Latent Workspace in Hackney Wick and Fish Island

The potential for activation in new mixed-use schemes

Summary report and findings

March 2023

This report was produced by Hackney Wick & Fish Island CDT in partnership with the London Legacy Development Corporation (LLDC)

Executive Summary

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Hackney Wick and Fish Island Community Development Trust (HWFI CDT) has undertaken a snapshot study into understanding the potential positives as well as the barriers to activating newly developed commercial space in the Hackney Wick and Fish Island (HWFI) area of East London.

There is a compelling case for activating new developed commercial space:

1. LLLDC planning policy[1] stresses the importance of protecting affordable workspace and activating ground floor commercial spaces
2. The HWFI area is designated a Creative Enterprise Zone (CEZ) to protect affordable workspace for creative practice.
3. Demand for space to support the creative industries and small and medium sized enterprises (SMEs) in the area is high. According to the Bagel Factory Appeal Statement drafted by the LLDC Development and Business Engagement Manager in September 2021, "a significant majority (87%) of businesses in the LLDC area are micro-businesses, employing 0-4 people" and, "due to the creative identity of the area, demand for small studio style space is high."[2]
4. Evidence from the Creative Land Trust in a report[3] conducted in 2022, highlighted "residential values in creative clusters outperformed the London average by 4.4% per annum over 10 years." This statistic suggests there is a win-win outcome if the civic, public, and private sectors all work together to activate ground floor workspaces.

However, from the insight we have gathered in this report, delivering on the policy requirements to meet demand has proved challenging for some developers. Anecdotal reports from local residents and businesses present a clear picture of a significant amount of underused ground floor space in new build schemes in the HWFI area. Creative and community groups complain about the number of spaces that 'look' unoccupied. It should be noted that it was not within the scope of this study to identify the quantum of underused space or evaluate spaces that are unoccupied, but to understand the barriers and opportunities of activating ground floor space.

1 Planning Obligations Supplementary Planning Document, LLDC (2022)
2 Bagel Factory Appeal Statement, LLDC (2021)
3 Creative Place Create Value, Creative Land Trust et al. (2021) The Impact of Creative Workspace on Local Residential Property

The primary focus of this study was to interview four developers who have been through the planning process and delivered commercial space in the HWFI area. Some of these spaces are occupied and others are unoccupied. The findings highlight that while there is a significant level of demand for space, there are several factors that result in developers' commercial spaces not being let.

These include:

- A relatively underdeveloped neighbourhood retail and amenity offer which makes it hard to attract businesses to the area.
- A reliance on high local rental values for ground floor commercial space, which are higher than local tenants appear to be able to afford.
- A reliance on using data from commercial agents to price and market space, which may not account for a hyper local need.
- Time limited nature of workspace planning consents.
- The size of workspace and retail units not aligning with market demand.
- Cost of fit out in new builds is too high for local operators and SMEs to bear, as new build spaces are often left as 'shell only'.
- Short-term lets are seen as expensive and risky for the developer.

The study has identified that there are three different types of developer working in the area and they each have slightly different motivations and interests in relation to activating their commercial space, these are: mixed use developers, social housing developers and commercial house builders.

The 3 key learnings identified by this study for spaces to be activated are:

1 – Use strategies aligned with local need & values

2 - Size of units being appropriate to local demand

3 – Cost of fit out being factored in

As the LLDC's responsibilities evolve and its planning powers return to the local boroughs at the end of 2024, consideration needs to be given to the approach and interventions the Boroughs might take to ensure commercial and affordable spaces are delivered in line with their policy requirements and objectives for a resilient local creative economy.

1. Background

In March 2022 the LLDC commissioned the HWFI CDT to undertake a snapshot study in to find opportunities and understand the barriers to activating newly developed commercial space in the HWFI area (see fig 1 below). The study area correlates to the CEZ boundary area.

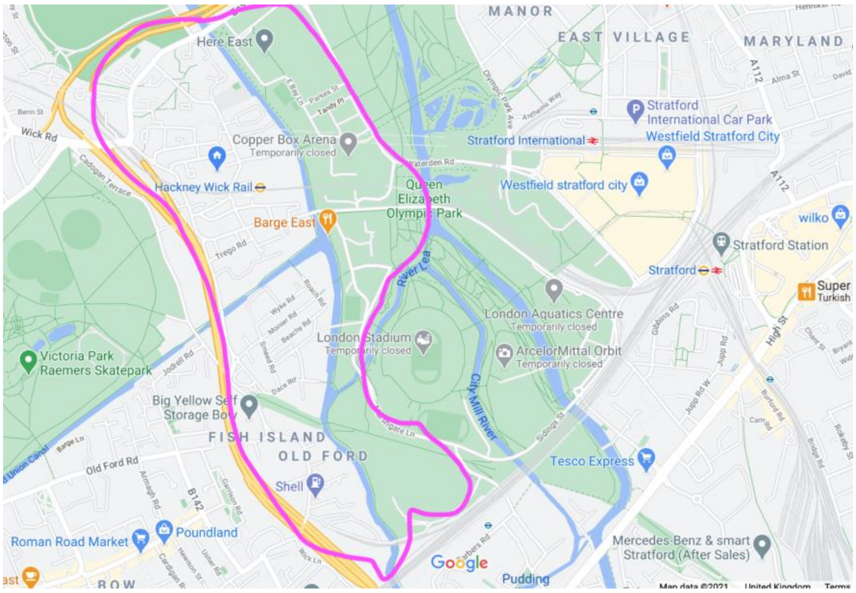

Figure 1 –Site Map- purple denotes study area, covering HWFI and EW and SW and including the entire Hackney Wick Neighbourhood Centre

2. Methodology

The research focused on interviews with four developers who have been through the planning process and delivered (or found it challenging to deliver) active commercial space.

The research is **not** a quantitative study. The HWFI CDT cannot provide details of the quantum of space that is underused/ used or the timeframes for achieving active space.

In researching the subject, HWFI CDT worked with Arbeit Studios, a local operator, who recently developed an affordable fit out solution as part of the NESTA Greater London Authority (GLA) funded workspace challenge in 2021.

Interviews were held with the following groups:

- Tapestry Architects, Paul Reynolds, (Local urban landscape architect firm, Board member of the HWFI CDT and finalist on the NESTA Workspace Challenge)
- Arbeit Studios, Nimrod Vardi and Hajni Semsei, a local workspace operator
- Spacecraft.works, Elena Kosseva (winner of the NESTA workspace Challenge, that provides an affordable fitout solution for creative workspace)
- Mixed-use developers
- Commercial house builders
- Social housing developers

The appendix includes the questions asked. Not all questions were relevant to all developers, but they served as a starting point for a discussion.

In addition, we also took feedback from several other developers who are working in the HWFI area. Those developers have shared their experience of the challenges and the opportunities, which have been incorporated into the findings. They wish to remain anonymous.

3. Local commercial context and demand for space

According to the Creative Enterprise Zone (CEZ) Research Study: Baseline Report, 2018[4], circa 400 businesses and over 700 professionals are currently based in HWFI, with many operating in creative sectors including music, performing and visual arts, film, TV, radio, photography, design, advertising, marketing, and publishing. Due to the creative identity of the area, demand from creative industries for workspace in the HWFI area is strong. Workspace providers in and around the area – of which there are circa 10 – report high occupancy levels and waiting lists for affordable maker spaces.

[4] Creative Enterprise Zone Research Study, PRD (2018)

A significant majority of businesses in the LLDC area are micro-businesses, employing 1-4 people. Most demand is for small (20-30 sqm or 200-300 sqft) studio style spaces. These micro-businesses need flexibility in their leases as the size of their operations can change quickly and they typically seek to minimise the risks associated with rental costs.

According to the CEZ report, produced by the LLDC's Development and Business Enterprise Manager in December 2021:

> "There is a strong demand for workspace in HWFI:
> Affordable workspace and serviced flexible workspace have very high occupancy levels: between 95% and 100% between 2019 and 2021, regardless of the Covid-19 pandemic."[5]

This is backed up by statements from workspace providers:

> "There is a constant high demand for studios in East London and specifically in Hackney Wick area, where we receive over 20 enquiry emails per week." Arbeit's Director, Nimrod Vardi, 2022

The local economy is growing across other areas too. The Olympic Legacy buildings of the former Broadcast and Press Centres at Here East have been repurposed to house a campus for innovation, with 3,800 people working on-site across sectors including technology, education, and the arts.

There is also a well-established food and beverage (F&B) sector, which typically operates both day and night. Businesses range from pop-up stalls and vans to Michelin-starred restaurants. There are businesses in food manufacturing and processing, and several kitchens, such as Gorillas and Just Eat, that serve the home delivery market.

In addition, the HWFI CDT's High Street engagement in 2019 for the GLA High Street for All[6] funding bid highlighted a demand for businesses supporting the circular economy (wasting less and reusing more). At the time of writing in March 2023, 40+ of these types of businesses are seeking space in the area. The typologies and requirements of these spaces include light industrial manufacturing and production space, as well as conventional office and studio space.

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[5] Workspace delivery in the CEZ, Business and Enterprise Manager LLDC (2021)
[6] Hackney Wick and Fish Island Community Development Trust, Community Research (2021)

The evidence therefore suggests that the demand from SMEs for space in HWFI is strong, particularly for creative businesses.

There is also evidence that the financial benefit of providing space for creative practice (such as for artists or maker spaces) can be beneficial for developers. As noted above a recent study by the Creative Land Trust in 2021[7] highlighted residential values are 4.4% higher than non-creative cluster areas. This statistic suggests there is a win-win outcome if the civic, public and private sectors all work together on this.

However, despite demand for space being relatively high and the benefits evidenced, the interviews highlight that the workspaces and commercial spaces in several schemes built in the area in the last four-five years are unoccupied (or part unoccupied).

4. Types of developer

From our interviews, we have identified three types of developer that provide commercial space and are operating in the area. They have different motivations and interests in relation to activating their commercial spaces.

Below is a description of the types of developer operating in the area:

- **Mixed-use developers**, who see commercial floorspace as part of their business model. They have a long-term interest in their developments (retained freehold and/or often with a high percentage of build-to-rent units) and are therefore motivated to activate their commercial spaces. Their business models assume a commercial return for workspaces. This means they will often hold out for a full market rent even if that means their commercial spaces are empty for long-periods. They often won't spend money on speculative fit-out, which means that it is very hard to have 'pop-up' uses / occupiers on short term lets. They may also wait for occupiers with strong covenants, preferring 'high street names' to smaller local independents.

- **Social housing developers**, who are invested for the long-term and have an interest in ensuring their commercial portfolio works for the broader outcomes

[7] Creative Place Create Value, Creative Land Trust et al. (2021) The Impact of Creative Workspace on Local Residential Property

around placemaking and social values. However, for many large-scale housing associations, the commercial offer is not a top priority, and they may lack capacity to operate it or find suitable operators or tenants. They may be more open to fitting out space speculatively or having temporary 'pop-up' uses as they understand the wider social value these bring.

- **Commercial house builders**, who don't have the capacity or resources to manage the commercial offer. Their principal motivation is generally to build housing, sell it and move on. They will typically offload the freehold into a management company and do not want to be burdened with ongoing management of non-residential space. In many cases they will seek to sell the commercial spaces on completion, with or without occupiers. It is understood that in some cases, commercial space is assigned a nil value on balance sheets. This is largely because they typically view the value as being generated by residential sales and don't believe the workspace market can deliver commercial values.

5. Insight from developers

From engagement with developers, we have found that there are several factors that negatively impact their ability to activate the ground floor. Such factors include: a lack of local amenities, making it hard to attract businesses to the area; a need to achieve high rental values; a reluctance to try new approaches; the cost of fit out; the size of units being too big or too small for the local demand; and a reliance on high rental values to make developers' overall business plans viable.

5.1 An underdeveloped neighbourhood retail and amenity offer makes it hard to attract businesses to the area

- Consistent feedback from developers working in the area (as well as local residents) is that there is a lack of basic local amenities such as dry cleaners, post office, off licence, grocer, butchers, children's nurseries, or GP surgery. This was cited as an example by one developer working in Hackney Wick. The lack of amenity impacts the ability to attract businesses who are less familiar with Hackney Wick.

5.2 Reliance on higher local rental values than local tenants are able to afford

- There is a mixed view from developers about the rental value of the commercial and affordable space in their developments.
- The policy context here is important to note. The Local Plan does not expect all commercial floorspace to be delivered as affordable floorspace. The Local Plan policy requires a reprovision of low cost and affordable workspace. Any additional/surplus affordable space is regarded as a strong planning benefit to meet demand, but it is not an expected policy requirement.
- Therefore, the onus is on developers to understand the market and what is achievable in their spaces.
- Some developers believe they can achieve values of circa £35 – 45 /sqft (£280 – 420 /sqm) for their commercial space based on CoStar data and have developed their viability models based on these values. In these cases, developers will wait for the right occupier who is prepared to pay a high rental value. They will leave space empty until such an occupier is found.
- However, some of the financial values and assumptions regarding commercial returns for space have been impacted by Covid and other changes in retail trends i.e. growth in online shopping. Therefore, the rental values of commercial space in the area may not be as high as initially estimated.
- Most developers interviewed in this study, and those involved with the HWFI CDT through other projects, have indicated they will continue to rely on rental values based on sources such as CoStar, rather than taking a locally led needs-based approach. The limitation of relying on data from CoStar is that the data does not include the unoccupied new build commercial ground floor spaces. CoStar data therefore overvalues the rental achieved and underestimates the void levels in the area.
- In addition, rental values are based on retail and office rents, when in fact the demand for space is from the creative workspace sector, small and start-up occupiers (who are often innovating and taking risks) and food and beverage providers who typically have lower budgets and need long leases (beyond 5 years). They are classified as light industrial and the rental value for light industrial is less than office and retail.
- Finally, for some housebuilders, the value of the commercial space is fundamental to the overall financial model of the business. The value of the commercial space is a line on the balance sheet of the project. Developers leverage the balance sheet value (even if the space is vacant) to borrow from

lenders, which enables them to build more properties. If the commercial space is let at a discounted rent, the space is revalued. The developer will only be able to borrow at the discounted value, which impacts their overall business model and ability to deliver more housing elsewhere.

5.3 A reliance on using data from commercial agents to price and market space, which may not account for a hyper local need

Local developer wishing to remain anonymous: (in reference to LLDC's Planning Policy and Decisions Team (PPDT)

"Unless we are mandated by LLDC to include affordable workspace with a named partner, we won't include it in our proposal for site development"[8]

- Developers that are primarily housebuilders tend to rely on commercial letting agents to let space. In this study we found that there wasn't an appetite to engage in an alternative approach.
- For example, in the Summer 2022 HWFI CDT proposed an approach to a developer to work with Arbeit to take on a vacant commercial space. The proposal required the developer to cover the cost of fit out, including putting in windows and floor build up and provide a reduced rent (£5 /sqft or £46 /sqm) in return for fully occupied and activated space delivering social impact and opportunities for local business/ enterprise. Unfortunately, the proposal was not taken forward by the developers on commercial grounds. As an alternative, we were offered a loan option (interest rate of circa 5%) to deliver the fit out. Taking out a loan to deliver the project made activating the site for affordable workspace unviable.
- In the Autumn 2022, HWFI CDT made a proposal to another developer to activate over 6000 sqft (557 sqm) of ground floor commercial space. We worked with Arbeit to propose a model of fit out and operation on a profit share arrangement. The proposal was based on the developer letting us the space at £8/sqft or £75/sqm and us paying for fit out (making use of the London Borough of Tower Hamlets workspace investment fund of circa £300,000). We requested a 15–20-year lease. The proposal was rejected on

[8] Developer in Hackney Wick wishing to remain anonymous (2022)

commercial grounds – they have apparently had interest in the space at circa £20/sqft or £185/sqm.

- At the time of writing (March 2023) both of these spaces remain unoccupied.

5.4 Time limited affordable workspace consent

- With some (older) planning consents, the stipulation for workspaces to be let at 'affordable' rates often lasts for a relatively short period (up to 5 years), which means developers may leave space empty in the expectation that they can make commercial value back once the consent lapses.
- We didn't find evidence of this in the study, but have been alerted to the practice by operators in the area. We suggest further investigative work is done to understand the scale of this issue.

5.5 Size of units is out of kilter with the market demand

- One developer identified that in their view the market demand for individual occupiers is between 100-200 sqft (9.2 – 14.5sqm) or larger studios of 200-300 sqft (18.5 – 27.8 sqm) for larger practices / sharers.
- This finding is supported by engagement undertaken with a group of developers working locally by Tapestry and Arbeit through the NESTA challenge.
- In contrast, operators (also referred to as workspace provider) need larger spaces to carve up spaces into smaller units to make the business model work. According to Arbeit, around 3000 sqft (278 sqm) is the smallest size an operator will work with. However, 1000 – 2000 sqft (92 – 185 sqm) is currently on the market. The sizes are currently betwixt and between the operator and SME market need.
- However, some space sizes receiving planning permission fall outside of these parameters Many spaces built recently are too large for individual occupiers, but too small for the workspace provider (who will take a large space and sub-divide and sub-let), which excludes many SMEs.
- Therefore, the size of units should either be small enough for SME studio / office spaces or large enough for an operator to be able to carve up into smaller units or have flexible open plan space. This means that where the developer is managing and letting the space, internal layout should consist of smaller units

to be let directly to SME studios and, if the space will be managed by the workspace provider, then a minimum of 3000 sq/f (278sqm) is required.

5.6 Lack of understanding of the specificity of local business market needs

- Most developers interviewed have portfolios of property across London, Southeast and the UK and their approach to designing commercial space is to create generic spaces. Therefore, spaces coming to market in HWFI may not deliver the specificity and price point to meet the requirements of the local market.
- For example, in 2021 a developer submitted a planning application to change the use class and convert a ground floor commercial space in a local scheme to residential, for a space that had not been let for a period of years. The planners strongly defended the designation and found that the developer needed to[9]:

    - Further engage with the London Boroughs of Hackney & Tower Hamlets and LLDC to refine the workspace marketing strategy;
    - Bring in specialist workspace advice;
    - Increase engagement with the local market to adapt the offer/ workspace;
    - Work collaboratively with and get involved with the Mayor's Resilience Fund project – an innovation project funded by the Greater London Authority and Nesta to develop innovative solutions to improve the occupancy and affordability of workspace in mixed-use development;
    - Consider a different workspace management approach to make the space more attractive to the market; and
    - Explore alternative commercial approaches/ financial models to meet the local market price point, whilst return targets are met.

- LLDC has information on the space requirement needs of the creative and workspace sectors (see appendix B for typology requirement table developed by the Borough's Development and Business Enterprise Manager in December 2021), which could be provided as part of a wraparound support offer to

[9] Appeal Statement, LLDC (Sept 2021)

developers to ensure they design workspace with the requirements of the area in mind.

- There are some examples of new approaches, which are detailed in appendix D. The schemes listed in the appendix D are at various stages of delivery but do serve as examples of how affordable and commercial space can be delivered in HWFI in new mixed-use schemes.

5.7 Cost of fit out in new builds is too high for local operators and SMEs

- In some cases, developers leave new build spaces un-habitable (ie no glazing systems or floor build up). There are many reasons for this – to avoid potential business rates liabilities if they take a long time to let; and to limit build costs.
- However, the challenges of activating workspaces that are un-habitable within new build schemes means that some new builds will be prohibitively expensive to fit out. In contrast, warehouse spaces /existing spaces may simply need light touch refurb or even just partitions to be operational, making them much more affordable for workspace providers to develop a business model.
- Some developers don't want to fit out spaces because they don't know the type of occupier they might have, and don't want to bear the cost of fit-out.
- Unfortunately, unless the developer commits to funding fit out as part of a lease agreement, spaces left as 'shell only' will be a barrier to short-term or low-rent users.
- Arbeit and Tapestry advocate for developers to commit to Cat A plus costs for fit out when operator/ business is in a lease agreement.

5.8 Short-term lets are expensive and risky

- Most developers are looking for 3-4 years minimum term let.
- Some developers are reluctant to accommodate meanwhile or short-term lets because void times with re-letting often have 6 months turn around between lets.
- Some developers have finance requirements (ie bank loans on the development) that require them to only let to established businesses with strong covenants, often with the bank having final say on who they can let to.

- However, all of this means that the costs of letting are prohibitive to both the developer and user, and therefore space cannot be accessed by ‘pop-up’ or short-term users.

6. Opportunities for future schemes

The developer plays a crucial role in activating spaces, enabling the local economy to thrive and managing the place it inhabits. However, while we asked developers to help us come up with solutions to the issue of activating their ground floor/ commercial units, most couldn't offer tangible suggestions.

We offered suggestions and alternatives to developers to the model/ methods they traditionally use. When we did suggest alternatives, some were interested to learn more and consider alternatives, within the commercial and planning constraints. Others were candid in highlighting that unless mandated, they would not be interested in alternative models that do not meet commercial objectives or are costly.

6.1 Key learnings

From this research we have identified 3 key 'learnings' which are crucial for developers to deliver active commercial and ground floor use:

- **1 – Use strategy aligning with local need & values:** producing and delivering a workspace and commercial use strategy at the start of the design process that aligns with local demand with realistic local rental values.
- **2 – Size of units being appropriate to market demand**: ensuring the size of units matches local need: for HWFI either small enough for SME studio / office spaces or large enough for an operator to divide into smaller units.
- **3 - Cost of fit out being out factored in**: fit out levels are aligned with the use strategy and costs are minimised for the occupants, such as being more equitably shared or integrated into lease agreements.

Fundamental to all 3 key learnings is an understanding of the local economy, which is most likely to come from working with local providers and organisations that understand the local need.

Some developers may embrace these key learnings and some are already delivering on them. Others will need support and guidance through the development journey. LLDC's planning powers will be returning to the host boroughs on 31 December 2024, which presents an opportunity to review how policy might be developed to support the activation of ground floor / commercial uses in the future and maintain a proactive approach to working with developers.

7. Conclusion

This study has identified a range of root causes which often result in spaces remaining unlet. More positively though, we have also found that ensuring spaces are occupied early and sustainably is dependent on 3 key learnings: workspace and commercial use strategies aligning with local need & values, including letting the space at the right price (under £25/sqft or £230/sqm); the size of unit is appropriate to market demand; and that the cost of fit out is factored in. Fundamental to all 3 is an understanding of the local economy, which is most likely to come from working with providers and organisations that understand the local economy & need.

This approach, unfortunately, is not yet widespread. Most developers continue to prioritise the traditional ways of delivering commercial workspace strategies (using a commercial agent); relying on values based on comparable markets/ demand, rather than taking a needs-based approach. For many developers the ground floor workspace is a secondary consideration behind occupation of residential units and they may hold on to space or even leave it empty, prioritising residential move ins.

A key challenge in the HWFI area is that the workspace market and demand from SMEs is far from the traditional delivery and lettings model, yet some developers still rely on the traditional lettings and rental values model to activate space.

Our role in this study has been to reveal the challenges faced by developers in the market. The solutions lie in developers taking a different approach, prioritising the end user, working with local infrastructure organisations and knowledge, which in turn will deliver sustainable returns.

The transition of planning powers to the host boroughs and updates to policy and processes (such as updates to LBTH's local plan) may present opportunities for policy makers to consider and integrate the findings in this report.

8. Appendix

Appendix A: About HWFI CDT & LLDC

A1. About HWFI CDT

HWFI CDT was established to secure space for creative workspace and the community for the long-term. It works with the authorities and developers to unlock underused spaces. It does this by developing a case for activation that supports place-making and footfall generation; meets the needs of the local economy and community; and balances commercial and social requirements.

As a non-profit community-led organisation, HWFI CDT is seeking to act as a social landlord for the area by working with developers and establishing S106s to ensure an element of community control, interest and benefit for the long-term. HWFI CDT has worked with local developers to produce workspace strategies based on local need and has a number of partnerships and Heads of Terms in place with to deliver its mission.

The organisation has the capacity and expertise to develop place based proposals to active space, develop and implement workspace strategies, deliver community strategies, set social lease structures, help to manage occupants and use of space, capture social value, be the point for the community and local business demand.

A2. About London Legacy Development Corporation (LLDC)

The London Legacy Development Corporation (LLDC) is responsible for delivering one of the most important Olympic legacy promises made in the original London 2012 Games bid. LLDC's task is to transform and integrate one of the most challenged areas in the UK into world-class, sustainable and thriving neighbourhoods.

The LLDC is a Mayoral Development Corporation and is therefore directly accountable to Londoners through the Mayor of London. We work closely with a number of organisations including the Mayor of London, the Greater London Authority, central government, the East London Host Boroughs, residents in neighbouring local communities, local organisations, businesses and regeneration agencies and national and international sporting, cultural and leisure organisations.

LLDC has a number of functions; it is a planning authority which has planning powers until the end of 2024 but also a regeneration agency and development company. LLDC as a regeneration agency has funded this report.

We hope to work collaboratively with partners to deliver upon its recommendations.

Appendix B: Workspace requirements

In December 2021, the Development and Business Engagement Manager, conducted a workspace typology study and found two distinct workspace occupation models, each with different requirements:

	Affordable workspace	Serviced flexible workspace
Size	100-200 sqft (9.2 -18.5 sqm)	Majority between 200 and 400 sqft (18.5 – 37.1 sqm), but wider range of unit sizes
Type	Often artist studios (excluding music studios) and maker space	Co-working (hot desks), dedicated fixed desks, private offices, studio units (including creative)
Price c. to the end user	£20/sqft (£180/sqm), bills included	Wider range of prices (£15-£55 p/ sqft or £1.4 - £5.1 p/ sqm) Cross-subsidy between uses (e.g. digital businesses subsidising lower rents for community businesses). Inclusive rents (except business rates)
Contracts	Flexible contracts (1-month break clause)	Flexible contracts (1-month break clause)
Fit out	Equivalent Cat A, very basic quality of finish	Cat A Cat B for co-working and dedicated desk
Lease length	1-year lease on average	1-year lease on average Shorter terms for co-working, longer term for larger spaces

Appendix C: Questions for the developers

The below questions were used as a guide to facilitate a workshop style focus group style session, with the responses informing our findings.

Part I: About you

1. What category of housebuilder best describes you? (choose one)
    - Genuine mixed-use developers who see commercial floorspace as part of their model
    - Social housing – there for long-term but commercial not a core part of what they do

- Commercial house builders – don't have the capacity or resources to curate the commercial. Build housing and want to move on
- Hybrid commercial house builders –e.g. JV EWSW – equity investment so important to have the value on the balance sheet

2. How important is it that the spaces are filled in the next year? (choose one)

Part II: The challenges

3. Other than environmental actors, what is your assessment of why the spaces are unoccupied? E.g …
   a. Rents are unaffordable
   b. Space / shape not relevant for market
   c. Refurb and fit out too expensive
   d. Environmental factors /context

Part III: Finding solutions

4. Describe who your ideal user / occupier is to get the spaces filled? (choose as many as apply)
   a. Local business
   b. Creative practice
   c. Supporting local needs
   d. Retail
   e. Food and Beverage
   f. Tech
   g. Other
   h. Don't mind / flexible

5. What scope is there for a broker to help to bring a number of tenants together to fill larger spaces? If so, how would this need to operate to be successful?

6. Could models of discounted rents or an affordable loan scheme sit alongside a business plan that includes the tenant delivering social value (aligned to your scheme) be a possibility? How would this need to operate

to be successful? Nudge them … how would this need to operate to be successful?

7. What scope is there for workspace provider to manage the spaces and tenancies? How would this need to operate to be successful.

8. What small or medium scale opportunities exist where some of the approaches above could be tested?

Appendix D: Local area new approaches

While we are unable to provide details of the commercial deals in the cases below for reasons of commercial confidentiality, we can highlight examples of social enterprises and charities that have secured long-term space agreements in the area. Please note, that at the time of writing these sites were not fully operated/ activated.

HWFI CDT and developers

Over the last few years HWFI CDT has built relationships with several developers working locally. We have had discussions with two developers, who were not part of the original interviewed group, delivering mixed use schemes locally. They have taken a different approach to developing their workspace strategy and engaging with the local market. One has rated their affordable space at nil value and have contacted the HWFI CDT about managing the spaces for them to ensure local activation. The other engaged the HWFI CDT to produce a workspace strategy based on local need and what uses and design will work for the site, for both the commercial and affordable aspect of their scheme.

Creative Land Trust and Stone Studios

The Creative Land Trust has recently secured circa 30,000 sqft (2787 sqm) of space in Stone Studios to protect the creative industry use in the area in perpetuity. The make-up of creative practice will largely focus on studio space. The CLT model is to purchase a part of the freehold and act as landlord to a workspace operator providing workspace for the creative sector for under £19 /sqft (£180/sqm). The CLT has an endowment of circa £5million to purchase properties for the benefit of the creative community. It has the backing of the GLA, Bloomberg and the Arts Council who are supporting it to raise more money to purchase more spaces.

Bow Arts Trust and Notting Hill Genesis

In addition, Bow Arts Trust has secured workspace space in Notting Hill Genesis development as part of the three LLDC owned sites, which together will deliver circa 35,000 sqft (3494 sqm) across 3 plots of commercial, amenity and cultural space. Bow Arts Trust is a charity with a track record of delivering workspace for the creative sector. It negotiated a 150 year lease as part of the bid to LLDC for the development of the site with Notting Hill.

White Building

A prime example is the White Building, in Hackney Wick, which received GLA investment to deliver affordable workspace for a range of local businesses, create a publicly accessible cultural facility and provide public access to the canal side. The project was delivered by LLDC in 2012 and managed by Space Studios, an artist and creative workspace provider. The public Investment transformed a derelict printworks into a cultural hub; public funding was used to reconfigure the existing building and to pay the rent for a five year period to enable a programme of activity alongside providing low rents enabling SMEs businesses in the building to remain resilient.

Appendix E: HWFI CDT recommendations for the future

In studying the issues impacting developers in securing a ground floor offer that is sustainable, we have imagined some solutions. The solutions need to be reviewed, tested and challenged and refined to ensure they are deliverable, but they serve as a starting point for discussion with policy-makers and developers.

E1. Pre-development phase

According to the LLDC's Development and Enterprise Manager report of December 2021, the quantum of workspace in the area in the planning stages was circa 26,000 sqft (2415 sqm). Circa 8000 sqft (743 sqm) is designated as affordable workspace. These newly built workspaces present an opportunity to meet demand and support local business growth in the area.

Making the case

Developers need to be reminded of the overall value to the scheme (rental uplift, sentiment towards scheme etc) of activating spaces to their residential sales.

We advocate developers engage with HWFI CDT, the CEZ Manager and borough leads for Workspace at pre-app stage to understand the local needs, develop workspace strategies in line with the new SPD, understand the operator market and develop realistic business plans and appropriate design for space use. This could support developers with:

a) Analysis of how the workspace will be designed and marketed to meet the needs of small local companies and businesses, including as appropriate: studio space, small units, desk-space, co-working spaces, marketers, artists, start-ups, and freelance workers. This should take into consideration the suitability of space and its flexibility to meet the need of a variety of different end users.
b) How the affordable workspace will be allocated to local companies and businesses and thereafter managed by local workspace providers. In the event that an appointed Affordable Workspace Provider fails, details of how the affordable workspace will be retained and let by an approved or otherwise agreed provider.
c) The minimum fit-out and floor plans detailing size and layout to be delivered and how this responds to the needs of the identified local end users. Generally, planning obligations will be used to prevent units being left as 'shell only' unless robust market evidence shows that this is required by the end user.
d) Details of the proposed management scheme including the charging arrangements – a cost schedule including information to demonstrate that the rental rate set meets the policy requirement of being capped at no more than 75% of historic market rent for the previous year and how that cap will be maintained over time and other rental or lease terms (both head lease to the workspace provider and lease or rental terms for the end user). The management scheme should also identify the approach to providing shared or individual amenities within the workspace and any tenant service and support arrangements that might be put in place.

HWFI CDT, CEZ and borough leads can provide developers with match-making and pecha kucha opportunities; intelligence on affordable fit out solutions; evidence needed to demonstrate need; details of all workspace providers and business networks; produce workspace strategies; provide opportunities to meet potential occupiers; and provide details of the types of spaces available locally.

Review the learnings from other boroughs

In addition, we recommend that as part of the transition planning the host boroughs examine the impact of other London Boroughs' approaches to the challenge. Brent, Southwark and Islington, as well as Hackney and Tower Hamlets, all have shaped commercial, ground floor workspace policy and strategy with the aim of delivering effective use of space for the local economy and community agendas. The lessons learned by other boroughs might be useful to inform the next 10 years of development in HWFI as part of transition planning.

We understand that the current LLDC S106 policy is not for review. However, when planning powers are returned to the boroughs, the local planning authorities may wish to consider enforcing that S106's name a partner to ensure long-term affordable commercial space is available in the area.

The London Borough of Brent is adopting a similar strategy for all mix-use developments in the borough.

Local boroughs may also want to consider the benefit of specifying a percentage of affordable rents to the end user. There is precedent with this arrangement – for example the redevelopment of Queens Yard which commits 3928 sqft (365 sqm) of affordable @ £15 sqft (£140/sqm) indexed for 20 years. S106 affordable space needs to be in perpetuity to enable affordable business models to viable and lock in affordability for the long-term.

Design a fit out that works for the end user

To avoid the experiences of unlet 'shell only' units, we suggest that developers choose one of two routes:

(a) Invest in a Cat A 'lite' fit-out. This sits below a traditional Cat A but with some basic features that might be missing from 'shell only', like floor assembly glazing, toilets and sink. This enables tenants to arrange the space how they like and bring their own furniture, but basic lighting, ventilation, flooring etc which is very expensive for a small and medium sized enterprise will be provided as standard. This way of delivering space has been tried and tested in the industrial buildings or converted buildings in the area – low tech partitions provide defined spaces between tenants and are cheap and flexible enough to change as needs change and businesses grow.

(b) They set aside a fit-out contribution. Workspace providers often have the ability to create attractive, authentic fitouts which cater to the demands and aesthetics of their client-base, and at lower capital costs than standard construction. Duly, developers are often turning towards providing a fit-out contribution directly to the provider alongside shell-and-core/'shell only'. Contributions might be indexed linked. £25/sqft

(£230/sqm) to workspace providers compares favourably with £50+ p/sqft (£460 p/sqm) developer costs, whilst securing a more market-orientated fit out.

Continuing to ensure LLDCs developments require a thorough, locally informed and robust approach to commercial and affordable workspace

LLDC has the opportunity to lead by example and through its own developments by encouraging developers to consider community ownership models within schemes and by being active in supporting developers to understand the benefits and ways of delivering commercial space in the ways detailed in the report.

E2. Post development phase

Offer developers a 'match-making or brokering' service to support developers find the right partner(s)

Where the landlord has not been able to let space for over 12 months, we advocate offering them a 'match-making' or brokering service, whereby the developer works with the CEZ and HWFI CDT (and the wider consortium of organisations that understand the local area and occupying property) to review underoccupied spaces and come up with a plan for activation. This may include assessments on refurbishments options, fit outs, and revised business cases.

Where spaces are struggling to be let because the size is too big and therefore unaffordable, the brokering service might suggest ways to sub-divide and find operators or consortiums willing to take larger spaces and sub-let.

Provide fit out capital funding in underoccupied space in return for long-term control

The local boroughs, GLA and LLDC might consider allocating funding for fit out in exchange for social impact outputs across the CEZ/ HWFI area. The London Borough of Tower Hamlets (LBTH) has a workspace fund it is testing to bring underused assets into use with capital investment. By investing in underused assets and bringing them into use, LBTH is not only ensuring activation of space, it is securing control of the space and the impact it has. Brent Borough Council is adopting a similar approach. It is facilitating workspace use of underused assets on the high street by using investing commuted sums from S106s into underused assets.

Provide bridge funding for meanwhile spaces

Some units will be vacant for a period while going through planning changes, funder approval and legals. This is an opportunity for the public sector to consider if there are there any funding streams support a meanwhile use. For some spaces bridge funding could be used to activate space on a temporary basis and may lead to permanent use.

Hold developers to account

Ensuring developers deliver S106 obligations is hard for planning authorities to track. It can only be realistically and effectively achieved if monitoring is regularly conducted. The role of Development and Business Engagement Manager was effective at tracking the delivery of affordable workspace and supporting developers to find partners and get space activated. We advocate that this role is replaced or resourced in another way, as soon as possible.

Work with developers who want to prioritise an active ground floor

In terms of getting as much space in the area activated quickly, the public sector and those seeking to activate space should identify the developers who are more likely to want to work with them to do this. Housing associations with a commitment to place-making and a long-term interest in the area; and build to rent / student accommodation developers who want an active ground floor to attract and retain residents are examples of obvious partners to test the ideas. The pre-application phase of a development might be a good place to understand developers' motivations. Planners have been signposting the ones willing to engage with the community and local economy to HWFI CDT and the CEZ to support their ambitions and this is proving effective.

Continue to make the case to developers that active ground floor supports their commercial objectives

The research conducted by the Creative Land Trust is helpful in setting out for developers the benefits of active ground floor use. As part of the transition period, the host boroughs may wish to consider if further evidence is needed to support a 'business case' that clearly articulates that a workspace and commercial use strategy that aligns with local demand with realistic local values is the most effective way of activating the commercial space and getting a financial return for the overall scheme.