.

2.22 To conclude, the emerging Local Plan Policy 23 which maintains a strict 'no net loss of office floorspace' position, is no longer justified by the Council's latest economic evidence which points to a significant oversupply of office floorspace across the Borough alongside a declining requirement for office space over the new Local Plan period. Indeed, the evidence points to some loss of office space being required to help the market reach equilibrium and be able to function more effectively. A more flexible and pragmatic approach is therefore required through proposed Policy 23 in order to respond to the significant over-supply of functionally redundant office space that exists across the Borough's office market and to more effectively encourage provision of high quality accommodation that better meets the needs of local businesses.

## Summary

2.23 The key points from our review of the latest employment evidence in relation to office needs across LB Richmond are summarised as follows:

- 1 The 2021 ELPNA identified a relatively high requirement for office space in Richmond which did not appear to reflect prevailing economic trends and office market activity at the time the study was prepared. Recommendations were strongly caveated to reflect the high level of uncertainty that existed at the time, and acknowledged that even pre-Covid the Borough had been struggling to deliver net additional office space and faced significant viability challenges.

- 2 In view of this, a 2023 Update has been prepared which presents an amended methodological approach to estimating future office requirements alongside considering more recent econometric forecasts. The updated approach appears to be more pragmatic and reflective of current/recent office market activity across Richmond and outer London locations more generally. It identifies a residual requirement for 22,860 sq.m of office space over the study period to 2041, which is significantly lower in scale than that identified by the earlier 2021 study. It also suggests that major mixed-use developments provide the most realistic opportunity to accommodate the type of office space sought by local businesses (i.e. small scale subdivided office units).
- 3 The 2023 Update provides a detailed analysis and discussion of office space vacancy across the Borough, and how the high levels of vacancy that currently characterise the market should be reflected in planning policy in the context of encouraging equilibrium and optimum market conditions. It recommends a notable change in approach, concluding that the short-term efficient operation of the office market in the Borough would not be affected if some of the Borough's existing vacant floorspace was lost; until the vacancy rate falls below 10% (it currently stands at 16.7%), losses can essentially be allowed. Indeed, within its calculations, the 2023 study effectively assumes that 21,000 sq.m of currently vacant/surplus office space is lost from the Borough's portfolio in the short term.
- 4 Despite this definitive conclusion presented in the 2023 ELPNA Update, the Council's proposed approach through the emerging Local Plan is to maintain its strict 'no net loss of office floorspace' policy which features in the adopted Local Plan but has proved to be wholly ineffective over recent years, with the overall stock of office space gradually declining. This approach is no longer justified by the Council's own latest employment evidence and therefore cannot be considered sound.

### 3.0 **Review of office supply**

- 3.1 This section reviews the latest office supply position in LB Richmond and considers the rationale for designating the Independence House site as a Key Business Area, and whether this still remains valid.
- 3.2 It then compares this identified future/pipeline supply against the latest office requirement for LB Richmond summarised in the previous section to demonstrate that there is sufficient supply available to accommodate future office needs in the Borough across the Local Plan period in both quantitative and qualitative terms.

### **Office Supply Review and the Independence House Designation**

- 3.3 The proposal site was first reviewed within the [2013 Richmond Employment Sites and Premises Study](#) (published in March 2013) as part of the office stock within the ‘Richmond Fringe’ area. In particular, it was stated (in paragraph 6.19) that on Lower Mortlake Road there was a small cluster of offices housing William Grant & Sons in Independence House, and Endeca, Celerant, ION and Tourwise in Avalon House.
- 3.4 It was then suggested in paragraph 6.20 that:
- “any site in this area is likely to be vulnerable to pressure for residential conversion. But many such locations offer reasonable quality marginal space of the sort liked by smaller local companies where cost is a critical factor”.*
- 3.5 On this basis, that evidence concluded that the Richmond Fringe area’s offer provides a diverse offering with both Grade A as well as affordable office space, and it has a number of well-located sites that should be prioritised in policy terms given that the office market demand was strong when that evidence was prepared in late 2012 and early 2013.
- 3.6 Following the national introduction of permitted development rights in Spring 2013, the Borough introduced an [Article 4 Direction in November 2014](#) (‘A4D’) to protect 10 main office areas. The proposal site was not included within these A4D designations.
- 3.7 In August 2015, the Borough published the Assessment of [Office Stock in Richmond upon Thames](#) aiming to inform a new A4D as well as emerging planning policy at that time (this was eventually adopted in 2018). In that context, the 2015 evidence provided a high-level assessment of the ‘Lower Mortlake Road cluster’ and suggested that the area should be protected through an A4D. In particular, it was suggested that those office buildings that had not yet been subject to a prior approval (including Independence House with reference LMR2) were relatively modern and of high-quality stock which should be protected. The assessment was undertaken at a high level, based primarily on the occupation rates of the buildings and their condition at the time.
- 3.8 As a result, the Borough introduced a new [Article 4 Direction in July 2016](#) to remove permitted development rights for change of use from office to residential within various office areas including the proposal site. In addition, Independence House was designated as a ‘Key Office Area’ in the Local Plan Review 2015-2018 (adopted in July 2018) and since then it has been subject to LP Policy 41 (paragraph 1.3). Most recently, in July 2022, the site

was also subject of the latest [Modification of Article 4 Direction](#) (Site 37) which continued to protect the proposal site from change of use to residential. Through this modification the Secretary of State removed protection from 5 sites that had already granted permission to residential. Apart from that, there was no further evidence review undertaken by the Council of the Borough's office stock or market signals to inform the 2022 A4D.

- 3.9 Synthesising the above, the Publication Draft Local Plan has taken forward a legacy designation in relation to Independence House that, as an office premises, was last objectively assessed in 2015 – some eight years ago – when the office market was relatively strong in Richmond. Since then, the market has undergone significant structural change and the building has been vacant for the last 3 years despite an active marketing strategy that has sought to re-occupy the building. These changes do not appear to be reflected within the Council's proposed Local Plan policy which seeks to roll forward an historic policy designation without appropriate, up-to-date supporting evidence.

## Future Office Supply

- 3.10 The future pipeline of office supply in LB Richmond comprises a number of different sources, including:
- 1 Extant (unimplemented) planning permissions;
  - 2 Local Plan allocations; and
  - 3 Potentially other opportunities for providing new office space such as through the new Use Class Order and E Class flexibility combined with decreasing retail space in town centres.
- 3.11 Each of these sources of supply are discussed in turn below.

### Extant Permissions

- 3.12 Based on the latest employment evidence (i.e. the 2023 ELPNA Update, Table 3.16), there is a total of 13,280 sq.m of office space associated with extant/as yet unimplemented planning permissions. The evidence suggests that this quantum of supply would be sufficient to fulfil 7.3 years of the identified demand in quantitative terms (given the annual identified requirement of 1,800 sq.m pa).

### Local Plan Allocations

- 3.13 The 2023 ELPNA Update does not consider any allocations within its analysis of emerging supply, but does indicate that office needs tend to relate to smaller-size office units with mixed-use developments offering the most realistic prospects of bringing forward such supply over the Plan period.
- 3.14 In this context, the Publication Draft Local Plan proposes that a number of site allocations could bring forward some element of new office provision (utilising terms such as 'space for local businesses', 'office', 'commercial space' or 'employment uses') alongside wider uses, across 19 mixed use allocations totalling 49.48 ha, as summarised in the table overleaf.

Table 3.1 Publication Draft Local Plan - Mixed Use Allocations that include Office Provision

Ref	Site Name	Existing Use(s)	Proposed Use(s)	Site Area (ha)
1	Hampton Square	Mix of commercial, community, social and residential uses	Mixed incl uses for local businesses	2.85
2	Platts Eyot	Business and employment uses including office, recording studios and river-related uses	Mixed incl uses for local businesses and river-related businesses	3.77
3	Hampton Traffic Unit, 60-68 Station Road	Former Police Station	Business, employment generating and other commercial or community and infrastructure uses	0.28
5	Hampton Telephone Exchange	Telephone exchange (sui generis) and associated office use	Mixed - employment, commercial or community uses and residential in upper floors and to the rear	0.13
6	Telephone Exchange	Telephone exchange (sui generis) and associated office use	Commercial, retail, office, other commercial uses and housing in the upper floors	0.17
7	Teddington Delivery Office	Royal Mail sorting office (sui generis)	Commercial, retail, office, other commercial uses and housing in the upper floors	0.06
13	Twickenham Stadium (Rugby Football Union)	National sporting stadium	Sports and Hospitality, caveating at bullet point 5 that "there is a general need for new office floorspace in the borough. In the event of an area of the site being declared surplus to requirements, the opportunity to provide for employment floorspace, such as offices, a business park or other commercial uses, should be firstly explored".	12.62
16	Twickenham Telephone Exchange	Telephone exchange (sui generis) and associated office space	Mixed-use scheme, comprising commercial / retail and residential	0.18

Ref	Site Name	Existing Use(s)	Proposed Use(s)	Site Area (ha)
17	Twickenham Riverside and Water Lane/King Street TW1 3SD/3DX	Mixed TC site - including commercial and retail uses	Mixed residential and due to its town centre location, the site could accommodate a range of commercial uses, including retail, office, cafes, restaurant/public house or hotel	1.06
18	Homebase, Twickenham Road	Retail	Resi-led mixed with offices and other commercial uses	1.5
20	Telephone Exchange, Ashdale Close	Telephone exchange (sui generis) and associated office space	Employment (such as offices) and social infrastructure or other appropriate main centre uses	0.14
21	Kneller Hall	Formerly home of the Royal Military School of Music	Resi-led mixed with educational, employment / offices and social infrastructure uses	9.72
25	Richmond Station	Railway Station (sui generis) and associated uses	Comprehensive redevelopment opportunity to provide an improved transport interchange, public realm and an appropriate mix of town centre uses. Appropriate uses include a mix of commercial and community uses, to include retail, offices/workspace and leisure/community use, together with residential on upper floors	1.96
26	Former House of Fraser	Retail	Mixed including retail, offices and leisure/community use (note: already subject to extant permission so not included in this assessment)	-
29	Homebase, Manor Road, East Sheen	Retail	Resi-led mixed with offices and other commercial uses	1.84
32	Kew Retail Park	Retail	Resi-led redevelopment of the site with a range of commercial uses, including retail, offices (with the provision of affordable workspaces), and leisure	3.91

Ref	Site Name	Existing Use(s)	Proposed Use(s)	Site Area (ha)
35	Stag Brewery, Lower Richmond Road, Mortlake	Former brewery	Comprehensive redevelopment of the site. An appropriate mix of uses, particularly at ground floor levels, should deliver a new heart and centre for Mortlake. The provision of an on-site new 6-form entry secondary school, plus sixth form, will be required. Appropriate uses, in addition to educational, include residential (including affordable housing), employment, commercial such as retail and other employment generating uses, health facilities, community and infrastructure facilities (such as a museum), river-related uses etc	8.77
36	Mortlake and Barnes Delivery Office, Mortlake	Royal Mail Delivery Office	Employment or other commercial and retail uses in this part of Mortlake, within the Council's Class E to residential Article 4 Direction (Site 48). Such provision should create an attractive frontage to the High Street	0.08
37	Telephone Exchange and 172 – 176 Upper Richmond Road West, East Sheen	Telephone exchange	Appropriate land uses for the whole site include employment and commercial uses as well as community and social infrastructure uses. A mixed-use scheme with housing in upper floors and to the rear could be considered	0.44
<b>Total Area</b>				<b>49.48</b>

Source: London Borough of Richmond upon Thames, Publication Draft Local Plan (June 2023 - TBC)



3.15 Given that these Local Plan allocations seek to provide flexibility, there is no quantitative indication about how much office floorspace could realistically come forward and be delivered across these mixed-use site allocations. For the purposes of our analysis therefore, we have conservatively assumed that just 5% of the above identified land for mixed uses (i.e. 2.47 ha of the total 49.48 ha) could accommodate office uses across the Local Plan period. This could result a total of 32,780 sq.m of office space<sup>3</sup> as a broad indication.

### Other Opportunities

3.16 The 2021 ELPNA suggests (in paragraph 7.28) that there is also scope to re-use high street retail supply for new, small-scale office provision. Given the structural changes currently underway within our high streets, it is likely that some redundant retail property could become available and could be suitable for office use particularly under the new Use Class Order. However this remains difficult to quantify with any degree of accuracy, so no specific allowance has been made here.

### Synthesis

3.17 Synthesising the above, we estimate that the Borough’s emerging office floorspace supply could total at least 46,060 sq.m, of which 13,280 sq.m relates to extant planning permissions and 32,780 sq.m to a conservative assumption that just 5% of the proposed allocated land for mixed-use development could deliver some form of office space.

### Demand/Supply Balance

3.18 As noted in section 2.0, the 2023 ELPNA Update identifies an office floorspace need figure of 36,140 sq.m for the Borough over the study period to 2041. Compared against a total pipeline of 46,060 sq.m, this results in a surplus of 9,920 sq.m across the Local Plan period as presented in the table below.

Table 3.2 Office Demand/Supply Balance across the Local Plan Period (sq.m)

	Floorspace (sq.m)
Office Requirement	36,140
Office Supply	46,060
<b>Office Surplus</b>	<b>+9,920</b>

Source: London Borough of Richmond upon Thames, Employment Land and Premises Needs Assessment Update (2023) / Lichfields analysis

3.19 It is likely that this surplus could be even higher if the proposed mixed use allocations are able to deliver a greater quantum of office floorspace than has been (conservatively) assumed for the purposes of this analysis<sup>4</sup>, and if additional office supply were to come forward within the Borough’s town centres through greater flexibility associated with the E Use Class.

<sup>3</sup> This assumes that 50% of that space is delivered within town centres (given the location of the designations) with a plot ratio of 2.0 and the remainder across the wider Borough with a plot ratio of 0.65. The latter aligns with the plot ratio suggested in the 2023 Update for industrial uses and business parks.

<sup>4</sup> In fact, if just 3.5% of the allocated land for mixed-use development delivers office space, this could still be adequate to meet the identified demand across the Plan period.

3.20 The implication is that sufficient office floorspace supply is likely to become available to accommodate office needs in full across the Borough over the new Local Plan period. In particular, the Council proposes a range of mixed-use allocations which the 2023 ELPNA Update suggests represent the most suitable and realistic opportunity to bring forward modern office space that caters for market requirements (i.e. small scale units).

3.21 In this context, the loss of Independence House from the Borough's office inventory – equivalent to c.1,400 sq.m based on the consented refurbishment scheme - would have no material impact on the Borough-wide demand/supply balance for office space.

## Office Availability/Vacancy

3.22 The 2023 ELPNA Update reports that office availability across the Borough totals 54,890 sq.m, which represents 24.3% of the total office stock as recorded by VOA for 2022/23 (i.e. 226,000 sq.m). In other words, just under a quarter of all office space in the Borough is currently being marketed as available, which significantly exceeds a 'normal' vacancy rate of around 7.5% for an efficiently functioning market.

3.23 This available office stock is distributed across the Borough, including within its town centres, areas protected by the Article 4 Direction and in other more dispersed locations. The 2023 ELPNA Update suggests that one of the reasons for increased availability over recent years is the introduction of the Article 4 Direction which has prevented (or at least, made harder to achieve) change of use of poorer quality office space to residential.

3.24 This Borough-wide trend is also echoed at a more localised level within Richmond town centre which is currently characterised by a chronic over supply of office floorspace, particularly Grade A space which tends to drive occupier demand. This is described in more detail in the following section, and within the accompanying Marketing Report prepared by local agents Stirling Shaw.

3.25 Whilst this space remains available and unoccupied, it is likely to have a stymieing effect on other new office development from coming forward (for instance across the proposed mixed use allocations) amidst viability concerns amongst investors and developers. It also adds to the immediate pipeline of office supply, and prompted the 2023 ELPNA Study to conclude that in the short-term, the efficient operation of the office market in the Borough would not be affected if some of its vacant office floorspace was lost.

## Summary

3.26 The key points of the above analysis are summarised as follows:

- 1 The Publication Draft Local Plan has taken forward a legacy designation in relation to Independence House based on an assessment undertaken eight years ago. Since then, the market has undergone significant structural change and the building has been vacant for the last 3 years despite an active marketing strategy that has sought to re-occupy the building. It's proposed designation as a Key Business Area does not reflect up-to-date market signals evidence and is therefore not justified.
- 2 The Borough's pipeline of office space supply is more than sufficient in quantitative terms to accommodate future office needs identified by the Council's latest ELPNA (published in April 2023). The Council's proposed mixed use allocations appear to offer

good prospects to bring forward the type of office product particularly sought after by local businesses, i.e. high quality, small scale office provision/units.

- 3 Most immediately, the Borough is currently characterised by a significant over supply of office space, with Richmond town centre in particular accommodating high levels of office vacancy. Whilst some of this available space will be able to meet short term needs, the Council's own evidence concludes that the efficient operation of the office market in the Borough would not be affected if some of its vacant office floorspace was lost over the short term. In fact, the current levels of over-supply are likely to stymie the delivery of new office space more aligned to current and future market requirements.

3.27 Taken together, the continued designation of Independence House as a Key Business Area in the Publication Draft Local Plan is not supported or justified by the Council's evidence base nor the latest market signals presented in this report (and the accompanying Marketing Report). The loss of office floorspace at Independence House would have no material effect upon the overall demand/supply balance for office space across the Borough over the new Local Plan period, nor on the performance of the current office market in Richmond (as explored further in the following section).

## 4.0 Role and contribution of Independence House

4.1 This section considers the current role that Independence House plays within the local office market in Richmond and its potential future contribution. It largely draws upon market intelligence and signals data provided by Stirling Shaw as the commercial property agent for Independence House, and as presented in more detail within their accompanying Marketing Report.

4.2 **The office market in Richmond is clustered within the town centre, with demand strongest for prime accommodation close to key amenities including the train station. The shift to more flexible working post-Covid has noticeably dampened occupier demand.**

- a At a national level, the UK office market is still recovering from the effects of the Covid-19 pandemic, with the national outlook remaining less positive in Q4 2022, according to the RICS Commercial Property Market Survey. A significant fall in occupier demand was cited across offices (net balance -29%), while the availability of leasable space continued to increase across the sector.
- b At a local level, market activity and demand had largely been restored by 2021, with companies actively seeking high quality offices in South West London and Richmond town centre in particular. The prime office market in Richmond town centre orientates around the George Street - Eton Street - Red Lion St one-way system, extending down The Quadrant towards the train station. Demand is focused on offices located directly in the town centre that are close to the train station and local amenities such as The Green and Richmond Riverside.
- c The introduction of the E use class has had a positive impact with office premises now attracting occupational demand from a wider range of use classes than had been the case before. However, in terms of more traditional office occupiers, the post-Covid shift towards more flexible working and home working in particular has dampened demand in outer London commuter towns such as Richmond, with occupier trends defying initial expectations of an increase in demand as companies reconciled their desk requirements and decentralised from London to save costs. Having rationalised their desk requirements, existing companies in Richmond such as TRO and Notonthehighstreet.com have instead elected to move out of Richmond and into central London in an attempt to retain / attract high quality staff.

4.3 **Grade A office take-up has been declining over recent years and secondary, edge of town locations continue to remain empty as selective tenants target “best in class” offices in the ‘core’ town centre.**

- a Take-up of prime, Grade A office space in Richmond town centre has been reducing over the last few years, from a total of just over 29,000 sqft in 2020 to just 16,000 sqft in 2022. This equates to an average of 22,232 sqft per year (over the last 3 years).

- b A particularly noticeable trend has been a ‘flight to quality’ as tenants seek to acquire high quality offices in the right location in an attempt to attract high calibre staff back to the office environment. For instance in 2022, town centre offices with full amenities, such as Frameworks House, absorbed the majority of tenant demand and only when it was fully let did tenants seek ‘next best’ offices in the town centre such as Evergreen Studio and Greyfriars. Transactional evidence suggests that until the best Grade A offices in the core town centre are fully let, other comparable Grade A Offices in secondary, edge of town locations will remain vacant.

4.4 **After 35 years, the owner occupiers of Independence House relocated to higher quality office premises in Richmond town centre in 2020 leaving behind outdated, functionally redundant office space in an ‘out of town’ location.**

- a Independence House was constructed in the mid 1980’s and was owned and occupied by William Grant & Sons (WGS) as their London HQ. By 2019 the building was extremely dated and beyond economic repair and as such required a full ‘back to internal frame’ refurbishment. In February 2020 WGS moved into new premises closer to the town centre - The Old Court House, Parkshot - and Independence House has been vacant ever since.
- b Independence House is the last office building along the A316 from Richmond town centre and occupies an ‘out of town’ location.

4.5 **Despite successfully achieving planning consent to refurbish Independence House to Grade A standard, the scheme is not financially viable to implement in the current market.**

- a Since the building became vacant in 2019, every effort has been made to maximise its commercial/employment generating opportunities, including obtaining planning consent to expand and fully refurbish the whole building in order to appeal to current market demand and requirements.
- b At the time of writing, due to severely escalating build costs and ‘open ended’ marketing/vacancy periods, it remains financially unviable to speculatively implement the consented office scheme.

4.6 **There is a chronic over supply of Grade A offices in Richmond town centre, equivalent to nearly 12 years’ average take-up. Independence House cannot compete with other available accommodation due to its inferior location.**

- a Richmond town centre’s office market is currently characterised by a chronic over supply of Grade A office space; availability is currently estimated at around 263,000 sqft of floorspace that is either currently available to let or could be delivered to the market in the next 12 months. Based on average take-up over the last three years, it could take nearly 12 years for the current quantum of supply to be absorbed.
- b Independence House (in its consented scheme form) represents around 6% of this pipeline supply and the only Grade A office building available to let located outside of the Core Richmond Office Market. Given the preference noted above for a core

town centre location, Independence House has, and will continue to, struggle to compete with the rest of this supply, all of which offers a more attractive proposition to office occupiers.

- c With regard to office market geography, it is important to note that Richmond town centre does not operate within the same occupier market as other parts of the Borough; whilst occupiers looking to acquire offices in Richmond town centre frequently include other towns with similar characteristics in adjacent Boroughs in their search (such as Chiswick, Hammersmith and Wimbledon), rarely do 'Richmond' requirements also consider secondary towns in the Borough such as Twickenham, Kingston or Hampton as alternative locations to Richmond. This means that over-supply and vacancy in Richmond town centre is rarely absorbed by excess demand for offices elsewhere in the wider Borough.

4.7 **Alternative E Class uses for Independence House have been explored but ultimately deemed to be unsuitable.**

- a The introduction of E Class use in September 2020 provided the opportunity to explore alternative occupiers for Independence House, beyond traditional office occupiers. During the period of marketing, some interest has been generated from a range of alternative E Class uses including nursery providers, but due to a lack of sufficient external space the building is not suitable.
- b There has also been interest from serviced/co-working office providers, but feedback is that their preference is for central Richmond and the management agreements offered are incompatible with WGS's development model and Management Board.

4.8 **Evidence from an extensive period of marketing indicates no realistic prospect of Independence House becoming re-occupied in the foreseeable future.**

- a Independence House has been subject to an extensive marketing campaign since August 2020. This attracted a good level of interest; during the period of marketing a total of 15 direct enquiries were received from a variety of operators including standard/traditional office occupiers, serviced office operators and nursery providers. Only two were followed through with actual viewings but no offers were received to rent any of the available space.
- b Whilst the building has the potential to be let to an E Class occupier, evidence from this extensive period of marketing, alongside the market signals and trends described above, indicates no realistic prospect of Independence House becoming re-occupied in the foreseeable future.

## Summary

4.9 Independence House makes no contribution to the Richmond local economy or office market and has not done for a number of years since owner occupiers WGS vacated the building in 2019.

4.10 Its location on Lower Mortlake Road – an 'out of town' location in office market terms – is no longer attractive to office occupiers seeking accommodation in Richmond town centre. The building requires extensive refurbishment to bring it up to the minimum standard

required by occupiers, although in the current market this remains financially unviable to proceed with.

- 4.11 The local office market has undergone significant change over recent years, with the post-Covid shift towards more flexible working having a noticeable impact on subduing demand for office space in outer London commuter locations including Richmond.
- 4.12 Take-up of Grade A office space has been declining in Richmond town centre over recent years, and more secondary, edge of town/out-of-town premises continue to remain empty as selective tenants target “best in class” offices in the ‘core’ town centre which benefits from crucial amenities including the train station.
- 4.13 This has resulted in a chronic over supply of Grade A offices in Richmond town centre, which could take nearly 12 years to absorb based on recent average take-up rates. This significant quantum of supply – all of which is located within Richmond’s ‘core’ town centre - offers clear competitive advantages over Independence House.
- 4.14 Independence House has been subject to an extensive marketing campaign for nearly three years which has failed to attract an occupier. Market signals evidence indicates no realistic prospect of Independence House becoming re-occupied in the foreseeable future.

## 5.0 Conclusions

- 5.1 This report reviews the Council’s employment evidence and considers this in the context of up-to-date market and other evidence to accompany representations made to the London Borough of Richmond upon Thames Publication Draft Local Plan (Regulation 19) consultation, which seek the exclusion of Independence House at 84 Lower Mortlake Road, Richmond from a proposed ‘Key Business Area’.
- 5.2 The concluding remarks of the assessment are summarised below:
- 1 The Council’s latest employment evidence, published in April 2023 as part of the ELPNA Update, identifies a requirement for 22,860 sq.m of office space over the study period to 2041, which is **significantly lower in scale than that identified by the earlier 2021 ELPNA study.**
  - 2 This updated evidence acknowledges the **high vacancy rates** that currently characterise the Borough’s office market, and **recommends a notable change in approach through planning policy to respond to this**, concluding that **the short-term efficient operation of the office market in the Borough would not be affected if some of the Borough’s existing vacant floorspace was lost.** Indeed, the evidence implies some loss of office space being required to help the office market reach equilibrium, and so be able to function more effectively.
  - 3 Despite this definitive conclusion, the Council’s proposed approach through the emerging Local Plan is to maintain its strict ‘no net loss of office floorspace’ policy which features in the adopted Local Plan but has proved to be wholly ineffective over recent years, with the overall stock of office space gradually declining. **This approach is no longer justified by the Council’s own latest employment evidence and therefore cannot be considered sound.**
  - 4 **A more flexible and pragmatic approach is now required through proposed Policy 23** in order to respond to the significant supply of functionally redundant office space that exists across the Borough’s office market and to more effectively encourage provision of high quality accommodation that better meets the needs of local businesses. An overly-protective approach towards retaining existing surplus office accommodation – such as Independence House – risks stymieing the ability of the market to deliver future office space of the type and location that is more aligned to modern business needs over the next Local Plan period. This runs counter to the provisions of National Planning Policy Framework (NPPF) paragraph 82 which requires policies to *“allow for new and flexible working practices”*.
  - 5 Through its proposals for Independence House as a Key Business Area, the Publication Draft Local Plan has taken forward a legacy designation that was based on an assessment last undertaken eight years ago. Since then, the market has undergone significant structural change and the building has been vacant for the last three years. **The continued designation of Independence House as a Key Business Area in the Publication Draft Local Plan is not supported or justified by the Council’s evidence base nor the latest market signals presented in this report.**



- 6 The Borough's pipeline of office space supply is more than sufficient in quantitative terms to accommodate future office needs identified by the Council's latest (2023) ELPNA. The Council's proposed mixed use allocations appear to offer good prospects to bring forward the type of office product particularly sought after by local businesses, i.e. high quality, small scale office provision/units. **The loss of office floorspace at Independence House would therefore have no material effect upon the overall demand/supply balance for office space across the Borough over the new Local Plan period, nor on the performance of the current office market in Richmond.**
- 7 Moreover, **Independence House makes no contribution to the Richmond local economy or office market** and has not done for a number of years since owner occupiers WGS vacated the building in 2019. The building's location on Lower Mortlake Road – an 'out of town' location in office market terms – **is no longer attractive to office occupiers** seeking accommodation in Richmond town centre. The building requires extensive refurbishment to bring it up to the minimum standard required by occupiers, although in the current market this remains financially unviable to proceed with.
- 8 Declining take-up of Grade A office space in Richmond town centre over recent years has resulted in a chronic over supply, which could take nearly 12 years to absorb based on recent take-up rates. This significant quantum of immediately available supply – all of which is located within Richmond's 'core' town centre – offers clear competitive advantages over Independence House. **Market signals evidence, including an extensive marketing campaign for nearly three years, indicates no realistic prospect of Independence House becoming re-occupied in the foreseeable future.**



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